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Document Type

Thesis

Degree Name

M.A.

Department

Josef Korbel School of International Studies

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Keywords

Foreign aid, Internal security, Internal stability, International development

Subject Categories

Central American Studies | International and Area Studies | International Relations | Latin American Studies | Political Science

Publication Statement

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The Impact of Foreign Aid on Internal Stability: A Case Study of Costa Rica and

Venezuela

A Thesis

Presented to

the Faculty of the Josef Korbel School of International Studies

University of Denver

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts

by

Sierra P. Tanner

March 2023

Advisor: Dr. Naazneen Barma

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Abstract

This thesis examines the relationship between foreign aid and the internal stability of recipient countries. Foreign aid programs have been an important tool through which countries can receive support in development efforts. Through extensive case study and process tracing analysis of twelve foreign aid projects in Venezuela and Costa Rica, this thesis examines the question: Does foreign aid impact the internal stability of the recipient state? Although Costa Rica and Venezuela have different levels of internal stability, patterns emerge associating different types of aid projects with outcomes in both countries. The research finds that the impact of foreign aid on the recipient nation's internal stability is highly conditional upon the country's context, aid mechanisms, and the type of aid.

Acknowledgements

I would like to thank Dr. Naazneen Barma for being an excellent thesis advisor who helped me to keep on the right track with my research. I would also like to thank Dr. Tricia Olsen and Dr. Karen Feste for participating in my thesis defense committee and helping me to complete this research. Finally, I extend my gratitude towards my friends and family for supporting me throughout the entire process

Acronyms

ARDE - the Alianza Revolucionaria Democrática

BCE - before the common era

CARSI - Central America Regional Security Initiative

CE - common era

CEPAL - Comisión Económica para América Latina y el Caribe

DARE - Drug Abuse Resistance and Education Program

FSLN - Frente Sandinista de Liberación Nacional

GDP - gross domestic product

IMF - International Monetary Fund

ISI - import substitution industrialization

ODA - official development assistance

OECD - Organization for Economic Cooperation and Development

OPEC - Organization of Petroleum Exporting Countries

PDVSA - the Petroleos de Venezuela, S.A.

PSA - Pago por Servicios Ambientales

SINAC - Sistema Nacional de Áreas de Conservación (Costa Rica)

UN - United Nations

UNDP - United Nations Development Programme

USAID - U.S. Agency for International Development

VEIP - Venezuela Electoral Integrity Program

\$ - United States Dollar

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Introduction

Foreign aid has been an integral part of foreign policy strategies around the world. The international community has displayed an interest in providing foreign development aid in a manner that would increase the internal stability of the recipient country. Foreign aid is used to both further the donor's goals and priorities as well as to focus on development in recipient countries. The internal issues of one country can easily have spillover effects in neighboring countries and countries around the world. Consequently, foreign institutions have sought aid programs as a tool to further domestic development efforts and stability.

However, the benefits of foreign development aid are highly debated in policy circles since foreign aid effectiveness is often questioned. Therefore, I have dedicated my thesis to research how when and how foreign development aid practices serve to increase the internal stability of the recipient state. To do so, this thesis analyzes 12 different foreign aid projects in two case study countries, Venezuela and Costa Rica. Through process tracing analysis, this thesis has determined that aid has similar impacts in both countries that are conditional upon the country context under which aid is implemented, the mechanisms of aid implementation, and the type of aid.

Literature Review

Existing research on foreign aid largely relates to the following topics: the effects of foreign aid on political stability, the effects of foreign aid on the legitimacy of the domestic government, and aid effectiveness in terms of developmental outcomes. The literature review explores the varying existing literature on foreign aid to chart the current understanding of the relationship between foreign aid and internal stability and finds, overall, that it is inconclusive about the ways in which aid affects the outcomes under study. Much of the literature review is a compilation of my past literature reviews for various courses, or directly taken from my past literature reviews.

Foreign Aid and Political Stability

Political stability is an essential foundation of a state's internal stability. As such, it is imperative to understand foreign aid's impact on the recipient state's political stability. Current literature does not come to a consensus on how foreign aid impacts political stability. Some research does not find a relationship between foreign aid and political stability, and other research disagrees on the manner in which foreign aid impacts political stability, negative or positive.

Overall, the literature finds that there are causal connections between foreign aid and political stability, but the connections are generally contingent on context. One strand of literature does not support that foreign aid impacts political stability. For instance, Jeffery Chao's thesis used a regression of World Bank indicators to determine that "foreign aid does not significantly affect political stability, and in the cases that it does the effect is quite small to the point of being inconsequential."¹

Moreover, Todd Moss, Gunilla Pettersson, and Nicolas van de Walle contradict the perspective that aid can be effectual at increasing political stability by building institutions. Rather, they argue that aid works "best in environments with high quality public institutions" that have the ability to implement programs and in "selective" countries that will most effectively use the aid for poverty reduction.²

On the other hand, another strand of the literature finds that foreign aid's impact on political stability is highly dependent on the nature of the aid itself. Beata Paragi identified a conditional link between foreign aid and political stability; foreign aid *can* contribute to political stability in the recipient country *if* the "internal legitimacy of the beneficiary is not challenged on the grounds of serving foreign interests."³ However, Paragi also found that foreign aid can provide support for weak regimes to survive for

¹ Jeffrey Chao, "How Does Foreign Aid Affect Political Stability?" (California, University of California: Berkley, 2015), https://www.econ.berkeley.edu/sites/default/files/Final%20Paper_ChaoJeffrey_v3_noSID.pdf.

² Todd J. Moss, Gunilla Pettersson, and Nicolas van de Walle, "An Aid-Institutions Paradox? A Review Essay on Aid Dependency and State Building in Sub-Saharan Africa," *SSRN Electronic Journal*, 2006, <https://doi.org/10.2139/ssrn.860826>.

³ Beata Paragi, "Divide et Impera? Foreign Aid Interventions in the Middle East and North Africa Region," *Journal of Intervention and Statebuilding* 10, no. 2 (April 2, 2016): 200–221, <https://doi.org/10.1080/17502977.2015.1112493>.

decades. Paragi's research indicates the importance of contextual research to fully understand how the implementation of foreign aid missions would impact political stability in each individual state.⁴

Yet another strand of literature posits that if foreign aid can lead to the political instability of a recipient state if the aid decreases governmental accountability. For example, Martin Steinwand explains that "stability-oriented aid reduces the risk of political destabilization ... only if recipient governments have little recourse to non-tax sources of revenue and the population is able to organize effective resistance against the government."⁵ Steinwand's argument is based upon the premise that governments are more accountable to their people when the government receives its funding from tax revenues and the people have the ability to protest against government policies. If the government suppresses domestic opposition and receives the majority of its funding from foreign sources, the government is accountable to the donors, not the people. Governments can "exploit donor preferences for stability through increased rent extraction" because donors could be coerced into maintaining political stability by supporting a regime, despite its inability to collect funds without foreign aid.⁶ Steinwand argues that this pattern of governmental foreign aid dependency can lead to a decrease of the country's political stability.

⁴ Paragi.

⁵ Martin C. Steinwand, "Foreign Aid and Political Stability," *Conflict Management & Peace Science* 32, no. 4 (September 2015): 395–424, <https://doi.org/10.1177/0738894214541227>.

⁶ Steinwand.

Similarly, Stephan Knack's research on the impact of foreign aid on the quality of governance found that foreign aid can contribute to a nation's political instability because aid shifts the accountability of recipient governments from the people paying taxes to the foreign aid provider.⁷ Knack also found that foreign aid programs can siphon the talented workers needed to run bureaucracy to help run the aid programs. In doing so, foreign aid can lead the domestic political government to be undermined and under-resourced. Knack argues that the pattern of the resource drain is especially evident "when donors implement projects that local governments would have undertaken anyway."⁸

Furthermore, some literature demonstrates that foreign aid can decrease the political stability of the recipient country. In their research, Todd Moss, Gunilla Pettersson, and Nicolas van de Walle found that a "large flow of aid over a sustained period can also undermine popular participation," and can "reinforce the patrimonial element within recipient governments" because the governments are more focused on the revenue gained from aid rather than on the needs of the people as taxpayers.⁹ Jessica Trisko Darden also argues that U.S.- funded foreign aid has more negative impacts than positive impacts on the political stability of recipient countries. Darden studied the Cold War era through case studies to explain the tendency of American aid to prop up dictatorships and increase political instability.¹⁰ Ha-Joon Chang also explores the failures

⁷ Stephen Knack, "Aid Dependence and the Quality of Governance : A Cross-Country Empirical Analysis" (Washington, DC: World Bank, July 2007), <https://doi.org/10.1596/1813-9450-2396>.

⁸ Knack.

⁹ Moss, Pettersson, and van de Walle, "An Aid-Institutions Paradox?"

¹⁰ Jessica Trisko Darden, *Aiding and Abetting: U. S. Foreign Assistance and State Violence* (Redwood City, UNITED STATES: Stanford University Press, 2019), <http://ebookcentral.proquest.com/lib/du/detail.action?docID=5899767>.

of Western economic development policy prescriptions. Chang studies the ineffectiveness of structural adjustment programs, shock therapy, and conditional aid that supports laissez-faire economic policies.¹¹

Likewise, David Stuckler and Sanjay Basu found that the policies enacted to support the liberalization of the Russian economy during “shock therapy” deprived working men of jobs, motivation, and the vast support systems provided by the communist government. Such a drastic change in lifestyle, combined with a lack of employment, drove many men to alcoholism and other self-destructive behaviors that led to alarming numbers of deaths of despair ravaged village in Russia. Through their study, Stuckler and Basu emphasize the importance of understanding the context of the state prior to implementing policies so as to understand the possible negative externalities that derive from policy decisions.¹²

The existing literature continues to explore specifically how the contexts of foreign aid implementation can impact political stability, or if the impact of foreign aid on political stability changes with the type of aid that is implemented. My thesis will contribute to exploring these gaps in our understanding while also reexamining if foreign aid impacts political stability.

¹¹ Ha-Joon Chang, “The Lexus and the Olive Tree Revisited,” in *Bad Samaritans: The Myth of Free Trade and the Secret History of Capitalism* (Bloomsbury Press, 2008).

¹² David Stuckler and Sanjay Basu, “The Post-Communist Mortality Crisis,” in *The Body Economic - Why Austerity Kills* (Basic Books, 2009).

The Impact of Foreign Aid on the Legitimacy of the Recipient Government

As mentioned in the previous section, the legitimacy of the domestic government can greatly impact the political stability of a nation. Hence, it is vital to understand the link between foreign aid and the legitimacy of the domestic government to grasp the impact of foreign aid on internal stability. Most literature supports that foreign aid can impact the legitimacy of the recipient country, though the literature disagrees on the manner in which foreign aid impacts the legitimacy of the government.

One strand of literature supports the position that foreign aid can increase the legitimacy of the domestic governments. In a 2018 survey study, Simone Dietrich, Minhaj Mahmud, and Matthew S. Winters found “no evidence of an often-cited potential negative externality of nongovernment service provision—that it might undermine government legitimacy and thereby undermine overall strategic objectives of the aid donor.”¹³ Instead, the study found that donor marketing, visibility, and perception in the recipient state is important to support efforts to strengthen state stability.¹⁴

Other research finds that the conditions under which foreign aid is given is vital to understand the relationship between aid and the legitimacy of the domestic government. Naazneen Barma, Naomi Levy, and Jessica Piombo create a conceptual framework to identify aid types and understand the impacts of aid on relationships. Through this framework, Barma, Levy, and Piombo study the success and impacts of foreign aid on

¹³ Simone Dietrich, Minhaj Mahmud, and Matthew S. Winters, “Foreign Aid, Foreign Policy, and Domestic Government Legitimacy: Experimental Evidence from Bangladesh,” *The Journal of Politics* 80, no. 1 (January 1, 2018): 133–48, <https://doi.org/10.1086/694235>.

¹⁴ Dietrich, Mahmud, and Winters.

government legitimacy and effectiveness based on the manner in which the government and aid provider interact. The study found that in some cases “when international actors heavily support government-designed and implemented aid agendas” can be more successful in improving the states’ effectiveness and legitimacy as opposed to international actors acting more independently from the state government.¹⁵

Finally, other research finds a linear relationship between aid, accountability and legitimacy. Elliot Berg’s article explains that “states which can raise a substantial proportion of their revenues from the international community are less accountable to their citizens and under less pressure to maintain popular legitimacy.”¹⁶ Elliot also found that foreign aid can also further destabilize countries by selectively allocating where aid is distributed.¹⁷

Existing literature does not study if foreign aid programs that are specifically designed to increase legitimacy do so, nor which types of aid impact internal legitimacy and accountability. My research will contribute to our understanding of the contexts in which aid program design and type impact domestic governmental legitimacy.

¹⁵ Naazneen Barma, Naomi Levy, and Jessica Piombo, “The Impact of Aid Dynamics on State Effectiveness and Legitimacy,” *Studies in Comparative International Development* 55 (May 30, 2020): 184–203, <https://doi.org/10.1007/s12116-020-09304-7>.

¹⁶ Berg Elliott, “Dilemmas in Donor Aid Strategies,” in *Perspectives on Aid and Development.*, ed. Gwin Cathrine and Joan M. Neleson (Washington, DC: Overseas Development Council, 1997).

¹⁷ Elliott.

The Effectiveness of Foreign Aid

It is important to understand the existing research on the effectiveness of foreign aid because effectiveness is one measure of foreign aid's impact. However, existing literature disagrees on whether or not foreign aid is effective.

One strand of literature posits that foreign aid is not effective. In a case study, William Easterly found that the heavy bureaucracy present in aid organizations has led aid organizations to have an incentive to prove the efficacy and use of aid through dispersing greater amounts of aid. Consequently, despite frameworks to measure the efficacy of specific programs, success becomes defined in terms of the quantity of aid given rather than "service delivered."¹⁸ Easterly argues that policymakers should "experiment with decentralized markets to match those who want to help the poor with the poor themselves freely expressing their needs and aspirations" to find observable outputs that measure the efficacy of aid programs.¹⁹

Similarly, Nina Munk describes a disparate picture of aid work on the developmental growth of local cities as she followed the journey of Jeffery Sach's 'Millennium Villages.' Though the presence of foreign aid led to improved economic conditions initially, the lack of conscientious and culturally/socially acceptable grassroots developmental policies led to the ultimate failure of foreign aid to improve economic development in the 'Millennium Villages.' Munk's lesson demonstrates the importance

¹⁸ William Easterly, "The Cartel of Good Intentions: The Problem of Bureaucracy in Foreign Aid," *The Journal of Policy Reform* 5, no. 4 (December 1, 2002): 223–50, <https://doi.org/10.1080/1384128032000096823>.

¹⁹ Easterly.

of cultural/social salient grassroots policies in development. Without the grassroots factor, foreign aid does not produce a sustainable improvement in the quality of life for those it wishes to aid.²⁰

Other research argues that foreign aid can be effective under certain conditions. In 2002 Steven Radelet conducted a study on the potential pitfalls and gains of the Millennium Challenge Account. Radelet argues that foreign aid is a useful tool for development that must be more carefully applied through two key arguments. First, the distribution of foreign aid needs to focus on countries that already have social development plans. Secondly, Radelet argues that the success of the new Millennium Challenge account will require that the recipient countries have more independence concerning the direction of foreign aid.²¹

Furthermore, through a study of the development stagnation in many aid-dependent countries, Nicholas van de Walle finds that despite issues of patrimonialism endemic to the current aid structure, foreign aid is a useful instrument for economic development.²² Van de Walle argues that for foreign aid to be a more effective tool of development, foreign aid distribution must “focus on creating and strengthening pro-

²⁰ Nina Munk, *The Idealist: Jeffrey Sachs and the Quest to End Poverty* (New York: Anchor, 2014).

²¹ Steven Radelet, *Challenging Foreign Aid: A Policymaker's Guide to the Millennium Challenge Account* (Washington DC, USA: Center for Global Development, 2003), <https://www.cgdev.org/publication/9780881323542-challenging-foreign-aid-policymakers-guide-millennium-challenge-account>.

²² Nicholas van de Walle, *Overcoming Stagnation in Aid-Dependent Countries* (Washington DC, USA: Center for Global Development, 2005), <https://www.cgdev.org/sites/default/files/9781933286013-van-de-Walle-stagnation.pdf>.

development institutions” as the “main objective” of the aid programs by focusing efforts to increase the accountability of domestic institutions.²³

My research will continue to explore the conditions under which aid is effective at increasing internal stability in the recipient country, and which types of aid and aid implementation, if any, are most effective.

Literature Review Conclusion

Overall, most literature agrees that the context of aid is key to understanding the impacts of foreign aid. Past research has found a causal relationship between foreign aid and political stability that is determined by the context of the aid provided. For instance, both Steinwald and Knack found that political stability is undermined when foreign aid shifts the government’s accountability away from the people. Meanwhile, both Stuckler and Basu demonstrate the dangers of prescriptive foreign aid. Moreover, other strands of literature such as Munk and van de Walle discuss the importance of understanding the country’s context in which aid is provided. Finally, past literature discusses various success tactics for foreign aid, including the necessity for consistency and aid monitoring and evaluation.

However, the existing literature does not definitively leave us with a causal understanding of the relationships between foreign aid and internal stability. For instance, the research does not explore the conditions under which foreign aid implementation can

²³ van de Walle.

impact political stability, governmental legitimacy, or aid effectiveness nor the relationship between the type of aid that is implemented and the impact on the aforementioned variables. My thesis continues to build on the scholarship to determine a causal understanding of foreign aid and internal stability.

Research Project Design

My research continues to explore the conditions under which aid is effective at increasing internal stability in the recipient country, and which types of aid and aid implementation are most effective. To do so, emerging from the literature review above, I am investigating the following hypothesis: *Foreign aid impacts the internal stability of the recipient state.*

It is not assumed that a relationship between the impact of foreign aid and the recipient state's internal stability exists. Therefore, the study asks whether or not foreign development aid impacts a state's internal stability. The null hypothesis is that foreign aid has no impact on the internal stability of the recipient state. Economic development and political stability are two crucial components of internal stability, more fully defined below. Therefore, the research focuses on studying internal stability via the impact of foreign aid on both economic development and political stability.

The hypothesis is examined in a comparative case study of two countries, Venezuela, and Costa Rica. The two countries were chosen for their similar patterns in aid after 1995, according to World Bank data.²⁴ Through an in-depth study concerning the aid policies and internal stability of the countries, my hope is to gain a better

²⁴ "Net Official Development Assistance and Official Aid Received (Constant 2018 US\$) - Costa Rica, Guatemala, Venezuela, RB | Data." The World Bank Data, World Bank, Accessed January 19, 2022. <https://data.worldbank.org/indicator/DT.ODA.ALLD.KD?end=2019&locations=CR-GT-VE&start=1973>.

understanding of how to improve foreign aid policies that target internal stability. Costa Rica and Venezuela effectively represent two cases in which we would expect divergent outcomes in terms of how aid works given country context: we would expect projects in Costa Rica to be more successful whereas we would expect projects to be less successful in Venezuela is less so. Foreshadowing one of the findings of the thesis, what is especially revealing — emerging from the process tracing of aid project case studies — is that the variance comes within countries as opposed to between them.

The research project design is a comparative case study of 12 specific aid projects in Venezuela and Costa Rica between 1960-2018. The case studies focus on researching the impacts that specific foreign aid programs have on the internal stability of the recipient country. After identifying and defining the variables, I created a timeline to locate specific years in which there were clear spikes indicating major changes in the dependent variable. I used this timeline to create a focused search of various databases to build a master database of reports of foreign aid programs immediately preceding these major changes in internal stability. The foreign aid reports were then separated into categories, and one foreign aid program from each category was selected for both Costa Rica and Venezuela. Finally, each foreign aid program case study was researched and evaluated based on the impact that the program may have had on the recipient country's internal stability. Appendices A and B fully explain the research procedures.

Variables

Independent Variables

The independent variable for this study is the level and patterns of the foreign aid in the states that are studied over time. A country/nation/state is defined as a territory bound by borders that has international and national recognition of the legitimate use of authority over citizens within said borders.²⁵ Foreign aid patterns were determined through monitoring the levels of foreign aid in the selected countries by using the World Bank Data on Net Official Development Assistance and Official Aid Received for both countries. Foreign aid patterns, increases, decreases, and stagnations are all components of the independent variable.

A widely accepted definition of foreign aid is the Organization for Economic Cooperation and Development (OECD) definition of official development assistance (ODA), as follows:

Resource flows to countries and territories on the [Development Assistance Committee] List of ODA Recipients (developing countries) and to multilateral agencies which are: (a) undertaken by the official sector; (b) with promotion of economic development and welfare as the main objective; (c) at concessional financial terms. In addition to financial flows, technical co-operation is included in aid.²⁶

However, the OECD definition of foreign aid does not include “[g]rants, loans and credits for military purposes and transactions that have primarily commercial

²⁵ “State, Nation and Nation-State: Clarifying Misused Terminology | GEOG 128: Geography of International Affairs,” accessed October 10, 2020, <https://www.e-education.psu.edu/geog128/node/534>.

²⁶ “DAC Glossary of Key Terms and Concepts - OECD,” accessed September 3, 2022, <https://www.oecd.org/dac/dac-glossary.htm#ODA>.

objectives”²⁷ This definition is limiting, since military aid from one state to another could impact the recipient states’ internal stability.

The purpose of this study is to examine if different forms of foreign aid impact the internal stability of the recipient state. Therefore, it is vital to have a broad definition of foreign aid to ensure a wide variety of types of foreign aid. In this study, the definition of foreign aid will include elements from the official ODA definition, Britannica, and the Brookings Institute.

Foreign aid is defined as the international transfer of resources, including capital, goods, services, technical advice, and training, from an international organization, institution, or country “for the benefit of the recipient country or its population”²⁸ in the form of economic, emergency, political, social, or military assistance. Foreign aid does not include foreign direct investment or commercial trade of resources. I use the definition of foreign aid to select foreign aid reports from the various databases described in the procedures section.

Dependent Variables

The dependent variable for this study is the internal stability of the recipient state. In this study, internal stability and internal security are used interchangeably. To study internal stability, I identify economic development and political stability as the two key

²⁷ “DAC Glossary of Key Terms and Concepts - OECD.”

²⁸ “Foreign Aid | Definition, Examples, History, Purpose, & Facts | Britannica.” In *Britannica*. Accessed September 3, 2022. <https://www.britannica.com/topic/foreign-aid>.

components to internal stability. Economic development is a key to providing economic stability and security within a nation. As Flavius Stan recognizes in a report for the International Peace Academy, internal conflicts “not only rupture a country’s development; they are often the consequence of the failure of developmental efforts.”²⁹ Political stability is also vital to internal stability because stable political institutions provide the infrastructures through which internal stability is maintained. To study the relationship between foreign aid and internal stability, I study the causal mechanisms between foreign aid and political stability, and foreign aid and economic development. I study the causal mechanisms between foreign aid and economic development/political stability as two separate factors that comprise the dependent variable of internal stability.

I do not assume that the causal mechanisms between foreign aid and either economic development or political stability are discernable, mutually exclusive, or linked together. Rather, I posit that since economic development and political stability are both factors of internal stability that change in either economic development or political stability will inherently change internal stability. Each of the factors of internal stability, economic development, and political stability, is defined and measured separately.

²⁹ Flavius Stan, “The Security-Development Nexus: Conflict, Peace and Development in the 21st Century” (Westpoint, New York: International Peace Academy, May 2004), https://www.ipinst.org/wp-content/uploads/publications/security_dev_nexus.pdf.

ECONOMIC DEVELOPMENT

Definition

In the Declaration on the Right to Development, the United Nations recognizes that development is a comprehensive economic, social, cultural and political process, which aims at the constant improvement of the well-being of the entire population and of all individuals on the basis of their active, free and meaningful participation in development and in the fair distribution of benefits resulting therefrom.³⁰

Clearly, the international community recognizes that economic development is a complex process that extends beyond economic growth. Therefore, for the purposes of this thesis, economic development will be defined as the process of investment to grow a state's economy, improve the quality of life, and ensure that the people in the state can meet their essential needs sustainably.

According to the International Committee of the Red Cross (ICRC), essential needs are “[f]ood, basic shelter, clothing, and hygiene qualify as essential needs, as does the related expenditure; the essential assets needed to earn a living, and the costs associated with health care and education also qualify,” and must be able to be covered with dignity and sustainably.³¹ For the purposes of this thesis, the opportunities of people to cover their essential needs must *not* derive from black-market or criminal activities. The domestic legal economy is not sufficiently developed to provide the resources for the people within the nation to live if a majority of the people are receiving income from the black market or criminal activity.

³⁰ “OHCHR | Declaration on the Right to Development,” accessed February 16, 2022, <https://www.ohchr.org/en/professionalinterest/pages/righttodevelopment.aspx>.

³¹ “Economic Security,” Topic, International Committee of the Red Cross, July 28, 2014, <https://www.icrc.org/en/what-we-do/ensuring-economic-security>.

Measurement

Economic development is measured via economic growth as well as commonly used development measurements. The measurements chosen are real gross domestic product growth (GDP), real GDP/capita trends, external debt, national poverty rate trends, the Gini coefficient, human development index, maternal mortality rates, infant mortality rates, access to safe sewage, access to electricity life expectancy, malnutrition rates, homicide rate, and human trafficking rate. I wanted to also account for access to safe water, but the World Bank did not have the data in Venezuela for safe water access statistics.

An economy that is observed with increased economic development would logically have, increased GDP growth and GDP/capita growth because the economy would see increased development. Similarly, the economy should have an observable decrease in poverty rates and GINI coefficient as people are increasingly able to access essential goods/services. Quality of life should also increase, so measurements such as maternal mortality rates, infant mortality rates, malnutrition rates, and homicide rates, should decrease while access to sewage, access to electricity, and life expectancy should increase.

If economic development decreases, then the inverse would be true. For instance, the economy would observe increased external debt, GINI, and poverty rate, as well as decreased GDP growth and GDP/capita growth because the economy would see decreased development. I used national poverty rates to measure patterns of poverty because international poverty rates do not easily equate to the standard of living

requirements to in country contexts. I do not expect these variables move in lockstep with each other. I am not creating a composite measure using these measurements. Instead, I am using patterns of the measurements to create a rough contextualization of the economic development patterns in both Costa Rica and Venezuela during the years of this study.

POLITICAL STABILTY

Definition

Political stability is part of the internal stability dependent variable. For the purposes of this paper, I will define political stability as maintaining the protected political rights of individuals and groups through the development of good governance.

Measurement

Political stability is measured using the World Bank's Worldwide Governance Indicators: voice and accountability, political stability/ absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, and control of corruption. Logically, if foreign aid is linked to internal stability, then the country would experience an improvement in the Worldwide Governance Indicators and a decrease in political risk. I do not expect these variables to move in lockstep with each other. I am not creating a composite measure using these measurements. Instead, I am using patterns of the measurements to create a rough contextualization of the political stability patterns in both Costa Rica and Venezuela during the years of this study.

Case Study Selection

As the literature review makes clear, many dimensions of a country's context influence a state's internal stability in addition to foreign aid. The factors that could have a significant influence on a state's internal stability are historical/cultural contexts, domestic policies, and type of government.

The research design is a most similar system case selection. I selected states with similar historical contexts and cultural contexts, helping to control for the impact of history/culture on internal stability development. Most crucially, these states also have similar aid patterns and aid levels. The most similar system design thus affords analytical leverage in studying the conditions under which similar levels and patterns of foreign aid result in different outcomes in terms of political stability and economic development.

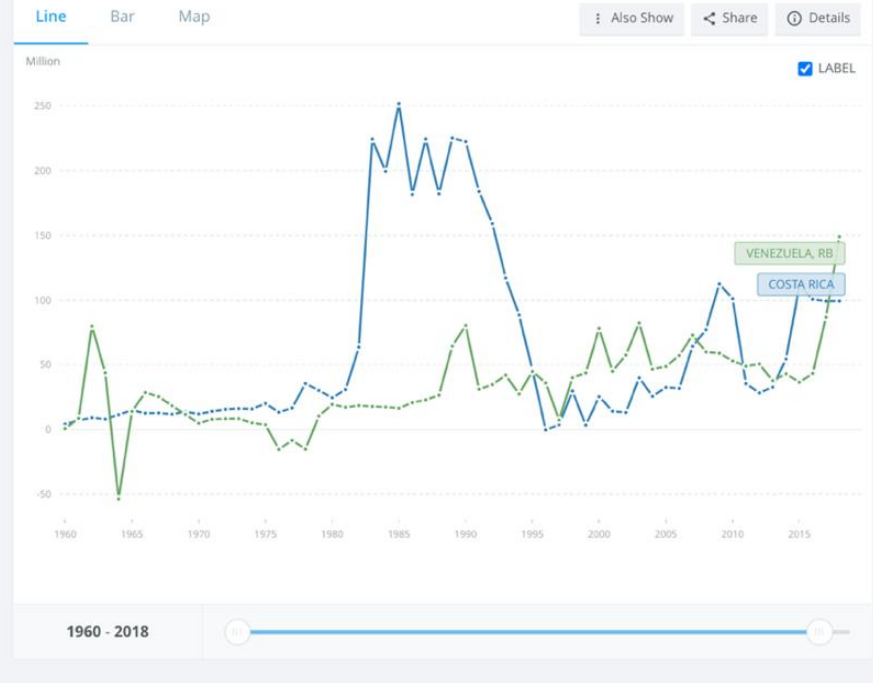
The countries studied in this thesis are Venezuela and Costa Rica, from 1960-2018. I chose this timeline because the World Bank began to collect data for many of the indicators in 1960, and many indicators did not have data collection after 2018. I also selected a long timeline so that I could study the development of aid programs and their contexts. I chose to focus my research on Latin America because this is a region that has a history of internal instability, as well as a foreign aid track record that has been ineffective or worse in the recipient countries.

Costa Rica and Venezuela were chosen as the case study countries because both countries are in the same region, Latin America, with similar colonial histories, and have similar foreign aid patterns according to the World Bank's Net Official Development Assistance and Official Aid Received (current US\$) - Costa Rica, Venezuela, RB as shown in Figure 1.

Figure 1

Net official development assistance and official aid received (current US\$) - Costa Rica, Venezuela, RB

Development Assistance Committee of the Organisation for Economic Co-operation and Development, Geographical Distribution of Financial Flows to Developing Countries, Development Co-operation Report, and International Development Statistics database. Data are available online at: stats.oecd.org.



Source:

“Net Official Development Assistance and Official Aid Received (Constant 2018 US\$) - Costa Rica, Guatemala, Venezuela, RB | Data.” The World Bank Data, World Bank, Accessed January 19, 2022. <https://data.worldbank.org/indicator/DI.ODA.ALLD.KD?end=2019&locations=CR-GT-VE&start=1973>.

As previously mentioned, I needed two countries with similar aid patterns. I chose to use the World Bank’s Net official development assistance and official aid received in current USD because this data was the most complete data for both Costa Rica and Venezuela. Data was not available for the Net Official Development Assistance and Official Aid Received in constant USD. Although the case selection was based on net foreign aid due to the availability of this information, future studies could build on the research and examine the relationship of foreign aid as a percentage of the recipient nation's GDP.

To study the differences in the dependent variable, internal stability, I had to choose one country with an increase in internal stability, and a country with a decrease in

internal stability over time. In terms of political stability, Costa Rica has been a stable democracy since mid-1948,³² and is often referred to as the most stable state in Latin America.³³ In terms of economic development, Costa Rica has also had high levels of economic development and growth. Social indicators, such as maternal mortality rates, have steadily improved.³⁴ Costa Rica's economy is also moderately diverse according to the Harvard Growth Lab.³⁵

Conversely, Venezuela's history has been fraught with conflict, economic crises, and instability.³⁶ Venezuela is a federal presidential republic, but the political instability has been a frequent marker throughout Venezuelan history.³⁷ However, Freedom House ranks Venezuela's government as Not Free.³⁸ In terms of economic development, Venezuela's economic growth largely depends on the price of oil. Social indicators such as healthcare spending are volatile, and highly dependent on the ability of the Venezuelan

³² "Costa Rica - Transition to Democracy." In *Britannica*. Accessed June 3, 2019. <https://www.britannica.com/place/Costa-Rica>.

³³ Evan Winslow, "Costa Rica's Success as a Nation," The Borgen Project, June 4, 2021, <https://borgenproject.org/costa-ricas-success/>.

³⁴ "Overview," Text/HTML, The World Bank in Costa Rica, accessed November 6, 2022, <https://www.worldbank.org/en/country/costarica/overview>.

³⁵ "The Atlas of Economic Complexity by Harvard's Growth Lab," The Atlas of Economic Complexity, accessed November 6, 2022, <https://atlas.cid.harvard.edu/rankings>.

³⁶ "Venezuela | Economy, Map, Capital, Collapse, & Facts | Britannica," In *Britannica*. Accessed August 17, 2022. <https://www.britannica.com/place/Venezuela>.

³⁷ "Venezuela," in *The World Factbook* (Central Intelligence Agency, August 30, 2022), <https://www.cia.gov/the-world-factbook/countries/venezuela/#government>.

³⁸ "Venezuela: Country Profile," Freedom House, accessed September 3, 2022, <https://freedomhouse.org/country/venezuela>.

government to dedicate resources to improve standards of living. Venezuela is often described as a petrostate and is highly dependent on oil and gas resources.³⁹

As seen in Figure 1, the aid patterns are not identical. However, Costa Rica and Venezuela had the most similar comparatively higher aid patterns in Latin America for a pair of countries that diverged on the dependent variable of internal stability. The time period 1960-2018 was selected because 1960 is the first indication of World Bank data for the dependent variables, and 2018 is the last recorded year for some of the dependent variables. I chose a time period of 58 years because I wanted to examine the impacts of foreign aid throughout the development history of both countries.

Research Process

The full research process applied to data, case selection, and foreign policy project selections can be found in a detailed series of steps in Appendices A and B. This is a summary of the procedures.

After selecting the timeline and two case study countries I developed the following procedures. First, each indicator has a graph from the World Bank Database. I identified significant changes, either an increase, decrease, or stagnation of data points, in the data graphs of the dependent variable indicators found in the World Bank Database. I did not base my research on the direction of the indicator change, but rather on the existence of a change. Every change in the economic development and political stability

³⁹ Amelia Cheatham, Diana Roy, and Rocio Cara Labrador, "Venezuela: The Rise and Fall of a Petrostate," *Council on Foreign Relations*, 2021, <https://www.cfr.org/background/venezuela-crisis>.

indicators were marked. Secondly, I created a database of foreign aid reports using the timeline that I developed in step two to narrow the search.

Thirdly, after creating the foreign aid program report master database, I categorized all of the foreign policy reports into six aid type categories, Military Aid, Loans, UN Project, World Bank Project, U.S. Foreign Assistance, and Development Aid. The definitions for each category are in Appendix A. I selected the aforementioned aid types because these were the categories that I could discern from the overall master database. I selected six foreign policy reports for each country for which I conducted studies of the foreign aid programs that were reported. Each country had one foreign aid project study for each of the six aid type categories, each different from each other in definition. Therefore, I could study how different types of aid come into interaction with country contexts to produce specific outcomes or impacts on the internal stability of the recipient state under varying conditions.

Every foreign aid program study discussion has a section that explains the reasoning for the program selection. Finally, I analyzed the impacts of each foreign aid case on the internal stability of the recipient nation and synthesized the findings into a discussion of foreign aid policy patterns.

I identified several possible issues with the validity and accuracy of the research project. First, some of the indicators that I selected did not record data until after 1960. For example, the World Governance Indicators did not record data for the political stability indicators until after 1996. However, the World Bank Data and World Governance Indicators were the sources that contained the data that I required for this research. I did not alter the collection of other forms of indicators to ensure replicability.

Since I selected project case studies, the background and context for each case study provides further validation for my selection of the project case studies.

Secondly, a case study with two countries cannot be easily generalizable as the facts for all countries. However, the research can be replicated for further study in other countries. This thesis provides a theory-building design that relies on intensive process tracing within cases to bolster internal validity. Therefore, this thesis is designed to provide generalizable findings in similar circumstances.

Thirdly, I do not have the resources to travel to the chosen countries to conduct surveys to explain more accurately under what conditions foreign aid may be impacting internal stability. I conducted in depth research of the multiple perspectives of each project case study ensure the accuracy of the project case studies.

Finally, I do not have the cultural background to fully understand the contexts under which the aid is being given. Therefore, the discussion of each project case study will be affected by my position as a Western scholar. In future studies, I would like to travel to the countries that are studied and conduct further research on the impacts of the specifically chosen projects.

Country Case Studies

What follows are two case studies — one on Costa Rica and one on Venezuela — each comprising a section covering the country context followed by six foreign aid project case studies in each. Each country context section is designed to contextualize the case study, albeit not exhaustively, with three sub-sections: a brief country history, a summary of the country's economic development, and an analysis of a few possible binding constraints on the country's development.

The six foreign aid program case studies per country are divided into the following sections: the rationale for the selection, a brief country context around the initiative of the specific project or program, a summary of the aid program, an overall aid evaluation, and the internal stability assessment. The internal stability assessment is discussed on two levels. First, the foreign aid program study was evaluated on whether or not the project impacted the internal stability of the country. Secondly, the project was evaluated on whether the impact was positive or negative. The project's impact on internal stability was based on an assessment of the economic development impacts, and then the political stability impacts to create an overall assessment. If the project had a negative impact, it was assigned the value of -1. If the project had a positive impact on the internal stability of the country, it was assigned a value of 1, and if the project had no impact on internal stability, it was assigned a value of 0.

Costa Rica

A Brief Modern History

This section provides a background understanding of Costa Rica through a brief summary of its modern history, beginning after 1949. Between 1940 and 1948, populist elements and political discord led to a civil war in 1948.⁴⁰ The civil war was so brutal that when it ended, the new Constitution abolished a standing army in 1949.⁴¹ This section focuses on Costa Rica post-civil war.

After the civil war, the government focused its resources on improving social and political life. Prior to the revolution in 1948 that established Costa Rica's reformed constitutional democratic political system, Costa Rica's economy and political system were centered around the few wealthy coffee plantation owners.⁴² Consequently, the Constitution demanded that intense political and economic changes be instituted. The Costa Rican Constitution holds a section on specific social guarantees ranging from guaranteed public education from preschool until university to a social security program.⁴³ As a result, the government created agencies to run the social programs that the Constitution guaranteed.

⁴⁰ David Díaz Arias, "'Social Crises and Struggling Memories: Populism, Popular Mobilization, Violence, and Memories of Civil War in Costa Rica, 1940-1948'. Ph.D. Dissertation, Indiana University, 2009." (2009).

⁴¹ "Historia de Costa Rica, Esencial Costa Rica," *Esencial Costa Rica* (blog), accessed February 17, 2022, <https://www.esencialcostarica.com/somos-costa-rica/historia/>.

⁴² Álvaro Parada Gómez, Rafael Arias, and Benavides Vindas, "Síntesis de La Historia Económica de Costa Rica: ¿Cuáles Son Los Patrones de Desarrollo Económico?" 3 (November 1, 2019): 1-4.

⁴³ "Costa Rica: Constitución de La República de Costa Rica de 1949," accessed March 21, 2021, <https://pdba.georgetown.edu/Constitutions/Costa/costarica49.html>.

Between 1950s-1970s, Costa Rica's agricultural industry skyrocketed. The economy heavily relied on exports of bananas, coffee, and chocolate. Specifically, coffee became the main export. The coffee industry centered in the Central Valley region of Costa Rica and created a "coffee oligarchy."⁴⁴ Coffee exports became such a large part of the economy that the economy lacked domestic industry and was vulnerable to international shifts in the price of coffee. Moreover, the growth of the coffee export business led to the deterioration of the environment as fertilizers leaked into the water supply and deforestation rose. Since the domestic economy was vulnerable to global economic shifts and had very little domestic industry, the state promoted import substitution industrialization (ISI) policies, such as tariffs on imports. The import substitution industrialization policies also helped the coffee industry to continue to grow as the national bank enacted many policies that supported the coffee industry, such as fertilizer subsidies.⁴⁵

In the 1970s Costa Rican economic growth and development faced the financial catastrophe of the 1970 oil crises that crashed many Latin American economies and led to what is now known as Costa Rica's "lost decade" of the 1980s.⁴⁶ Due to the economic collapse of the 1970s, the Costa Rican government was unable to continue to support its

⁴⁴ Melissa Vogt, "Historic Account of Costa Rican Development: The Creation of an Identity," in *Variance In Approach Toward A 'Sustainable' Coffee Industry In Costa Rica*, Perspectives from Within; Lessons and Insights (Ubiquity Press, 2019), 13–32, <http://www.jstor.org/stable/j.ctv11cvx7c.8>.

⁴⁵ Vogt.

⁴⁶ "Latin American Debt Crisis of the 1980s | Federal Reserve History," accessed February 3, 2021, <https://www.federalreservehistory.org/essays/latin-american-debt-crisis>.

social programs.⁴⁷ The government turned to multilateral banking institutions, such as the International Monetary Fund, to help close the fiscal deficit and resolve the crisis. In response, the multilateral banking institutions provided structural adjustment programs that followed neoliberal economic theory to restructure the political and economic policies surrounding Costa Rica.⁴⁸

Meanwhile, the 1980s were also a time of great political turmoil as the civil war in Nicaragua and the Sandinista movement increased tensions between the two countries. Between 1986-1990 Costa Rican President Oscar Arias Sanchez created a plan and negotiated to end civil wars in Guatemala, El Salvador, and Nicaragua, which earned him a Nobel Peace Prize.⁴⁹ In the early 2000s, increased privatization measures led telecommunication workers and energy workers to strike.⁵⁰ Additionally during this time, teachers around the country do not receive adequate payment and led to strikes.⁵¹ The corruption scandals of 2004 that involved Presidents Jose Maria Figueres, Miguel Angel Rodriguez, and Rafael Angel Calderon, shook the institutions of Costa Rica.⁵² Five years later, in 2009, Former President Rafael Angel Calderon was incarcerated for five years on corruption charges.⁵³

⁴⁷ Marc Edelman, "Recent Literature on Costa Rica's Economic Crisis," ed. Jorge Corrales et al., *Latin American Research Review* 18, no. 2 (1983): 166–80.

⁴⁸ Edelman.

⁴⁹ "Biografía," Oscar Arias Sánchez, August 4, 2017, <https://oscararias.cr/sitioweb/biografia/>.

⁵⁰ "Costa Rica Profile - Timeline," *BBC News*, May 10, 2018, sec. Latin America & Caribbean, <https://www.bbc.com/news/world-latin-america-19414834>.

⁵¹ "Costa Rica Profile - Timeline."

⁵² "Costa Rica Profile - Timeline."

Costa Rica had been working to improve its environmental policies since the 1990s, and in 2007 Costa Rica was declared the first voluntarily carbon neutral country.⁵⁴ Also in 2007, the first ever Costa Rican national referendum narrowly ratified the Central America-Dominican Republic Free Trade Agreement.⁵⁵ In 2010 Costa Ricans elected their first female president, Laura Chinchilla.⁵⁶ Inflation increased during President Chinchilla's term and in 2014, presidential elections removed President Chinchilla from office. President Luis Guillermo Solís (from the Partido Acción Ciudadana- PAC party) won the 2014 elections. In 2016, public education and healthcare workers led the "Mother of All Strikes."⁵⁷ In 2018, the constitutional court in Costa Rica "ruled in favor of marriage equality" following the 2016 Inter-American Court of Human Rights ruling that "all rights applicable to the family relationships of heterosexual couples should also extend to same-sex couples."⁵⁸ However, the legislature did not officially legalize same-sex marriage until 2020.⁵⁹

⁵³ "Costa Rica Profile - Timeline."

⁵⁴ "Costa Rica Profile - Timeline."

⁵⁵ "Costa Rica - Costa Rica in the 21st Century | Britannica," in *Britannica*, accessed August 26, 2022, <https://www.britannica.com/place/Costa-Rica/Costa-Rica-from-1974-to-2000>.

⁵⁶ "Costa Rica Profile - Timeline."

⁵⁷ "Costa Rica - Costa Rica in the 21st Century | Britannica."

⁵⁸ "Costa Rica's Progress on Marriage Equality Should Inspire the Region," *Human Rights Watch* (blog), June 3, 2020, <https://www.hrw.org/news/2020/06/03/costa-ricas-progress-marriage-equality-should-inspire-region>.

⁵⁹ Isabel Kennon, "Costa Rica Legalized Same-Sex Marriage. Where Does the Rest of Latin America Stand on Marriage Equality?," *Atlantic Council* (blog), June 2, 2020, <https://www.atlanticcouncil.org/blogs/new-atlanticist/costa-rica-legalized-same-sex-marriage-where-does-the-rest-of-latin-america-stand-on-marriage-equality/>.

Patterns of Economic Development

Despite the challenges outlined above, Costa Rica has persevered in terms of economic development and political stability. Costa Rica's gross national income (GNI) per capita has increased from \$4087.13 (constant 2010 USD) in 19 to \$9437.14 in 2019.⁶⁰ This change in GNI/capita demonstrates that Costa Rica's economy grew from the lower end of the spectrum of middle-income countries⁶¹ to the higher end.⁶² Two other key indicators of development, health and education demonstrate Costa Rica's great development. Education and healthcare improvements indicate that both the people and the state itself can and are willing to invest in the health of the community and individuals in order to secure healthier lives. Infant mortality rates have fallen from around 73 deaths for every 1,000 live births in 1964 to below 8 in 2019.⁶³ Infant mortality is a key indicator of economic development that demonstrates improvements in healthcare because it shows numerical evidence that the resources and healthcare services necessary to keep children healthy are secured. Moreover, the total literacy rate in Costa Rica increased from 92% to 97% between 1985 and 2019.⁶⁴ Improvements in healthcare

⁶⁰ "GNI per Capita, Atlas Method (Current US\$) - Costa Rica | Data." The World Bank Data, World Bank, Accessed February 4, 2021. <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD?locations=CR>.

⁶¹ According to the World Bank, lower middle-income economies -those [have] a GNI per capita between \$1,036 and \$4,045; and upper middle-income economies [have] a GNI per capita between \$4,046 and \$12,535." World Bank. "Middle Income Countries."

⁶² World Bank. "Middle Income Countries," Text/HTML, World Bank, accessed February 4, 2021, <https://www.worldbank.org/en/country/mic>.

⁶³ "Mortality Rate, Infant (per 1,000 Live Births) - Costa Rica | Data." The World Bank Data, World Bank, Accessed February 1, 2021. <https://data.worldbank.org/indicator/SP.DYN.IMRT.IN?end=2019&locations=CR&start=1985>.

⁶⁴ "Literacy Rate, Adult Total (% of People Ages 15 and above) - Costa Rica | Data." The World Bank Data, World Bank, Accessed February 1, 2021. <https://data.worldbank.org/indicator/SE.ADT.LITR.ZS?locations=CR>.

and education indicate that Costa Rica both has gained the capital required *and* is willing to finance the education and health infrastructure changes needed in order to invest in its future development.

HIGH INEQUALITY/POVERTY RATES

Although Costa Rica had much economic development between 1960-2018, it also demonstrated patterns of persistent high economic inequality. The Gini coefficient had consistently high scores between approximately 45 and 52 between 1985 and 2018.⁶⁵ The pattern of high Gini scores is an indication of high economic inequality. The consistently high Gini coefficients demonstrates that economic inequality has not significantly improved in Costa Rica since 1985. Moreover, the population with the highest 20% of income in Costa Rica has consistently held between 50%-55% of the total income shares while the population in the third quintile have held between 13%-15% of the total income shares, and the population in the fifth quintile held between 3%-4% of the total income shares in that timeframe.⁶⁶ The pattern of high Gini coefficients and large income disparity between the quintiles, especially the first quintile and the other

⁶⁵ “Gini index measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution.” “Gini Index (World Bank Estimate) - United States | Data,” The World Bank Data, World Bank, Accessed October 22, 2020, <https://data.worldbank.org/indicator/SI.POV.GINI?locations=US>.

⁶⁶ “Income Share Held by Second 20% - Costa Rica | Data.” The World Bank Data, World Bank, Accessed February 4, 2021. <https://data.worldbank.org/indicator/SI.DST.02ND.20?contextual=income-distribution&end=2018&locations=CR&start=1985>.

four quintiles, highlights the large economic inequalities prevalent in Costa Rica.

Although poverty rates have declined in Costa Rica,⁶⁷ the 2019 poverty rate was 22.9%.⁶⁸

Weak State Capacity as Binding Constraint to Development in Costa Rica

The pervasive high patterns of wealth inequality illuminate the impact of Costa Rica's weak state capacity as a binding constraint on the country's continued political and economic development. Costa Rica's weak state capacity is due to the premature loadbearing of government capabilities that created a large, inefficient, and fragmented governmental bureaucracy.

As explained by Andrews, Pritchett, and Woolcock in their book, *Building State Capability: Evidence, Analysis, Action*, premature loadbearing is when institutions put "too much weight on the structure before it is able to support it."⁶⁹ Prior to the revolution in 1948 that established Costa Rica's reformed constitutional democratic political system, Costa Rica's economy and political system was centered around the few wealthy coffee plantation owners.⁷⁰ Consequently, the Constitution demanded that intense political and

⁶⁷ The poverty rate here is calculated as the national poverty headcount ratio, which "the percentage of the population living below the national poverty line(s). National estimates are based on population-weighted subgroup estimates from household surveys." "Poverty Headcount Ratio at National Poverty Lines (% of Population) - Costa Rica | Data." This number can change but demonstrates poverty level changes based on changing standards of living rather than a generalized dollar amount that is compared at the global level which might not adequately show poverty levels.

⁶⁸ "Poverty Headcount Ratio at National Poverty Lines (% of Population) - Costa Rica | Data." The World Bank Data, World Bank, Accessed March 22, 2021. <https://data.worldbank.org/indicator/SI.POV.NAHC?locations=CR>.

⁶⁹ Matt Andrews, Lant Pritchett, and Michael Woolcock, *Building State Capability: Evidence, Analysis, Action* (Oxford University Press, 2017).

⁷⁰ Parada Gómez, Arias, and Vindas, "Síntesis de La Historia Económica de Costa Rica."

economic changes be instituted. The Constitution itself holds a section on specific social guarantees ranging from guaranteed public education from preschool until university to a social security program.⁷¹ As a result, the institutions needed to provide these social guarantees had to be created quickly and in line with the expectations of the people as the democratic and new economic systems became established.

Premature loadbearing can be dangerous because the legitimacy of the government itself is often tied to expectations of state capacity. If the government cannot provide the services that its people expect, the people will lose trust in the government's institutions. This lost trust can then threaten the legitimacy of the government in the eyes of the people.⁷² However, because of Costa Rica's long-established democracy, the threat of weak state capacity does not affect the government's legitimacy in the same way as a new fragile state such as those described in *The Peacebuilding Puzzle: Political Order in Post-Conflict States*.

Weak state capacity is not an immediate threat to the legitimacy of the state because the democratic political system is well established. Costa Rica's democracy has foundations beginning in force around 1919.⁷³ Costa Rica's democracy strengthened even more after the abolishment of the army in the revolution because a dictator could not use the official army to take power via a military coup. Therefore, though the democratic institutions of the reformed Costa Rica had to be developed simultaneously

⁷¹ "Costa Rica: Constitución de La República de Costa Rica de 1949."

⁷² Andrews, Pritchett, and Woolcock, *Building State Capability: Evidence, Analysis, Action*.

⁷³ Programa Estado de la Nación, "Capítulo 2: La Larga Transición Hacia La Democracia En Costa Rica," in *Auditoria Ciudadana Sobre La Calidad de La Democracia* (San José, Costa Rica, 2001), <http://hdl.handle.net/20.500.12337/880>.

with state capacity and economic reforms, the legitimacy of the democratic system had been established. As a result of the premature loadbearing of government institutions, Costa Rica's economic development is hampered by an inefficient, and fragmented bureaucracy that cannot effectively respond to the changing needs of the country's development and the growing inequalities throughout the country.

As Ana Maria Oviedo, Susana Sanchez, Kathy Lindert, and Humberto Lopez explain, Costa Rica's bureaucracy developed simultaneously as many democratic institutions, so it has expanded and fragmented to as the social protections guaranteed in the Constitution were recognized. In 2011 alone, Costa Rica had "324" state entities.⁷⁴

One of the consequences of the fragmentation of government has been that the government is unable to make effective policies to respond to the rapidly modernizing economy. For instance, despite having high education spending Costa Rica has not invested sufficiently in secondary education to keep up with the increase of the need for high-skilled labor that has resulted from its economic development. Moreover, cumbersome regulations "resulting from lack of coordination among institutions make the process of starting and running a business...more challenging."⁷⁵

Consequently, the economy is negatively impacted because entrepreneurs do not have an incentive to begin their own companies. Therefore, as explained in *Quantifying Sustainable Development*, inequality levels continue to increase because foreign

⁷⁴ Ana Maria Oviedo et al., *Costa Rica's Development: From Good to Better* (World Bank, 2015), <https://doi.org/10.1596/22023>.

⁷⁵ Oviedo et al.

corporations have the financial capabilities to deal with the regulations and fill the gaps in the economy.⁷⁶

The weak state capacity has impacted economic and poverty levels in two ways. First, since the state systems themselves cannot quickly respond to the new demands of the developing economy, access to many social programs is concentrated in areas of high economic activity. For instance, there is a need for greater access to higher education to provide the high-skilled labor force that Costa Rica's economy needs as it continues to develop.⁷⁷ Yet, public university education is concentrated in the Central Valley, where most economic activity occurs.⁷⁸ Consequently, many people outside of this region cannot access the education needed to find better paying jobs. Secondly, the fragmentation of the different institutions has resulted in "the low coverage among the poor and weak targeting accuracy."⁷⁹ So, social programs in Costa Rica fail to cover those that need them. For example, school meals are the most widespread social program, and it "reaches only half of the population in the lowest income quintile."⁸⁰ Clearly, the social programs being provided are not successfully mitigating poverty and economic inequality.

⁷⁶ Hall, Charles A.A., Carlos Leon Perez, and Gregoire Leclerc, eds. *Quantifying Sustainable Development*. Elsevier, 2000. <https://doi.org/10.1016/B978-0-12-318860-1.X5000-X>.

⁷⁷ Oviedo et al., *Costa Rica's Development*.

⁷⁸ Desiree, "Public Universities — Costarica-Information.Com," MediaPage, accessed March 21, 2021, <http://costarica-information.com/about-costa-rica/economy/economic-sectors-industries/real-estate/real-estate-general/living-in-costa-rica/education/public-universities>.

⁷⁹ Oviedo et al., *Costa Rica's Development*.

⁸⁰ Oviedo et al.

Costa Rica Foreign Aid Program Cases

The aid project cases that I chose for Costa Rica are: Structural Adjustment Loan Projects in 1993, UNDP Project in Costa Rica in 2013, Ecomarkets Project in 2000, Military Aid from the U.S. in 1984, U.S. Foreign Assistance Counternarcotics Program in 2013, and the Debt for Nature Swaps in 1990 and 2007.

LOANS FOREIGN AID PROGRAM STUDY: WORLD BANK STRUCTURAL ADJUSTMENT LOAN PROJECTS

For the Loan Category, I chose to study the World Bank Structural Adjustment Loan Projects in Costa Rica, reported in the master database in 1993. The World Bank's Structural Adjustment Loan Projects in Costa Rica were designed to assist the country in decreasing its international debt and further developing its economy through economic and political policy reform. The Third Structural Adjustment Program that is in my database search is one program from a group of structural adjustment programs that banking institutions, such as the IMF and World Bank, implemented in Costa Rica. To gain a better understanding of the impact of structural adjustment policies as a whole, I studied the impacts of the adjustment policies generally, using the Third Structural Adjustment agreement as an example of the general loan features and structure.

I chose to study the Structural Adjustment Loan Projects for multiple reasons. Firstly, the reports and projects concerning Structural Adjustment Programs counted for four of the twelve entries for Costa Rica in the Loan Category. Secondly, the debt restructuring programs in Latin America are often criticized in development literature. I was interested in understanding the impact of these programs from an internal stability

perspective. Finally, the Structural Adjustment Programs were implemented in both Costa Rica and Venezuela. So, I chose to study the adjustment programs so that I could gain a better understanding of their impacts in different country contexts.

Brief Context

During the 1980s, Costa Rica was in an economic crisis. The financial catastrophe of the 1970s oil crisis that had led to many economic crashes globally also led to what is now known as the “lost decade” of the 1980s in Costa Rica.⁸¹ In the 1980s, development efforts in Costa Rica slowed down while the country recovered from the 1970s economic crisis.⁸² By 1982, the annual GDP growth plummeted to -7.3% by 1982.⁸³ Costa Rica borrowed funds from development loans to finance programs to help push the country’s development forward. Costa Rica’s total debt service⁸⁴ as a percent of GNI for Costa Rica skyrocketed to over 25% of GNI in 1983.⁸⁵ However, the Costa Rican government was unable to keep up with the loan payments, and the economy did not show further growth. Thus, the country’s debt continued to increase without the ability to repay the

⁸¹ “Latin American Debt Crisis of the 1980s | Federal Reserve History.”

⁸² Some of the economic data is not available until the 1990s-2000s. In this case, the data cited will indicate that it is being examined at a smaller time period.

⁸³ “GDP Growth (Annual %) - Costa Rica | Data.” The World Bank Data, World Bank, Accessed September 2, 2022.

⁸⁴ “Total debt service is the sum of principal repayments and interest actually paid in currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF.” “Total Debt Service (% of GNI) - Costa Rica | Data”

⁸⁵ “Total Debt Service (% of GNI) - Costa Rica | Data.” The World Bank Data, World Bank, Accessed February 4, 2021.
<https://data.worldbank.org/indicator/DT.TDS.DECT.GN.ZS?end=2019&locations=CR&start=1984>.

debt. Similar debt situations were occurring throughout Latin America. The debt crisis was leading to an economic crisis as well. To address this issue, institutions such as the IMF and World Bank initiated debt restructuring programs to help countries repay their debt without leading to an economic collapse.

At the time of the Third Structural Adjustment Program, the Government of Costa Rica had already been implementing structural adjustment programs. For example, in 1991, the IMF approved a stand-by agreement that implemented many policy requirements such as limiting central government expenditures and increasing sales tax by 3%.⁸⁶

Summary of the Aid Program

Structural adjustment overall comprised a series of very similar debt restructuring programs from multiple multilateral banking institutions. I studied the structural adjustment programs as a whole rather than only focusing on the Third Structural Adjustment Program. I did so because it was not possible to accurately depict the impacts of the Third Structural Adjustment Program without also analyzing the impacts of the structural adjustment programs as a whole. The First Structural Adjustment Program “focused on reducing the level of protection and the growth of public sector employment.”⁸⁷ One of the policies that were implemented to decrease public sector

⁸⁶ World Bank, “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation to the President of the International Bank for Reconstruction and Development to the Executive Directors on a Proposed Third Structural Adjustment Loan of US \$100 Million to the Republic of Costa Rica,” President’s Report (World Bank, March 10, 1993), <https://documents1.worldbank.org/curated/en/216751468234544291/pdf/multi0page.pdf>.

⁸⁷ World Bank. “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation.”

employment was an employment freeze for three years. The policy did not result in significant employment decreases in the public sector. The Second Structural Adjustment Program “focused on measures to stimulate exports and agricultural productivity,” increase savings in the public budget and “the efficiency of public investment,” and “improve financial intermediation policies.”⁸⁸ Some of the policies that were implemented to reach these goals included liberalizing trade and opening the agricultural market to private companies.

The first two adjustment programs were seen as successes because there was progress in decreasing “the large fiscal imbalances” from the early 1980s.⁸⁹ However, the reforms in the public sector did not fully succeed. The World Bank explained that the reason behind the reforms’ failure was the structural weaknesses in the relationship to public sector expenditures and fiscal policy left the economy vulnerable to global shifts.

The overall goals of the loan were to “reform the public sector to improve its efficiency and strengthen fiscal policies,” to incentivize “greater export orientation and private sector activity,” as well as “strengthen competitiveness of private financial institutions,” increase the supervision of financial systems, and to “increase coverage and efficiency of social programs.”⁹⁰

To achieve the aforementioned goals, the Third Structural Adjustment Loan program was designed to support policy reforms in country. The overall goal of this

⁸⁸ World Bank. “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation.”

⁸⁹ World Bank. “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation.”

⁹⁰ “Costa Rica - Third Structural Adjustment Loan Project” (World Bank, March 10, 1993), <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/216751468234544291/Costa-Rica-Third-Structural-Adjustment-Loan-Project>.

structural adjustment program is to streamline the public sector to make it more efficient and to “encourage private sector activity.” Consequently, the economic goals of “more prudent fiscal policies,” growing an export-based economy, economic growth, and an “improved creditworthiness” were targeted throughout the prescribed policy reforms.⁹¹

The targeted policy reforms included many reforms to the public sector including, privatizing many government services, decreasing “public sector employment, expanding the tax base, and reforming the social sector through improving the “target and coverage of social programs.”⁹² Some of the economic policy reforms that the loan targeted were to increase privatization through “limit subsidized credit,” and to reduce trade protections such as tariffs, margin controls, and generally “improv[ing] export incentives.”⁹³

The loan had three disbursements over 8-10 months. The total estimated program cost was \$100 million in three disbursements, first \$35 million, then \$35 million, and finally \$30 million. Each disbursement was conditioned on Costa Rica’s compliance with the policy changes that were outlined in the loan terms. However, the loan terms did not limit the policy changes to general goals. Instead, the policy changes in the loan terms were specific policies that had to be enacted to receive the full loan disbursement.

Some examples of the specific policy actions that were required in the Third Structural Adjustment Agreement are; the “implementation the of import tariff range 10-

⁹¹ World Bank, “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation to the President of the International Bank for Reconstruction and Development to the Executive Directors on a Proposed Third Structural Adjustment Loan of US \$100 Million to the Republic of Costa Rica.”

⁹² “Costa Rica - Third Structural Adjustment Loan Project.”

⁹³ “Costa Rica - Third Structural Adjustment Loan Project.”

20%,” enacting the “Economic Democratization Law and Deregulation Law,” and “Public Sector Reforms,” such as the privatization of government services.⁹⁴ The Economic Democratization law is designed to “strengthen the role of the State in the performance of essential functions while transferring the provision of minor or nonessential services to third parties in the market” through “a set of measures to open up “means of production.”⁹⁵ The Deregulation Law was designed to “eliminate all remaining, legally-mandated, margin controls... as well as all remaining import and export licensing requirements.”⁹⁶ Moreover, during the program’s duration, the World Bank would finance other projects in areas such as water and sanitation, education, and health. However, there is limited information within the Structural Adjustment Agreements pertaining to these additional projects.

Similarly, to other structural adjustment programs, the Third Structural Adjustment Program had support from multiple other institutions such as the USAID and the International Development Bank. Part of the program was funded by the International Development Bank (IDB). The IDB directly funded \$80 million for Public Sector Reform for this program. The International Development Bank also created another structural loan operation outside of the World Bank that would “complement the reforms” in the Third Structural Adjustment Program with more reforms in the financial and labor

⁹⁴ World Bank, “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation to the President of the International Bank for Reconstruction and Development to the Executive Directors on a Proposed Third Structural Adjustment Loan of US \$100 Million to the Republic of Costa Rica.”

⁹⁵ World Bank. “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation.”

⁹⁶ World Bank. “Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation.”

sectors. Additionally, the program would include technical assistance from USAID and UNDP to help implement the policy reforms.⁹⁷

Internal Stability Assessment

Overall, the Third Structural Adjustment program did impact Costa Rica's internal stability, with negative impacts to both Costa Rica's economic development and political stability was negative. The adjustment program did not succeed in its efforts to enact sustainable macroeconomic change that would positively impact Costa Rica's economic growth. According to the World Bank, the "[t]he Third Structural Adjustment Loan for Costa Rica was terminated on March 1, 1995, since some conditions of effectiveness had not yet been met."⁹⁸ Although the structural adjustment programs in Costa Rica did open the economy, the long-term reforms of the program did not succeed and overall, the programs were detrimental to the long-term economic development and political stability in Costa Rica. This section outlines the impacts of the structural adjustment programs on the economic development and the political stability of Costa Rica and summarizes lessons that can be learned from this foreign aid program.

Economic Development

According to Timm Kroeger and Dawn Montanye the structural adjustment programs were initially a success because the austerity reforms had led to a decline in

⁹⁷ World Bank. "Costa Rica - Third Structural Adjustment Loan Project: Report and Recommendation."

⁹⁸ "Costa Rica - Third Structural Adjustment Loan Project."

unemployment, short-term economic growth, and improved creditworthiness as the fiscal deficit decreased and Costa Rica could make debt service payments.⁹⁹ However, the structural adjustment programs detrimentally impacted Costa Rica's economic development because the policy reforms prematurely opened up the domestic economy to global trade. Consequently, in the long term, economic growth did not significantly increase, and economic inequality increased as wealth became more concentrated.

The structural adjustment programs did achieve their goal of opening up the Costa Rican economy to global trade and increasing exports, especially in nontraditional exports.¹⁰⁰ Moreover, López and Ramírez explain that the fiscal reforms did lead to slight improvement with economic stabilization and inflation control.¹⁰¹ Additionally, the structural adjustment programs in Costa Rica did not have the social costs that other countries with structural adjustment policies endured.¹⁰² Arias-Ramírez claims that the adjustment programs helped Costa Rica to “[combine] fiscal and monetary stabilization policies” with social policies such as “progressive wage policy” and programs employment change training. In doing so, the structural adjustment programs helped

⁹⁹ Timm Kroeger and Dawn Montanye, “Chapter 24 - An Assessment of the Effectiveness of Structural Adjustment Policies in Costa Rica,” in *Quantifying Sustainable Development*, ed. Charles A. S. Hall, Carlos Leon Perez, and Gregoire Leclerc (San Diego: Academic Press, 2000), 665–94, <https://doi.org/10.1016/B978-012318860-1/50032-0>.

¹⁰⁰ Rafael Arias Ramírez and Juan José Muñoz López, “La Reforma Económica y Su Impacto Social En Costa Rica Durante El Período de Ajuste Estructural: Apuntes Críticos Para el Análisis,” *Economía y Sociedad* 31,32 (2007): 5–34.

¹⁰¹ Arias Ramírez and José Muñoz López.

¹⁰² Rafael Arias-Ramírez, “Structural adjustment and social policy in Costa Rica: A case of heterodox adjustment” (Ph.D., Ann Arbor, United States, 2004), <https://www.proquest.com/docview/305156888/abstract/B05428FD0B3149C7PQ/1>.

Costa Rica to achieve a “heterodox adjustment that has fostered both economic growth and improvement in the population’s well-being.”¹⁰³

Yet, the trade liberalization reforms, such as the Deregulation Law, greatly harmed the growth of the domestic economy. At the time, Costa Rica’s production sector was weak because it did not produce capital goods, nor did it have high exports. Therefore, the deregulation policies that were implemented through the structural adjustment programs, such as decreased tariffs, had increased the availability of imports to substitute for domestic goods in an economy without a strong domestic production sector. As a result, the production sector continued to decline, rather than strengthen.¹⁰⁴

Moreover, the domestic producers could not compete with international imports. Thus, the trade reforms have fostered industrialization that is “based on the importation of foreign capital goods, with the result that the country became even more dependent on imports” which has created “a long-term negative impact on the balance of trade induced by technology dependence.”¹⁰⁵ The demand for imports has led to increased debt that Costa Rica cannot repay because “demand for imports is increasing faster than rising export profits.”¹⁰⁶

Another policy that detrimentally impacted Costa Rica’s economic development was the devaluation of the colón against the U.S. dollar. The colón’s devaluation

¹⁰³ Arias-Ramirez.

¹⁰⁴ Guillermo Carvajal Alvarado, “Costa Rica En La Época de Los Programas de Ajuste Estructural 1985-1992,” *Revista Reflexiones* 7, no. 1 (1993).

¹⁰⁵ Hall, Charles et al., *Quantifying Sustainable Development*

¹⁰⁶ Alicia Korten, “Structural Adjustment and Costa Rican Agriculture,” in *50 Years Is Enough: The Case Against the World Bank and the International Monetary Fund*, ed. Kevin Danaher (Boston, MA: South End Press, 1994).

increased the price of the imports that were required to create the exports.

Simultaneously, aggressive policies that promote exports and private industries have led Costa Rica to have to compete in the global market with other countries with similar structural adjustment programs. Consequently, Costa Rica has to continuously devalue their exports to remain competitive. Moreover, Costa Rica's domestic economy became vulnerable to changes in the value of the dollar.

The structural adjustment programs also removed protection for domestic industries with policies such as decreasing or removing tariffs and prohibiting the Costa Rican government from subsidizing imports such as rice and removing trade quotas that protected domestic farmers. So, Costa Rican farmers had to adjust their exports to develop a comparative advantage in the global economy, thus growing exports that would be demanded by the global economy. According to Alicia Korten, farmers had to shift their crops from traditional crops to those that would satisfy foreign demand, and nontraditional exports, such as "ornamental plants, flowers, melons strawberries, and red peppers."¹⁰⁷ Since the economy's health shifted to depend on the availability of affordable imports and "foreign demand for agricultural exports," the Costa Rican economy became very vulnerable to external shifts in the global economy.¹⁰⁸

Furthermore, the farmer assistance programs that were designed to provide technical assistance and training to smaller farms to shift their crops to grow nontraditional crops were reportedly biased towards larger farms that had international

¹⁰⁷ Korten.

¹⁰⁸ Korten.

connections. Thus, large farms were the only firms that can finance the “large-scale infrastructure for nontraditional agroexports,”¹⁰⁹ which has further concentrated the wealth of the agricultural industry. The smaller farmers had no protections to support the growth of a domestic agricultural economy, nor did the smaller farmers have support to integrate their crops into the global market. So, the informal market has grown in Costa Rica because the people cannot find jobs in the formal market. As a result, farmers have created the La Asociación de Organizaciones Campesinas Centroamericanas para la Cooperación y el Desarrollo to oppose structural adjustment programs.

Also, natural resources have been depleted and the environment has been negatively impacted by the increased pesticide and agrochemical use that is associated with farmers trying to meet the increased demand to provide global exports. The increased use of chemicals is attributed to destroying both coastal and inland environments as the chemicals are dissolved into the water.¹¹⁰

Additionally, the structural adjustment programs did not achieve successful macroeconomic reform. According to Rafael Arias-Ramírez and Juan José Muñoz López, the fiscal reforms from structural adjustment programs did not succeed in improving the macroeconomic imbalances in the country. Although economic growth did increase during these programs, the growth rates that followed the structural adjustment programs were consistently lower than the economic growth rates that were reported for the import substitution industrialization structured economy.¹¹¹

¹⁰⁹ Kroeger and Montanye, “Chapter 24 - An Assessment of the Effectiveness of Structural Adjustment Policies in Costa Rica.”

¹¹⁰ Kroeger and Montanye.

Finally, poverty rates continue to be high because has not been alleviated because the austerity reforms are based on the spillover effect.¹¹² The logic was that poverty rates would decline as economic growth and prosperity lifted people out of poverty. However, economic growth has not significantly increased, and the domestic market is left vulnerable to any global shift. Therefore, poverty rates and inequality continue to be a great obstacle in Costa Rica's development.

Political Stability

The structural adjustment programs not only harmed the economic sectors but have also led to declining political stability. Firstly, the structural adjustment programs have decreased the accountability of the Costa Rican government to its people and have led to a loss of sovereignty because international banks and institutions became the policymakers on a domestic level.¹¹³

Meanwhile, through austerity programs, the Costa Rican government decreased social spending and provisions. The decreased social spending has detrimentally impacted the effectiveness of existing governmental institutions and the faith of the Costa Rican public in its government. The fabric of the Costa Rican Constitution is based in social rights, including education, healthcare, and other services that the people expect the government to provide as a constitutional right. Hence, austerity programs and

¹¹¹ Arias Ramírez and José Muñoz López, "La Reforma Económica y Su Impacto Social En Costa Rica Durante El Período de Ajuste Estructural:Apuntes Críticos Parael Análisis."

¹¹² Alvarado, "Costa Rica En La Época de Los Programas de Ajuste Estructural 1985-1992."

¹¹³ Alvarado.

privatization have upended the relationship between society and the state in Costa Rica. Now, the “social-democratic nexus of state, employment, and social welfare” are at a point of unravelling.¹¹⁴

Finally, the measures to reform the economy have led the internal police force to reportedly use extreme force to remove people living on lands rented or owned by the transnational cooperation’s that began to enter Costa Rica after the trade reforms. For instance, at least “[t]wenty-five farmers were wounded, and one killed by gunfire during land evictions in 1991 and 1992.”¹¹⁵

Yet without adhering to the structural reform programs, it is not likely that Costa Rica would have been able to participate in trade agreements, loans, or other development programs with developed states such as the U.S.

Findings

Through the structural adjustment programs in Costa Rica, it is clear that economic change is more successful with slow change rather than shocking the economic system. The reason that Costa Rica did not experience as great of social consequences and had some level of success from the adjustment programs was because the implementation of the reforms was slow.¹¹⁶ Nonetheless, there were still negative social impacts such as increased poverty rates.

¹¹⁴ Kroeger and Montanye, “Chapter 24 - An Assessment of the Effectiveness of Structural Adjustment Policies in Costa Rica.”

¹¹⁵ Korten, “Structural Adjustment and Costa Rican Agriculture.”

¹¹⁶ Arias Ramírez and José Muñoz López, “La Reforma Económica y Su Impacto Social En Costa Rica Durante El Período de Ajuste Estructural:Apuntes Críticos Parael Análisis.”

Secondly, the ability of the state to respond quickly to change is vital to economic reform. Ramírez claims that despite Costa Rica’s development challenges “the case of Costa Rica demonstrates the possibility within a low-income country of a state responsive to economic realities and the needs of its population”¹¹⁷ Thirdly, prematurely exposing a domestic market to the global economy is detrimental to the economic growth of that nation. To see higher economic growth rates Costa Rica needed to support “the development of an internal market for domestically produced goods, including the development of trade between agriculture and industry and between different industries within the country” prior to deregulating the domestic market.¹¹⁸

UN PROJECT FOREIGN AID PROGRAM STUDY: 2013-2017 UNITED NATIONS DEVELOPMENT COUNTRY PROGRAMME

For the UN Project category in Costa Rica, I chose the 2013-2017 United Nations Development Programme (UNDP) Country Programme.¹¹⁹ The UNDP Project was the UNDP country program strategy from 2013-2017 that was “designed to address the national priorities and to have an effect on areas that can drive inclusive development, with greater gender and regional equity strengthened environmental sustainability” through “building the capacities of the country.”¹²⁰ I chose the UNDP Country

¹¹⁷ Arias-Ramirez, “Structural adjustment and social policy in Costa Rica.”

¹¹⁸ Kroeger and Montanye, “Chapter 24 - An Assessment of the Effectiveness of Structural Adjustment Policies in Costa Rica.”

¹¹⁹ Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services, “Draft Country Programme Document for Costa Rica, 2013-2017” (Geneva, April 2, 2012), <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N12/316/29/pdf/N1231629.pdf?OpenElement>.

Programme for two reasons. Firstly, as seen in Appendix A, Costa Rica had a spike in economic and political security indicators in 2013. Thus, I wanted to examine if the UNDP Country Programme impacted Costa Rica’s internal stability during 2013. Secondly, there were clear evaluation and project description materials available for my research.

Brief Context

In 2010, three years prior to the start of the Country Programme, “Costa Ricans elected their first female president, Laura Chinchilla.”¹²¹ However, President Chinchilla’s approval ratings were severely tarnished by corruption scandals and inflation.¹²² By 2013, inflation had increased, and the GDP/capita growth dropped to 1.3%.¹²³ In 2014, presidential elections removed President Chinchilla from office, and President Luis Guillermo Solís won. Two years later, in 2016, there were massive labor strikes across the country. Demonstrators were primarily education and healthcare workers and “focused on a 16-point list of demands” such as “defense of labour rights, a call on the wealthy to pay their fair share of taxes, and an opposition to cuts to the public health service.”¹²⁴

¹²⁰ Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services.

¹²¹ “Costa Rica - Costa Rica in the 21st Century | Britannica.”

¹²² “Laura Chinchilla | Biography, President of Costa Rica, & Facts | Britannica.” In *Britannica*. Accessed August 26, 2022. <https://www.britannica.com/biography/Laura-Chinchilla>.

¹²³ “GDP per Capita Growth (Annual %) - Costa Rica | Data.” The World Bank Data, World Bank, Accessed February 1, 2021. <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG?locations=CR>.

¹²⁴ “Costa Rica - Costa Rica in the 21st Century | Britannica.”

Summary of Aid Program

The 2013-2017 UNDP Country Programme in Costa Rica focused on working on the “national provincial and local levels” with existing institutions. The program is based on the Millennium Development Goals (MDGs).¹²⁵ The UNDP Programme planned to provide measurable improvements in MDGs 1. Eradicate Extreme Poverty and Hunger, 2. Achieve Universal Primary Education, 3. Promote Gender Equality and Empower Women, and 7. Ensure Environmental Sustainability.¹²⁶ Each MDG had multiple goals to be achieved with sub-projects. The UNDP worked with other UN agencies, NGOs, government agencies, and civil society organizations to implement the sub-projects. The budget for the entire Country Programme was US\$ 1,750,000 from the UNDP, and US\$ 20,660,000 from other resources.¹²⁷

For MDG 1, most sub-projects focused on collaboration between the UNDP and other government and nongovernment institutions to upgrade statistical systems and population-based data collection in Costa Rica. The UNDP planned to use this data to focus resources on plans to “generate investment,” aid in employment, to “encourage

¹²⁵ The MDGs are a set of eight priorities for development that were agreed to in September 2000 in the United Nations Millennium Declaration that outline focal points for nongovernmental organizations, governments, development agencies, international organizations, individuals, etc. when implementing development programs. Sanjiv Kumar, Neeta Kumar, and Saxena Vivekadhish, “Millennium Development Goals (MDGs) to Sustainable Development Goals (SDGs): Addressing Unfinished Agenda and Strengthening Sustainable Development and Partnership,” *Indian Journal of Community Medicine* 41, no. 1 (January 2016): 1–4, <https://doi.org/10.4103/0970-0218.170955>.

¹²⁶ Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services, “Draft Country Programme Document for Costa Rica, 2013-2017.”

¹²⁷ Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services.

environmentally sustainable competitiveness and employment in environment-friendly activities,” and to build education capacities.¹²⁸

For MDG 3, the UNDP program was designed to focus on improving in democratic empowerment. To do so, the program design focused on strengthening institutional capacities. The program outlined training, advocacy, and dialogue as the keys to increasing civil society participation and improving the safety of the general public.

Finally, as part of MDG 7, the UNDP would support risk management plans on the national and local levels to help to conserve and rehabilitate wetlands and protected areas, as well as support sustainable development policies such as those to “reduce persistent organic pollutants.”¹²⁹ Sub-programs were also designed to support multiple local conservation projects.

Internal Stability Assessment

The UNDP Country Programme positively impacted the internal stability of Costa Rica. Although Programme’s impact on Costa Rica’s economic development was small, the Programme did positively impact Costa Rica’s political stability. This section outlines the impacts of the structural adjustment programs on both the economic development and the political stability of Costa Rica and summarizes lessons that can be learned from this foreign aid program.

¹²⁸ Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services.

¹²⁹ Executive Board of the United Nations Development Programme, the United Nations Population Fund and the United Nations Office for Project Services.

This program's final evaluation and midterm evaluation were written in the same year, 2016. The midterm evaluation was published in September 2016, the final UNDAF report, including the 2013-2017 country program report for Costa Rica, was published in October 2016. The final report indicates that the Country Program had poor program monitoring and evaluation mechanisms. Therefore, I used both of these reports to evaluate the overall success of the aid program.¹³⁰

Economic Development

Although the Programme had goals to address economic development issues of violence, poverty, and education, the impact on these sectors was minimal. The Programme goals clearly state a target of decreasing gender-based violence and general physical insecurity. However, the target to decrease violence against women and citizen insecurity in 10% of the cantons selected was not achieved.¹³¹ Additionally, the Programme outlined a commitment to the goal of eradicating poverty and achieving universal primary education. The impact of the Programme on poverty in the targeted areas was minimal. The sub-projects that were designed to improve investments in mid-size and small businesses did not make such investments.

The Programme did make some progress on goals to increase access to education through a subprogram that published multiple papers on social issues. The program was

¹³⁰ Monge and Rímolo, "Evaluación del Marco de Asistencia de Naciones Unidas para el Desarrollo 2013-2017."

¹³¹ Ivannia Ayales Cruz and Carmen Lía Meoño Soto, "Plan de Acción para el Programa de País entre el Gobierno de Costa Rica y el Programa de las Naciones Unidas para el Desarrollo para el período de cooperación 2013-2017 (CPAP2013-2017): Evaluación Medio Término" (San José, Costa Rica, September 2016), <https://erc.undp.org/evaluation/documents/detail/9797>.

able to prove statistical systems for 7 institutions, support 8 coordination institutional mechanisms for sustainable development and gender equality, public 22 publications pertaining to sustainable development, and have three policies approved to improve social conditions, such as education access. For these reasons, I denoted the Programme's impact on economic development indicators as 0.

Political Stability

The Programme did significantly impact political stability in the areas of government effectiveness and voice and accountability. The Programme implemented many sub-projects to strengthen government institutions and improve government effectiveness. For instance, the program implemented human development plans for 10 cantons. Moreover, the Programme worked to improve coordination between the local and national levels. A sub-project worked to improve voice and accountability by providing spaces for dialogue on social issues, such as the Mesas de Diálogo de Juventud y Población Indígena. Other sub-projects helped to develop a focus on gender equality in the Planes Cantonales de Desarrollo Humano Local. The Country Programme worked with institutions to support the implementation of policies to support gender equality and labor rights.

Additionally, the Programme worked on multiple sub-projects to support conservation and environmental protection efforts. The UNDP funded 120 sub-projects in environmental protection. Environmental protectionism is incredibly important to Costa Rican society. Therefore, through its efforts to support environmental programs, the UNDP supported another important facet of political stability, environmental security.

Thus, the UNDP Country Programme received the denomination of 1 for positive impact on political stability.

Findings

According to the Midterm Evaluation, the greatest successes of the project were possible when there was cooperation with organizations on the ground. Moreover, having sufficient resources to complete the sub-projects in full was crucial.¹³² The evaluations also indicated that programs would have longer sustainability if the governmental staff with whom the projects coordinated efforts would not change with each new administration.¹³³

Some challenges with the Programme were evaluation and changing targets. The evaluation mechanisms for the project were poorly maintained. Additionally, the targets for the sub-projects changed throughout the Programme. Therefore, it was challenging to measure progress without consistent evaluation mechanisms and targets.

WORLD BANK FOREIGN AID PROGRAM STUDY: ECOMARKETS PROJECT

For the World Bank Project category, I chose the Ecomarkets Project that began in 2000. The Ecomarkets Project is a World Bank-funded project that was designed to complement and support the government program Pago por Servicios Ambientales (Environmental Services Payment, PSA).¹³⁴ I chose the Ecomarkets Project for multiple

¹³² Cruz and Soto.

¹³³ Cruz and Soto.

reasons. Firstly, one of the areas of development in which Costa Rica has excelled has been environmental development. Since 2014, at least 98% of the energy generated in Costa Rica is from renewable energy sources.¹³⁵ Therefore, programs concerning economic development are critical to understanding development as a whole in Costa Rica. Secondly, this is a program that is designed to support a government-led program in Costa Rica, not implement new programs. Thirdly, as seen in Appendix A, the year 2000 had a spike in indicators. Therefore, I was curious to see if the Ecomarkets project contributed to this spike.

Brief Context

By 2000, Costa Rica's economic growth had decreased from the growth that it had experienced since 1996¹³⁶ and President Miguel Angel Rodríguez was in his second term.¹³⁷ Environmental security had become an important facet of Costa Rican politics and economy since the 1990s. By the 2000s, the Costa Rican government began to support conservation and clean energy initiatives.

However, Costa Rica had not always been an example for economic development. The Costa Rican government supported deforestation efforts for much of Costa Rica's

¹³⁴ "Development Projects : Ecomarkets Project - P052009," Text/HTML, World Bank, accessed August 26, 2022, <https://projects.worldbank.org/en/projects-operations/project-detail/P052009>.

¹³⁵ Kim Thelwell, "10 Facts about Renewable Energy in Costa Rica," *The Borgen Project* (blog), January 25, 2020, <https://borgenproject.org/10-facts-about-renewable-energy-in-costa-rica/>.

¹³⁶ "GDP per Capita Growth (Annual %) - Costa Rica | Data."

¹³⁷ "Costa Rica - Costa Rica from 1974 to 2000 | Britannica." In *Britannica*. Accessed August 25, 2022. <https://www.britannica.com/place/Costa-Rica/Sports-and-recreation>.

history because clearing forests was associated with stimulating the economy.¹³⁸ The logic followed that more clearing resulted in agricultural exports. So, the government “encouraged pioneering by giving agricultural credits and grants for the cultivation of basic food crops that would supply the domestic markets.”¹³⁹ In fact, under the “denuncio” policy, it was possible for Costa Ricans to have the right “to claim up to fifty hectares of state-owned wasteland (tierra baldia)” after clearing the area for cultivation.¹⁴⁰ An unintended effect of the denuncio policy was that it motivated people to clear land in order to receive the land rights, regardless if they intended to use it for agriculture. Due to Government support of policies like the denuncio policy, only 29% of the forests in Costa Rica remained by 1940.¹⁴¹

However, as natural resources became limited and the negative impacts of deforestation became apparent, the government began to support reforestation efforts. In 1969, “Costa Rica enacted its first forest law” that “established the Costa Rican Forest Service (Dirección General Forestal, DGF)” and “prohibited cutting trees on state-owned or private lands without authorization from the [Dirección General Forestal].”¹⁴² Two more forestry laws were passed in 1986 and in 1996.¹⁴³ Finally, Costa Rica signed the

¹³⁸ Anja Nygren, “Deforestation in Costa Rica: An Examination of Social and Historical Factors,” *Forest & Conservation History* 39, no. 1 (1995): 27–35, <https://doi.org/10.2307/3983623>.

¹³⁹ Nygren.

¹⁴⁰ Nygren.

¹⁴¹ Nygren.

¹⁴² Nygren.

¹⁴³ Muro Llano, “Lecciones al proceso de reforestación en Costa Rica,” *Inicio* (blog), April 28, 2021, <https://www.murollano.org/post/lecciones-al-proceso-de-reforestación-en-costa-rica>.

Rio Declaration in 1992. Since signing the Rio Declaration, the government has been very active in conservation efforts. Notably, the Costa Rican government has enacted programs such as the Pagos de Servicios Ambientales (PSA) and established nature preserves and national parks.¹⁴⁴ Moreover, programs such as the Certificado de Abono Forestal (in 1986) and Certificado para la Protección del Bosque (in 1995) incentivized forest protection “rather than timber production.”¹⁴⁵ Due in large part to the swift change in governmental policy, by 2019 over half of Costa Rica was covered in forests again.¹⁴⁶

Summary of Aid Program

The Ecomarkets Project was designed to support the government PSA programs. Therefore, this section contains a summary of the PSA programs, then a summary of the Ecomarkets Project.

Pago por Servicios Ambientales (PSA)

The PSA programs began in 1997. The program’s goals were to promote reforestation, mitigate climate change, protect biodiversity, and maintain/rebuild natural landscapes.¹⁴⁷ Generally speaking, the PSA program pays owners of natural resources,

¹⁴⁴ Llano.

¹⁴⁵ Stefano Pagiola, “Payments for Environmental Services in Costa Rica,” *Ecological Economics*, Payments for Environmental Services in Developing and Developed Countries, 65, no. 4 (May 1, 2005): 712–24, <https://doi.org/10.1016/j.ecolecon.2007.07.033>.

¹⁴⁶ Programa Estado de la Nación, “Estado de la Nación 2021,” November 17, 2021, <https://repositorio.conare.ac.cr/handle/20.500.12337/8205>.

¹⁴⁷ admin, “Programa de Pago por Servicios Ambientales,” *Oficina Nacional Forestal (ONF)* (blog), 2020, <https://onfcr.org/psa-2>.

such as water, forests, etc., to provide “environmental services” to provide those services. For example, paying landowners not clear forests. The PSA program recognizes four main environmental services that forest ecosystems provide. The services are the “mitigation of greenhouse gas emissions,” “hydrological services, including provision of water for human consumption, irrigation, and energy production,” “biodiversity conservation,” and the “provision of scenic beauty for recreation and ecotourism.”¹⁴⁸ Under Forestry Law No. 7575, landowners can apply for a contract for any of the aforementioned four ecosystem services are provided on their land. Essentially, the landowners are paid a fee that the ecosystem services their land would provide. The Costa Rican Government created an agency, the Fondo Nacional de Financiamiento Forestal (FONAFIFO),¹⁴⁹ to manage the PSA contracts. Additionally, the Sistema Nacional de Áreas de Conservación (SINAC) was tasked with supervising contract compliance and coordinating conservation efforts.¹⁵⁰

However, the PSA program had funding shortages because much of the funding was sourced from the fuel tax. The PSA program was allocated 3.5% of the fuel tax. However, this funding was not sufficient to run the programs. Consequently, the PSA program would run on a deficit until the program could establish revenues from contract renewals. In 2000, the PSA programs were struggling to create sustainable funding through long-term contracts. As a result, the World Bank offered to help fund the PSA

¹⁴⁸ Pagiola, “Payments for Environmental Services in Costa Rica.”

¹⁴⁹ Pagiola.

¹⁵⁰ “Sistema Nacional de Áreas de Conservación (SINAC),” accessed September 8, 2022, <https://www.sinac.go.cr/ES/conozca/Paginas/default.aspx>.

program through the Ecomarkets Project. From around 2001-2006, the Ecomarkets project and the accompanying World Bank funding, were one of the main financial sources for the PSA program funding.

Ecomarkets Project

The World Bank's Ecomarkets Project was a six-year program from 2000-2006 that "aim[ed] to increase forest conservation by supporting the development of markets and private sector providers for environmental services supplied by privately owned forests" through the PSA program.¹⁵¹ The Ecomarkets Program had two main goals. First, to financially support the PSA program "while long-term financing mechanisms for the program are developed and institutionalized."¹⁵² Secondly, the Ecomarkets Project would "[strengthen] administration and field supervision" of the PSA program. Specifically, Ecomarkets would focus on "improv[ing]the technical and administrative capacity of local nongovernmental organizations and private sector associations" to facilitate greater quantities of contracts, "contract compliance," and assist to increase the accessibility of the PSA program to smaller landowners.¹⁵³ Moreover, World Bank intended to increase the role of women in the PSA programs.

In the Ecomarkets project design, the World Bank recognized three key elements for developing "self-sustaining markets for environmental services."¹⁵⁴ The three

¹⁵¹ "Development Projects: Ecomarkets Project - P052009."

¹⁵² "Development Projects: Ecomarkets Project - P052009."

¹⁵³ "Development Projects: Ecomarkets Project - P052009."

elements are ensuring the “financial sustainability of FONAFIFO to continue to play its market clearing role,” developing sustainable financial sources for the PSA programs, and ensuring the “financial sustainability of SINAC” as the body to monitor the landowners' contracts.¹⁵⁵ The Ecomarkets project was designed to support these three key elements through sub-projects that would support each of the two previously mentioned overall project goals.

The first goal of “Strengthening Market Development for Environmental Services”¹⁵⁶ had three targets. The targets were to finance the government’s “remaining commitments” to contracts that were signed between 1995-1999, to finance new contracts, and to develop “revenue capture mechanisms” that would “internalize the value of the environmental services through explicit payment schemes.”¹⁵⁷

The second goal of “Strengthening Administration and Field Supervision” of the PSA programs also had three targets. Firstly, sub-programs would improve PSA supervision, management, monitoring, and evaluation. Secondly, programming was designed to improve SINAC’s “forest protection and field supervision” to ensure that landowners are compliant with the conservation arrangements that were agreed upon. Finally, this project would help “local and regional NGOs” to provide legal and technical assistance to bundle smaller landowners together so that smaller farmers/landowners can

¹⁵⁴ World Bank, “Costa Rica-Ecomarkets Project Information Document,” Project Information Document (Costa Rica: World Bank, May 23, 2000), <https://documents1.worldbank.org/curated/en/202421468744007434/text/multi0page.txt>.

¹⁵⁵ World Bank, “Costa Rica-Ecomarkets Project Information Document.”

¹⁵⁶ World Bank, “Costa Rica-Ecomarkets Project Information Document.”

¹⁵⁷ World Bank, “Costa Rica-Ecomarkets Project Information Document.”

increase their access to PSA programs.¹⁵⁸ The NGOs would also have an increased role in the PSA system as an independent source of support to help FONAFIFO create improved evaluation and monitoring systems.¹⁵⁹

Internal Stability Assessment

The Ecomarkets Project positively impacted the internal stability of Costa Rica. Overall, the Ecomarkets Project positively impacted both Costa Rica's economic development and political stability.

Economic Development

Despite some program drawbacks, the Ecomarkets program did have a positive impact on the economic development of Costa Rica. The main economic development indicators that were affected by the Ecomarkets program were economic growth, energy access, poverty/inequality, and external debt. Firstly, the Ecomarkets program contributed to economic growth by creating a market for environmental services and conservation. In supporting conservation efforts, the Ecomarkets program was one of the programs that encouraged the ecotourism industry, an industry which has brought in billions of dollars to the economy.¹⁶⁰ According to, "Ecotourism as a development

¹⁵⁸ World Bank, "Costa Rica-Ecomarkets Project Information Document."

¹⁵⁹ World Bank, "Costa Rica-Ecomarkets Project Information Document."

¹⁶⁰ Kim Thelwell, "Economic Growth and Ecotourism in Costa Rica," The Borgen Project, September 6, 2020, <https://borgenproject.org/ecotourism-in-costa-rica/>.

strategy: experiences from Costa Rica,” ecotourism has led to developments in gender equality, education, and local economies in a manner that largely supports biodiversity.¹⁶¹

Yet, it is important to recognize that ecotourism in Costa Rica has had many negative impacts including but not limited to; dependency on tourism exports, human trafficking increases, and negative environmental impacts from the construction of infrastructure to support ecotourism. Nonetheless, Koens, Dieperink, and Miranda claim that despite the negative impacts of ecotourism, it is a more “promising development strategy for Costa Rica” than “[a]lternative land uses like logging, banana plantations, and cattle ranches.”¹⁶²

Moreover, the Ecomarkets Program increased energy availability by supporting PSA programs initiatives to provide contracts for services such as hydraulic energy. The Ecomarkets program also enacted sub-projects to decrease economic and social inequality, though their impact was small in comparison to general inequality. One of the stated goals of the PSA was to pay poorer landowners for environmental services as a way to decrease poverty and inequality. However, the PSA program was largely inaccessible to these poorer landowners. The Ecomarkets program did reach out to NGOs and increase the accessibility of the PSA program through bundling services. However, the PSA program still remained inaccessible to many small and medium-sized landowners. By the end of the Ecomarkets program more changes to increase the accessibility of the PSA programs were required to decrease Costa Rica’s level of

¹⁶¹ Jacobus Franciscus Koens, Carel Dieperink, and Miriam Miranda, “Ecotourism as a Development Strategy: Experiences from Costa Rica,” *Environment, Development and Sustainability* 11, no. 6 (October 8, 2009): 1225, <https://doi.org/10.1007/s10668-009-9214-3>.

¹⁶² Koens, Dieperink, and Miranda.

inequality and poverty through the PSA programs. However, the role of women and indigenous peoples in the PSA programs did increase. For instance, there was a “100 percent increase in the participation of indigenous communities in the PSA Program.”¹⁶³

Finally, the funds from the Ecomarkets program were loaned to Costa Rica to fund a program that could not completely fund itself even after the program’s termination. The financing of the program included a \$30 million loan and a \$10 million grant. However, the Bank estimated that the PSA program had saved the world \$140 million in “carbon benefits.”¹⁶⁴ Thus, through the Ecomarkets Program Costa Rica is repaying loans to save the world \$140 million in carbon emissions.

Still, the impact of the Ecomarkets Program on Costa Rica’s economic development is positive due to the support for economic growth and environmental security. Environmental security is important to economic development because a depletion in environmental resources will inevitably harm economic growth because there will be limited resource availability to sustain that growth. The Ecomarkets program helped to create a market for environmental security, and it did so by following the guidelines that Costa Rica had set itself. Ecomarkets programming helped FONAFIO to sign contracts with “17 different private sector and public sector water users” over “18,500 [hectares] and [generate] US\$0.5 million” for the PSA program by 2006.

¹⁶³ World Bank, “Costa Rica - Global Environmental Facility Trust Fund Grant for the Ecomarkets Project: Implementation Completion and Results Report,” Implementation Completion and Results Report (Costa Rica: World Bank, February 9, 2007), <https://documents1.worldbank.org/curated/en/633741468261285531/pdf/ICR433.pdf>.

¹⁶⁴ World Bank, “Costa Rica - Global Environmental Facility.”

Additionally, the Ecomarkets Program helped to streamline the process for “environmental services certificates (CSAs), which are standardized instruments that pay for the conservation of one hectare of forest in a specified area.” Through streamlining the environmental services certificates process, “[r]ather than negotiating each agreement on an ad hoc basis, FONAFIFO can sell interested water users the appropriate number of certificates.”¹⁶⁵ Streamlining the environmental services certificates process was vital to the sustainability of the PSA program as environmental services agreements were able to “[cover] FONAFIFO’s administrative costs.”¹⁶⁶ Moreover, the Ecomarkets program helped FONAFIFO to “[launch] Certificates of Environmental Services and [establish] the Biodiversity Trust Fund.”¹⁶⁷ The trust fund provided an additional source of funding for the PSA program. For these reasons, the economic development impact denomination of the Ecomarkets program is 1, despite some challenges inherent in the program.

Political Stability

The Ecomarkets program was dedicated to supporting the PSA program that the government implements. The Ecomarkets program had a positive impact on political stability because the project did not implement policies or aid that became dominant in the governance process of the PSA program. Instead, the program built the institutions required to ensure the sustainability of the PSA program. For instance, the program

¹⁶⁵ World Bank, “Costa Rica - Global Environmental Facility.”

¹⁶⁶ World Bank, “Costa Rica - Global Environmental Facility.”

¹⁶⁷ World Bank, “Costa Rica - Global Environmental Facility.”

worked *with* the Costa Rican government to strengthen the capacity of SINAC.¹⁶⁸

Government resources were employed to improve issues “related to personnel, operations costs, and goods and services” while the Ecomarkets program resources were dedicated to “support training of regionally based SINAC field staff,” create supervision programs, and monitor the “compliance with existing environmental legislation relating to conservation of forest ecosystems.”¹⁶⁹

The Bank also remained committed to its original agreement to finance the remaining contract commitments for “100,000 hectares of land” for contracts from 1995-1999. By the end of 2003, “[t]he existing contractual obligations were fulfilled 100%.”¹⁷⁰ Additionally, the Ecomarkets programs financed conservation easements for over 270,000 ha in Tortuguero, La Amistad-Caribe, and Osa Conservation Areas and other high biodiversity areas as well as over 130,900 ha of conservation easements in other priority areas. Since the Ecomarket’s project worked within its parameters and with the Costa Rican government, the accountability of the PSA project remained to the Costa Rican people.

Moreover, the partnership of NGOs in the Ecomarkets program created a space for NGOs to monitor the PSA programs and hold both SINAC and FONOFIO accountable for their actions in the programs. The Ecomarkets program worked with “[m]ore than six local NGOs” to provide support in building the capacities of the PSA program and training staff. The participation of the local NGOs provided a vital bridge

¹⁶⁸ World Bank, “Costa Rica - Global Environmental Facility.”

¹⁶⁹ World Bank, “Costa Rica - Global Environmental Facility.”

¹⁷⁰ World Bank, “Costa Rica - Global Environmental Facility.”

between the World Bank and the locals. The NGOs increased access to PSA programs for poor landowners, women, and indigenous peoples by bundling contracts so that smaller landowners can receive environmental benefits from the PSA program. Therefore, the political stability denomination was 1.

The Ecomarkets program had a unique relationship to political risk assessment. In general, the PSA programs redirected policy from protecting timber companies to supporting the “the provision of environmental services.”¹⁷¹ The Ecomarkets program increased the capacity of the PSA program and helped to grow a market for environmental services. In doing so, Ecomarkets programming decreased the political risk of investment in environmental and conservation sectors in Costa Rica. However, the Ecomarkets program also strengthened the PSA as an alternative to the industrialization of forests. Although there were four environmental services for which landowners could be compensated, the World Bank explains that the contracts were typically for forest-related services such as “forest conservation easements,” “sustainable forest management,” reforestation commitments for 15-20 years, and reforestation plantations.¹⁷² Consequently, the Ecomarkets program increased the risk of backlash or difficulty for investment in sectors that require clearing forests, such as logging or ranching.

¹⁷¹ Pagiola, “Payments for Environmental Services in Costa Rica.”

¹⁷² World Bank, “Costa Rica-Ecomarkets Project Information Document.”

Findings

The Ecomarkets program identified three key lessons for future investments in the PSA program. First, though the presence of NGOs to bundle small and medium-sized landholders did help to improve access for smaller landowners, there are systemic issues that prevent smaller landowners from accessing the PSA program and successfully signing environmental services contracts. Accessibility issues are even greater for landowners with no papers because there were no processes within the PSA for this situation. Another lesson from the Ecomarkets program is that building sustainable funding is key to a program's success. The PSA contracts did begin to create their own market for environmental services after the Ecomarkets program. However, this market for environmental services was new, and could not fully function without external financing. Finally, PSA programs must be flexible. For instance, setting national rates for specific environmental services may streamline contracts and administration. However, national rates cannot account for variations in the contracts, the services provided, or competing interests to use forest resources for commercial business in some areas. Therefore, a national rate for services may not grant sufficient funding in some areas for the environmental services that are targeted.

MILITARY AID FOREIGN AID PROGRAM STUDY: U.S. MILITARY AID IN 1983

For the foreign aid report in the Military Aid category, I chose to study the U.S. Military Aid in 1983 entry that was sourced from the Gale Search for Costa Rica. The source for the report of the military aid was the article "U.S. Boots Arms Aid Program,"

by David Shears on May 7, 1984, from *The Daily Telegraph*. The article discusses the “shipment of American military aid” to Costa Rica.¹⁷³ In the article, Shears reports that the military aid was sent to “bolster its [Costa Rica’s] almost non-existent defenses in the face of recent border clashes with neighbouring Nicaragua.”¹⁷⁴ I chose the 1984 military aid report because it was the only report in the Military Aid category in the master database for Costa Rica. The lack of military aid reports is to be expected for Costa Rica since the state does not have a standing army.

Brief Context

In 1984, Costa Rica’s economy was stuck under foreign debt and austerity measures. Meanwhile, the Sandinista movement presented a serious threat to Costa Rica.¹⁷⁵ The Frente Sandinista de Liberación Nacional (FSLN or Sandinistas) was a pro-communist party that overthrew the Nicaraguan President Anastasio Somoza Debayle in 1979 to end the Somoza family dictatorship.¹⁷⁶ A Sandinista sub-group, called the Alianza Revolucionaria Democrática (ARDE), had been operating from within Costa Rica’s borders.¹⁷⁷ At this time, Costa Rica was a neutral party in the Nicaraguan conflict. However, as communist influences gained influence within the Sandinista movement, the

¹⁷³ David Shears, “U.S. Boosts Arms Aid Programme,” *The Daily Telegraph*, May 7, 1984, The Telegraph Historical Archive.

¹⁷⁴ Shears.

¹⁷⁵ “Costa Rica - Costa Rica from 1974 to 2000 | Britannica.”

¹⁷⁶ “Sandinista | Political and Military Organization, Nicaragua | Britannica.” In *Britannica*. Accessed August 25, 2022. <https://www.britannica.com/topic/Sandinista>.

¹⁷⁷ Jennie K. Lincoln, “Neutrality Costa Rican Style,” *Current History* 84, no. 500 (1985): 118–36.

U.S. began to pressure Costa Rica to actively fight the Sandinistas, despite Costa Rica's commitment to military neutrality.¹⁷⁸

As the situation along the Nicaraguan border became increasingly fragile, the U.S. continued to offer military aid to Costa Rica.¹⁷⁹ In 1983 Sandinistas in Costa Rica committed two terrorist attacks, a car bomb, and an attack on an ambassador's house. These attacks led to great public outcry against the Sandinistas.¹⁸⁰ By the end of 1983, President Monge had accepted "over \$18 million in military assistance from the United States."¹⁸¹

Summary of Aid Program

In 1983, Costa Rica reportedly asked nine countries for military aid, including the United States.¹⁸² By the FY 1984, the "[m]ilitary assistance from the United States to Costa Rica increased threefold from \$3 million in 1983 to \$9 million."¹⁸³ On May 10, 1984, *The New York Times* reported that "the United States received a request for emergency military aid from Costa Rica last week totaling more than \$7.5 million."¹⁸⁴

¹⁷⁸ Lowell Gudmundson, "El Conflicto Entre Estabilidad y Neutralidad En Costa Rica," *Foro Internacional* 26, no. 1 (101) (1985): 37–54.

¹⁷⁹ Lincoln, "Neutrality Costa Rican Style."

¹⁸⁰ Gudmundson, "El Conflicto Entre Estabilidad y Neutralidad En Costa Rica."

¹⁸¹ Lincoln, "Neutrality Costa Rican Style."

¹⁸² Lilia Bermúdez T., "Centroamérica: La Militarización En Cifras," *Revista Mexicana de Sociología* 46, no. 3 (1984): 27–48, <https://doi.org/10.2307/3540139>.

¹⁸³ Lincoln, "Neutrality Costa Rican Style."

¹⁸⁴ "Costa Rica Seeks Arms Aid," *The New York Times*, May 10, 1984, sec. World, <https://www.nytimes.com/1984/05/10/world/costa-rica-seeks-us-arms-aid.html>.

According to the *Washington Post* the aid request included M16 rifles and ammunition, grenade launchers, “machine guns mortars tool kits and ammunition...parts and transportation.”¹⁸⁵ The U.S. sped up a shipment of previously approved military aid that was worth \$2.1 million dollars,¹⁸⁶ including “light trucks, communications equipment, and uniforms.”¹⁸⁷

This aid was to be used to counter violence at the border between Nicaragua and Costa Rica, and to increase the capacity of the Costa Rican internal security forces. Although a standing army had been abolished in the Constitution, according to Lilia Bermúdez T., Costa Rica had fifteen official paramilitary internal security units.¹⁸⁸

Internal Stability Assessment

The military aid that the U.S. provided to Costa Rica in the 1980s did have an impact on the internal stability of Costa Rica. However, due to the casual complexity of the military aid itself it is unclear if the aid provided had an overall positive or negative impact on Costa Rica’s internal stability. Although the military aid’s impact on economic development impact was minimal, the aid had a mixed impact on Costa Rica’s political stability. The military aid did increase the institutional capacities of the internal security

¹⁸⁵ Joanne Omang, “Secret Report Says Costa Rica Asks More Aid,” *Washington Post*, May 10, 1984, <https://www.washingtonpost.com/archive/politics/1984/05/10/secret-report-says-costa-rica-asks-more-aid/018715b9-1ce1-446b-9db6-9e3f57a37746/>.

¹⁸⁶ The New York Times, “Costa Rica Seeks U.S. Arms Aid.”

¹⁸⁷ B. Drummond Ayres Jr, “U.S. is Speeding Up Aid to Costa Rica,” *The New York Times*, May 5, 1984, sec. World, <https://www.nytimes.com/1984/05/05/world/us-is-speeding-up-aid-to-costa-rica.html>.

¹⁸⁸ Bermúdez T., “Centroamérica.”

forces. Yet simultaneously the aid decreased the external legitimacy of Costa Rica's claims to neutrality and led to internal instability as the internal forces of the country were militarized.

Economic Development

The impact of military aid in the 1980s on Costa Rica's economic development was minimal. The only indicator that was significantly impacted by the military aid is the increase of external debt to pay off the military aid. According to Bermúdez, Costa Rica received over \$222,502,000 in military aid between 1980 and 1984.¹⁸⁹ However, the debt accumulated from the military aid is not significant when compared to the overall debt that Costa Rica has accumulated. In 1983, the Official Development Aid that Costa Rica receive accounted for 8% of the total GNI.¹⁹⁰ For this reason, I denoted the U.S. 1983 Military Aid project as a 0 for economic development.

Political Stability

Conversely, the military aid had a great impact on the political stability of Costa Rica, though it is unclear whether this impact was positive or negative. The equipment and training programs that were provided through the military aid disbursements did increase the capabilities of Costa Rica's internal forces. For instance, Costa Rican security forces could better secure its borders with the improvements in communications

¹⁸⁹ Bermúdez T., "Centroamérica."

¹⁹⁰ "Net ODA Received (% of GNI) - Costa Rica | Data." The World Bank Data, World Bank, Accessed September 6, 2022. <https://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS?locations=CR>.

from the training exercises.¹⁹¹ Moreover, after 1983, there were no reports of Sandinista terrorist attacks. Although it is unclear how great of a role that the increased capacities of the internal security forces played in the decrease in the attacks, especially because the U.S. began to withdrawal from the conflict in 1984.¹⁹²

On the other hand, the military aid threatened Costa Rica's neutrality and supported the militarization of the internal security forces. For instance, the U.S. wanted to train a Civil Guard battalion to become a "Reaction Force for Costa Rica."¹⁹³ However, the Reaction Force for Costa Rica intended to maintain "a trained officer corps" rather than change the leadership with every administration to "maintain continuity between administrations."¹⁹⁴ Continuity in the internal forces appears to be a key to maintaining the institutional capacity of the internal security forces. However, such an action would greatly undermine the political foundation of Costa Rica's democracy because the Constitution clearly states that there are to be no standing military forces in Costa Rica. Moreover, the internal security forces became increasingly militarized through military aid equipment and training programs that were increasing the capacities of the internal security forces.

The increasing militarization of the internal security forces risked both the internal and external security of Costa Rica. Firstly, the Costa Rican citizens had to

¹⁹¹ Lincoln, "Neutrality Costa Rican Style."

¹⁹² U.S. Department of Justice Office of the Inspector General, "CIA-Contra-Crack Cocaine Controversy," U.S. Department of Justice Office of the Inspector General, accessed August 25, 2022, <https://oig.justice.gov/sites/default/files/archive/special/9712/appa.htm>.

¹⁹³ Lincoln, "Neutrality Costa Rican Style."

¹⁹⁴ Lincoln.

confront the constitutionality of the militarization of the internal security forces was constitutional. As Lowell Gudmundson reports in the article, Costa Rican opposition to the militarization of the police force engaged in protests in May of 1983.¹⁹⁵ Secondly, the military aid gave the appearance that Costa Rica had foregone its military neutrality and was forming an alliance with the U.S. It is for this reason that President Monge refused to allow the U.S. Army Corps of Engineers to construct infrastructure along the northern border. Costa Rica's external security structure heavily relies on its status as a neutral nation since it does not have an army. Costa Rica can easily become a threat to its neighbors if it appears to be forgoing this neutrality in favor of American allegiance. Countries such as Nicaragua would have the legitimate fear that Costa Rica could be used as a base for U.S. military operations and influence. In this manner, the U.S. military aid to Costa Rica threatened Costa Rica's external legitimacy. Due to the negative impacts of the military aid on both Costa Rica's internal and external political stability President Monge reaffirmed Costa Rica's commitment to neutrality through his proclamation in November 1983.¹⁹⁶ The proclamation was signed amid reports that the U.S. was pressuring the Costa Rican Government to accept more aid than requested.

The impact of the U.S. military aid on Costa Rica's political stability was both positive and negative. Therefore, it is not possible for me to rank the impact of this aid on political stability.

¹⁹⁵ Lowell Gudmundson, "Costa Rica: The Conflict Over Stabilization and Neutrality, 1983-84 (Dialogue #36)," *LACC Occasional Papers Series. Dialogues (1980 - 1994)*, January 1, 1984, <https://digitalcommons.fiu.edu/laccopsd/31>.

¹⁹⁶ Ap. "Costa Rica Proclaims Neutrality" *The New York Times*, November 18, 1983, sec. World. <https://www.nytimes.com/1983/11/18/world/costa-rica-proclaims-neutrality.html>.

Findings

One of the most important lessons that can be learned from this aid program is that the context of the aid is vital. Costa Rica is a neutral, demilitarized state. So, any military aid provided must be with great caution and research so as to avoid sparking internal instability. Moreover, military aid can have contradicting effects on a country's stability. Costa Rica did receive aid to increase its internal security capacity for defense. Yet in doing so, the country also became more insecure.

U.S. FOREIGN ASSISTANCE FOREIGN AID PROGRAM STUDY: U.S. COUNTERNARCOTICS PROGRAMS

I chose to study the U.S. Counternarcotics Program in 2013 for the U.S. Foreign Assistance.gov Database category. In 2013, the U.S. gave over \$2.059 million to Costa Rica for "In-country Counternarcotics Programming," with the Activity ID of 20000. There is no project number for this program. The Counternarcotics Programming was both managed and funded by the Department of Defense. Unlike the other foreign aid program studies, the Counternarcotics Program began in the 1980s and has continued to the current day.

Although it is possible to research some of the aid that was sent via the Counternarcotics Programming in 2013, the scope of the aid and its impact goes beyond that given in 2013. Moreover, there are not many reliable resources that describe the impacts of the 2013 counternarcotics aid specifically because the impacts of the aid are compiled into those of general counternarcotics programs in Costa Rica. Therefore, I studied the impact of counternarcotics programs in Costa Rica as a whole.

I chose the 2013 U.S. Counternarcotics programs in Costa Rica for multiple reasons. First, as seen in Appendix A, economic development and political stability indicators spiked. Secondly, the counternarcotics programs were the U.S. aid programs that received the most funding in 2013. Therefore, the programs would be an example for me to study U.S. aid with great financial resources. Thirdly, U.S. counternarcotics programs are highly controversial both in the U.S. and in Costa Rica. For this reason, I wanted to gain a better understanding of whether or not counternarcotics programs impacted the internal security of Costa Rica.

Brief Context

U.S.- funded counternarcotics programs in Costa Rica have been implemented at least since the 1980s and are still implemented today. Counternarcotics programs in Costa Rica increased as the “War on Drugs” gained momentum. Throughout the early 1990s, narcotic trafficking grew as traffickers used Costa Rica as a “transit zone” to North America.¹⁹⁷ Additionally, Costa Rica was in a vulnerable position as a country without an army in a region that had been plagued by civil wars from El Salvador to Nicaragua. Meanwhile, narco-trafficking grew in Panama as there were weak institutions immediately after Manuel Noriega was overthrown in 1989.¹⁹⁸

Costa Rica did receive some military aid from the U.S. to counter narcotics trafficking through the 1980s-1990s. However, the military aid was minimal because the

¹⁹⁷ William L. Marcy, “The End of Civil War, the Rise of Narcotrafficking and the Implementation of the Merida Initiative in Central America,” *International Social Science Review* 89, no. 1 (2014): 1–36.

¹⁹⁸ Marcy.

communist Sandinista movement in Nicaragua may have perceived counternarcotic support as Costa Rica's support for U.S. military operations in Latin America during the Cold War.¹⁹⁹ Doing so would have compromised Costa Rica's neutrality.²⁰⁰ Moreover, the U.S. did not want to send more counternarcotics aid to Costa Rica. According to William Marcy in "The End of Civil War, the Rise of Narcotrafficking and the Implementation of the Merida Initiative in Central America" the U.S. expected the Costa Rican Government to carry most of the burden of fighting the narcotics issues within the country.²⁰¹

Summary of the Aid Program

In 2013, the Counternarcotics Program in Costa Rica was run by the U.S. Southern Command. The Counternarcotics Program description explains that the "U.S. Department of Defense International Counter-Drug Program (ICDP) enables the Secretary of Defense to provide foreign governments with support, such as training and equipment, to combat illicit drug trafficking and transnational organized crime." To achieve this directive, the U.S. has implemented many programs to strengthen the capacities of Costa Rican institutions to counter narcotics trafficking.

In 2005 the United States Department of State identified five main challenges to counternarcotic programs in Costa Rica. The five main challenges are the

¹⁹⁹ Mercedes Muñoz Guillén, "Narcotráfico, democracia y soberanía nacional en Costa Rica," *Anuario de Estudios Centroamericanos*, 25, no. 2 (1999): 33–47.

²⁰⁰ Marcy, "The End of Civil War, the Rise of Narcotrafficking and the Implementation of the Merida Initiative in Central America."

²⁰¹ Marcy.

“dual coastline” of the Pacific and Atlantic oceans, the lack of patrolling on the Pan-American Highway that is the main artery through Central America, limited security on the southern border with Panama, “no military” for military operations, and a poorly resourced Coast Guard.²⁰²

To address the issues that the U.S. Department of State had identified, the U.S. also created goals for the counternarcotics programs to achieve. The overall goal is to “reduce the transit of drugs to U.S. markets by reducing the flow of illicit narcotics through Costa Rica.”²⁰³ The U.S. also outlined the goals to “[e]nhance the effectiveness of the criminal justice system,” to increase money controls and enforcement to “[r]educ[e] the use of Costa Rica as a money laundering center,” to offer support for projects to “locate and destroy marijuana fields,” and to “[t]arget high-level trafficking organizations operating in Costa Rica.”²⁰⁴ Other goals of the Counternarcotics Programming were to counter corruption, and to increase institutional capacities of the justice and enforcement systems.²⁰⁵

U.S. counternarcotics programs in Costa Rica focused on increasing institutional capacities through training and equipment. One of the main focuses of U.S. counternarcotics aid in Costa Rica has been to improve the capabilities of the Costa Rican

²⁰² Bureau of Public Affairs Department Of State. The Office of Electronic Information, “Counternarcotics and Law Enforcement Country Program: Costa Rica” (Department Of State. The Office of Electronic Information, Bureau of Public Affairs.), accessed September 1, 2022, <https://2001-2009.state.gov/p/inl/rls/fs/49154.htm>.

²⁰³ Department Of State. The Office of Electronic Information.

²⁰⁴ Department Of State. The Office of Electronic Information.

²⁰⁵ “Country Reports - Afghanistan through Costa Rica,” U.S. Department of State, accessed September 1, 2022, [//2009-2017.state.gov/j/inl/rls/nrcrpt/2013/vol1/204048.htm](https://2009-2017.state.gov/j/inl/rls/nrcrpt/2013/vol1/204048.htm).

Coast Guard to counter narcotics trafficking along the coasts. To do so, the U.S. has funded training exercises and equipment to the Costa Rican Coast Guard to strengthen its capacity to conduct counternarcotic operations and seizures. Additionally, the U.S. and Costa Rica also signed a bilateral maritime agreement to solidify their commitment to cooperation on counternarcotics operations in the Central American region.²⁰⁶

To counter the influence of narcotics trafficking in gang violence in Costa Rica, the U.S. has also supported programs in schools and communities for at-risk youth. For instance, in 2012, the U.S. supported five programs for at-risk youth that were run by NGOs. According to the U.S. Department of State Report 2013 Country Report for Costa Rica, “these programs “impact[ed] approximately 1,600 Costa Rican youth.”²⁰⁷

Beginning in 2010, one of the key counternarcotics programs in Central America that impacted Costa Rica was the Central America Regional Security Initiative (CARSI). The CARSI program is a break-off program from the Mérida Initiative that focused on counternarcotics and anticrime programming in Mexico and Central America, but mainly in Mexico. The U.S. government saw a need for more support to improve security in Central America after initiating the Mérida Initiative. CARSI is a program that was designed to provide “equipment, training, and technical assistance to support immediate law enforcement operations” and “to strengthen the long-term capacities of Central American governments to address security challenges and the underlying social and

²⁰⁶ “21. Maritime and Air Counter Narcotics Agreement in Caribbean,” U.S. Department of State, accessed September 1, 2022, <https://2009-2017.state.gov/s/l/2005/87198.htm>.

²⁰⁷ “Country Reports - Afghanistan through Costa Rica.”

political factors that contribute to them.”²⁰⁸ To do so, the CARSI program coordinates operations and programming between governments, NGOs, agencies, and the Central American Integration System.²⁰⁹

Many of the defense program expenditures for counternarcotics programs were directed to CARSI programming. Around 6.9% of the total funding for CARSI was dedicated to programs in Costa Rica between 2008-2012.²¹⁰ Through the CARSI initiative, the U.S. financially supported programs such as the “comparative statistic systems” to provide statistical data and mapping of “criminal activity.”²¹¹ The CARSI program heavily focused efforts on improving the justice system’s response to narcotics trafficking and a program to support projects for police professionalization and training.²¹²

Internal Stability Assessment

Although the U.S. – funded counternarcotic programs did impact Costa Rica’s internal stability, it is challenging to determine whether this impact was positive or

²⁰⁸ Peter J Meyer and Clare Ribando Seelke, “Central America Regional Security Initiative: Background and Policy Issues for Congress” (Congress of the United States of America, December 17, 2015), <https://crsreports.congress.gov/product/pdf/R/R41731>.

²⁰⁹ The Central American Integration System is an intergovernmental institution between Central American states, and the Dominican Republic, to foster cooperation in economic, social, political, and environmental spheres.

²¹⁰ Meyer and Seelke, “Central America Regional Security Initiative: Background and Policy Issues for Congress.”

²¹¹ Meyer and Seelke.

²¹² “Country Reports - Afghanistan through Costa Rica.”

negative. This section outlines the impact of the counternarcotics program on both the economic development and political stability of Costa Rica, as well as the lessons that can be learned from this program.

Economic Development

The impact of the counternarcotics programs on the economic development indicators was minimal. For instance, the programs did not impact homicide rates or human trafficking. One of the goals of the program was to decrease crime rates. Yet, homicide rates in 2013-2017 rose.²¹³ Moreover, as Patrick Buscone explains, further spending on internal security forces could decrease Costa Rica's budget for social spending. According to Buscone, the key to Costa Rica's development thus far has been its social spending.²¹⁴ To take away this spending to repurpose the funds to increase the budget of the internal security forces would be detrimental to the economic development of the nation. For these reasons, the denotation for economic development is 0.

Political Stability

On the other hand, according to my research, the U.S. counternarcotics programs did impact the political stability of Costa Rica. However, due to the casual effects of the program, it is challenging to define the impact as positive or negative.

²¹³ "Bureau of International Narcotics and Law Enforcement Affairs: Costa Rica Summary," *United States Department of State* (blog), accessed September 8, 2022, <https://2017-2021.state.gov/bureau-of-international-narcotics-and-law-enforcement-affairs-work-by-country/costa-rica-summary/>.

²¹⁴ Patrick Buscone, "The Demilitarization of Costa Rica," *College Honors Program*, May 19, 2017, <https://crossworks.holycross.edu/honors/10>.

The program had a positive impact on the effectiveness and rule of law political stability factors by increasing the capacities of internal security forces. The U.S. counternarcotics programs provided Costa Rican internal security forces with equipment and training that was required to strengthen their capacity to handle increased narcotics trafficking enforcement. For instance, the U.S. Coast Guard did help with joint operations along the coastlines. These joint operations were important because large quantities of narcotics were (and still are) shipped between South and North America through Costa Rican waters.²¹⁵ According to reports from the Costa Rican government and the U.S. Department of State, the counternarcotic efforts with the U.S. have been very successful in increasing narcotic seizures. In 2018 alone, joint operations with the U.S. helped to seize 35.5 metric tons of marijuana and cocaine.²¹⁶ However, there is little evidence to suggest that the overall narcotics trade has decreased.

Beyond increasing drug seizures, the U.S.–funded counternarcotics programs supported domestic institutions. For instance, some programs included training police officers, conducting programming for judicial education, and building up border police presence in the southern region. The U.S. also fostered international institution building by sponsoring the Multilateral Maritime Counterdrug Summit for South and Central America, hosted by Costa Rica.²¹⁷

²¹⁵ COHA, “Costa Rica’s Fateful Move: San José Expands Its Role in U.S.- Led Counter-Narcotics Efforts,” accessed September 8, 2022, <https://www.coha.org/costa-rica%e2%80%99s-fateful-move-san-jose-expands-its-role-in-u-s-led-counter-narcotics-efforts/>.

²¹⁶ Presidencia de la República de Costa Rica, “Costa Rica es el país más eficaz en cooperación con Estados Unidos en incautación de droga,” Presidencia de la República de Costa Rica, January 1, 2020, <https://www.presidencia.go.cr/comunicados/2020/01/costa-rica-es-el-pais-mas-eficaz-en-cooperacion-con-estados-unidos-en-incautacion-de-droga/>.

²¹⁷ “Country Reports - Afghanistan through Costa Rica.”

Yet, the militarization of Costa Rica's internal security forces negatively impacted the internal political legitimacy of the Government of Costa Rica. The training and tools that the U.S. provided with its counternarcotics program were largely military based. For instance, one of the most controversial training programs was the training of police officers at the U.S. Army's Western Hemisphere Institute for Security Cooperation. As the *Tico Times* reports, there has been public concern about the constitutionality of sending Costa Rican police to military training centers.²¹⁸ Moreover, Costa Rica began to permit U.S. naval ships to enter its ports.

Also, U.S. bilateral naval operations with the Costa Rican Coast Guard and U.S. counternarcotic operations in the Caribbean have brought military vessels into Costa Rican waters.²¹⁹ These actions led to public dissent and threatens Costa Rica's status as a neutral nation because it has given a major global power permission to use its ports for naval vessels and use military vessels in the waters of a neutral nation.²²⁰ The U.S. military operations in Costa Rican waters and the militarization of the police can possibly undermine the Costa Rican Constitution which outlaws all standing armies.²²¹

Furthermore, there is limited data that indicates that the counternarcotics programs significantly decreased corruption. Although the CARSI programs claim that

²¹⁸ "Just Say 'No' to the War on Drugs: Seeking a Latin American Solution." *The Tico Times*. 2014. <https://ticotimes.net/2014/09/03/just-say-no-to-the-war-on-drugs-seeking-a-latin-american-solution>.

²¹⁹ Carol Marujo, "Threats to Peace: The Militarization of Costa Rica," *Peace and Freedom* 71, no. 1 (2011): 14–15.

²²⁰ Marujo.

²²¹ "Constitución Política de la República de Costa Rica" (La Revista Parlamentaria, n.d.), <http://www.asamblea.go.cr/sd/Publicaciones%20a%20Texto%20Completo%20%20Revistas/Constituci%C3%B3n%20Pol%C3%ADtica%20de%20la%20Rep%C3%ABlica%20de%20Costa%20Rica,Reglamento%20de%20la%20Asamblea%20Legislaiva.pdf>.

rooting out corruption has been a key goal throughout their programming,²²² it is not substantiated with change in country. For instance, the “Cementazo” scandal was leaked in 2017. The Cementazo scandal is a corruption case that included all three branches of the government, the Central Bank, and a deal with a Chinese cement company.²²³ In this scandal, high-influence government officials appeared to have been bribed to give a risky loan to a businessman. Other examples of corruption include allegations against at least four former presidents. Clearly, corruption has not greatly decreased.

Finally, the community outreach programs did not receive sufficient attention, monitoring, or development. The U.S. did help fund community programs such as educational programming in schools about drug trafficking and use that reached 226,000 students through programs such as Drug Abuse Resistance and Education Program (DARE) between 2012-2014.²²⁴ However, the programs failed in action. For instance, DARE, was not effective in the evaluation form the Ministerio de Seguridad Pública. In 2019, the *Delfino* reported the program to be officially closed²²⁵ due to the minimal impact that the DARE program actually had on the students that it was teaching.

²²² Meyer and Seelke, “Central America Regional Security Initiative: Background and Policy Issues for Congress.”

²²³ Álvaro Murillo, “Un escándalo empaña la campaña en Costa Rica y somete a pruebas a su sistema político,” *El País*, November 2, 2017, sec. America, https://elpais.com/internacional/2017/11/02/america/1509632417_178983.html.

²²⁴ “Volume I: Drug and Chemical Control,” International Narcotics Control Strategy Report (U.S. Department of State, 2014), <http://go.gale.com/ps/i.do?p=AONE&sw=w&iissn=19394314&v=2.1&it=r&id=GALE%7CA365691048&sid=googleScholar&linkaccess=abs>.

²²⁵ “Ministerio de Seguridad cancela programa D.A.R.E. tras malos resultados y poca efectividad,” *Delfino*, May 16, 2019, <https://delfino.cr/2019/05/ministerio-de-seguridad-cancela-programa-d-a-r-e-tras-malos-resultados-y-poca-efectividad>.

The counternarcotics programs did not have a discernible impact on the economic development or political stability of Costa Rica because of the casual complexities that resulted from the aid programs. Therefore, it was not possible to rank the program's impact on internal security as either positive or negative.

Findings

The ineffectiveness of the community-based programs demonstrates the importance of monitoring and evaluating programs, so it is possible to cut programs that are not serving their function. The D.A.R.E. programs in Costa Rica continued for 20 years before evaluations determined their inefficacy. This waste of resources could have been avoided with proper evaluation and monitoring mechanisms. Cultural context is vital. Although the counternarcotic programs did improve the capacities of Costa Rica's internal security forces, it did so without considering the context of neutrality and demilitarization in the country.

A problem may have multiple sources. When addressing issues such as narcotics trafficking, it is not possible to resolve the issue with one fix-all solution. Corruption, increased demand, and high poverty rates are all possible sources that support narcotics trafficking. It is not possible to have a cure-all policy. The aid given focused on the supply of counternarcotics and does not address issues of the demand for narcotics. Estimations place around 86% of the drugs that are trafficked into the U.S. go through the Central American corridor. For this reason, Segura, Coto, and Mena argue that the focus of U.S. counternarcotics efforts should increase their focus on demand in the U.S. for narcotics, rather than only enforcement of supply-side crackdowns.

The so-called “mano dura” or heavy-handed approach to counternarcotics programs has been widely criticized as a failure in many Latin American countries. In 2013, the Organization of American States held a meeting in Costa Rica to discuss other programs to counter narcotics trafficking. The suggested programs focused on comprehensive economic and social development, such as job creation.²²⁶

DEVELOPMENT AID FOREIGN AID PROGRAM STUDY: DEBT-FOR-NATURE SWAPS

I studied the Debt-for-Nature Swaps in 1990 and 2007 for the Development Aid category. Both the 1990 report and 2007 report were found in the Gale Database search. I chose to group the 1990 and 2007 entries together for the debt-for-nature swaps because there have been many debt-for-nature swaps in Costa Rica. I studied the overall impact of the debt-for-nature swap foreign aid policy.

The first debt-for-nature swap entry in my database was a report from *The Daily Telegraph* in 1990. The debt-for-nature swap was organized and funded by the World Wildlife Fund.²²⁷ The second debt-for-nature swap entry in my database was a report from NBC News in 2007. NBC reported that “As part of the U.S. Tropical Forest Conversation Act, the United States government will spend \$12.6 million to buy back Costa Rica's debt at discounted rates” and two NGOs, “Conservation International and The Nature Conservancy will each contribute \$1.26 million.”²²⁸ I chose to study the debt-

²²⁶ OAS, “OAS - Organization of American States: Democracy for Peace, Security, and Development,” Text, August 1, 2009, <http://www.oas.org/en/iachr/mandate/Basics/convention.asp>.

²²⁷ “WWF,” *The Daily Telegraph*, March 3, 1990, The Telegraph Historical Archive.

for-nature Swaps for two reasons. Firstly, the debt for nature swaps appeared twice in my database search. Secondly, Costa Rica has historically had high foreign debt and a commitment to nature conservation. Therefore, the concept of a debt-for-nature swap appealed to me as an interesting aid structure.

Brief Context

As previously explained in the World Bank Ecomarkets program, conservation efforts became increasingly influential in Costa Rica throughout the early 1990s. The government supported environmental protection programs such as Pagos de Servicios Ambientales (PSA) and establishing nature preserves (and national parks).²²⁹ However, the environmental shift in Costa Rica spanned beyond government-supported programs. Costa Rica's political institutions that supported deforestation efforts were destroyed. Instead, the Costa Rican political sphere shifted towards programs that incentivized forest protection "rather than timber production" such as the 1986 Certificado de Abono Forestal and the 1995 Certificado para la Protección del Bosque.²³⁰

Additionally, Costa Rica continued to make environmental commitments on the international stage long after the Rio Declaration. For instance, Costa Rica is party to the Kyoto Protocol (1998), Paris Climate Agreement (2016) and has been an active member in all of the Conference of the Parties (COP) meetings.²³¹

²²⁸ "Costa Rica Gets Largest Debt-for-Nature Swap," NBC News, accessed September 2, 2022, <https://www.nbcnews.com/id/wbna21345405>.

²²⁹ Llano, "Lecciones al proceso de reforestación en Costa Rica."

²³⁰ Pagiola, "Payments for Environmental Services in Costa Rica."

Summary of the Aid Program

Debt-for-nature swaps have been one of the more innovative ways in which Costa Rica has been paying off its foreign debt. To understand the debt-for-nature swaps, this section first defines debt-for-nature swaps and how this swap works, outlines the goals of the swaps, and summarizes the history of debt-for-nature swaps in Costa Rica.

First, we must define debt-for-nature swaps. As Marilyn Post explains, debt-for-nature swaps are form of debt-equity swaps. The swap begins when a debtor nation cannot repay foreign debt from other countries. So, the creditor nation sells a certain amount of the debt to a third-party investor, typically another government or NGO, at a discount rate on the secondary sovereign debt market. Then, the third-party investor takes that debt to the central bank of the indebted nation and has the debt converted at “face value into local currency” provided that this currency is used for a “long-term equity investment” in the country.²³²

For example according to Maurizio Levi Minzi, “a loan having a face value of one million dollars could be purchased on the secondary market for \$200,000,” which can then be brought to the central bank to be “swapped in Brazilian cruzeiros worth one million dollars” provided that the one million cruzeiros are invested in certain projects, such as conservation.²³³ However, unlike debt-for-equity swaps, once the debt is bought,

²³¹ “Costa Rica | UNFCCC,” United Nations Climate Change Secretariat, accessed September 2, 2022, <https://unfccc.int/node/61044>.

²³² Marilyn Post, “The Debt-for-Nature Swap: A Long-Term Investment for the Economic Stability of Less Developed Countries,” *The International Lawyer* 24, no. 4 (1990).

²³³ Maurizio Levi Minzi, “The Pied Piper of Debt-for-Nature Swaps,” *Penn Law: Legal Scholarship Repository*, 2014, 26.

the third-party investor can require the central bank to exchange the debt for “local currency, local currency bonds, or local measures to protect particular areas,” depending upon the agreement between the third party investor and the debtor country.²³⁴

In short, as Stein Hanson explains, “[a] debt-for-nature swap is a kind of debt-equity swap involving the purchase (at a discounted value in the secondary debt market) of a developing country’s debt, and its cancellation in return for environment-related action on the part of the debtor nation.”²³⁵ Another use for the domestic currency from the swaps could also be NGOs using the funds to “[obtain] “domestic currency at a discount which can be used for conservation-type expenditure or which they want the government to use for that purpose.”²³⁶

With a debt-for-nature swap, the indebted country has its foreign debt cancelled at a discount rate and reinvested within the domestic economy. The investor pursues domestic investments in areas of conservation, rather than equity investment. The original creditor “can receive cash for a loan that may never be repaid,” and can “erase a questionable debt from its books.”²³⁷

Goals of Debt-for-Nature Swaps

Debt-for-nature swaps were implemented to provide an innovative solution to the debt crisis. The goal of the swaps was to decrease foreign debt in the recipient countries

²³⁴ Post, “The Debt-for-Nature Swap.”

²³⁵ Stein Hansen, “Debt for Nature Swaps — Overview and Discussion of Key Issues,” *Ecological Economics* 1, no. 1 (February 1, 1989): 77–93, [https://doi.org/10.1016/0921-8009\(89\)90025-6](https://doi.org/10.1016/0921-8009(89)90025-6).

²³⁶ Hansen.

²³⁷ Post, “The Debt-for-Nature Swap.”

while protecting the environment and promoting conservation. The rise of real interest rates and slow economic development in many indebted countries made it difficult to repay the loans that they received for economic development. Simultaneously, industrial programs, agriculture, and other economic programs that were required to provide economic gains were destroying the natural resources of indebted countries. The destruction of natural habitats and biodiversity increased as the economic activities of industrialization rose so that the countries could pay off the debt. Western nations and multilateral institutions became concerned with the environmental destruction occurring in many of the countries trying to service their debt. However, it was not economically feasible for countries to not use resources on land without some form of payment.²³⁸

Summary of Debt-For Nature swaps in Costa Rica

Debt-for-nature swaps have continued since the first debt-for-nature swap in Costa Rica in 1987. A local NGO, the National Parks Foundation bought \$5.4 million of Costa Rica's foreign debt for the discount of \$918,000. The Central Bank then issued "local currency bonds issued at 75 percent of face value."²³⁹ This first deal was unique in the value of the currency bonds. After this deal, "the Costa Rican government issued local currency bonds valued at only 30% of the original amount."²⁴⁰ The proceeds from the bonds were designated to certain Costa Rican conservation projects.²⁴¹

²³⁸ Minzi, "The Pied Piper of Debt-for-Nature Swaps."

²³⁹ Post, "The Debt-for-Nature Swap."

²⁴⁰ Minzi, "The Pied Piper of Debt-for-Nature Swaps."

²⁴¹ Post, "The Debt-for-Nature Swap."

Two years later, in 1989, the Dutch government purchased \$33 million of Costa Rica's foreign debt at the discount rate of \$5 million.²⁴² The Dutch government then "established a Costa Rican - Dutch nature trust fund" to dedicate the funds from the swap to. The two governments then created a joint commission of the "Costa Rican Ministry of Natural Resources, Energy, and Mines and the Dutch Ambassador" to decide on the expenditure dedications of the fund.²⁴³ 1989 had two more debt for nature swaps. One was the Nature Conservancy's purchase of \$5.6 million of Costa Rican debt from the American Express Bank for \$784,000 to be issued local currency bonds to conservation groups. The other swap was the Swedish Government's purchase of \$25 million Costa Rican debt for \$3.5 million. The Swedish Government donated the funds to the Fundación de Marques Nacionales.²⁴⁴

In 1990, the Nature Conservancy and World Wildlife Fund purchased \$10.574 million of foreign debt for \$1.9 million.²⁴⁵ The funds were converted to local currency bonds to be used for La Amistad Regional Conservation Unit for projects including education and research.²⁴⁶ In 1991 the Nature Conservancy and Rainforest Alliance purchased \$600,000 of debt from the American Express Bank for \$360,000. The funds

²⁴² Post.

²⁴³ Post.

²⁴⁴ Post.

²⁴⁵ Pervaze A Sheikh, "Debt-for-Nature Initiatives and the Tropical Forest Conservation Act (TFCA): Status and Implementation" (Congressional Research Services: Congress of the United States of America, July 24, 2018).

²⁴⁶ World Wildlife Fund, "Commercial Debt-For Nature Swaps (Amounts in US\$)," *WWF Center for Conservation Finance*, 2003, 14.

were paid in local currency and were dedicated to the “acquisition and protection at the International Children's Rainforest in the Monteverde Cloudforest in Costa Rica.”²⁴⁷

In 2007 and 2010 the U.S. worked with the Costa Rican government to buy back Costa Rica's debt.²⁴⁸ In 2007, the deal was for the U.S. to cancel \$26 million for a buyback of \$12.6 million with a contribution from the National Conservancy and Conservation International of around \$1.26 million each.²⁴⁹ In 2010, the U.S. forgave \$19.6 million.²⁵⁰ Both of the U.S. debt-for nature swaps in Costa Rica were in the form of local currency to establish forest conservation funds.²⁵¹ Some projects that were financed from the forest conservation fund include sustainable farming trainings, forest recovery, and planting fruit trees.²⁵²

The total of the debt-for-nature swaps in Costa Rica is varied, depending on interest calculations. A report for the Congressional Research Services estimated \$79,674,000 of debt for Costa Rica was cancelled prior to the U.S. debt-swap programs, and an additional \$26 million was canceled under the Tropical Forest Conservation

²⁴⁷ “Alliance Arranges Debt-for-Nature Swap,” *UPI*, February 21, 1001, <https://www.upi.com/Archives/1991/02/21/Alliance-arranges-debt-for-nature-swap/3406667112400/>.

²⁴⁸ Sheikh, “Debt-for-Nature Initiatives and the Tropical Forest Conservation Act (TFCA): Status and Implementation.”

²⁴⁹ “Costa Rica Gets Largest Debt-for-Nature Swap.”

²⁵⁰ Sheikh, “Debt-for-Nature Initiatives and the Tropical Forest Conservation Act (TFCA): Status and Implementation.”

²⁵¹ Sheikh.

²⁵² “US Debt Helps Costa Rica Save Planet.” *The Tico Times*. November 30, 2010. <https://ticotimes.net/2010/11/30/us-debt-helps-costa-rica-save-planet>.

Act.²⁵³ According to these calculations, the total amount of debt cancelled under the debt-for-nature swaps is around \$105 million.

Internal Stability Assessment

The debt-for-nature swap programs in Costa Rica did impact its internal stability. Overall, the swaps positively impacted Costa Rica's internal security because the program improved both the economic development and political stability in the country.

Economic Development

The debt-for-nature swaps had overall positive impacts on economic development, specifically directly decreasing external debt and increasing GDP growth. The debt-for-nature swaps did cancel around \$105 million of Costa Rica's external debt. Albeit millions of dollars in debt is not a large quantity of debt canceled when compared to over \$40 billion of Costa Rica's external debt. However, canceling \$105 million in debt is still significant. According to Brijesh Thapa the debt-for-nature swaps were “never meant to provide debt relief of significant magnitude nor was it meant to solve the world's environmental or conservation problems.”²⁵⁴ Rather, the debt-for-nature swaps were designed to “[raise] a sense of awareness about environmental protection.”²⁵⁵

²⁵³ “First Debt-for-Nature Swap between United States and Costa Rica (‘TFCA I’),” Congressional Report (Canje de Deuda por Naturaleza EE.UU. - C.R., 2017), <https://primercanjedeuda.org/wp-content/uploads/2017/07/Costa-Rica-TFCA-I-Congress-Report-2017.pdf>.

²⁵⁴ Brijesh Thapa, “Debt-for-Nature Swaps: An Overview,” *International Journal of Sustainable Development & World Ecology* 5, no. 4 (December 1, 1998): 249–62, <https://doi.org/10.1080/13504509809469990>.

Moreover, the programs that were funded by the debt-for-nature swaps supported national park growth and conservation efforts that contributed to the growth of Costa Rica's tourism industry. The funds from these swaps have been used to provide much of the funding for national parks and conservation in Costa Rica. As Post explains “[t]he interest alone from the Costa Rica swap is more than the annual budget of Costa Rica's national park system.”²⁵⁶ In Costa Rica, conservation efforts and national parks have created a greater market for ecotourism. The national parks that are conserved due to the funds that the debt-for-nature swaps provide have provided more spaces for ecotourism. As mentioned in the Ecomarkets Program section, ecotourism does negatively impact Costa Rica in many ways. However, tourism also has provided a source for economic growth on Costa Rican terms.

Although the debt-for-nature swaps raise awareness and protect environmental spaces, the swaps also restrict the availability of natural resources and displace people living in areas to be conserved. For instance, there are reports that the World Wildlife Foundation and Nature Conservancy swap “expropriated land from those who refused to sell their property.”²⁵⁷ There are other reports that corroborate that people were removed from lands that were bought by the World Wildlife Foundation. However, it is important to note that land rights in Costa Rica can be difficult to determine because of state policies, such as the *denuncio* policy. The *denuncio* policy had allowed farmers to claim

²⁵⁵ Thapa.

²⁵⁶ Post, “The Debt-for-Nature Swap.”

²⁵⁷ Nicole Hassoun, “The Problem of Debt-for-Nature Swaps from a Human Rights Perspective,” *Journal of Applied Philosophy* 29, no. 4 (2012): 359–77.

land after clearing it. However, there are cases wherein land titles were not given during the denuncia policy.²⁵⁸

Additionally, through monetizing conservation efforts, the debt-for-nature swaps have transferred some of the responsibility to pay for economic services to the creditor nations. Furthermore, the debt for nature swaps have allowed conservation and environmental management “to become defined by, and linked to, leveraged value found on global debt markets,” as well as linking environmental resources to global economic trade “and in so doing, framed deforestation as a threat to its macroeconomic stabilization policies.”²⁵⁹ Consequently, the global market is forced to recognize the impact that environmental protections has on trade and the global economy as a whole.

Similar to the Ecomarkets Program, the debt-for-nature swaps continued to support efforts to redirect policy from clearing land to protecting forest resources. Consequently, the swaps decreased the political risk of investment in ecotourism, environmental, and conservation sectors in Costa Rica. Moreover, in providing some debt relief, and demonstrating that the institutions such as the Central Bank are reliable partners, the debt-for-nature swaps have reframed the Costa Rican Central Bank as a credible and reliable business partner. The economic development is denominated as 1.

²⁵⁸ Nygren, “Deforestation in Costa Rica.”

²⁵⁹ David M. Lansing, Kevin Grove, and Jennifer L. Rice, “The Neutral State: A Genealogy of Ecosystem Service Payments in Costa Rica,” *Conservation and Society* 13, no. 2 (2015): 200, <https://doi.org/10.4103/0972-4923.164206>.

Political Stability

Additionally, the debt-for-nature swaps programs increased political stability in the area of government effectiveness. By decreasing the government debt, the swaps relieve some of the pressure of external debt from the central government. Although the swaps have the possibility of corruption and decreasing government accountability/rule of law in areas that are run by NGOs, this has not been evidenced in Costa Rica. Instead, the government institutions have supported the swaps and continued to fund other programs that support environmental security. Moreover, the swaps have continued to support economic development and political stability through supporting environmental security, an issue that is critical to Costa Rican policymaking. For this reason, that the political stability is denominated as 1.

Findings

Debt-for-nature swaps do not always succeed because in order for debt-for-nature swaps to be successful, the host government needs to be stable so that the third party can trust the government to work. Trusting the government is vital for the currency switch. The debt-for-nature swaps in Costa Rica are arguably the most successful. Their success is owed to Costa Rica's stable democracy and a government with institutions that is willing to implement the conservation programs.²⁶⁰

²⁶⁰ Minzi, "The Pied Piper of Debt-for-Nature Swaps."

Venezuela

A Brief Modern History of Venezuela Post-1947

By 1947, a new constitution with voting rights via a secret ballot was created to change the government structure. However, the government retained high levels of corruption. A popular novelist and leader of the Acción Democrática, Rómulo Gallegos Freire was elected president in February of 1948. Freire was quickly overthrown by a military revolt in November of 1948. The road to democracy was riddled with coups and revolts throughout the 1950s.²⁶¹

In 1960, Venezuela joined the Organization of Petroleum Exporting Countries (OPEC)²⁶² to have greater control over the price of oil and its impact on the economy. By 1961, President Rómulo Betancourt was peacefully elected, and power was peacefully transferred to Rafael Caldera Rodriguez in 1968. Rodriguez began “a policy of nationalizing foreign enterprises.”²⁶³

Unlike the majority of Latin America, in 1973, Venezuela experienced an economic boom during the oil crisis. Although Venezuela was a founder of OPEC, it did not participate in the oil embargo.²⁶⁴ Consequently, Venezuela became a main source of foreign oil for many embargoed countries, and its economy boomed.

²⁶¹ “Constitutional History of Venezuela,” ConstitutionNet, accessed March 17, 2022, <https://constitutionnet.org/country/venezuela>.

²⁶² Cheatham, Roy, and Labrador, “Venezuela.”

²⁶³ “Constitutional History of Venezuela.”

²⁶⁴ Zachery Abunemeh and Vasabjit Banerjee, “How External Actors Have Worsened Venezuela’s Long Crisis,” *Georgetown Journal of International Affairs*, June 24, 2019, <https://gjia.georgetown.edu/2019/06/24/how-external-actors-have-worsened/>.

As oil prices continue to rise, President Carlos Andrés Pérez created the *Petroleos de Venezuela, S.A.* as the national state-owned oil entity to oversee all oil exploration, extraction, production, exportation, and refining. The oil industry became nationalized, along with the iron and steel industries.²⁶⁵ As CFR explains, the national oil entity could “partner with foreign oil companies as long as it held 60 percent equity in joint ventures and, critically, structured the company to run as a business with minimal government regulation.”²⁶⁶ Additionally, between 1974 and 1978, President Pérez began social welfare programs that were funded with both oil revenues and loans from foreign investors.²⁶⁷

However, since Venezuela’s economy was largely dependent on oil, the economy crashed when oil prices dropped again in the 1980s.²⁶⁸ Amidst the economic crisis, multilateral banking institutions such as the IMF and World Bank offered financial austerity measures as part of loan packages to attempt to “bail out” the economy through structural readjustment.²⁶⁹ A violent riot ensued after the announcement of the 1989 IMF deal. Troops violently broke up the riots, killing hundreds of people.²⁷⁰

²⁶⁵ Keith Johnson, “How Hugo Chávez Blew Up Venezuela’s Oil Patch,” *Foreign Policy*, July 16, 2018, <https://foreignpolicy.com/2018/07/16/how-venezuela-struck-it-poor-oil-energy-chavez/>.

²⁶⁶ Cheatham, Roy, and Labrador, “Venezuela.”

²⁶⁷ Abunemeh and Banerjee, “How External Actors Have Worsened Venezuela’s Long Crisis.”

²⁶⁸ Cheatham, Roy, and Labrador, “Venezuela.”

²⁶⁹ Cheatham, Roy, and Labrador.

²⁷⁰ Abunemeh and Banerjee, “How External Actors Have Worsened Venezuela’s Long Crisis.”

In 1992, Hugo Chávez led a failed coup attempt (called the Bolivian Revolutionary Movement).²⁷¹ The 1990s were littered with corruption charges of officials, including the president in 1993.²⁷² Rafael Caldera continued to implement structural readjustment programs. As social spending decreased poverty rates rose. By 1999 about 69% of the population lived in poverty.²⁷³

Hugo Chávez was elected president in 1998 with his campaign to end neoliberal reforms and cut poverty levels.²⁷⁴ He began a plan for development called Plan Bolivar 2000 to combat poverty.²⁷⁵ In 2002-2003, fired PDVSA workers went on a strike and led to a drastic drain on PDVSA expertise. Meanwhile, the government deficit continued to increase, and petroleum reserves declined.²⁷⁶ In 2002, there was also an unsuccessful coup attempt to overthrow President Chávez.²⁷⁷ As allegations of U.S. support for the coup deteriorated U.S-Venezuelan relations, Venezuela increased its exports to China.²⁷⁸

In 2003, President Chávez implemented the Bolivarian Missions, or social programs, to offer social assistance programs such as literacy and healthcare. The social programs in the Bolivarian Missions were largely run from foreign entities. Although the

²⁷¹ Cheatham, Roy, and Labrador, “Venezuela.”

²⁷² Abunemeh and Banerjee, “How External Actors Have Worsened Venezuela’s Long Crisis.”

²⁷³ Abunemeh and Banerjee.

²⁷⁴ Cheatham, Roy, and Labrador, “Venezuela.”

²⁷⁵ “Venezuela’s Chavez Era,” Council on Foreign Relations, accessed March 21, 2022, <https://www.cfr.org/timeline/venezuelas-chavez-era>.

²⁷⁶ Cheatham, Roy, and Labrador, “Venezuela.”

²⁷⁷ Abunemeh and Banerjee, “How External Actors Have Worsened Venezuela’s Long Crisis.”

²⁷⁸ Abunemeh and Banerjee.

Venezuelan government claimed the programs were successful, there were many reports of corruption throughout the programs.²⁷⁹ In 2004, a referendum for a presidential recall failed. In 2005, Venezuela increased its exports of oil to other Latin American countries. A year later, Venezuela continued to pursue international ties with Russia, and signed an arms deal with Russia.²⁸⁰ After winning the 2006 election, Chávez claims that there is only one political party. Chávez also continued to nationalize industries.

In 2007, Chávez nationalized much of the electricity and telecom industries.²⁸¹ That same year, Venezuela completely repays its debt to the IMF five years ahead of schedule. By 2008, U.S.- Venezuelan relations were tense, and Venezuela expelled the U.S. Ambassador to Venezuela. Chávez ended all term limits for the presidency and solidified his lifelong power in 2009. In 2009, Venezuela signed another arms deal with Russia. The Chávez era ended in 2013 when Chávez died from cancer. Chávez appointed Nicolás Maduro as president.²⁸²

After the death of Chávez, Nicolás Maduro established a dictatorship after his prestige as Chávez's protégée helped Maduro win the 2013 elections. The reelection of Maduro in 2018 is largely considered by many countries to be fraudulent and corrupt.²⁸³ Since his rise to power, Maduro has repeatedly used violent repression, constitutional reforms, and corruption to solidify his dictatorship.²⁸⁴ The Maduro presidency has also

²⁷⁹ "Venezuela's Chavez Era."

²⁸⁰ "Venezuela's Chavez Era."

²⁸¹ "Venezuela's Chavez Era."

²⁸² "Venezuela's Chavez Era."

²⁸³ Clare Ribando Seelke et al., "Venezuela: Background and U.S. Relations," n.d., 40.

been marked by extreme hyperinflation, famine, and medicine shortages. The dire economic circumstances are largely due to three economic catastrophes, the drop in global oil prices in 2014, depleting oil reserves,²⁸⁵ and Maduro's poor economic policies, such as printing money.²⁸⁶ Consequently, millions of Venezuelans have and continue to flee the country.²⁸⁷

Development Patterns

Contrary to Costa Rica, Venezuela's economic development has been inconsistent and is characterized by high economic vulnerabilities, high poverty rates and inequality, and inconsistent development of key social institutions.

Venezuela's economic growth rates have been inconsistent throughout its history. Venezuela's inconsistent economic growth rates are partly due to the vulnerability of Venezuela's economy to global shifts. The annual percentage of GDP growth is highly volatile. Venezuela's volatile GDP pattern indicates that the Venezuelan economy is very vulnerable to changes in the global economy.²⁸⁸

²⁸⁴ Seelke et al.

²⁸⁵ "Venezuela: All You Need to Know about the Crisis in Nine Charts," *BBC News*, February 4, 2019, sec. Latin America & Caribbean, <https://www.bbc.com/news/world-latin-america-46999668>.

²⁸⁶ Marcela Escobari, "Made by Maduro: The Humanitarian Crisis in Venezuela and US Policy Responses," *Brookings* (blog), February 28, 2019, <https://www.brookings.edu/testimonies/made-by-maduro-the-humanitarian-crisis-in-venezuela-and-us-policy-responses/>.

²⁸⁷ Escobari.

²⁸⁸ "GDP Growth (Annual %) - Venezuela, RB | Data." The World Bank Data, World Bank, Accessed September 6, 2022.

Moreover, inequality and poverty have been prevalent in Venezuela's development patterns. For instance, the Gini Index has remained above 43 since 2006.²⁸⁹ The pattern of high Gini scores indicates high economic inequality and demonstrates that economic inequality has not significantly improved in Venezuela. These conclusions are consistent with Venezuela's poverty patterns. Venezuelan national poverty rates drastically fell in the late 1990s through the early 2000s. Then, beginning in 2001, poverty rates skyrocketed. By 2004, poverty rates began to decline and hit a bottom of 26.4% in 2009. Since then, national poverty rates have continuously increased.²⁹⁰ In 2021, it was estimated that "76.6% of Venezuelans live on less than \$1.90 a day, the international standard for extreme poverty."²⁹¹

Additionally, Venezuela's patterns of development in key social sectors have been very inconsistent. For example, health expenditures as a percentage of GDP have been fairly volatile and health expenditures have been overall declining since the peak of 8.1% of GDP in 2006. By 2016, health expenditures had plummeted to 3.92% of GDP in 2016.²⁹² The inconsistency of healthcare funding has detrimentally impacted the development of Venezuela's healthcare system. This detriment is clearly exemplified by

²⁸⁹ "Gini Index - Venezuela, RB | Data." The World Bank Data, World Bank, Accessed September 6, 2022. <https://data.worldbank.org/indicator/SI.POV.GINI?locations=VE>.

²⁹⁰ "Poverty Headcount Ratio at National Poverty Lines (% of Population) - Venezuela, RB | Data." The World Bank Data, World Bank, Accessed September 6, 2022. <https://data.worldbank.org/indicator/SI.POV.NAHC?locations=VE>.

²⁹¹ Wilson Center. "Venezuelan Poverty, Afghan Opium, and Russian Permafrost | Wilson Center." Accessed September 6, 2022. <https://www.wilsoncenter.org/blog-post/venezuelan-poverty-afghan-opium-and-russian-permafrost>.

²⁹² "Current Health Expenditure (% of GDP) - Venezuela, RB | Data," accessed September 6, 2022, <https://data.worldbank.org/indicator/SH.XPD.CHEX.GD.ZS?locations=VE>.

the volatility of maternal mortality rates since 1985. Although the rates did see a decline after 2000, maternal mortality has been on the rise since then with peaks at 82 maternal deaths per 100,000 live births in 1999 and 73 maternal deaths 100,000 live births in 2011.²⁹³

On the other hand, primary educational development in Venezuela has been relatively consistent. The primary education completion rate has more or less demonstrated an increase. However, since 2014, primary education completion rates have begun to decline, going from 97% to 93% in three years.²⁹⁴ The inconsistency of social program development in the education and healthcare systems is concerning because typically improvements in these sectors indicate that both the people and the state itself can and are willing to invest in the citizens. Therefore, a lack of or inconsistency in these investments in society can indicate a failure of a state's institutions to provide basic services.

Binding Constraints on Economic Development: High Dependency Export and Corruption

Venezuela's irregular growth pattern demonstrates an institutional failure on the state level due to binding constraints that are impacting development efforts. The two greatest binding constraints on Venezuela's economic development are oil dependency

²⁹³ "Maternal Mortality Ratio (National Estimate, per 100,000 Live Births) - Venezuela, RB | Data." The World Bank Data, World Bank, Accessed September 6, 2022. <https://data.worldbank.org/indicator/SH.STA.MMRT.NE?locations=VE>.

²⁹⁴ "Primary Completion Rate, Total (% of Relevant Age Group) - Venezuela, RB | Data," The World Bank Data, World Bank, Accessed September 6, 2022, <https://data.worldbank.org/indicator/SE.PRM.CMPT.ZS?locations=VE>.

and corruption. Although there are other binding constraints, oil dependency and corruption have the greatest impact on Venezuela's economic development. This section discusses the impacts of both the oil dependency and corruption on Venezuela's economic development and how the two binding constraints are intertwined.

Venezuela's dependency on oil began in 1922 when the Royal Dutch Shell Company discovered oil in Venezuela. The dictator at the time, General Gomez supported hundreds of companies in producing oil. However, three companies, "Royal Dutch Shell, Gulf, and Standard Oil" had monopolized nearly the entire oil industry "by the 1930s."²⁹⁵ Almost thirty years later, in 1958, the three major political parties in Venezuela divided oil rents amongst themselves in an effort to avoid another dictatorship. Instead, this action "ensured that oil profits would be concentrated in the state."²⁹⁶

The influence of oil rents on institutional development has grown since then. Now, Venezuela's economy is often described as a petrostate. The *Council of Foreign Relations* uses the following definition.

Petrostate is an informal term used to describe a country with several interrelated attributes: government income is deeply reliant on the export of oil and natural gas, economic and political power are highly concentrated in an elite minority, and political institutions are weak and unaccountable, and corruption is widespread.²⁹⁷

The definition of a petrostate certainly describes Venezuela's economic condition. As of 2021, OPEC data demonstrates that over 88% of all of Venezuela's exports are

²⁹⁵ Cheatham, Roy, and Labrador, "Venezuela."

²⁹⁶ Cheatham, Roy, and Labrador.

²⁹⁷ Cheatham, Roy, and Labrador.

petroleum-based, and oil rents account for nearly 19% of the total GDP.²⁹⁸ Such an economic dependence on one export forces the country's economy to be vulnerable to any fluctuations of the price of that export. For example, during the massive oil boom in the 1970s, Venezuela was exporting over 3.5 million barrels of oil per day. During this boom, the Venezuelan GDP growth skyrocketed to 7.7% by 1976. However, when oil prices plummeted, the annual GDP growth also dove to -4.4%.²⁹⁹

Moreover, Venezuela's oil resources are rapidly depleting. The Center for Strategic and International Studies reports that since 2003, Venezuela has not "hit its oil production target of 3 million" barrels per day. In fact, by 2018, oil production had plummeted to 1.5 million barrels per day.³⁰⁰ Without some rapid policy changes to support other economic industries, Venezuela will become dependent on the export of a resource that does not exist.

Additionally, the state itself became heavily dependent on oil revenues. During the oil boom in 1976, President Carlos Andres Perez nationalized all of the oil companies and created the Petroleos de Venezuela, S.A. (PDVSA). All exploration, production, exportation, or refining of oil/gas was then under the strict oversight of the PDVSA. Consequently, oil rents became a key source of the government's budget, not taxes.

²⁹⁸ "OPEC : Venezuela," accessed September 6, 2022, https://www.opec.org/opec_web/en/about_us/171.htm.

²⁹⁹ "GDP Growth (Annual %) - Venezuela, RB | Data."

³⁰⁰ "The Role of the Oil Sector in Venezuela's Environmental Degradation and Economic Rebuilding," accessed September 6, 2022, <https://www.csis.org/analysis/role-oil-sector-venezuelas-environmental-degradation-and-economic-rebuilding>.

Nationalizing the oil industry realigned the accountability of Venezuela's institutions to oil barons and exporters, not the citizens, because the government's revenues are mainly sourced from oil and the government controls oil exploration. Moreover, whoever is the head of the government has control over the oil revenues, thus breeding patrimonialism and corruption.

The prevalence of corruption in Venezuelan institutions long preceded the discovery of oil. The series of dictatorships throughout Venezuela's history has led state resources to be continuously concentrated in the hands of a few. Consequently, when oil was discovered in Venezuela the prevailing dictator would have massive influence over the oil industry, and institutional corruption only grew. As Venezuela began to nationalize oil exploration and profits, corruption became increasingly endemic to many Venezuelan institutions. When the government itself is only accountable to generating more oil revenues, and is in charge of said revenues, embezzlement and corruption are likely to follow. Venezuela's patterns of corruption have clearly demonstrated this trap. During the 1970s oil boom "[a]nalysts estimate that as much as \$100 billion was embezzled between 1972 and 1997 alone."³⁰¹ In fact, the Center for Strategic and International Studies reports that "President Pérez himself was removed from his second term by the Supreme Court after he was found to have embezzled nearly \$3 million."³⁰²

³⁰¹ Cheatham, Roy, and Labrador, "Venezuela."

³⁰² "The Role of the Oil Sector in Venezuela's Environmental Degradation and Economic Rebuilding."

Venezuela Foreign Aid Program Cases

The cases that I chose to study for Venezuela were the International Monetary Fund Structural Adjustment Loan in 1989, the 2009-2014 United Nations Population Fund Country Programme, the Caracas Slum-Upgrading Project, Russian Military Aid, U.S. Foreign Assistance Programs to Support Civil Society and Democracy in 2015, and the China-Venezuela Joint Fund.

LOAN FOREIGN AID PROGRAM STUDY: INTERNATIONAL MONETARY FUND STRUCTURAL ADJUSTMENT LOANS

I studied the 1989 loan from the International Monetary Fund for the Loan category in my database. On February 23, 1989, *The Financial Times* reported that Venezuela would sign “an agreement in principle over loans from the International Monetary Fund” for around \$1.5 billion credits.³⁰³ As with Costa Rica’s study on structural adjustment programs, I studied the IMF’s agreement in 1989 as an example of the general features of structural adjustment programs. Then, to study the impact of structural adjustment programs on Venezuela’s internal security, it was more effective to study the outcomes of structural adjustment programs in general, rather than only focus on the IMF’s adjustment programs. I chose to study the 1989 IMF structural adjustment loan program to Venezuela because of the 38 entries under “Loans” categories 14 are from 1989.

³⁰³ Joe Mann, “Venezuela Expected to Sign IMF Agreement,” *Financial Times*, February 23, 1989, Financial Times Historical Archive.

Brief Context

In 1989, Venezuela's economy was in a crisis that was born from its chief export, oil. The health of the economy is highly depended on global demand for oil. During the 1970s while the OPEC countries embargoed countries that backed Israel, Venezuela was a key exporter of oil and gas for embargoed countries because Venezuela did not partake in the embargo. As oil prices skyrocketed from the shortage in global supply, Venezuela's oil industry heavily profited and accrued billions of dollars. However, during the oil boom, corruption and embezzlement of oil funds ran rampant. According to the Council of Foreign Relations "[a]nalysts estimate that as much as \$100 billion was embezzled between 1972 and 1997 alone."³⁰⁴

Finally, in 1976, during the oil boom, President Carlos Andres Perez nationalized the oil companies and created the Petroleos de Venezuela, S.A. (PDVSA). All exploration, production, exportation, or refining of oil/gas was then under the strict oversight of the PDVSA. In doing so, Venezuela was solidified as a petrostate. A petrostate is a state with a government income "deeply reliant on the export of oil and natural gas," with political and economic power concentrated in "an elite minority" which results in weak political institutions that are unaccountable and corrupt.³⁰⁵ One reason that Venezuela's resource wealth in oil and gas did not lead to development but led to state failure is that the government's revenue is tied to oil revenue, not taxes. Therefore, the government is not as accountable to the citizens. As the government's

³⁰⁴ Cheatham, Roy, and Labrador, "Venezuela."

³⁰⁵ Cheatham, Roy, and Labrador.

revenues are mainly sourced from oil, and the government controls oil exploration, the government is not accountable to its people. Consequently, Venezuela's oil industry has historically benefitted a few elites rather than support development.

However, after the oil boom came the oil crash. During the 1980s, oil prices crashed. Since Venezuela's economy is highly dependent on the success of oil exports, "Venezuela's economy contracted and inflation soared" as oil prices declined.³⁰⁶ Amidst the economic crisis, international institutions such as the IMF and World Bank offered financial austerity measures as part of loan packages that were designed to restructure the economic systems to "bail out" the economy.³⁰⁷

Summary of the Aid Program

This section will summarize the structure, goals, and policy targets of the IMF loans in 1989 as an example of structural adjustment packages in Venezuela.

According to the 1989 IMF Annual Report, the IMF approved at least 3.7 billion Special Drawing Rights loans for Venezuela.³⁰⁸ The loans provided were around the equivalent of \$4.64 billion USD.³⁰⁹ The loans were designed to provide relief for the fiscal deficits within the government budget. However, to receive the funds, the

³⁰⁶ Cheatham, Roy, and Labrador.

³⁰⁷ Cheatham, Roy, and Labrador.

³⁰⁸ International Monetary Fund, "International Monetary Fund Annual Report 1989," July 27, 1989, 183.

³⁰⁹ Carlos Brezina, "IMF Approves \$4.64 Billion Loan to Venezuela - UPI Archives," *UPI*, June 23, 1989, <https://www.upi.com/Archives/1989/06/23/IMF-approves-464-billion-loan-to-Venezuela/4005614577600/>.

Venezuelan Government had to comply with policy changes to support austerity goals prior to receiving the loan funding

According to Edgardo Lander and Luis A. Fierro in *The Impact of Neoliberal Adjustment in Venezuela, 1989-1993*, Venezuela had begun the neoliberal transformation in 1987 when President Pérez implemented IMF recommendations for structural adjustment to receive aid. Most of the adjustment reforms focused on policies to tighten the public budget, privatize the economy, and trade liberalization. Some of the policy targets during the late 1980s were a “restriction in public expenditures; restriction of wage levels;” and a “reduction of price controls.”³¹⁰

Decreasing public expenditures, liberalizing trade, and privatization were all common policy goals to support the macroeconomic changes that international banking institutions such as the IMF believed would help to increase economic growth and decrease foreign debt in Venezuela. On February 16, 1989, President Pérez announced his economic plan, the “Gran Viraje” (Great Turnaround).³¹¹ The Gran Viraje included more IMF recommended austerity measures and macroeconomic adjustments.³¹² Some of the specific austerity measures were to implement “comprehensive reform of the customs

³¹⁰ Edgardo Lander, “The Impact of Neoliberal Adjustment in Venezuela, 1989-1993,” trans. Luis A. Fierro, *Latin American Perspectives* 23, no. 3 (1996): 50–73.

³¹¹ Uk-Heon Hong, “A Rocky Road to State Reform in Venezuela from 1989 to 1999: Gran Viraje versus Grand Distrust*,” n.d.

³¹² Hong.

tariff regime,”³¹³ to institute “a unified, market-determined value for the bolivar,” and to increase subsidized fuel prices as a mechanism to decrease the public sector deficit.³¹⁴

Many structural adjustment programs included support from various multilateral and international banking institutions. The 1989 IMF program was no different. The tariff regime reforms were a collaborative effort between the IMF and World Bank. Tariff changes include “the elimination of import duty exemptions” and the “simplification and reduction of nominal tariff rates.”³¹⁵ Another policy reform included phasing out “interest rate ceilings for bank loans and deposits”³¹⁶ to “stimulate private savings and capital formations.”³¹⁷ However, the interest rate ceiling elimination did not apply to agricultural or housing loans to provide greater support to domestic agricultural and housing markets.³¹⁸

Public sector expenditures were also targeted in the austerity reforms. Although the reforms outlined in the IMF 1989 agreement decreased the public sector expenditure programs, it permitted public sector expenditures for two subsidy programs. The programs that would still receive public funding were a subsidy program for the

³¹³ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase” (International Monetary Fund, March 13, 1989), Executive Board Documents Only Database, <https://archivscatalog.imf.org/results>.

³¹⁴ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase”

³¹⁵ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase”.

³¹⁶ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase”

³¹⁷ International Monetary Fund, “International Monetary Fund Annual Report 1989.”

³¹⁸ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase.”

administration of essential goods like corn flour, rice, powdered milk” and a subsidy program to fund “low-interest mortgages for low- and middle-income housing up to an amount of Bs 2billion”³¹⁹ and to fund poverty alleviation projects, such as free “school lunch programs in low-income areas.”³²⁰

The 1989 IMF structural adjustment plan required Venezuela to implement policy changes to liberalize the economy and spur macroeconomic change that would hopefully stabilize the economy and decrease Venezuela’s foreign debt.

Internal Stability Assessment

Overall, the structural adjustment programs did impact Venezuela’s internal stability. However, the impact of the structural adjustment programs on both Venezuela’s economic development and political stability was negative, thus the aid program decreased Venezuela’s internal stability. Venezuela did need fundamental social, economic, and political reforms to address the economic and political crisis during the structural adjustment period. Even today, the political and economic crises in Venezuela require an incredible change to resolve. However, the structural adjustment programs were not successful in providing this change.

³¹⁹ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase.”

³²⁰ International Monetary Fund, “Staff Report for the 1989 Article IV Consultation and Use of Fund Resources--First Credit Tranche Purchase.”

Economic Development

The structural adjustments did not lead to economic growth or macroeconomic change. Instead, the programs detrimentally impacted economic growth, resource dependency, inflation rates, and the economic development efforts in social programs.

The structural adjustment programs did lead to some economic growth during the early 1990s, but the growth was not sustained. Initially, the public deficit decreased, and economic growth increased from structural adjustment programs in Venezuela.

According to Edgardo Lander, the structural adjustment programs led to a “severe economic contraction” that balanced payments and led the trade balance to become positive. As the economic growth rate increased from 6.47% in 1990 to 9.73% in 1991, the fiscal deficit decreased. Venezuela was able to renegotiate its international debt and “new loans were obtained.”³²¹ Additionally, the structural adjustment programs succeeded in their goals of macroeconomic changes such as decreasing the fiscal deficit. The Venezuelan government had gained the “capacity to repay the external debt” because the “[t]he strongly recessive policies and a regressive concentration of income that depressed consumption produced a surplus” that the government used to service debt.³²²

However, the positive impacts of the structural adjustment programs were short-lived. Not long after the first policy changes, the country was plunged into a recession, inflation continued to increase, government services declined, and public unrest rose.³²³

³²¹ Lander, “The Impact of Neoliberal Adjustment in Venezuela, 1989-1993.”

³²² Lander.

³²³ Leonela C Medina Baez, “Loans’ Impact on International Relations: Venezuela as Lender and Borrower” (Graduate Center, City University of New York, 2016).

The growth rate recovery that occurred at the beginning of the structural adjustment programs was due to the new influx of financing from the loan programs. When the growth could not be sustained, the fiscal deficit continued to increase because the Venezuelans had additional loans to repay. Although Venezuela was able to repay the loans from multilateral institutions, it was only made possible with increasing public expenditures. Consequently, the fiscal deficit continued to rise. The economy became even more reliant on oil revenues as the main source of financing with which to repay the loans and fund public expenditure increases.

Despite efforts to institute macroeconomic reform, Venezuela's inflation rates could not be controlled and "fluctuated between 30 percent and 40 percent in 1990-1992."³²⁴ Moreover, trade liberalization and privatization reforms did not stop the investment rates from stagnating in the 1990s.³²⁵ The inflation is likely due to the combination of increasing reliance of the economy on services sectors, such as construction and oil, over industrial sectors and "indiscriminate trade liberalization."³²⁶

As trade liberalization policies decreased the barriers for importers, medium and small manufacturing businesses began to decrease because the domestic manufacturing industry could not compete with the large international firms. Consequently, the wealth in the domestic manufacturing industry became concentrated among larger firms that could compete with international importers. Additionally, the medium-sized businesses that did

³²⁴ Lander, "The Impact of Neoliberal Adjustment in Venezuela, 1989-1993."

³²⁵ Jonathan Di John, "Economic Liberalization, Political Instability, and State Capacity in Venezuela," *International Political Science Review / Revue Internationale de Science Politique* 26, no. 1 (2005): 107–24.

³²⁶ Lander, "The Impact of Neoliberal Adjustment in Venezuela, 1989-1993."

try to compete with the international importers “shift[ed] the main costs of adjustment to the workers” by decreasing labor costs to survive.³²⁷ Companies decreased labor costs by decreasing the number of employees, decreasing salaries, and increasing the intensification of work.”³²⁸ Moreover, much of the private capital was internationally invested, so the “surplus appropriation went abroad as accumulated capital flight,” over \$14 billion between 1994-2000.³²⁹ So, the economic gains that were generated did not benefit the Venezuelan economy or contribute to gross national income.

Economic development was further hindered because social programs had been eliminated. The combination of low economic growth rates and no social institutions led poverty rates to skyrocket. Contrary to the goals of the Eighth National Development Plan, income inequality vastly increased as policy reforms to privatize the economy accelerated wealth concentration. In 1991, the “labor income of the poorest 10 percent of the population and that of the richest 10 percent” was 1 to 23.9.³³⁰ Additionally, decreasing labor costs led to a reduction in wages, “intensification of work” and increased unemployment. As a result of the decreased social spending and increased wealth concentrations, “the adjustment program produced a jump in the levels of poverty,” the poverty rate increased “from 46 to 68 percent between 1988 and 1991 and extreme poverty from 14 to 34 percent.”³³¹

³²⁷ Lander.

³²⁸ Lander.

³²⁹ Di John, “Economic Liberalization, Political Instability, and State Capacity in Venezuela.”

³³⁰ Lander, “The Impact of Neoliberal Adjustment in Venezuela, 1989-1993.”

³³¹ Lander.

The efforts to decrease poverty levels and improve social conditions through money subsidies to “those affected directly by the adjustment program” were not sufficient to mitigate the massive negative impact that the program had on poverty.³³² Meanwhile, public services from health to education continued to decline as government expenditures were decreased.

Political Stability

The structural adjustment programs negatively impacted the political stability in Venezuela, specifically in the areas of voice and accountability, absence of violence, government effectiveness, and control of corruption.

The austerity reforms demanded decreases in government expenditure. Consequently, government institutions faltered and decayed without funding. The decay of government institutions decreased the accountability of the government itself because there were less institutions with which the populace could address the government. Moreover, the policy reforms that were being implemented were attached to the loan terms from foreign banks. Thus, Venezuela became less appointable to its own people and more accountable to the multilateral institution such as the IMF, that were providing the loans. This loss in accountability to a foreign institution decreased the legitimacy of the Venezuelan government’s institutions and sovereignty. Additionally, new social programs were designed to counter the effects of structural adjustment programs and redirected resources away from existing social programs. Existing programs that

³³² Lander.

contributed to economic development, such as education to healthcare programs, rapidly decayed.³³³

The adjustment programs also decreased the institutional capacity of government systems to address issues of discontent within the population because governmental institutions no longer had many resources. Consequently, extra-institutional dissent increased as the format for the people to express their discontent. However, the decline of institutions cannot be attributed only to the adjustment programs, and institutionalized corruption has long delegitimized Venezuela's institutions. The combination of the failure and decay of the existing social programs, the loss of governmental accountability to the people, and the failure of existing political institutions led to political unrest.

A clear instance of the decay of government effectiveness and accountability in Venezuela is the social riots known as El Caracazo after President Perez signed the 1989 IMF Letter of Intent.³³⁴ According to Ryan Elliot's comparative analysis "The International Monetary Fund and the Global South: A Comparative Analysis," the riots were triggered because the Letter of Intent that President Perez sent to the IMF to agree to the structural adjustment reforms documented a series of policies and procedures that were submitted to the IMF without congressional approval.³³⁵ It is likely that Perez did not submit the Letter of Intent to the National Assembly because the reforms that were involved in renegotiating external debt through the adoption of neoliberal practices in a

³³³ Lander.

³³⁴ Baez, "Loans' Impact on International Relations: Venezuela as Lender and Borrower."

³³⁵ Ryan W Elliott, "The International Monetary Fund and the Global South: A Comparative Analysis" (Texas, Texas State University, 2017).

manner that would “[pass] the debt onto the population.”³³⁶ When the public did find out about the IMF deal there were violent and widespread demonstrations.

Findings

Although there are many lessons to be learned from Venezuela’s structural adjustment program, this section discusses three. Firstly, economic policy reform through privatization and decreasing public expenditures can greatly harm economic development. It is not accurate to assume that “living with market failures outweigh the net benefits of actual state interventions.”³³⁷ This assumption is especially inaccurate when the state interventions are providing key programs such as subsidizing fuel.³³⁸ Secondly, trade liberalization and privatization do not inherently decrease the corruption in domestic institutions. In fact, it is essential to establish institutions that can effectively oversee trade in a domestic market to regulate monopolies. Thirdly, the structural adjustment programs did not address the macroeconomic issue of resource dependency. Venezuela’s economy will continue to be extremely vulnerable to economic shocks from oil prices without economic diversification.³³⁹

³³⁶ Elliott.

³³⁷ Di John, “Economic Liberalization, Political Instability, and State Capacity in Venezuela.”

³³⁸ Di John.

³³⁹ “D. Torres - Las Políticas de Ajuste Estructural En Colombia y Venezuela Durante Los Años Ochenta y Noventa,” accessed August 16, 2022, <https://click.endnote.com/viewer?doi=10.19053%2F01203053.v39.n69.2020.10467&token=WzI5ODk2OSwiMTAuMTkwNTMvMDEyMDMwNTMudjM5Lm42OS4yMDIwLjEwNDY3Il0.TPIPYyipKbK1RQMBHQyrH8x4-GI>.

UN PROJECT FOREIGN AID PROGRAM STUDY: 2009-2014 UNITED NATIONS POPULATION FUND COUNTRY PROGRAMME

For the UN Project category, I chose the 2009-2014 United Nations Population Fund (UNFPA) Country Programme. Although the program began in 2009, the document for the planning period was categorized under the 2008 search in the UN Document Search Database. The UNFPA Country Programme was designed “from a human development perspective” to develop “national capacities, human rights and gender perspectives, South-South cooperation and managing for results” in Venezuela.³⁴⁰ The Country Programme was designed to be a five-year program that built on the progress of previous UNFPA Country Programmes. I chose to study the UNFPA Country Programme 2009-2014 because there are two UN Programs in the master database for 2008 and during that year there was a spike in how many of the internal stability indicators had anomalies (Appendix A).

Brief Context

Towards the end of 2007, President Chávez’s attempt to pass a constitutional referendum with an amendment to allow Chávez to run for reelection indefinitely was narrowly rejected by Venezuelan voters. However, President Chávez continued to consolidate his power. In 2008, Venezuela was in the midst of nationalizing

³⁴⁰ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “Draft Country Programme Document for the Bolivarian Republic of Venezuela (2009-2013)” (New York: United Nations, July 14, 2008), <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N08/422/25/pdf/N0842225.pdf?OpenElement>.

“telecommunications, electricity, steel, and cement companies.”³⁴¹ And in 2009, a constitutional referendum to eliminate term limits on elected officials did pass.³⁴²

Summary of the Aid Program

The 2009-2014 Country Programme was the second UNFPA Country Programme in Venezuela. The 2001-2007 Country Programme focused on training service providers in sexual and reproductive health services. One of the successes from the 2001-2007 Country Programme were sub-projects that “worked with the military to promote sexual and reproductive health and rights issues and to prevent HIV and gender-based violence.”³⁴³ The 2009-2013 Country Programme was designed to build on the progress from the previous UNFPA Country Programme. The 2009-2013 Country Programme had three main focus areas, reproductive health and reproductive rights, “population and development,” and “gender equality.”³⁴⁴ The UNFPA dedicated specific targets to each of the three aforementioned focus areas.

For the reproductive health and reproductive rights focus area, there were five targets. First, the program would increase the “capacity of local institutions” to provide “high-quality sexual and reproductive health services.”³⁴⁵ Secondly, the program would

³⁴¹ “Venezuela - The Hugo Chávez Presidency | Britannica,” in *Britannica*, accessed August 19, 2022, <https://www.britannica.com/place/Venezuela/Sports-and-recreation>.

³⁴² “Venezuela - The Hugo Chávez Presidency | Britannica.”

³⁴³ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “United Nations Population Fund Draft Country Programme Document for Venezuela (Bolivarian Republic Of)” (New York, NY, July 21, 2008).

³⁴⁴ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “United Nations Population Fund Draft Country Programme Document for Venezuela.

improve public health services on the national and local levels to address the issue of maternal mortality. Projects in this target would focus on “emergency obstetric care and family planning.”³⁴⁶ Thirdly, the program will support policies and projects to prevent HIV/Aids and sexually transmitted diseases. Fourth, the program would increase the capacity of health systems to provide adolescent sexual and reproductive healthcare. Finally, the program will improve sexual and reproductive health education around the nation.

For the population and development focus area, the program had three targets. First, the program would improve the capacity and availability of socio-demographic data. This data would then be used to inform the policymaking process at all levels of policy. Second, the program would train people in demography studies and support research in population and demography to gain a greater understanding of how population and demography impact poverty. Third, the program would increase awareness of issues such as demography, gender, youth, and sexual and reproductive rights in policy decisions.³⁴⁷

The UNFP outlined two targets for the gender equality focus area. First, the program would strengthen the capacities of civil society organizations so that gender equality and human rights in policies and legislation could be independently monitored

³⁴⁵ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “United Nations Population Fund Draft Country Programme Document for Venezuela.

³⁴⁶ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “United Nations Population Fund Draft Country Programme Document for Venezuela.

³⁴⁷ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, “United Nations Population Fund Draft Country Programme Document for Venezuela.

and assessed. Through this target, civil society organizations would also be supported in advocacy for policies that improve in the areas of gender equality and reproductive rights. Secondly, civil society organizations would be supported in increasing capacity to counter gender-based violence and to support policies that combat gender-based violence.³⁴⁸

The UNFPA designed the 2009-2013 Country Programme around cooperation with government entities, international organizations, NGOs, civil society organizations, other UN institutions, and local institutions. The program itself and the national systems in Venezuela were designed to be monitored and evaluated by both the UNFPA and the Government of Venezuela. The element of joint cooperation in monitoring and evaluation was seen as critical to the program's sustainability.³⁴⁹

Internal Stability Assessment

The 2009-2013 UNFPA Country Programme positively impacted the overall internal stability of Venezuela. Although the program's impact on the economic development in the country was greater than its impact on the political stability, the program positively affected both.

³⁴⁸ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, "United Nations Population Fund Draft Country Programme Document for Venezuela.

³⁴⁹ Executive Board of the United Nations Development Programme and of the United Nations Population Fund, "United Nations Population Fund Draft Country Programme Document for Venezuela.

Economic Development

The Programme positively impacted economic development in areas of HDI, maternal mortality rates, infant mortality rates, education, poverty, and access to healthcare. The program had many sub-projects that directly targeted increasing healthcare access, especially maternal healthcare. For instance, obstetric care was a key focus of the program. By the end of the program, 72% of the UNFPA-supported healthcare centers had basic obstetric services.³⁵⁰

Furthermore, the Programme focused on increasing general healthcare access. The program supported multiple sub-programs to prevent sexually transmitted diseases and family planning. For instance, the UNFPA assisted to develop a National Plan for HIV prevention. The Country Program also supported a nationwide condom supply sub-project. Therefore, the UNFPA 2009-2014 Country Programme is denoted with a 1 for economic development.

Moreover, providing adequate sexual and reproductive education for young people was one of the most impactful sub-projects. Moreover, the program helped over 177 primary and secondary schools to incorporate sexual and reproductive education into their curriculum and over 13,000 students participated in sexual education programs that were the UNFPA supported. Another sub-project trained over 220 teachers and officials in adolescent healthcare. However, the goal was to have over 600 people trained in adolescent healthcare.

³⁵⁰ “Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal” (UNFPA, June 2014), <https://web2.unfpa.org/public/about/oversight/evaluations/documentList.unfpa>.

The Country Programme also provided projects that were designed to study the impacts of poverty and policy solutions. For example, the Programme supported the creation of 30 studies, 20 events, and two books on demography, population, and poverty. The program also supported two postgraduate programs on population and development.³⁵¹ The goals of these programs were to provide a better understanding of the conditions that lead to high poverty rates, and how to address this issue.

Political Stability

The program also positively impacted Costa Rica's political stability by both increasing government effectiveness and attempting to increase regulatory quality. The program strengthened key government institutions. For example, through cooperation with local and national entities, ministers included issues of demography, gender, and the prevention of HIV in their annual plans of action.³⁵² Additionally, the program trained over 5,000 government officials in how to handle reports of gender-based violence.³⁵³ However, it is important to note that there was no progress in designing or implementing a strategy to address gender-based violence with many justice departments due to internal resistance.³⁵⁴

³⁵¹ "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

³⁵² "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

³⁵³ "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

³⁵⁴ "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

The Country Programme worked to improve the regulatory quality of the Venezuelan government through both information sharing and supporting legislation. Sub-projects worked to provide policymakers with accurate data and information concerning a variety of socioeconomic issues. For instance, one of the projects was to support the population census, and ensured that the information was accurate, complete, and publicly available. Another example is the dissemination and publication of studies on demography, population, and poverty. The program also directly supported 17 policies, laws, conventions, and agreements to protect gender and reproductive rights, including the creation of a ministry for women’s rights and gender equality in 2009, and developed a national plan to address gender-based violence.³⁵⁵ Two examples of these policies are the creation of a ministry for women’s rights and gender equality in 2009 and a national plan to address gender-based violence. Therefore, the UNFPA 2009-2014 Country Programme is denoted with a 1 for political stability.

Findings

The UNFPA Country Programme in 2009-2013 had five foreign aid implementation lessons. Firstly, similar to the other aid program case studies, the key to the success of the program was implementation and cooperation at the local level. For instance, the recognition of new policies such as the “Modelo Integral de Salud”, was only possible when programs were implemented on the local level with local support.

³⁵⁵ “Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal.”

Secondly, the UN had a respected presence in the country and was trustworthy, so it could support programs in areas like policy and be respected. Thirdly, a large part of the trustworthiness of the UN in Venezuela was due to its cooperation with government entities. For example, 63% of funding for the Country Programme was from the Venezuelan government.³⁵⁶ Additionally, education institutions, ministries, and other governmental institutions were vital in the implementation of the sub-projects such as the creation of a ministry for women's rights and gender equality.

Fourthly, when sub-projects did not receive support from local institutions, they failed. The foreign aid could not reform institutions but provide the tools for institutions to reform themselves. The unwillingness of institutions to change or support certain sub-projects limited the impacts of UNFPA programming. For instance, the justice departments within program areas were unwilling to change their current policies on how to address gender-based violence. Therefore, the UNFPA could not implement said projects. Finally, the program did not have sufficient administrative sections of the programs. Therefore, the program should have focused developing long-term administrative bodies for the program to be sustainable without the UNFPA.³⁵⁷

WORLD BANK PROJECT FOREIGN AID PROGRAM STUDY: CARACAS SLUM-UPGRADING PROJECT

I chose to study the Caracas Slum Upgrading Project in 1998 for the World Bank Project foreign aid program study. The Caracas Slum-Upgrading Project was a program

³⁵⁶ "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

³⁵⁷ "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

led by the World Bank to “improve quality of life for the inhabitants of a selected number of barrios in Caracas, Venezuela, by developing and implementing a community-driven, sustainable, and replicable infrastructure improvement program.”³⁵⁸ I chose to study the 1998 Caracas Slum-Upgrading Project because in 1998, there was a spike in outcome indicators. I was also interested in studying this program because it ended in 2006. One year after the program’s termination, in 2007, Venezuela officially paid off its loans and ended its relationship with the World Bank and the IMF.³⁵⁹

Brief Context

In 1998, over half of Venezuelans were under the poverty line and inflation “exceeded 30 percent and oil prices were in steep decline.”³⁶⁰ Hugo Chávez was elected president, and Chávez’s coalition made up the largest legislative bloc.³⁶¹ Chávez’s platform was based on anticorruption, decreasing poverty, and rewriting the constitution. At this time, the World Bank had initiated programs in Venezuela to assist with multiple dimensions of society, including restructuring the economy, and poverty alleviation programs.

³⁵⁸ “Development Projects : Caracas Slum-Upgrading Project - P040174,” Text/HTML, World Bank, accessed August 17, 2022, <https://projects.worldbank.org/en/projects-operations/project-detail/P040174>.

³⁵⁹ “Chávez Pulling Venezuela out of World Bank and IMF.” *New York Times*. May 1, 2007, sec. World. <https://www.nytimes.com/2007/05/01/world/americas/01iht-venez.1.5513389.html>.

³⁶⁰ “Venezuela - The Andinos | Britannica,” in *Britannica*, accessed August 17, 2022, <https://www.britannica.com/place/Venezuela/Sports-and-recreation>.

³⁶¹ “Venezuela - The Andinos | Britannica.”

Summary of Aid Program

Prior to 1998, the World Bank and IDB had already provided credits and technical expertise for programs to improve infrastructure in “secondary cities” outside of the Metropolitan Area of Caracas.³⁶² In 1998, the World Bank decided to start barrio improvement programs within Caracas. As mentioned in this section’s introduction, the Caracas Slum Upgrading Project (CSUP) was an infrastructure program that was designed to improve selected barrios.³⁶³ The program focused on the La Vega (municipality is Sucre) and the Petare Norte (municipality is Libertador) barrios.

The program included three components. First, the Communities Neighborhood Improvement Plans (NIP) include “risk mitigation of geologically unstable areas,”³⁶⁴ infrastructure improvements such as “pedestrian and vehicular access, water distribution, sewerage and sanitation, drainage, electricity distribution, public lighting, and community centers,” and constructing “new houses for resettlement.” Secondly, the CSUP focused on developing institutions to manage the program and evaluate it on the ground. Thirdly, the CSUP included a “market-based housing improvement loan fund which will provide consumer credit to low-income individuals residing in the barrios” to improve their homes.³⁶⁵ This step was designed to be financed through a collaboration “between banks and a non-governmental organization.”³⁶⁶

³⁶² World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document” (World Bank, August 7, 1998), <https://documents1.worldbank.org/curated/en/102411468779080697/text/multi0page.txt>.

³⁶³ “Development Projects : Caracas Slum-Upgrading Project - P040174.”

³⁶⁴ World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

³⁶⁵ “Development Projects: Caracas Slum-Upgrading Project - P040174.”

CSUP was designed to span over five years and for the management of the program to be a cooperation between local groups that were comprised of “community leaders with assistance from technical advisors.”³⁶⁷ The program had technical assistance from engineers, architects, urban planners, and social advisors to ensure that the infrastructure built would be sustainable and that it would benefit the community in which it was constructed.

The World Bank wanted to ensure that the slum upgrades would be sustainable beyond the program’s completion. The Bank recognized that the likely duration for success would be at least 20 years, while the program was designed for the Bank to be in country for only 5 years.³⁶⁸ Thus, the Bank planned to rely on community involvement “in the decision making process, and in the management and/or execution of sub-project works.”³⁶⁹ Moreover, the program was designed to “[create] a Metropolitan agency especially to coordinate and manage investment and research in the informal settlements of Caracas” to ensure that the projects are coordinated beyond the neighborhood level to the regional level.³⁷⁰ The project design emphasized the importance of community leadership and *ownership* of the program. The program design was created with the

³⁶⁶ “Development Projects: Caracas Slum-Upgrading Project - P040174.”

³⁶⁷ World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

³⁶⁸ World Bank, “Venezuela - Caracas Slum-Upgrading Project-Project Appraisal Document,” Project Appraisal Document (Venezuela: World Bank, September 28, 1998), <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/280721468779128231/venezuela-caracas-slum-upgrading-project>.

³⁶⁹ World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

³⁷⁰ World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

understanding that the program must have the community and institutional support required to continue past the Bank's exit for the program to be sustainable.

The World Bank used previous projects from the 1970s that were designed to “improve basic infrastructure in already settled low-income neighborhoods”³⁷¹ to design the CSUP program to involve community-member leadership and improve housing finance systems.”³⁷² In doing so, the Bank demonstrated its ability to learn from past programs and improve on aid design.

In the Project Information Document, the Bank also recognized the connection between housing market failures and the increase of “squatter settlements.” Therefore, the program design incorporated an understanding of the limits of the program to impact the long-term growth of poor barrios without a policy change. To address the need for policy changes, the program also declared its support for the following policy changes; the development of barrio consolidation programs, “the decentralization and coordination of investment in the barrios,” and “the private sector involvement in the improvement of informal housing.”³⁷³

The Slum-Upgrade Program had three key indicators to monitor the program's impact. The indicators were quality of life, monitoring the land/housing markets of the barrios, and the development of “Barrio Improvement Plans” to submit for approval.³⁷⁴

³⁷¹ World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

³⁷² World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

³⁷³ World Bank, “Venezuela - Caracas Slum-Upgrading Project-Project Appraisal Document.”

³⁷⁴ World Bank, “Venezuela - Caracas Slum-Upgrading Project-Project Appraisal Document.”

Internal Stability Assessment

The World Bank's Caracas Slum-Upgrading project did impact Venezuela's internal stability. The aid program increased Venezuela's internal stability because it positively impacted both political stability and economic development in Caracas. While evaluating the impact of the Slum-Upgrading program, I recognized the importance of defining the level of the program's impact. The impact of the program on political stability was on a national scale, while the impact of the program on economic development was mainly at the local level. However, for the purposes of this thesis, I examined the program impacts as equally significant on both levels because oftentimes programs on the local level have a great amount of impact on national-level policies.

Economic Development

The Slum-Upgrade program positively impacted economic development. On the national level, the success of the program convinced the Venezuelan government to implement similar programs in different parts of the country. Locally, the project greatly contributed to economic developments within the Caracas barrios.

Firstly, the success of the Slum-Upgrade program spurred the decision for similar economic development programs in slum areas around the nation. Thus, there could be further economic development progress in other program areas. The successes of the Caracas Slum-Upgrading project "served an important role in altering attitudes within the

new Government and within a few years an approach to slum upgrading.”³⁷⁵

Consequently, the government approved a similar slum-upgrading project to be implemented in medium-sized cities.³⁷⁶

On the local level, the Slum-Upgrade program helped to facilitate infrastructure building, maintenance, and poverty reduction activities. The Slum-Upgrade program helped to resettle over one hundred families, increase the market value of homes and land in project areas, improve existing infrastructure, and built new infrastructure. The program benefitted around 115,000 residents (the original goal was 184,000 residents).

One of the greatest successes was the locally-led Urban Land Committees (CTUs) to facilitate resettling. The Urban Land Committees helped to both identify and consult with “families to be resettled.” At the end of the project, 114 “cases of resettlement” were “successfully executed,” with plans to finish processing and locally “an additional 134 cases.” These cases combined “account for approximately 86 percent of the final target established in the 2006 resettlement action plan.”³⁷⁷

Additionally, the program positively impacted environmental development through its infrastructure programs “ by building improved storm-water drainage, reduced runoff velocity, and reduced soil erosion.”³⁷⁸ The project also did have programs to improve environmental management such as “solid waste collection programs.”³⁷⁹ The

³⁷⁵ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English),” Implementation Completion and Results Report (Washington, D.C. : World Bank Group: World Bank, 2007), <https://documents1.worldbank.org/curated/en/498121468176656246/pdf/ICR66.pdf>.

³⁷⁶ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

³⁷⁷ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

³⁷⁸ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

program also positively impacted gender equality by incorporating women from the community in various phases of the program from community engagement to designing sub-project.³⁸⁰

Although there is no baseline to measure the program's impact on poverty since the monitoring and evaluation aspect was not completed at the beginning of the program, "it is estimated that the Project did have a significant poverty impact based on proxy quantitative measures (e.g. increase in housing values)."³⁸¹ The estimated average property value increased around 94% from 1998 to 2006 "in both Petare Norte and La Vega as a result of Project investments."³⁸² Additionally, the policy environment during the program's implementation was conducive to supporting community-based poverty alleviation projects. For instance, "neighborhood representatives and Urban Land Committees" greatly assisted in resettlement, infrastructure, and land titling aspects of the project.

Political Stability

The Slum-Upgrade program also positively impacted the political stability in Venezuela in the areas of government effectiveness and voice and accountability. To begin, the program actively engaged in institution-strengthening activities. For instance, the program strengthened the coordination between the various levels of government by

³⁷⁹ World Bank, "Venezuela - Caracas Slum-Upgrading Project (English)."

³⁸⁰ World Bank, "Venezuela - Caracas Slum-Upgrading Project (English)."

³⁸¹ World Bank, "Venezuela - Caracas Slum-Upgrading Project (English)."

³⁸² World Bank, "Venezuela - Caracas Slum-Upgrading Project (English)."

facilitating cooperation agreements between municipal and national government agencies. In doing so, the program improved governmental effectiveness through cooperation. Although the program did have “a considerable impact in building community institutional capacity,” the goal of increasing inter-institutional coordination was not fully met. The municipalities of “Sucre and Liberator, Miranda State” did sign cooperation agreements with the national housing institute and council.³⁸³ However, the agreements were weakened by “conditions of political and institutional instability.”³⁸⁴ Part of the institutional issue was that “[k]ey ministerial and Government officials were advocating for slum clearance and large-scale housing construction to address the need for adequate housing and basic services.”³⁸⁵

It is important to note that the corruption and instability within the various government institutions greatly also hindered the progress that was made throughout the program. This challenge exemplified the limits of foreign aid programs to impact lasting change without institutional reform. However, the program’s success did counter the forces of institutional instability and positively change perceptions concerning slum upgrading. For instance, the program’s success influenced policymakers and helped to pass the Ley Especial de Regulación Integral de la Tenencia de la Tierra de los Asentamientos Urbanos Populares, persuaded the government to develop similar projects in medium-sized cities.³⁸⁶ The Ley Especial de Regulación Integral de la Tenencia de la

³⁸³ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

³⁸⁴ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

³⁸⁵ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

³⁸⁶ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

Tierra de los Asentamientos Urbanos Populares is a law that helps grant land titles to housing in the barrios.³⁸⁷ Consequently, the Slum-Upgrading project demonstrated that foreign aid can support institutional change if the institutions are willing to change.

Moreover, NGOs and community groups were active throughout the program. The program strengthened the voice of communities by building community-based institutions that managed many aspects of the program, such as the Urban Land Communities. The community involvement in the Slum-Upgrades ensured that the accountability for services maintenance would be transferred to the respective assigned community or government institutions. Thus, the institutions that were responsible for maintaining the services would be accountable to the communities that they served.

Findings

Four key lessons can be learned from the Slum-Upgrade Program. Firstly, monitoring and evaluation systems are critical and must be one of the first systems implemented so that the project can be properly evaluated. Secondly, it is important to fully understand the institutions and culture of the recipient country. For instance, the World Bank was implementing the Slum-Upgrade Program under the assumption that decentralization is a vital aspect of improving municipal service provision. However, when decentralized systems are nonexistent or poor, it is more important to focus on

³⁸⁷ Asamblea Nacional, “Decreto N° 8.198, mediante el cual se dicta el Decreto con Rango, Valor y Fuerza de Ley Especial de Regularización Integral de la Tenencia de la Tierra de los Asentamientos Urbanos o Periurbanos,” Asamblea Nacional, accessed September 9, 2022, <https://www.asambleanacional.gob.ve/leyes/sancionadas/decreto-n0-8198-mediante-el-cual-se-dicta-el-decreto-con-rango-valor-y-fuerza-de-ley-especial-de-regularizacion-integral-de-la-tenencia-de-la-tierra-de-los-asentamientos-urbanos-o-periurbanos>.

“building the capacity of local governments and agencies to manage” basic services and systems rather than decentralizing municipal service provision.³⁸⁸

Thirdly, local government institutions must have the capacity and desire to maintain the changes that the foreign aid program implemented for the impacts of the program to be sustainable past the program’s termination. It was very challenging for the local institutions to maintain some of the decentralized services from the Slum-Upgrade program because funding for decentralized services in Venezuela is limited.³⁸⁹

Finally, commitment to the full completion of projects is vital to their long-term sustainability. According to Andreas Gruner, the partial completion of the slum upgrade undermined the progress of the program as a whole. Rather than focus on the successes, the public’s attention would be focused on the aspects of the program that were not completed. This is especially true because the political systems in Venezuela were fragile, and therefore the program’s beneficiaries look to the program itself to provide large visible improvements over a short time to their living conditions that Venezuela’s institutions could not.³⁹⁰

MILITARY AID FOREIGN AID PROGRAM STUDY: RUSSIAN MILITARY AID

For the Military Aid category, I chose the Russian military aid to Venezuela in 2008 and 2009. The entries from the master database are two stories from *The Economist*

³⁸⁸ World Bank, “Venezuela - Caracas Slum Upgrading Project (English):Project Information Document.”

³⁸⁹ World Bank, “Venezuela - Caracas Slum-Upgrading Project (English).”

³⁹⁰ Andreas Gruner, “Development of an Integrated Process Model for Urban Upgrading Case Study: Area Metropolitana de Caracas,” n.d., 10.

2008 and 2009 that report arms aid from Russia to Venezuela. The military aid to Venezuela is classified as foreign aid in this thesis because the Russians provided loans to finance military, technical, and equipment aid.³⁹¹ The stated reason behind the military aid was to provide much-needed upgrades for Venezuela's defense capabilities. I chose to study Russian Arms deals in 2008 and 2009 because of two reports of Russian arms and military aid to Venezuela within two years in the master database. The years 2008 and 2009 were also when President Chávez was continuing to consolidate power within Venezuela. Therefore, I wanted to understand where the military aid was going, and how it would be used. Moreover, such a high frequency of military aid could indicate a possible arms race in Latin America.

Brief Context

In 2008 and 2009 there were multiple reports of a possible arms race in the South American continent. According to the Stockholm International Peace Research Institute, "South American military expenditure grew by 50 percent in real terms during the 10-year period 1999-2008."³⁹² Venezuela had the second-greatest increase in military spending in the five years prior to 2008 of all South American Countries. However, the arms increase in Venezuela was sourced outside of the U.S. because of U.S. allegations

³⁹¹ Michael Schwartz, "Russia Loans Venezuela \$1 Billion for Military," *The New York Times*, September 26, 2008, sec. World, <https://www.nytimes.com/2008/09/27/world/americas/27chavez.html>.

³⁹² Carina Solmirano and Sam Perlo-Freeman, "Jan. 10: Is South America on the Brink of an Arms Race? | SIPRI," *Stockholm International Peace Research Institute* (blog), June 2009, <https://www.sipri.org/commentary/2009/jan-10-south-america-brink-arms-race>.

that Venezuela was not fully cooperating in anti-terrorism efforts.³⁹³ Due to these allegations the U.S. had embargoed weapons sales to Venezuela since 2006.

Meanwhile, in 2008, Colombian-Venezuelan tensions increased when Colombia launched a “military incursion into Ecuador,” leading Venezuela to respond by deploying troops to their border with Colombia.³⁹⁴ By August 2009, the U.S. signed a pact with Colombia which would allow U.S. “access to military bases on Colombian territory.”³⁹⁵ Since Venezuelan-U.S. and Venezuelan-Colombian relations had been deteriorating, Venezuela viewed the U.S.- Colombian military base pact as a hostile act aimed against Venezuela and Venezuelan interests.

Summary of the Aid Program

The Economist reported in 2009 that Venezuela had ordered “92 tanks and anti-aircraft missiles using a \$2.2 billion loan from Russia.”³⁹⁶ In 2008, Venezuela bought \$4.4 billion in arms from Russia including “air defense missiles.”³⁹⁷ According to the Center for Strategic and International Studies, Russia had been giving military loans to Venezuela since 1999.³⁹⁸ Russian arms aid has the aim to further military cooperation

³⁹³ Clare Ribando Seelke, “Venezuela: Overview of U.S. Sanctions” (Congressional Research Services: Congress of the United States of America, May 31, 2022), <https://crsreports.congress.gov/product/pdf/IF/IF10715>.

³⁹⁴ Solmirano and Perlo-Freeman, “Jan. 10: Is South America on the Brink of an Arms Race? | SIPRI.”

³⁹⁵ Solmirano and Perlo-Freeman.

³⁹⁶ “Dreams of a Different World,” *The Economist*, September 19, 2009, The Economist Historical Archive.

³⁹⁷ “Friends of Opportunity,” *The Economist*, November 29, 2008, The Economist Historical Archive.

³⁹⁸ “An Enduring Relationship – From Russia, With Love,” *Center for Strategic and International Studies* (blog), September 24, 2020, <https://www.csis.org/blogs/post-soviet-post/enduring-relationship-russia-love>.

between the countries, including military exercises. For instance, “[i]n December 2008, the Venezuelan and Russian navies conducted training maneuvers in the Caribbean Sea.”³⁹⁹ The exercises and equipment aid in 2008 and 2009 were part of a long-term program that has strengthened Venezuelan military capacities and “now with the same equipment and hardware,” the Venezuelan and Russian militaries have greater interoperability with one another.”⁴⁰⁰

Internal Stability Assessment

The 2008 and 2009 Russian military aid to Venezuela did impact the nation’s internal stability. However, determining the overall positive or negative impact of the aid is difficult due to the complexity of the aid’s impact on political stability.

Economic Development

In terms of economic development, the Russian military aid detrimentally impacted Venezuela’s external debt. Most of the Russian aid was given through loans that the Venezuelan government had to repay. According to the BBC by 2014, Venezuela could not repay the loans for the arms.⁴⁰¹ Moreover, as Russian investment in Venezuelan

³⁹⁹ Joshua Chang, “Arms Sales, Mercenaries, and Strategic Bombers: Moscow’s Military Footprint in Venezuela,” *Georgetown Security Studies Review*, November 26, 2019, <https://georgetownsecuritystudiesreview.org/2019/11/26/arms-sales-mercenaries-and-strategic-bombers-moscows-military-footprint-in-venezuela/>.

⁴⁰⁰ Chang.

⁴⁰¹ Guillermo Olmo, “Las armas que Rusia le vendió a Venezuela y qué tienen que ver con los aviones militares rusos que llegaron este fin de semana a Caracas,” *BBC News Mundo*, March 26, 2009, <https://www.bbc.com/mundo/noticias-america-latina-47702554>.

oil production grew the oil revenues go to Russia rather than privatizing oil sectors to grow the domestic economy or dedicating oil revenues for economic development. For this reason, the Russian Military Aid is denoted with a -1 for economic development.

Political Stability

Although the Russian military aid to Venezuela impacted Venezuela's political stability it is difficult to determine whether that impact was positive or negative. The arms aid increased the capacity of the Venezuelan military forces, but it also decreased Venezuela's external security, led to a possible arms buildup, decreased political stability, and decreased governmental accountability.

The Russian military aid did increase Venezuela's security by increasing the capacity of the Venezuelan government to respond to threats against its domestic security. For instance, the equipment and training that Russia sent improved the overall capabilities of the Venezuelan military. In 2008 many of the army tanks could not even complete the journey when President Chávez sent military forces to the Colombian border.⁴⁰² Since then the Russian military aid, including 92 tanks, has increased the capacity of Venezuelan military forces.

Moreover, the Venezuelan government had a legitimate reason to be concerned about domestic security. Colombian-Venezuelan tensions had been increasing, and Colombia became a more aggressive neighbor. In 2008 Colombia launched a "military incursion into Ecuador."⁴⁰³ Consequently, Venezuela sent military forces to the

⁴⁰² "Dreams of a Different World."

Columbian-Venezuelan border to secure its own borders. Meanwhile, in 2009 the U.S. signed a pact with Colombia which would allow U.S. “access to military bases on Colombian territory.”⁴⁰⁴ Venezuela perceived this pact as a threat to its internal security because Colombia had provided a great power, with whom Venezuela did not have good relations, military base access near the Venezuelan border. Additionally, the military base pact signified that Colombia, and the U.S. could be a joint force against Venezuela.

Furthermore, military aid has forged a relationship between Russia and Venezuela. The military aid that Russia has sent to Venezuela has strengthened an alliance between the two countries. As the Georgetown Security Studies Review explains, the alliance between Russia and Venezuela has provided the Venezuelan government with a strong global power as an ally “that can stand up to the United States, the Chavista government’s most feared adversary.”⁴⁰⁵ The U.S. government does pose a threat to Venezuela. At the time of the Russian military aid, the U.S. had terminated positive relations with Venezuela, and enacted sanctions against the Venezuelan Government. Therefore, the Russian alliance did provide the Venezuelan Government with a great power ally to counter the influence of the U.S.

However, that same Russian military aid also decreased the external security of Venezuela because the increased capacity of the Venezuelan military also posed a threat to other countries in Latin America. Thus, the Russian arms trade could have been perceived as supporting a potential arms race in Latin America. According to defensive

⁴⁰³ Solmirano and Perlo-Freeman, “Jan. 10: Is South America on the Brink of an Arms Race? | SIPRI.”

⁴⁰⁴ Solmirano and Perlo-Freeman.

⁴⁰⁵ Chang, “Arms Sales, Mercenaries, and Strategic Bombers.”

realist international theory, arms races will inherently make all countries involved in the arms race more insecure as international tensions increase in military capacities continue to escalate. According to the Stockholm International Peace Research Institute's report in 2009, "[s]ignificant arms purchases by Brazil, Chile and Venezuela in recent years have given rise to speculation about an arms race in South America."⁴⁰⁶ Colombia stated concern about the military arms buildup in Venezuela because Colombian officials feared that these arms could be sold to the FARC unofficially.⁴⁰⁷

Yet, many scholars did not perceive the arms technology transfers as arms build-ups. Instead, the new arms within Venezuela were seen as "efforts to replace or upgrade military inventories in order to maintain existing capabilities" and to modernize military capacities.⁴⁰⁸

Additionally, the Russian military arms aid did lead to decreased internal political stability. By building up the military capacity, the Russian military aid supported the oppression of the Chávez regime because the military aid had increased the capacity of the government to oppress its own people. Human Rights Watch wrote an extensive report on the Chávez regime that found various forms of oppression from state police killings to press censorship pervasive in government institutions. As the *Georgetown Security Studies Review* explains, "Russia's military support provides reassurance and support to a paranoid, isolated regime fearful of demise at the hands of foreign

⁴⁰⁶ Mark Bromley, "Arms Transfers to the Americas" (SIPRI, June 2009), <https://www.sipri.org/publications/2009/sipri-background-papers/arms-transfers-americas>.

⁴⁰⁷ "Friends of Opportunity."

⁴⁰⁸ Bromley, "Arms Transfers to the Americas."

intervention and international pressure.”⁴⁰⁹ Russia has linked Venezuela’s security to its own by allying with Venezuela. Consequently, the Russian military aid has limited the impact of international pressure to reform the Venezuelan government from a dictatorship.

The arms aid contributed to decreasing the accountability of the Venezuelan government to its citizens because the aid provided increased military capacity and Russian protection from U.S. and Western efforts to criticize the Chávez regime. Moreover, the military aid cooperation has strengthened Russia’s ties with Venezuela. One result of the strengthening of the Russo-Venezuelan alliance is Russia’s increasing role in the oil and gas industries. For instance, the “Russian state firm Rosneft now possesses close to 50% of Citgo, a US oil firm acquired by Venezuela.”⁴¹⁰ Increased Russian ownership/influence in the oil sector transfers some of the accountability of the Venezuelan government to Russia because the Venezuelan government receives much of its financing from oil revenues

The Russian military aid had both positive and negative impacts on the political stability of Venezuela. Therefore, I could not definitively rank the aid’s impact on Venezuela’s political stability.

⁴⁰⁹ Chang, “Arms Sales, Mercenaries, and Strategic Bombers.”

⁴¹⁰ Chang.

Findings

The Russian military aid to Venezuela demonstrated another case wherein loans were provided to the recipient country without an established plan for the recipient country to repay the loans. Moreover, this is an example of how military aid can greatly impact the recipient country. However, the nature of that impact depends on the perspective from which it is being studied. Therefore, the Russian military aid program demonstrates the importance of understanding the contexts under which the aid is provided prior to implementing foreign aid, specifically military aid.

U.S. FOREIGN ASSISTANCE FOREIGN AID PROGRAM STUDY: PROGRAMS TO SUPPORT CIVIL SOCIETY AND DEMOCRACY IN 2015

For the U.S. Foreign Assistance category, I studied the 2015 Civil Society Strengthening Programs in Venezuela. In 2015, the United States committed \$951.8k of aid for Civil Society Strengthening Programs in Venezuela. Aid programs were typically implemented in coordination with NGOs. On the ForeignAssistance.gov database, it is possible to find a list of all U.S.-funded aid programs funded. However, many programs in Venezuela for 2015 have limited information beyond that which is given in the Foreign Assistance.gov database. Only three of the top four funded programs even have a listed NGO partner that has not been redacted. So, I focused my research efforts on the three programs that did have NGOs listed.

However, none of the three projects had reports on the USAID Development Experiment Clearinghouse Database or other U.S. aid databases for their AID ID Project Numbers. However, there is a comprehensive report on a general Electoral Integrity

Program in Venezuela that appears to have elements of all three projects, including the same NGO partners. Therefore, I studied USAID’s democracy and civil society programs in Venezuela in 2015 through an assessment of the Electoral Integrity Program.

The three programs were the Civil Society Strengthening, Venezuela Participation Project that partnered with the Pan- American Development Foundation (Project Number: AID-OAA-A-14-00030), the Transparent Electoral Processes project partnered with National Democratic Institute (Project Number: AID-OAA-A-14-00032), and the Assisting Independent News Supply project that partnered with the International Republican Institute (Project Number: AID-OAA-A-14-00034). All three of the projects were designed to be a “part of a larger U.S. Government effort to promote democratic representative governance in Venezuela.”⁴¹¹

The Civil Society Strengthening Project that partnered with the Pan- American Development Foundation to protect democratic processes by “increas[ing] the capacity of civil society organizations to engage on public agenda items” and “increase[ing] capacity of labor and trade associations to represent their constituents and generate policy options for governance and industry.”⁴¹² The Transparent Electoral Processes project that partnered with National Democratic Institute was designed to increase the confidence of Venezuelans in their electoral system, as well as ensure transparency and fair elections through sub-projects such as those to support “domestic Civil Society Organizations

⁴¹¹ “U.S. Foreign Assistance By Country: Venezuela- 2015- Disbursements-All Agencies.” ForeignAssistance.gov. Accessed August 22, 2022. <https://foreignassistance.gov/cd/venezuela/2015/disbursements/0>.

⁴¹² “U.S. Foreign Assistance By Country: Venezuela- 2015- Disbursments-All Agencies.”

(CSOs) to enable them to monitor elections.”⁴¹³ The Assisting Independent News Supply project partnered with the International Republican Institute to counter governmental control of the media through programs such as those to increase the accessibility of independent media or support domestic “journalist networks”⁴¹⁴

I chose multiple U.S. Foreign Assistance programs because I had difficulty finding reliable information concerning the specific programs and their outcomes. Yet, I was able to find information about U.S. civil society and democracy operations in Venezuela as an assessment of what appears to be a compilation of multiple programs. Also, I wanted to focus more on the relationship between the U.S. government in aid spending in Venezuela. Therefore, I looked more generally at USAID in Venezuela with a specific focus on aid concerning governance and supporting democratic ideals. I chose 2015 as my target year for this foreign aid program study because there was an election for the national legislature that year.

Brief Context

In 2015, Venezuela’s economy was still declining as oil prices continued to decrease. Simultaneously, border disputes with Colombia heated up, and President Maduro focused on these disputes to distract the country from the state of the economy.⁴¹⁵ In December of 2015, legislative elections were held for the National

⁴¹³ “U.S. Foreign Assistance By Country: Venezuela- 2015- Disbursements-All Agencies.”

⁴¹⁴ “U.S. Foreign Assistance By Country: Venezuela- 2015- Disbursements-All Agencies.”

⁴¹⁵ “Venezuela - The Presidency of Nicolás Maduro | Britannica,” in *Britannica*, accessed August 23, 2022, <https://www.britannica.com/place/Venezuela/The-Andinos>.

Assembly. The party of Maduro, the socialist party Partido Socialista Unido de Venezuela (PSUV) lost the majority of the seats in the national assembly. The government opposition party coalition Mesa de Unidad Democrática won in a landslide despite efforts from the Maduro government to rig the elections and spread disinformation.⁴¹⁶

Summary of the Aid Program

The Electoral Integrity Program in Venezuela has the elements of all three aforementioned projects, including the same NGO partners. The “Venezuela Electoral Integrity Program Evaluation” is written by the Consortium for Elections and Political Process Strengthening (CEPPS). CEPPS is a “is comprised of nonprofit, nonpartisan, nongovernmental organizations dedicated to advancing and supporting democratic practices and institutions around the globe” that “pools the expertise of three premier international organizations ... the International Foundation for Electoral Systems, the International Republican Institute, and the National Democratic Institute.”⁴¹⁷

The Venezuela Electoral Integrity Program was one of multiple programs that the U.S. had funded with partners including Freedom House, the National Democratic Institute, the International Republican Institute, and the Pan-American Development Foundation⁴¹⁸ to “[support] civil society, [promote] human rights, [strengthen]

⁴¹⁶ “Venezuela - The Presidency of Nicolás Maduro | Britannica.”

⁴¹⁷ CEPPS, “Our Story,” CEPPS, accessed August 23, 2022, <https://cepps.org/about-us/our-story/>.

⁴¹⁸ “Venezuela | Archive - U.S. Agency for International Development,” accessed August 23, 2022, <https://2012-2017.usaid.gov/venezuela>.

democratic governance, [encourage] civic engagement, and [expand] dialogues” in Venezuela.⁴¹⁹ The U.S. saw a great need to actively provide support to ensure free and fair elections in Venezuela in 2015 because the Venezuelan government had rejected “calls from civil society,” and the opposition party (Mesa de Unidad Democrática), “for electoral observation by international organizations such as the Organization of American States (OAS) and European Union.”⁴²⁰

The Venezuela Electoral Integrity Program (VEIP) had the objective to improve the capacities of domestic civil society organizations and “democratic political organizations (parties, coalitions, etc.) to provide oversight and document and report on electoral conditions in 20 to 30 key electoral circuits.”⁴²¹ The VEIP program was designed with three specific projects to succeed in its mission. The projects were to increase political party oversight and monitor elections, to increase the availability of free and accurate information concerning the elections, and to assess the overall fairness of the election.⁴²²

Firstly, to monitor elections, the VEIP program set the goal to support the main electoral monitoring institution, “the Center for Electoral Assistance and Promotion

⁴¹⁹ “Venezuela | Archive - U.S. Agency for International Development.”

⁴²⁰ Consortium for Elections and Political Process Strengthening (CEPPS), “CEPPS Final Report : Venezuela Electoral Integrity Program, Project Dates : August 31, 2015-February 29, 2016,” Final Contractor/Grantee Report (USAID Development Experience Clearinghouse, June 2017), https://dec.usaid.gov/dec/content/Detail_Presto.aspx?ctID=ODVhZjk4NWQtM2YyMi00YjRmLTkxNjktZTcxMjM2NDYyY2Uy&rID=MjIwNDY4&qrs=RmFsc2U%3d&q=KERvY3VtZW50cy5EZXXNjcmlwdG9yc19HZW9ncmFwaGljPSgiVmVuZXp1ZWxhLikp&qcf=ODVhZjk4NWQtM2YyMi00YjRmLTkxNjktZTcxMjM2NDYyY2Uy&ph=VHJ1ZQ%3d%3d&bckToL=VHJ1ZQ%3d%3d&rrtc=VHJ1ZQ%3d%3d.

⁴²¹ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴²² Consortium for Elections and Political Process Strengthening (CEPPS).

(Centro de Asesoría y Promoción Electoral, CAPEL) to study the pre-electoral environment and the process on election day.”⁴²³ The VEIP also planned to train and mobilize volunteer election observers through workshops. Secondly, to improve the availability of information, the VEIP program wanted to work with journalists to create workshops on specific journalism techniques and help to produce news stories on public channels. Finally, the VEIP program set the goal of producing an independent report on the elections that would contribute to election transparency.⁴²⁴ All of these targets coincided with the goal of the U.S. which was to “[build] the capacity of the National Assembly to be a viable democratic institution that represents all Venezuelans.”⁴²⁵

Internal Stability Assessment

Overall, it is difficult to determine if the VEIP program impacted the internal stability of Venezuela. In the short term, the VEIP program did have an observable impact on the short-term political stability of Venezuela. However, in the long-term the VEIP program did not significantly impact Venezuela’s internal stability. Moreover, since the program focused exclusively on political stability, the VEIP program did not impact Venezuela’s economic development.

⁴²³ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴²⁴ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴²⁵ “Venezuela | Archive - U.S. Agency for International Development.”

Political Stability

The VEIP program was designed to improve government effectiveness, regulatory quality, control of corruption, and rule of law through supporting local institutions that are the backbone of democracies such as election observation and the press. Although the VEIP program did positively impact these areas of political stability in the short term, the long-term effects were not significant.

In the short term, the VEIP program did increase transparency, election monitoring, information accessibility, and international election accountability. For instance, VEIP programming had given political organizations the training and tools that supported them to “[provide] reliable data on the election outcome by 9 o’clock on election night and informed public statements and actions that encouraged the government to recognize the results.”⁴²⁶ The presence of reliable data provided greater election transparency, and pressure for the government to accept the results as legitimate.

Moreover, the program also trained groups in election observation skills.⁴²⁷ In doing so, the program contributed to “qualitative monitoring of the voting process from outside 487 polling stations on election day in 20 pre-selected electoral circuits deemed to be ‘at-risk.’”⁴²⁸ The program selected the 20 electoral circuits based on evidence that the circuits may have had election tampering or irregularities. The VEIP also program partnered with a local organization, Strengthening Democracy through Partnership, and

⁴²⁶ Consortium for Elections and Political Process Strengthening (CEPPS), “CEPPS Final Report : Venezuela Electoral Integrity Program, Project Dates : August 31, 2015-February 29, 2016.”

⁴²⁷ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴²⁸ Consortium for Elections and Political Process Strengthening (CEPPS).

“supported the mobilization, training, and deployment of 1,202 volunteer election observers” through workshops.⁴²⁹

The VEIP program also helped create workshops for journalists on “election reporting techniques and on the use of an interactive voice response (IVR) reporting platform.”⁴³⁰ As a result, 67 journalists that were from six different news outlets were able to be trained in issues such as “general election procedures, the number of electoral circuits/districts they would be covering, election reporting styles,[and] the use of social media for live reporting.”⁴³¹ The program also supported the production of over 75 election day news stories that were then used to inform posts on social media platforms. The dissemination of critical information was possible due to extensive cooperation with local organizations and associates to release information quickly and accurately.

The VEIP program also supported an international forum that reported an independent election assessment. The program’s domestic local partners also conducted “a post-election legal diagnostic of the actions of various government institutions’ responses to the results of the December 6 legislative elections,” as well as “a review of the impact of the domestic qualitative observation on the reduced irregularities and veracity of the results.”⁴³² The presence of local partners, and various sources of post-election observation, increased the level of transparency of the 2015 elections.

⁴²⁹ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴³⁰ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴³¹ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴³² Consortium for Elections and Political Process Strengthening (CEPPS).

Despite the short-term progress in transparency efforts, no long-term election transparency can be attributed to the VEIP program. The sustainability of the program would have required long-term quantitative and qualitative monitoring of political processes and elections. Although the VEIP programming worked closely with local organizations and communities to support its programs, there is little evidence to suggest that the program was successful in achieving great strides for future election transparency and observations.⁴³³ The program's short-term success is due to the unwillingness of government institutions to change or support the efforts of transparency. Instead, Maduro's government still attempted to alter the election results. Additionally, the Maduro government tried to delegitimize the elections themselves through spreading disinformation such as supporting news stories claiming that the U.S.- supported election transparency programs were designed to help overthrow the government. After the elections, the results were not verified, and the Supreme Court supported Maduro in attempting to dissolve the National Assembly.⁴³⁴

In fact, after the elections riots and looting resulted as “[t]he election commission, however, widely regarded as sympathetic to Maduro, was slow to begin and carry out the validation process.”⁴³⁵ President Maduro used the violent demonstrations and attempts from international organizations to aid with election transparency to claim foreign interference in the elections and declare a public emergency.⁴³⁶

⁴³³ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴³⁴ “Venezuela - The Presidency of Nicolás Maduro | Britannica.”

⁴³⁵ “Venezuela - The Presidency of Nicolás Maduro | Britannica.”

⁴³⁶ “Venezuela - The Presidency of Nicolás Maduro | Britannica.”

There were multiple efforts to organize a recall effort on the votes and recall referendum, which Maduro's government ignored. Thus, the people again erupted into multiple violent demonstrations. Efforts from the public to drive recall signatures failed because the courts claimed that the recall signatures were frauded.⁴³⁷ Since the 2015 elections, President Maduro has continued to solidify his rule as a dictatorship.

The VEIP program clearly illustrates a case wherein the efforts of foreign aid were measurable and effective, but without institutional change, the foreign aid would not lead to the political or economic development that the program sought to support. The democracy programs were initiated to increase political stability and institutional accountability. However, this program did not affect long-term change in political stability. Therefore, I ranked the VEIP program as a 0 for political stability in the long-term.

Findings

The VEIP program learned three very important lessons, local organizations are vital, targeted approaches allow for efficient use of resources, and domestic institutions must be supportive of program efforts for effective program sustainability.

Throughout the entire program, local organizations were supported “conduct qualitative analysis of the pre-election, election day, and post-election processes” through help such as “identify[ing] key battleground circuits”⁴³⁸ that may be “susceptible to

⁴³⁷ “Venezuela - The Presidency of Nicolás Maduro | Britannica.”

⁴³⁸ Consortium for Elections and Political Process Strengthening (CEPPS), “CEPPS Final Report : Venezuela Electoral Integrity Program, Project Dates : August 31, 2015-February 29, 2016.”

irregularities, violence or fraud.”⁴³⁹ Local organizations were key to the entire mission, especially since international organizations themselves were not allowed to directly monitor the elections. Moreover, the VEIP program had to be flexible and learn that targeting certain ‘key battleground’ circuits and districts would focus the program’s resources on areas in which they were greatly needed.

Another lesson from this program was that domestic institutions must support the program efforts on some level for the program to be sustainable. The Venezuelan government itself was not supportive of the efforts for election transparency, monitoring, and observation. So, the program’s impact was limited to its direct effects and did not lead to long-term election changes.

DEVELOPMENT AID FOREIGN AID PROGRAM STUDY: CHINA-VENEZUELA JOINT FUND

I studied the China-Venezuela Joint Fund that was initiated in 2006 for the Development Aid category. In December 2006, President Chávez reported a development fund that was created with China to build infrastructure such as “housing, roads railways and telecommunications.”⁴⁴⁰ Two-thirds of the initial development fund were funded by China (around \$4 billion).⁴⁴¹ I chose to study the China-Venezuela Joint Fund because it was the only aid program in Venezuela that was an infrastructure-based program that was funded by China in my foreign aid database search. The goal of this thesis is to

⁴³⁹ Consortium for Elections and Political Process Strengthening (CEPPS).

⁴⁴⁰ Andrew Yeh, “Beijing’s Development Bank in Overseas Push,” *Financial Times*, December 6, 2006, Financial Times Historical Archive.

⁴⁴¹ Yeh.

understand how different types and structures of foreign aid impact the internal security of the recipient country. Therefore, it is pertinent to research how different sources of aid, such as aid from China's Development Bank, is impacting the internal security of Venezuela.

Brief Context

In 2006, Venezuela had presidential elections. Hugo Chávez won in a landslide victory. After his victory, Chávez began a “program of nationalization that included the takeover of the petroleum sector,” which included completing the nationalization of “operational control of the oil industry in the Orinoco basin—the world’s single largest known oil deposit.”⁴⁴² By 2008, President Chávez had expanded his nationalization ambitions to include the nationalization of the “telecommunications, electricity, steel, and cement companies.”⁴⁴³

Summary of the Aid Program

A challenge that I encountered when researching the China-Venezuela Joint Fund was that I was unable to access the documents with the agreements and project outlines themselves. Therefore, my research was based on reports that could access these documents. This section summarizes the purpose behind the fund, the operation mechanisms, and the oversight commission.

⁴⁴² “Venezuela - The Hugo Chávez Presidency | Britannica.”

⁴⁴³ “Venezuela - The Hugo Chávez Presidency | Britannica.”

The China-Venezuela Joint Fund was financed by both the China Development Bank and the Venezuelan Government. According to Ana Maria Cardona Romero in her report *China in Venezuela: Oil Loans*, the Joint Fund agreements establish that the funds would be used for “socio – economic projects, including China – Venezuela cooperation projects on infrastructure, industry, agriculture, mining energy, technical and technological assistance.”⁴⁴⁴

The China-Venezuela Joint Fund has Tranches A, B, C, and the Long-Term Facility.⁴⁴⁵ The initial Tranche A of the Joint Fund totaled around \$6 billion, \$4 billion of which China had committed and \$2 billion of which Venezuela had committed.⁴⁴⁶ Although the project report entry in the master database only focused on Tranche A, I studied the China-Venezuela Joint Fund as a whole. I did so because it was not possible for me to accurately gain a full understanding of the scope of the Fund’s impact on development without studying the entirety of its duration.

There has been disagreement about the actual total amount of the China Development Bank’s loan. According to AidData, a research facility run by William and Mary’s Global Institute, China Development Bank financed the renewal of the Joint Fund twice for \$4 billion in 2011 and 2012.⁴⁴⁷ However other sources, such as Mehdi P.

Amineh and Yang Guang, claim that between Tranches A, B, and C of the loan totaled

⁴⁴⁴ Ana Maria Cardona Romero, “China in Venezuela: Oil Loans” (Bogotá, Colombia: Asociación Ambiente y Sociedad, November 2016), <https://www.ambienteysociedad.org.co/wp-content/uploads/2017/08/Publication-China-Venezuela-oil-loans.pdf>.

⁴⁴⁵ “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380],” AidData: A Research Lab at William and Mary, accessed August 20, 2022, <https://china.aiddata.org/projects/35985/>.

⁴⁴⁶ “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380].”

⁴⁴⁷ “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380],” 35.

over \$180 billion.⁴⁴⁸ Meanwhile more sources, like Ana Maria Cardona Romero, claim that the three tranches totaled \$38 billion USD.⁴⁴⁹ I could not access the reports from the China Development Bank to corroborate the total fund amount. The China Development Bank is not an international organization, it is a national bank. Therefore, there is no requirement for the China Development Bank to be transparent about the quantity or use of these funds.⁴⁵⁰

Regardless of the total amount of loans given, all of the loans given by the China Development Bank are considered an oil-backed loan.⁴⁵¹ An oil-backed loan requires the borrower repay the loan through selling oil rather than currency repayments. In the case of the China-Venezuela Joint Fund, the Government of Venezuela had “repay the loan over three years by selling oil to China National United Oil Corporation (ChinaOil) at a rate of approximately 100,000 barrels per day (bpd).”⁴⁵² The actual price of each oil shipment was “determined by the prevailing market price.”⁴⁵³ One issue that arises with oil-based loans is that the quantity of oil that must be sent to repay a certain amount of the loan can change. As the value of crude oil fluctuates, a drop in oil prices requires more barrels to be sent to the lender (China) for the same price of the oil shipment prior

⁴⁴⁸ Mehdi P. Amineh and Yang Guang, *Geopolitical Economy of Energy and Environment: China and the European Union* (BRILL, 2017).

⁴⁴⁹ Romero, “China in Venezuela: Oil Loans.”

⁴⁵⁰ Mikael Mattlin and Matti Nojonen, “Conditionality in Chinese Bilateral Lending,” *SSRN Electronic Journal*, 2011, <https://doi.org/10.2139/ssrn.1868792>.

⁴⁵¹ “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380],” 35.

⁴⁵² “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380],” 35.

⁴⁵³ “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380],” 35.

to the oil price drop. Consequently, the borrower (Venezuela) requires more investments for oilfield development, thus more loans.⁴⁵⁴

All of the development projects that were financed through the Joint-Fund had to be approved under the China Venezuela Mixed Commission. Through the commission, China used its influence to ensure that Chinese firms participated in the aid programs.⁴⁵⁵ However, as Romero explains, the fund agreements themselves never specified exactly how the projects under the Joint Fund had to include Chinese companies. Consequently, there have been reports of the funds being used mainly to finance Chinese investment interests in Venezuela.

Internal Stability Assessment

The China-Venezuela Joint Fund did impact the internal stability of Venezuela. However, the Joint Fund's impact on Venezuela's internal stability was negative because the fund detrimentally affected the economic development and political stability of Venezuela.

Economic Development

Although the China-Venezuela Joint Fund did increase foreign direct investment in Venezuela and implement some development programs, overall, the Fund detrimentally impacted Venezuela's economic development by focusing many projects

⁴⁵⁴ Romero, "China in Venezuela: Oil Loans."

⁴⁵⁵ Romero.

on pursuing Chinese interests in oil investments, outsourcing project benefits, increasing external debt, increasing resource dependency, and established economic conditionality in the loans that supported Chinese interests.

An important benefit of the Joint Fund is that it had facilitated a relationship between China and Venezuela and led to greater Chinese foreign direct investment. Many of the projects under the Fund include Venezuelan and Chinese companies cooperating or Chinese companies themselves implementing projects. Consequently, Chinese foreign direct investment within the economy has increased. According to Stephen B. Kaplan and Michael Penfold, throughout the duration of the Joint Fund, the Venezuela has “attracted \$800 million (or about two-fifths of its total Chinese FDI) in manufacturing investment in the automotive and consumer electronics industry by private firms.”⁴⁵⁶

The Joint Fund also financed some development programs from telecommunications to rail lines. According to Emma Miriam Yin-Hang To and Rodrigo Acuña the Fund implemented infrastructure projects such as the “Simón Bolívar satellite,” “five metro lines (two in Caracas and one each in Los Teques, Valencia, and Maracaibo), [and]the train line from Cúa to Ecrucijida, and the Gran Mariscal de Ayacucho highway.”⁴⁵⁷ Other projects included an expansion of investments in heavy machinery production, infrastructure projects, cargo transport, and imports of vehicles, computers, and other consumer goods.”⁴⁵⁸ Moreover, according to the *Global Times* in

⁴⁵⁶ Stephen B Kaplan and Michael Penfold, “China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics,” *Latin American Program at the Kissinger Institute*, February 2019, 40.

⁴⁵⁷ Emma Miriam Yin-Hang To and Rodrigo Acuña, “China and Venezuela: South-South Cooperation or Rarticulated Dependency?,” *Latin American Perspectives* 46, no. 2 (March 1, 2019): 126–40, <https://doi.org/10.1177/0094582X18813574>.

“Venezuela advances in telecommunications sector in cooperation with China: Maduro,” the Fund also financed “[a] telecommunications factory” that “did successfully export computers and other technologies.”⁴⁵⁹ In supporting these infrastructure projects, the Joint Fund supported economic development in Venezuela.

Although the Joint Fund was created with the stated responsibility of providing funding for development projects, much of the funding went towards developing projects in Chinese interests, such as oil refining projects. One of the main investments from the Fund has been the development of oil fields and refineries. For instance, the Chinese and Venezuelan national oil companies “have created mixed companies... to explore and exploit oil on the Orinoco belt” during the Joint Fund meetings.⁴⁶⁰ Thus, the funds are being used to prioritize Chinese oil exploration and refining interests over development efforts. Moreover, China has led exploitation and exploration projects for oil in Venezuela under the justification that these the exploration projects are part of the Joint Fund’s infrastructure and energy development projects.⁴⁶¹

Although some development programs were enacted through the Joint Fund, Chinese companies are largely in charge of the development programs that the Fund did finance. It is important to note that there were development programs that the fund financed. For example, according to the *Global Times*, the Joint Fund did build a

⁴⁵⁸ To and Acuña.

⁴⁵⁹ Xinhua Published, “Venezuela Advances in Telecommunications Sector in Cooperation with China: Maduro - Global Times,” *Global Times*, 2015, <https://www.globaltimes.cn/content/946026.shtml>.

⁴⁶⁰ Romero, “China in Venezuela: Oil Loans.”

⁴⁶¹ Romero.

telecommunications factory that successfully exported computers and other technologies.⁴⁶² However, many of the development projects were outsourced to Chinese companies, and projects such as those designed to build roads, factories, and feed the Venezuelan people were minimal.

In a 2017 speech, Maduro claimed that over 790 projects from telecommunications to housing had been contracted to Chinese companies rather than to domestic administrators.⁴⁶³ Moreover, there have been reports that promised development projects were never built. For instance, in Tucupita, Venezuela a development project was created in 2010 with the China CAMC Engineering Co Ltd to “develop rice paddies twice the size of Manhattan and create jobs for the area’s 110,000 residents.”⁴⁶⁴ However, as *Reuters* reports, “[n]ine years later, locals are hungry. Few jobs have materialized, and the plant is only half-built, running at less than one percent its projected output. It hasn’t yielded a single grain of locally grown rice.”⁴⁶⁵

Moreover, the design of the Joint Fund increased Venezuela’s external debt and its dependency on oil revenues. The loan to repay the Joint Fund was an oil-backed loan in which the actual price of each oil shipment was “determined by the prevailing market price.”⁴⁶⁶ Consequently, as the value of crude oil fluctuated, as did the quantity of oil to

⁴⁶² Xinhua Published, “Venezuela Advances in Telecommunications Sector in Cooperation with China: Maduro - Global Times.”

⁴⁶³ Angus Berwick, “How a Chinese Venture Made Millions While Venezuelans Grew Hungry,” *Reuters*, May 7, 2019, <https://www.reuters.com/investigates/special-report/venezuela-china-food/>.

⁴⁶⁴ Berwick.

⁴⁶⁵ Berwick.

⁴⁶⁶ “Project 35985: China-Venezuela Joint Fund Tranche A [Linked to #58677,#37838, #38380],” 35.

be given to China. So, when oil prices dropped Venezuela had to ship more barrels of oil to repay the same amount of the loan as previous to the oil price decline. To account for the increased demand for oil to send to repay the Joint Fund, Venezuela has needed increased Chinese investment for more oilfield development. Thus, the repayment process of the fund has required Venezuela to take on further debt.⁴⁶⁷ Moreover, the PVDSA has had to prioritize repaying debts to China by “funneling an increasing share of its export proceeds to China, rather than reinvesting in the company’s operations.”⁴⁶⁸ Today, as the oil industry has continued to collapse, “the Maduro government increasingly had difficulty getting new credit from anywhere, let alone China.”⁴⁶⁹

Finally, although the aid from the China Development Bank did not have the same policy-reform-based conditions as other loan institutions, the Joint Fund did have economic conditions that favored Chinese-led projects and investments rather than developing the domestic economy. According to Mikael Mattlin and Matti Nojonen, many bilateral agreements with the China Development Bank require the recipient country to “adhere to a number of project-related demands regarding, for example, the use of Chinese-sourced contractors, sub-contractors, technology, equipment suppliers, management and training, as well as a Chinese workforce.”⁴⁷⁰ Venezuela was not an exception. In the extension of the Fund in 2010, “Venezuela committed to spend the

⁴⁶⁷ Romero, “China in Venezuela: Oil Loans.”

⁴⁶⁸ Kaplan and Penfold, “China-Venezuela Economic Relations: Hedging Venezuelan Bets with Chinese Characteristics.”

⁴⁶⁹ Kaplan and Penfold.

⁴⁷⁰ Mattlin and Nojonen, “Conditionality in Chinese Bilateral Lending.”

majority of its \$20 billion loan in 2010 on Chinese goods and services” despite needing to spend the funds on growing the domestic economy.⁴⁷¹ Therefore, the China-Venezuela Joint Fund is denoted with a -1 for economic development.

Political Stability

The Joint Fund did offer a new source of revenue to the Venezuelan Government that demanded less political conditionality. However, through its lack of transparency, support of corrupt institutions, decreasing rule of law, and shifting government accountability, the Joint Fund has negatively impacted Venezuela’s political stability.

To begin, the Fund provided another stream of development financing with no requirements for policy reform. At the time, Venezuelan relations, and credibility with other banking institutions such as the World Bank or IMF had been tumultuous. The Joint Fund provided the Venezuelan government with a new stream of financing. While the Fund is set up as a loan structure, unlike the World Bank or IMF loans, “Chinese banks do not require that the borrower change its institutional policies in order to fund them, it means they do not lead the borrower to accept political conditions.”⁴⁷² For example, many of the World Bank and IMF loans required countries to comply with certain economic and political policy changes prior to and during funding disbursement.

Thus, the Joint Fund allowed the Venezuelan Government to have more political autonomy while receiving loan financing. According to Kevin Gallagher, Amos Irwin,

⁴⁷¹ Kevin Gallagher, Amos Irwin, and Katherine Koleski, “The New Banks in Town: Chinese Finance in Latin America,” *The Inter-American Dialogue*, 2012, https://www.thedialogue.org/wp-content/uploads/2015/02/IAD8542_China_Abstract_021512e2-finalabstract_1.pdf.

⁴⁷² Romero, “China in Venezuela: Oil Loans.”

and Katherine Koleski “because Chinese loans do not come with the sorts of policy conditionalities that are tied to IFI and Western loans, they allow LAC nations flexibility to invest in domestic infrastructure and industrial projects, which are thought to enhance long term development.”⁴⁷³ However, as Romero reports, although in the Joint Fund agreements did not have legal conditions other than using part of the financing for joint projects, “it does not mean that there are no inherent conditions which may prevent the Venezuelan state to have an adequate control over its fossil fuels in the future.”⁴⁷⁴

Yet, there was very little transparency in how and where the funds were spent. Consequently, it is very difficult to adequately evaluate the program. According to Mikael Mattlin and Matti Nojonen, “Chinese financing packages do not need to be reported to other countries, so they evade external review.”⁴⁷⁵ It is possible that the lack of transparency is to hide the corruption within the Joint-Fund programming. There are reports of companies paying bribes and kickbacks in order to win contracts.⁴⁷⁶ For example, Angus Berwick explains that the development and investment projects that the Fund finance have been connected to large corruption scandals. For instance, as previously explained, the Chinese company China CAMC Engineering Co Ltd has been accused of giving \$100 million in bribes to Venezuelan officials and intermediaries to win the contract to build rice paddies.⁴⁷⁷ Hence, the Joint Fund has been linked to

⁴⁷³ Gallagher, Irwin, and Koleski, “The New Banks in Town: Chinese Finance in Latin America.”

⁴⁷⁴ Romero, “China in Venezuela: Oil Loans.”

⁴⁷⁵ Mattlin and Nojonen, “Conditionality in Chinese Bilateral Lending.”

⁴⁷⁶ Berwick, “How a Chinese Venture Made Millions While Venezuelans Grew Hungry.”

⁴⁷⁷ Berwick.

supporting corruption within Venezuelan institutions. Moreover, in the China CAMC Engineering Co Ltd case, the rice paddies were never developed. By permitting Chinese companies to neglect their project contracts and ignoring the basic rules of society, the Joint Fund decreased the rule of law in Venezuela.

Finally, the Joint Fund shifted the accountability of the Venezuelan government almost completely to the Chinese. Through the Joint Fund the Chinese funded development projects, government expenditures, and oilfield development. Additionally, since many of the funds from the joint funds were used to develop oil fields the accountability between the Venezuelan government and the Chinese government had a positive feedback loop beyond the accountability of the Venezuelan government to repay the Joint Fund.

At the beginning of the China-Venezuela Joint Fund programming the political risk of investment for specifically Chinese companies decreased because the Fund favored Chinese investment and development projects. However, the oil-backed nature of the loan has contributed to the continued downward spiral of the Venezuelan economy and political instability. Therefore, the political risk of investment in Venezuela has increased. Hence, the China-Venezuela Joint Fund is denoted with a -1 for political stability.

Findings

There were many lessons to be learned from the Chinese-Venezuela Joint Fund. Firstly, foreign aid that is given with the intention of prioritizing the interests of the donor **over** the interests of the recipient may hinder economic development in the recipient

country. For instance, rather than invest in successful aid programs, the Joint Fund financed extensive programming in oil industry development for Chinese investment.

Secondly, employing domestic workers for domestic projects is vital to the success of foreign aid programs. One of the largest drawbacks of the China-Venezuela Joint Fund was that it did not invest in local companies or the local economy. Instead, the project contracts were given to Chinese companies. Therefore, the economic stimulation that could have been given to Venezuelans was instead given back to China.

Thirdly, the lack of transparency in reporting leads to difficulty to evaluate the programs and to learn from them. Finally, foreign aid that supports institutional mismanagement and corruption will counter development efforts.

Conclusion

This chapter includes three sections: a summary of the findings; a discussion and analysis of the findings supported by the process-tracing research supports; and a brief overall concluding section.

Summary of Results

The foreign aid project research in the comparative Costa Rica and Venezuela case studies supports my hypothesis that *foreign development aid impacts internal stability*. While conducting my research, I expected to find that foreign aid would positively impact internal stability in Costa Rica due to the existing institutions that could support aid, such as strong democratic institutions. Meanwhile I expected that foreign aid would not impact the internal stability of Venezuela since the existing institutions in Venezuela were more unstable than in Costa Rica. Rather than finding that foreign aid has varying impacts on countries with different internal stabilities, I found that the variance occurred between the foreign aid project studies themselves rather than within the countries. Through process-tracing research, this thesis determined that the nature of foreign aid's impact is conditional upon on the context of the aid's implementation, type of aid, and the country context in which the aid is applied.

Table 1 below provides a descriptive summary of my findings from the foreign aid program studies. Each study was evaluated based on the overall impact of the foreign aid program on the recipient country's internal stability. Table 2 distills those findings into specific rankings so that it is easier to trace patterns of which programs had positive impacts or negative impacts on various aspects of internal stability.

Costa Rica

Foreign Aid Program Study	Impact on Internal Stability	Overall Impact on Internal Stability	Impact on Economic Development	Impact on Political Stability
World Bank Structural Adjustment Loan Projects	Yes	Negative	<p align="center"><i>Negative</i></p> <ul style="list-style-type: none"> • Initial success- decline in unemployment economic growth, decreased fiscal deficit. • Prematurely opened up the economy. Long-term economic growth did not increase. • Developed import dependency and declining domestic production sector. • Increased economic inequality and poverty. 	<p align="center"><i>Negative</i></p> <ul style="list-style-type: none"> • Decreased the governmental accountability. • Led to the decline of government institutions and the decline of the societal-governmental contract. • Led to internal violence.
2013-2017 United Nations Development Country Programme	Yes	Positive	<p align="center"><i>Zero</i></p> <ul style="list-style-type: none"> • Minimal impact on economic development issues of violence and poverty. The program was designed to significantly impact these areas. • Improved data collection and education through subprograms. 	<p align="center"><i>Positive</i></p> <ul style="list-style-type: none"> • Strengthened government institutions and improved government effectiveness. • Strengthened environmental security through conservation and environmental protection efforts.
Ecomarkets Project	Yes	Positive	<p align="center"><i>Positive</i></p> <ul style="list-style-type: none"> • Contributed to economic growth by creating a market for environmental services and conservation. • Encouraged the ecotourism industry • Increased energy availability by supporting PSA programs initiatives to provide contracts for services such as hydraulic energy. 	<p align="center"><i>Positive</i></p> <ul style="list-style-type: none"> • Dedicated to supporting the PSA program that the government implements. The project did not implement policies or aid that became dominant in the governance process of the PSA program. • Relied on local institution-building through NGOS.

			<ul style="list-style-type: none"> Helped to create a market for environmental security by following the guidelines that Costa Rica had set. Funds were loaned. 	
U.S. Military Aid in 1983	Yes	Undetermined	<p style="text-align: center;"><i>Zero</i></p> <ul style="list-style-type: none"> Increased debt. But impact was minimal. Costa Rica received over \$222,502,000 in military aid between 1980 and 1984. 	<p style="text-align: center;"><i>Undetermined</i></p> <ul style="list-style-type: none"> The equipment and training programs increased the capabilities of Costa Rica's internal forces Threatened Costa Rica's neutrality and supported the militarization of the internal security forces.
U.S. Counternarcotics Programs	Yes	Undetermined	<p style="text-align: center;"><i>Zero</i></p> <ul style="list-style-type: none"> Minimal impact on human trafficking or homicide rates. Redirected funds away from social programs. 	<p style="text-align: center;"><i>Undetermined</i></p> <ul style="list-style-type: none"> Increase the capacities of the internal security forces. Supported domestic institutions. Supported international institution building. Militarized police force which led to delegitimizing the constitutional provisions of neutrality. Political unrest due to militarization of police forces. Did not decrease corruption.
Debt-for-Nature Swaps	Yes	Positive	<p style="text-align: center;"><i>Positive</i></p> <ul style="list-style-type: none"> Decreased external debt. Supported national park growth and conservation efforts that contributed to Costa Rica's (eco)tourism industry Restricted the availability of natural resources and displaced people 	<p style="text-align: center;"><i>Positive</i></p> <ul style="list-style-type: none"> Through decreasing the government debt, the swaps relieve some of the pressure of external debt from the central government. The government institutions have supported the swaps and continued to fund other

			<ul style="list-style-type: none"> • Transferred some of the responsibility to pay for economic services to the creditor nations. • Demonstrated that the institutions are reliable partners and reframed the Costa Rican Central Bank as a credible and reliable business partner. 	<p>programs that support environmental security.</p> <ul style="list-style-type: none"> • The swaps have continued to support economic development and political stability through supporting environmental security, an issue that is critical to Costa Rican policymaking.
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Venezuela

Foreign Aid Program Study	Impact on Internal Stability	Overall Impact on Internal Stability	Impact on Economic Development	Impact on Political Stability
International Monetary Fund Structural Adjustment Loan	Yes	Negative	<p style="text-align: center;"><i>Negative</i></p> <ul style="list-style-type: none"> • Led to some economic growth during the early 1990s, but the growth was not sustained. • Inflation grew. • Did not build a domestic economy. • Investment rates stagnated. • Eliminated or decayed social programs. • Poverty increased. 	<p style="text-align: center;"><i>Negative</i></p> <ul style="list-style-type: none"> • Decreased government expenditures led government institutions to decay. • Decreased the institutional capacity of government systems to address issues of discontent within the population because governmental institutions no longer had many resources. Consequently, extra-institutional dissent increased as the format for the people to express their discontent. • Triggered violent riots and protests which were ended with violent police intervention.
2009-2014 United Nations Population Fund Country Programme	Yes	Positive	<p style="text-align: center;"><i>Positive</i></p> <ul style="list-style-type: none"> • Directly targeted increasing healthcare access, especially maternal healthcare. • Provided adequate sexual and reproductive education for young people. • Provided projects that were designed to study the impacts of poverty and policy solutions 	<p style="text-align: center;"><i>Positive</i></p> <ul style="list-style-type: none"> • Strengthened key government institutions. • Improved the regulatory quality of the Venezuelan government through both information sharing and supporting legislation. Sub-projects worked to provide policymakers with accurate data and information concerning a variety of socioeconomic issues. • Directly supported 17 policies, laws, conventions, and agreements to protect gender and reproductive rights, including the creation of a ministry for women’s rights and gender equality in 2009, and developed a national plan to address gender-based violence.

Caracas Slum-Upgrading Project	Yes	Positive	<p style="text-align: center;"><i>Positive</i></p> <ul style="list-style-type: none"> • On the national level, the success of the program convinced the Venezuelan government to implement similar programs in different parts of the country. • Locally, the project greatly contributed to economic developments within the Caracas barrios. • Helped to facilitate infrastructure building, maintenance, and poverty reduction activities. • The Slum-Upgrade program helped to resettle over one hundred families. • Increased the market value of homes and land in project areas, improve existing infrastructure, and built new infrastructure. • One of the greatest successes were the locally led Urban Land Committees (CTUs) to facilitate resettling. • Positively impacted environmental development through its infrastructure programs. 	<p style="text-align: center;"><i>Positive</i></p> <ul style="list-style-type: none"> • Actively engaged in institution-strengthening activities. Strengthened the coordination between the various levels of government through facilitating cooperation agreements between municipal and national government agencies. • The Slum-Upgrading project demonstrated that foreign aid could support institutional change if the institutions are willing to change. • Supported accountability. NGOs and community groups were active throughout the program. The program strengthened the voice of communities by building community-based institutions that managed many aspects of the program, such as the Urban Land Communities
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Russian Military Aid	Yes	Undetermined	<p>Negative</p> <ul style="list-style-type: none"> • Increased foreign debt. • Increased the influence of Russia on the Venezuelan economy. 	<p><i>Undetermined</i></p> <ul style="list-style-type: none"> • Increased Venezuela's security by increasing the capacity of the Venezuelan government to respond to threats against its domestic security. • The military aid has forged a relationship between Russia and Venezuela. The military aid that Russia has sent to Venezuela has strengthened an alliance between the two countries. • The increased capacity of the Venezuelan military also posed a threat to other countries in Latin America. • By building up the military capacity, the Russian military aid supported the oppression of the Chávez regime. • Contributed to decreasing the accountability of the Venezuelan government to its citizens because the aid provided increased military capacity and Russian protection from U.S. and Western efforts to criticize the Chávez regime.
Programs to Support Civil Society and Democracy in 2015	No	Zero	<p><i>Zero</i></p> <ul style="list-style-type: none"> • The program focused on developing political accountability and stability. 	<p><i>No impact in the long term but positive impact in the short term</i></p> <ul style="list-style-type: none"> • Increased transparency, election monitoring, information accessibility, and international election accountability. • Supported an international forum that reported an independent election assessment. • Despite the short-term progress in transparency efforts, no long-term election transparency can be attributed to the VEIP program. • The VEIP program clearly illustrates a case wherein the efforts of foreign aid were

				measurable and effective, but without institutional change the foreign aid would not lead to the political or economic development that the program sought to support.
China-Venezuela Joint Fund	Yes	Negative	<p><i>Negative</i></p> <ul style="list-style-type: none"> • Increased FDI of Chinese investments into Venezuela. • Much of the funding went towards developing projects in Chinese interests, such as oil refining projects. • Chinese companies are largely in charge of the development programs that the Fund did finance. • Increased Venezuela's external debt. • As an oil backed loan the Fund increased Venezuela's dependency on oil revenues. • The Joint Fund had economic conditions that favored Chinese-led projects and investments rather than developing the domestic economy. 	<p><i>Negative</i></p> <ul style="list-style-type: none"> • The Fund provided another stream of development financing with no requirements for policy reform. • There was very little transparency in how and where the funds were spent. • Supported corruption and kickbacks for contracts. • Decreased the rule of law in Venezuela. • Shifted the accountability of the Venezuelan government almost completely to the Chinese.

Table 2
Costa Rica

Foreign Aid Program Study	Impact on Internal Stability	Overall Impact on Internal Stability	Impact on Economic Development	Impact on Political Stability
World Bank Structural Adjustment Loan Projects	Yes	-1	-1	-1
2013-2017 United Nations Development Country Programme	Yes	1	0	1
Ecomarkets Project	Yes	1	1	1
U.S. Military Aid in 1983	Yes	-	0	-
U.S. Counternarcotics Programs	Yes	-	0	-
Debt-for-Nature Swaps	Yes	1	1	1

Venezuela

Foreign Aid Program Study	Impact on Internal Stability	Overall Impact on Internal Stability	Impact on Economic Development	Impact on Political Stability
International Monetary Fund Structural Adjustment Loan	Yes	-1	-1	-1
2009-2014 United Nations Population Fund Country Programme	Yes	1	1	1
Caracas Slum-Upgrading Project	Yes	1	1	1
Russian Military Aid	Yes	-	-1	0
Programs to Support Civil Society and Democracy in 2015	No	0	0	0 long term 1 short term
China-Venezuela Joint Fund	Yes	-1	-1	-1

****-1 denotes that the program had a negative impact, 0 denotes that the program had no impact, 1 denotes that the program had a positive impact, - indicates that the program had an impact that was neither positive nor negative.

As seen in Tables 1 and 2, foreign aid programs impacted the internal stability in 11 of the 12 project case studies in either a positive or negative direction. The only foreign aid program study wherein I did not determine that foreign aid had a significant impact on the long-term internal stability of the recipient country was the U.S. Foreign Assistance Program: Programs to Support Civil Society and Democracy in 2015. Foreign aid increased the internal stability of the recipient country in five of the foreign aid project case studies. In three of the project case studies, foreign aid projects decreased the internal stability of the recipient country. Finally, the overall impact of foreign aid on internal stability was undetermined in three out of the twelve case studies, the Russian Military Aid in Venezuela, U.S. Counternarcotics Programs in Costa Rica, and U.S. Military Aid in 1983 in Costa Rica.

The three projects that had an indeterminate impact on the foreign aid of the recipient nation were all cases of military aid. The projects had an observable impact on the internal stability of the recipient nation, but the nature of that impact was undetermined due to the casual consequences that resulted from the aid. Specific cases are discussed later in this section. Unlike the 2015 Civil Society programs in Venezuela, the three projects with undetermined impact on internal stability had an observable long-term impact on the internal stability of the recipient country.

Discussion and Analysis of Findings

As previously stated, I expected there to be a difference in how foreign development aid impacted the internal stability of Venezuela versus Costa Rica. Instead, I

found that the variance comes across cases within countries as opposed to between the two countries. This section analyzes and discusses the patterns that I found in terms of variance in the impacts of foreign aid. The section is divided into four sections to analyze the patterns emerging across aid projects in both countries: the overall findings of foreign aid's impact on internal stability, the conditions under which foreign aid increased/decreased political stability and economic development, the impact of varying mechanisms of aid, and the type of aid.

The Overall Impacts of Foreign Aid on Internal Stability

This section analyzes the conditions under which foreign aid did *not* impact the internal stability of the recipient state, foreign aid increased the internal stability of the recipient state, and foreign aid decreased the internal stability of the recipient state. There are also three cases wherein the foreign aid **did** impact the internal stability of the recipient state, but the nature of that impact could not be determined as positive or negative.

NO IMPACT ON INTERNAL STABILITY

Although this study demonstrated that foreign aid generally does impact internal stability, there was one case in which the foreign aid project did not impact the internal stability of the recipient nation, Programs to Support Civil Society and Democracy in 2015.

The Programs to Support Civil Society and Democracy in 2015 were U.S.-funded programs that were designed to improve election transparency in Venezuela. The Programs to Support Civil Society and Democracy did improve political stability in the short term. The program increased transparency, election monitoring, and information accessibility through various sub-projects, such as training election monitors.⁴⁷⁸ However, the Programs to Support Civil Society and Democracy did not institute long-term improvements in Venezuela's internal stability because the Maduro government actively worked to consolidate power and corrupt the election processes. Maduro's government refused to "carry out the validation process" and even tried to dissolve the National Assembly.⁴⁷⁹

The Venezuelan government itself was not supportive of the efforts for election transparency, monitoring, and observation. So, the program's impact was limited to its direct effects and did not lead to long-term election changes. The Programs to Support Civil Society and Democracy project illustrates a case wherein the efforts of foreign aid were observable and effective, but without institutional change, the foreign aid would not impact the internal stability of the recipient nation. This case also demonstrates that foreign aid is not a tool for change in the absence of supporting structures.

⁴⁷⁸ Consortium for Elections and Political Process Strengthening (CEPPS), "CEPPS Final Report : Venezuela Electoral Integrity Program, Project Dates : August 31, 2015-February 29, 2016."

⁴⁷⁹ "Venezuela - The Presidency of Nicolás Maduro | Britannica."

POSITIVE IMPACT ON INTERNAL STABILITY

My research demonstrates that foreign aid increases the internal stability of a recipient country when

- a. The foreign aid project positively impacts both the economic development and political stability of the recipient state.

OR

- b. The foreign aid project positively impacts the political stability AND minimally impacts (or does not impact) the economic development of the recipient state.

The case studies wherein the foreign aid project positively impacted both the political stability and the economic development of the recipient countries were the World Bank Ecomarkets Project in Costa Rica, the Debt-For-Nature Swaps in Costa Rica, the Caracas Slum-Upgrading Project in Venezuela, and the 2009-2014 United Nations Population Fund Country Programme in Venezuela. The foreign aid program study wherein the foreign aid positively impacted the political stability of the recipient country and minimally impacts or has no impact on economic development was the 2013-2017 United Nations Development Country Programme in Costa Rica. Through process-tracing analysis, the research demonstrated that despite the goals of the UN 2013-2017 program to improve economic development conditions through programs that targeted violence, poverty, and education, the main successes of this program were improving political stability.

However, the program did not sufficiently invest resources into the economic development goals, nor did it have sufficient resources and funding for much of the operations. Moreover, the selection of targets and programs themselves in the planning

process did not respond to the assessment of the capacities of domestic agencies. Finally, there was minimal monitoring and evaluations throughout the program. The UN program in Costa Rica clearly demonstrates a case wherein subprograms that were researched, well-funded, and organized succeeded more than those that were not.

It is logical that aid that positively impacted economic development and had minimal or no impact on political stability would positively impact the internal stability of the recipient nation. However, this thesis did not study such a case.

NEGATIVE IMPACT ON INTERNAL STABILITY

My research demonstrates that foreign aid decreases the internal stability of a recipient country when

- a. The foreign aid project negatively impacts both economic development and political stability.

The case studies wherein the foreign aid negatively impacted both the political stability and the economic development of the recipient state are the structural adjustment loan programs in both Venezuela and Costa Rica and the China-Venezuela Joint Fund in Venezuela.

In all of the foreign project studies wherein foreign aid negatively impacted the internal stability of a recipient nation both the political stability and economic development were negatively impacted. This pattern is significant because it demonstrates that the impacts of aid on political stability and economic development moved together when the impact of the aid was negative. In doing so, the research highlights the interconnected nature of economic development and political stability. For

instance, the structural adjustment programs in Costa Rica forced the government to decrease social spending and prematurely open the economy. Consequently, the social fabric of society wore down as the government could not provide constitutionally guaranteed social rights to the people.

It is possible that foreign aid projects that negatively impacted either the political stability or economic development of the recipient country could negatively impact the internal stability of the recipient nation. However, I did not find such a case in my twelve foreign aid project studies. The projects that negatively impacted the internal stability of the recipient country demonstrated a connection between economic development and political stability. For instance, both structural adjustment programs directly impacted the economic development through policies that targeted economic reforms. These reforms had negative impacts on the political stability of the recipient nation because of how the reforms themselves impacted internal institutions. For example, in Costa Rica the reforms that targeting decreasing the fiscal budget cut the social programs that provided the services that were guaranteed as social rights in the Constitution. In doing so, the structural adjustment programs eroded the political foundations of Costa Rica.

FOREIGN AID PROJECTS WITH INDETERMINATE IMPACTS ON INTERNAL STABILITY

My research included three foreign aid program studies wherein the aid project did have an impact on the internal stability of the recipient country but did not definitively increase or decrease the internal stability. All three of these programs were military aid case studies. Therefore, the research in this paper supports that military aid

programs tend to have indeterminate impacts on the internal stability of recipient countries. The case studies were the Russian Military Aid in Venezuela, U.S. Counternarcotics Programs in Costa Rica, and U.S. Military Aid in 1983 in Costa Rica. The impact of the military aid programs on the recipient states' internal stability was not discernible because of the casual complexities that resulted from the aid programs.

For instance, the U.S. Military Aid in 1983 in Costa Rica did increase the capacities of the internal security forces in Costa Rica through equipment and training projects. Consequently, Costa Rican security forces could better secure its borders with the improvements in communications from the training exercises.⁴⁸⁰ However, by increasing the capacities of the internal security forces, the program led to the militarization of the internal security forces, which threatened the neutrality of Costa Rica and the political stability of the nation. The military aid forced the Costa Rican citizens to confront the constitutionality of the militarization of the internal security forces because Costa Rica's Constitution prohibits a standing army. Additionally, the military aid gave the appearance that Costa Rica had foregone its military neutrality and was forming an alliance with the United States.

In the case of Russian Military Aid in Venezuela, the Russian military aid provided much-needed military upgrades and training that increased the capacity of the Venezuelan military. However, in doing so, the aid program supported a possible arms race in Latin America and supported the oppressive Chávez regime.

⁴⁸⁰ Lincoln, "Neutrality Costa Rican Style."

The Impact of Foreign Aid on Political Stability and Economic Development

This thesis aimed to research the impact of foreign aid on the internal stability of the recipient state. My research design focused on dividing internal stability into two parts — economic development and political stability — and using process tracing research to understand how foreign aid impacts each, as an impact in either one would impact the internal stability of a recipient nation. This section discusses the conditions under which foreign aid increases or decreases political stability in the recipient nations and the conditions under which foreign aid increases or decreases the economic development of the recipient nations.

INCREASING POLITICAL STABILITY

The foreign aid projects that demonstrated an impact in increasing political stability were the Caracas Slum-Upgrading Project in Venezuela, 2009-2014 United Nations Population Fund Country Programme in Venezuela, 2013-2017 United Nations Development Country Programme in Costa Rica, Ecomarkets Project in Costa Rica, and the Debt-for-Nature Swaps in Costa Rica. According to my research, *foreign aid projects positively impact the political stability in the recipient nation when the projects actively work with existing government institutions, prioritize domestic policy goals, support domestic institutions, and the domestic institutions are supportive of the foreign aid program.*

Foreign aid projects that work with existing government institutions can strengthen those institutions and increase their accountability. For instance, the

Ecomarkets Program in Costa Rica was dedicated to supporting the government program of Pago por Servicios Ambientales (PSA). Rather than create new institutions, the Ecomarkets program worked within the goals of the existing government institutions to strengthen the PSA program. The Ecomarkets program had a positive impact on political stability because the project did not implement policies or aid that became dominant in the governance process of the PSA program. The Ecomarkets Program financially supported the PSA program “while long-term financing mechanisms for the program are developed and institutionalized”⁴⁸¹ and “[strengthened] administration and field supervision” of the PSA program. Due to the Ecomarkets program financing and support, the PSA program was able to grow and develop further markets for environmental services in Costa Rica. Moreover, the Ecomarkets project built the institutions required to ensure the sustainability of the PSA program, such as streamlining contract processes and employing NGOs, and providing financing beyond the duration of the Ecomarkets Project.

Foreign aid projects that prioritize the goals of the recipient state’s government have greater support for the program and thus greater sustainability. For instance, both the Ecomarkets and Debt-for-Nature Swap programs positively impacted Costa Rica’s political stability because the programs prioritized the state’s goal of environmental security. Especially for debt-for-nature swaps to succeed, the host government needs to be stable so that the third party can trust the central bank to convert the currency exchange and implement the conservation programs.⁴⁸²

⁴⁸¹ “Development Projects.”

Additionally, foreign aid programs that support local or domestic institutions increase the internal stability of the recipient state. The Caracas Slum-Upgrade program improved government effectiveness and voice and accountability by working with local institutions. Many of the sub-projects focused on increasing the capacities of local institutions, such as facilitating cooperation agreements between municipal and national government agencies.

Foreign aid programs that have supportive domestic institutions are more likely to succeed. The 2013-2017 United Nations Development Country Programme in Costa Rica had support from domestic institutions to complete their programming. For instance, the UNDP worked with local governments to implement human development plans for 10 cantons.⁴⁸³

DECREASING POLITICAL STABILITY

The foreign aid program study projects that decreased political stability in recipient states were the structural adjustment loan programs in both Costa Rica and Venezuela and the China-Venezuela Joint Fund. The foreign aid program study research shows that *foreign aid projects negatively impact the political stability in the recipient nation when the programs support institutionalized corruption, force policy changes, and shift governmental accountability away from the citizens.*

⁴⁸² Minzi, “The Pied Piper of Debt-for-Nature Swaps.”

⁴⁸³ Cruz and Soto, “Plan de Acción para el Programa de País entre el Gobierno de Costa Rica y el Programa de las Naciones Unidas para el Desarrollo para el período de cooperación 2013-2017 (CPAP2013-2017): Evaluación Medio Término.”

To begin, projects that enable or fail to prevent corruption will decrease the political stability in the recipient country. The China-Venezuela Joint Fund has been linked to multiple corruption scandals that involve Chinese companies that bribed local or domestic officials for sub-project contracts. Instead of building up political stability throughout the programming, the Fund supported institutionalized corruption.

Furthermore, foreign aid programs that force policy changes without adequate domestic support will decrease the political stability in the recipient country. The structural adjustment programs in both Costa Rica and Venezuela conditioned access to the loans with policy reforms. Doing so has negatively impacted the political stability of both countries. The required austerity programs in Costa Rica have decreased social spending and provisions. The Costa Rican Constitution includes social protections. However, the decreased social spending has led the existing governmental institutions to falter. Consequently, the austerity reforms upended the relationship between citizens and the state in Costa Rica. Now, the “social-democratic nexus of state, employment, and social welfare” are at a point of unraveling.⁴⁸⁴

Similarly, foreign aid programs that shift the accountability of the government away from its citizens detrimentally impact the political stability of the recipient nation. In both Costa Rica in Venezuela, the structural adjustment programs shifted the accountability of the government to multilateral banking institutions because the governments had to implement certain policy reforms as a precondition to receive the

⁴⁸⁴ Kroeger and Montanye, “Chapter 24 - An Assessment of the Effectiveness of Structural Adjustment Policies in Costa Rica.”

much-needed loan funds. Consequently, both states lost some sovereignty because international banks and institutions became the policymakers on a domestic level.⁴⁸⁵

INCREASING ECONOMIC DEVELOPMENT

The projects that increased economic development were the Ecomarkets Project in Costa Rica, Debt-for-Nature Swaps, Caracas Slum-Upgrading Project in Venezuela, and 2009-2014 United Nations Population Fund Country Programme in Venezuela. The foreign aid project case studies demonstrate that *foreign aid projects positively impact the economic development in recipient state when the project supports local development efforts and institutions, environmental security, and domestic economic goals.*

Foreign aid that supports local institutions is more likely to be sustainable and therefore have greater positive impacts on economic development. The Caracas Slum-Upgrade Program built community-based institutions that managed many aspects of the program, such as the Urban Land Communities. The Urban Land Communities ensured that the accountability for services maintenance would be transferred to the respective assigned community or government institutions after the termination of the foreign aid program. Similarly, the 2009-2014 United Nations Population Fund Country Programme in Venezuela focused on supporting domestic health institutions. Therefore, the program significantly improved the economic development within program areas. For instance, by

⁴⁸⁵ Alvarado, “Costa Rica En La Época de Los Programas de Ajuste Estructural 1985-1992.”

the end of the UNFPA program, 72% of the UNFPA-supported healthcare centers had basic obstetric services.⁴⁸⁶

Furthermore, foreign aid programs that support the economic priorities of the recipient country positively impacted the economic development of the recipient country. A key economic goal of Costa Rica was environmental security and the development of ecotourism. Costa Rica identified environmental security as an economic priority because a depletion in environmental resources will inevitably harm economic growth because there will be limited resource availability to sustain that growth. The Ecomarkets program helped to create a market for environmental security. In doing so, the Ecomarkets program positively contributed to Costa Rica's policy goals to support conservation and environmental protection while monetizing environmental security.

Moreover, the debt-for-nature swaps also were a key source of financing for the national parks and conservation areas in Costa Rica. By working with existing institutions to support goals of environmental security, the debt-for-nature swaps have also supported a market for ecotourism.

DECREASING ECONOMIC DEVELOPMENT

The projects that decreased economic development were the structural adjustment loan programs in both Costa Rica and Venezuela, the China-Venezuela Joint Fund in Venezuela, and the Russian Military Aid to Venezuela. This study has determined that *foreign aid projects negatively impact the economic development when austerity*

⁴⁸⁶ "Evaluación del programa de país del UNFPA: Venezuela- Período del evaluación: 2009-2012- Informe formal."

measures are forced, social spending decreases, the projects increase loans without repayment plans, and prioritize the economic goals of donor institutions.

Foreign aid programs negatively impact the economic development of recipient countries when the programs prioritize decreasing social spending. In Venezuela, the structural adjustment program reforms required policies to decrease the public budget and cutting social programs. Decreasing spending on social programming led to the decay of existing governmental programs. It also led to increased poverty rates “from 46 to 68 percent between 1988 and 1991 and extreme poverty from 14 to 34 percent.”⁴⁸⁷ The poverty rates increase because the austerity reforms that decreased social expenditures meant that there were limited social programs to protect the people that were most affected by the structural adjustment policies.

Furthermore, foreign aid programs that force extreme economic change over short periods of time will harm the economic development of the recipient country. The structural adjustment programs in both Venezuela and in Costa Rica forced the states to implement austerity measures quickly to receive the loan funding. In Costa Rica, the trade liberalization reforms led to import dependence and greatly harmed the growth of the domestic economy because the reforms opened the domestic economy to the global market before the domestic economy could grow a production industry.

Furthermore, loan programs are not inherently bad foreign aid policy options. However, the economic development of the recipient country will decline when the loan programs offer financing without mechanisms to help the recipient state repay its debt.

⁴⁸⁷ Lander, “The Impact of Neoliberal Adjustment in Venezuela, 1989-1993.”

For instance, the China-Venezuela Joint Fund was an oil-backed loan that did not finance a sufficient quantity and quality of development programs to spur long-term economic growth and decrease oil dependency. Therefore, when the oil prices dropped Venezuela had to continue to request for more loans from the Chinese to develop the oil fields. Consequently, the China-Venezuela joint fund increased oil dependency in Venezuela and prohibited significant economic development in Venezuela.

Finally, foreign aid policies that prioritize the interests of the donor institution over the recipient state can lead donor institutions to compromise the economic development of the recipient state. The China-Venezuela Joint Fund did not prioritize development programs in Venezuela. Instead, most of the development project contracts were given to Chinese companies. In a 2017 speech, Maduro claimed that over 790 projects from telecommunications to housing had been contracted to Chinese companies rather than to domestic administrators. Many of the funds could have been used to foster domestic economic growth and development by supporting local contractors were given to Chinese companies. Therefore, rather than supporting economic development in Venezuela, the fund supported the economic growth of Chinese interests.

Aid Mechanisms

Through process-tracing analysis, the research demonstrates that similar mechanisms of foreign aid have similar impacts on the internal stability of both case study countries.

In both Venezuela and Costa Rica, the multilateral institutional loans via structural adjustment programs generally led to decreasing internal stability. However, bilateral loans via debt-for-nature swaps in Costa Rica were successful. Both the debt-for-nature swap loans and structural adjustment loans had policy requirements attached to the loans themselves. For instance, the structural adjustment loans attached privatization policies to the loans while the debt-for-nature loan swaps required the policy of protecting large swaths of land. However, there are three key differences in the debt for nature swaps that led the swaps to have a positive impact on internal stability rather than a negative one. Firstly, the debt-for-nature swaps helped the domestic government achieve its policy goals of environmental security rather than prescribing policy changes. Secondly, the debt-for-nature swaps offered an opportunity for the Costa Rican government to repay its debt under mutually beneficial conditions rather than continue to take out foreign-backed loans. Thirdly, the debt-for-nature swaps relied on rebuilding the creditworthiness of the domestic government.

Mechanisms within aid programs that actively prioritize the policy goals of domestic institutions were vital to the success of aid programs in both countries. Many of the foreign aid projects that increased the internal stability of recipient countries worked to support domestic policy goals. For instance, the Ecomarkets Project was successful because it supported the Costa Rican government's policy goals such as conservation or environmental security.

Similarly, aid programs that supported domestically led policy changes *rather* than enforce internationally-led policy goals had a positive impact on the internal stability of the recipient nations. For instance, the structural adjustment programs and both Costa

Rican Venezuela greatly harmed the internal stability and political sovereignty of the country by demanding policy reforms. Conversely, the success of the Caracas Slum-Upgrading Project convinced government officials to change policy to favor barrio upgrading programs.

Furthermore, the research found that many of the foreign aid projects were successful across aid-type categories because the program worked closely with domestic institutions to implement aid and build trust within domestic institutions. For instance, both the Caracas Slum-Upgrading Project in Venezuela and the 2013-2017 United Nations Development Country Programme in Costa Rica were successful because the programs worked to create, strengthen, or support local institutions. The UNFPA was successful in Venezuela because the UN had built a relationship of trust within the Venezuelan government. As a result, the UN and Venezuelan institutions worked together to implement programs in sexual and reproductive healthcare.

Aid programs that had a long-term positive impact on the internal stability of the recipient nation were designed to be sustainable. Sustainable foreign aid projects have sufficient resources to see the project through, plan for the long-term maintenance of the project, and work to build and strengthen local institutions. For instance, the Caracas Slum Upgrading project was successful because the program worked to build Urban Land Committees that would maintain the new infrastructure in the long term. The biggest critique of this project is that the programming had to end in five years when the program would likely take twenty or more to fully develop.

Aid programs that had consistent monitoring and evaluation programs had a greater positive impact on the recipient nation because the aid program could respond to

the changing needs of the populace that it served. Monitoring and evaluation systems provide a pathway mechanism through which it is possible to learn about how to provide better in the future as well as what were the successes and failures of the aid programs themselves. Moreover, programs such as the 2013-2017 United Nations Development Country Programme could not fully demonstrate their successes because of lacking or absent monitoring and evaluation systems.

Finally, there were three main ways in which time demonstrably impacted the effects of an aid program. Firstly, a program that continued to finance policy changes could not easily determine the negative consequences of the program until after the termination of funding. For instance, in Venezuela the economy showed economic growth after the structural readjustment programs until the funding of the loans themselves had ended. The presence of economic growth often overshadowed the negative consequences of the structural adjustment policies. Secondly, the impacts of the aid on internal stability were more immediately observable with programs that worked on the local level. For example, the Caracas Slum-Upgrading project saw improvements in sanitation and coordination without much time lag between the program implementation and observable impacts. Finally, aid programs that were implemented on the local level or have goals to impact the national level often saw the impact of the aid on the national level years after program implementation. The Caracas Slum-Upgrading project did impact the policymakers on the national level *after* the success of the project was observable. Similarly, the Ecomarkets program did create a market for natural resources in Costa Rica, but that market was small and only created after years of the program's implementation.

Type of Aid

The research also demonstrated a pattern in terms of how different types of aid impacted internal stability in Costa Rica and Venezuela. I do not discuss the patterns in the projects that were in military aid category because these patterns were discussed above. This section highlights the patterns by type of aid, loans, UN Projects and World Bank Projects, U.S. Foreign Assistance Aid, and Development Aid.

Both in Costa Rica and Venezuela, large loans with inherent conditionalities, such as the adjustment programs, negatively impacted the internal stability from both the political stability and economic development perspectives. The structural adjustment programs relied heavily on prescriptive policy changes that were tied to the loans. The policy conditions furthered policies that scholars at the time believed would lead to increased economic development. The prescriptive nature of the aid assumed that entering the societies into the global market would provide the resources with which the countries could further their economic development. Instead, the structural adjustment policies greatly harmed the economic development of both Venezuela and Costa Rica, as well as the growth and diversity of their domestic economies. The harm of large loans continues to be evident in the China–Venezuela Joint Fund. China has used the Joint Fund to support its own state interests in oil and natural gas exploitation above the dedication of the funds to economic development programs to support Venezuelans. Moreover, the programs that were funded through the Joint Fund have not greatly increased the economic development of Venezuela and have supported corruption.

After the 2000s there was a positive change in the impact of multilateral institutions' aid on internal stability. The four foreign aid project studies that studied UN

projects and World Bank projects were the 2013-2017 United Nations Development Country Programme in Costa Rica, the Costa Rican Ecomarkets programs, the 2009-2014 United Nations Population Fund Country Programme in Venezuela, and the Caracas Slum-Upgrading Project in Venezuela. All four of the studied UN projects and World Bank projects improved the internal stability of the recipient nation. One of the reasons for the positive impacts of these four projects was the dedication of the programs to implement policies based on the needs of the country and with the support of the domestic institutions. For example, the Caracas Upgrading Project heavily relied on creating and supporting domestic, locally-led institutions. Moreover, all four of these projects worked on sub-projects at the community level. For example, although the Ecomarkets program focused on supporting the nationally led PSA initiative, the World Bank worked with local NGOs to increase access to the PSA program.

Moreover, the U.S. Foreign Assistance programs had no impact on internal stability in Venezuela and an indeterminate impact on internal stability in Costa Rica. Both U.S. Foreign Assistance programs received great levels of financing and support. However, the programs did not fully account for the domestic context under which the programs were being implemented. For instance, in Costa Rica, the U.S. Counternarcotics Programs undermined the Costa Rican constitution by increasing the capacities of the internal security forces. In Venezuela, the 2015 Programs to Support Civil Society and Democracy programs were implemented despite Maduro's continuation to consolidate power and exercise the use of force. This is not to say that the Civil Society programs were not needed, but that the likelihood of the program's long-term success was low because of Maduro's consistent efforts to undermine the elections.

The development aid programs varied in their impacts on the internal stability of the recipient nation. Both development programs, the Debt-For-Nature swaps in Costa Rica and the China-Venezuela Joint Fund, involved domestic loans. Yet as previously mentioned, the China-Venezuela Joint Fund supported Venezuelan corruption, increase the death of the domestic government, and eroded the accountability of the Venezuelan government to its people while increasing Venezuela's national debt. Meanwhile, the debt-for-nature swaps in Costa Rica were successful in terms of decreasing national debt while creating a market for ecotourism and repurposing the finances from the national debt back into the domestically led development goals.

The research highlights that bilateral aid programs do not have as great a positive impact on the recipient nation as multilateral institutional aid does. The United States Foreign Assistance either did not impact the internal stability (in Venezuela) or had an indeterminant impact (in Costa Rica). Furthermore, the bilateral aid from Russia to Venezuela had an indeterminate impact on the internal stability of the country while the development aid from China to Venezuela negatively impacted Venezuela's internal stability.

Policy Implications and Final Conclusions

Foreign aid projects can be a powerful tool to increase the internal stability of recipient countries. However, incorrectly implemented internal aid can greatly harm the development and internal stability of the recipient country. The purpose of this study was to determine how foreign aid may impact the internal stability of recipient countries.

Through twelve foreign aid project case studies in Costa Rica and Venezuela, this thesis has demonstrated that the context of foreign aid projects, the specific ways in which the program is implemented, and the type of aid project determine the impact that foreign aid has on the internal stability of the recipient country. The research demonstrates that foreign development aid programs do impact the internal stability of recipient nations in discernible patterns, despite differences in economic development and political stability levels on the national level.

Foreign aid projects positively impact the political stability in the recipient nation when the projects actively work with existing government institutions, prioritize domestic policy goals, support domestic institutions, and the domestic institutions are supportive of the foreign aid program. Additionally, foreign aid projects positively impact economic development in recipient state when the project supports local development efforts and institutions, environmental security, and domestic economic goals. However, foreign aid projects negatively impact political stability in the recipient nation when the programs support institutionalized corruption, force policy changes, and shift governmental accountability away from the citizens. Moreover, foreign aid projects negatively impact economic development when austerity measures are forced, social spending decreases, the projects increase loans without repayment plans, and prioritize the economic development of donor institutions.

Furthermore, the research demonstrates that the mechanisms of aid are important. Foreign aid positively impacts the internal stability of recipient nations when the aid prioritizes domestic policy goals, has monitoring and evaluation systems, has a

sustainable aid program, has the support and trust of domestic institutions, and has sub-projects that focus on locally led and implemented projects.

Finally, multilateral aid that focuses on supporting domestic policy goals and locally led initiatives typically has a positive impact on internal stability. Meanwhile, bilateral aid tends to prioritize the interests of the donor higher than the interests of the recipient nation, or not fully contextualize the aid programs themselves. Therefore, bilateral aid is less effective. Additionally, military aid tends to have causal consequences that both negatively and positively impact the internal stability of the recipient nation so that the overall impacts of the military aid are indeterminate.

These findings suggest the following recommendations for future foreign aid projects to have a positive impact on internal stability in the recipient country.

- The project must include mechanisms to work with local institutions, support domestic policy goals, build trust within domestic institutions, and develop monitoring and evaluation programs.
- Multilaterally instituted aid programs that carefully incorporate contextual understanding into their aid design are most effective.
- Bilateral aid should be given without heavily incorporating the interests of the donor state.
- Country context is key to all foreign aid projects. Aid programs must understand if the program that is being implemented is feasible, beneficial, and has very limited negative externalities in the country context. Research prior to the aid program and monitoring and evaluations throughout are vital to ensure the contextualization of the aid program is accurate.

- Aid is not a tool of change, but a tool to support existing change and strengthen institutions.

Foreign aid is unlikely to disappear from the toolbox of international relations policy. As we continue to study the relationships between foreign aid, development, and internal stability, the conditions under which and how aid is delivered and implemented will be the key to the success of future programs. Additional research pertaining to foreign aid and internal stability beyond this thesis will enable us to continue gaining a greater understanding of these relationships to ensure that foreign aid improves outcomes in recipient countries.

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Appendices

Appendix A

Step 1: Create a Timeline of Years to Study

After I identified the case study countries and timeline, I had to further narrow my research design in order to focus the study on years where the dependent variable indicators displayed a great change. To find the years for this project, I first focused on the available data for each indicator from the index. I then located time periods wherein spikes of change (either inverse or positive) were found in the data for each indicator — focusing on transformative moments in order to examine what contributed to the change. The economic development indicators are real GDP growth constant LCU, external debt (external debt % GNI), real GDP growth/capita LCU constant, national poverty rate trends, GINI coefficient, HDI, maternal mortality rates, infant mortality rates, access to sewage, access to electricity, life expectancy, malnutrition, homicide rate, human trafficking. The political stability indicators are World Governance Indicators of voice and accountability, political stability/ absence of violence/terrorism, government effectiveness, regulatory quality, rule of law, control of corruption.

As seen in Table 3, I recorded the year that each indicator demonstrated a spike, and the year range of the spike. Then, I recorded the direction of each spike (increase, decrease, or stagnant pattern).

Table 3: Tracking the Spikes in Indicators

Costa Rica

Variable	Costa Rica Trend Start Year	Number of Years	Trend Range	Trend
Real GDP growth LCU	1960	20	1960-1980	Increase
Real GDP growth LCU	1980	2	1980-1982	Decrease
Real GDP growth LCU	1982	17	1982-1999	Increase
Real GDP growth LCU	1999	9	1999-2008	Increase
Real GDP growth LCU	2008	1	2008-2009	Decrease
Real GDP growth LCU	2009	9	2009-2018	Increase
Real GDP growth/capita LCU	1960	1	1960-1961	Decrease
Real GDP growth/capita LCU	1961	18	1961-1979	Increase
Real GDP growth/capita LCU	1979	3	1979-1982	Decrease
Real GDP growth/capita LCU	1983	1	1983-1984	Increase
Real GDP growth/capita LCU	1984	1	1984-1985	Decrease
Real GDP growth/capita LCU	1996	12	1996-2008	Increase
Real GDP growth/capita LCU	2008	1	2008-2009	Decrease
Real GDP growth/capita LCU	2009	9	2009-2018	Increase
External Debt (External debt % GNI)	1980	2	1980-1982	Increase
External Debt (External debt % GNI)	1982	2	1982-1984	Decrease
External Debt (External debt % GNI)	1984	1	1984-1985	Increase
External Debt (External debt % GNI)	1987	10	1987-1997	Decrease
External Debt (External debt % GNI)	1997	1	1999-2000	Increase
External Debt (External debt % GNI)	2004	1	2004-2005	Increase
External Debt (External debt % GNI)	2002	1	2002-2003	Increase
External Debt (External debt % GNI)	2010	6	2010-2016	Increase
External Debt (External debt % GNI)	2017	1	2017-2018	Increase
External Debt (External debt % GNI)	2003	1	2003-2004	Decrease
External Debt (External debt % GNI)	2000	2	2000-2002	Decrease
External Debt (External debt % GNI)	2005	1	2005-2006	Decrease
External Debt (External debt % GNI)	2007	3	2007-2010	Decrease
External Debt (External debt % GNI)	2016	1	2016-2017	Decrease
National poverty rate trends	2011	2	2011-2013	Decrease
National poverty rate trends	2013	1	2013-2014	Increase
National poverty rate trends	2014	3	2014-2017	Decrease

National poverty rate trends	2017	1	2017-2018	Increase
GINI coefficient	1981	5	1981-1986	Decrease
GINI coefficient	1986	3	1986-1989	Increase
GINI coefficient	1989	1	1989-1990	Decrease
GINI coefficient	1990	1	1990-1991	Increase
GINI coefficient	1991	1	1990-1991	Decrease
GINI coefficient	1992	2	1992-1994	Increase
GINI coefficient	1994		1994-1995	Decrease
GINI coefficient	1995		1995-1996	Increase
GINI coefficient	1996		1996-1997	Decrease
GINI coefficient	1998		1998-1999	Increase
GINI coefficient	1999	1	1999-2000	Decrease
GINI coefficient	2000	2	2000-2002	Increase
GINI coefficient	2002	3	2002-2005	Decrease
GINI coefficient	2005	1	2005-2006	Increase
GINI coefficient	2006	2	2006-2008	Decrease
GINI coefficient	2009	1	2009-2010	Decrease
GINI coefficient	2012	3	2012-2015	Decrease
GINI coefficient	2016	2	2016-2018	Decrease
HDI	1990	28	1990-2018	Increase
Maternal mortality rates	1986	1	1986-1987	Decrease
Maternal mortality rates	1988	1	1989-1989	Increase
Maternal mortality rates	1989	1	1989-1990	Decrease
Maternal mortality rates	1990	1	1990-1991	Increase
Maternal mortality rates	1991	2	1991-1993	Decrease
Maternal mortality rates	1993	1	1993-1994	Increase
Maternal mortality rates	1994	1	1994-1995	Decrease
Maternal mortality rates	1995	2	1995-1997	Increase
Maternal mortality rates	1997	1	1997-1998	Decrease
Maternal mortality rates	2000	1	2000-2001	Increase
Maternal mortality rates	2004	1	2004-2005	Decrease
Maternal mortality rates	2005	1	2005-2006	Increase
Maternal mortality rates	2007	1	2007-2008	Decrease
Maternal mortality rates	2008	1	2008-2009	Increase
Maternal mortality rates	2009	2	2009-2011	Decrease
Maternal mortality rates	2010	1	2010-2011	Increase

Maternal mortality rates	2012	1	2012-2013	Decrease
Maternal mortality rates	2013	1	2013-2014	Increase
Infant mortality rates	1960	1	1960-1961	Decrease
Infant mortality rates	1961	3	1961-1964	Increase
Infant mortality rates	1964	17	1964-1981	Decrease
Infant mortality rates	1981	3	1981-1984	Increase
Infant mortality rates	1984	34	1984-2018	Decrease
Access to sanitation services	2000	18	2000-2018	Increase
Access to electricity	2000	1	2000-2001	Increase
Access to electricity	2009	1	2009-2010	Decrease
Access to electricity	2010	2	2010-2012	Increase
Access to electricity	2013	1	2013-2014	Decrease
Access to electricity	2014	4	2014-2018	Increase
Life expectancy	1960	58	1960-2018	Increase
Malnutrition	2001	2	2001-2003	Increase
Malnutrition	2003	4	2003-2007	Decrease
Malnutrition	2007	2	2007-2010	Increase
Malnutrition	2010	2	2010-2011	Stagnant
Malnutrition	2012	2	2012-2014	Increase
Malnutrition	2014	4	2014-2018	Decrease
Intentional Homicides	1990	1	1990-1991	Decrease
Intentional Homicides	1991	1	1991-1992	Increase
Intentional Homicides	1992	1	1992-1993	Decrease
Intentional Homicides	1993	1	1993-1994	Increase
Intentional Homicides	2002	1	2002-2003	Increase
Intentional Homicides	2003	1	2003-2004	Decrease
Intentional Homicides	2004	1	2004-2005	Increase
Intentional Homicides	2007	1	2007-2008	Increase
Intentional Homicides	2011	1	2011-2012	Decrease
Intentional Homicides	2013	2	2013-2015	Increase
Intentional Homicides	2017	1	2017-2018	Decrease
Human trafficking	2009	1	2009-2010	Increase
Human trafficking	2012	1	2012-2013	Increase
Human trafficking	2013	1	2013-2014	Decrease
Human trafficking	2016	2	2016-2018	Increase
WG voice and accountability	2002	1	2002-2003	Decrease

WG voice and accountability	2003	1	2003-2004	Increase
WG voice and accountability	2004	1	2004-2005	Decrease
WG voice and accountability	2005	10	2005-2015	Increase
WG voice and accountability	2015	3	2015-2018	Decrease
WG political stability/ absence of violence/terrorism	2000	2	2002-2004	Increase
WG political stability/ absence of violence/terrorism	2002	1	2002-2003	Decrease
WG political stability/ absence of violence/terrorism	2007	1	2007-2008	Decrease
WG political stability/ absence of violence/terrorism	2008	1	2008-2010	Increase
WG political stability/ absence of violence/terrorism	2010	1	2010-2011	Decrease
WG political stability/ absence of violence/terrorism	2011	1	2011-2012	Increase
WG political stability/ absence of violence/terrorism	2016	2	2016-2018	Decrease
WG government effectiveness	2004	2	2004-2006	Decrease
WG government effectiveness	2006	2	2006-2008	Increase
WG government effectiveness	2010	1	2010-2011	Increase
WG regulatory quality	1996	2	1996-1998	Increase
WG regulatory quality	1998	4	1998-2002	Decrease
WG regulatory quality	2002	1	2002-2003	Increase
WG regulatory quality	2005	1	2005-2006	Decrease
WG regulatory quality	2011	1	2011-2012	Increase
WG regulatory quality	2015	2	2015-2017	Decrease
WG rule of law	1996	2	1996-1998	Increase
WG rule of law	1998	2	1998-2000	Decrease
WG rule of law	2003	4	2003-2007	Decrease
WG rule of law	2007	2	2007-2009	Increase
WG rule of law	2011	3	2011-2014	Increase
WG rule of law	2014	4	2014-2018	Decrease
WG control of corruption	2003	1	2003-2004	Decrease
WG control of corruption	2013	3	2013-2016	Increase
WG control of corruption	2016	1	2016-2017	Decrease
WG control of corruption	2017	1	2017-2018	Increase

Venezuela

Variable	Venezuela Increase Trend Start Year	Venezuela Increase Trend # of Years	Venezuela Increase Trend Year Range	Trend
Real GDP growth LCU	1960	19	1960-1979	Increase
Real GDP growth LCU	1979	4	1979-1983	Decrease
Real GDP growth LCU	1983	5	1983-1988	Increase
Real GDP growth LCU	1988	1	1988-1989	Decrease
Real GDP growth LCU	1989	3	1989-1992	Increase
Real GDP growth LCU	1994	1	1994-1995	Increase
Real GDP growth LCU	1996	1	1996-1997	Increase
Real GDP growth LCU	1998	1	1998-1999	Decrease
Real GDP growth LCU	1999	2	1999-2001	Increase
Real GDP growth LCU	2001	2	2001-2003	Decrease
Real GDP growth LCU	2003	5	2003-2008	Increase
Real GDP growth LCU	2008	2	2008-2010	Decrease
Real GDP growth LCU	2010	3	2010-2013	Increase
Real GDP growth LCU	2013	1	2013-2014	Decrease
Real GDP growth/capita LCU	1960	1	1960-1961	Decrease
Real GDP growth/capita LCU	1961	1	1961-1962	Increase
Real GDP growth/capita LCU	1965	2	1965-1967	Decrease
Real GDP growth/capita LCU	1966	1	1966-1967	Increase
Real GDP growth/capita LCU	1967	1	1967-1968	Decrease
Real GDP growth/capita LCU	1968	1	1968-1969	Increase
Real GDP growth/capita LCU	1969	1	1969-1970	Decrease
Real GDP growth/capita LCU	1970	2	1970-1972	Increase
Real GDP growth/capita LCU	1972	1	1972-1973	Increase
Real GDP growth/capita LCU	1973	2	1973-1975	Decrease
Real GDP growth/capita LCU	1975	2	1975-1977	Increase
Real GDP growth/capita LCU	1977	8	1977-1985	Decrease
Real GDP growth/capita LCU	1985	3	1985-1988	Increase
Real GDP growth/capita LCU	1988	1	1988-1989	Decrease
Real GDP growth/capita LCU	1989	3	1989-1992	Increase
Real GDP growth/capita LCU	1992	2	1992-1994	Decrease
Real GDP growth/capita LCU	1994	1	1994-1995	Increase
Real GDP growth/capita LCU	1995	1	1995-1996	Decrease
Real GDP growth/capita LCU	1996	1	1996-1997	Increase
Real GDP growth/capita LCU	1997	2	1997-1999	Decrease
Real GDP growth/capita LCU	1999	2	1999-2001	Increase

Real GDP growth/capita LCU	2001	2	2001-2003	Decrease
Real GDP growth/capita LCU	2003	5	2003-2008	Increase
Real GDP growth/capita LCU	2008	2	2008-2010	Decrease
Real GDP growth/capita LCU	2010	2	2010-2012	Increase
Real GDP growth/capita LCU	2012	2	2012-2014	Decrease
External Debt (External debt %GNI)	1970	2	1970-1972	Increase
External Debt (External debt %GNI)	1972	3	1972-1975	Decrease
External Debt (External debt %GNI)	1975	4	1975-1979	Increase
External Debt (External debt %GNI)	1982	2	1982-1984	Increase
External Debt (External debt %GNI)	1984	2	1984-1986	Decrease
External Debt (External debt %GNI)	1986	1	1986-1987	Increase
External Debt (External debt %GNI)	1987	1	1987-1988	Decrease
External Debt (External debt %GNI)	1988	1	1988-1989	Increase
External Debt (External debt %GNI)	1989	2	1989-1991	Decrease
External Debt (External debt %GNI)	1994	1	1994-1995	Decrease
External Debt (External debt %GNI)	1995	3	1995-1998	Increase
External Debt (External debt %GNI)	1998	3	1998-2001	Decrease
External Debt (External debt %GNI)	2001	2	2001-2003	Increase
External Debt (External debt %GNI)	2003	3	2003-2006	Decrease
External Debt (External debt %GNI)	2006	1	2006-2007	Increase
External Debt (External debt %GNI)	2007	1	2007-2008	Decrease
External Debt (External debt %GNI)	2008	3	2008-2011	Increase
External Debt (External debt %GNI)	2011	1	2011-2012	Decrease
External Debt (External debt %GNI)	2012	1	2012-2013	Increase
External Debt (External debt %GNI)	2013	1	2013-2014	Decrease
National poverty rate trends	1997	4	1999-2001	Decrease
National poverty rate trends	2001	2	2001-2003	Increase
National poverty rate trends	2004	5	2004-2009	Decrease
National poverty rate trends	2012	3	2012-2015	Increase
GINI coefficient	2001	1	2001-2002	Increase
GINI coefficient	2002	2	2002-2004	Decrease
GINI coefficient	2004	1	2004-2005	Increase
GINI coefficient	2005	1	2005-2006	Decrease

HDI	1990	23	1990-2013	Increase
HDI	2013	5	2013-2018	Decrease
Maternal mortality rates	1985	1	1985-1986	Stagnant
Maternal mortality rates	1986	1	1986-1987	Decrease
Maternal mortality rates	1988	2	1988-1990	Increase
Maternal mortality rates	1990	2	1990-1992	Decrease
Maternal mortality rates	1992	2	1992-1994	Increase
Maternal mortality rates	1994	2	1994-1996	Decrease
Maternal mortality rates	1997	1	1997-1998	Decrease
Maternal mortality rates	1998	1	1998-1999	Increase
Maternal mortality rates	1999	1	1999-2000	Decrease
Maternal mortality rates	2007	3	2007-2010	Increase
Maternal mortality rates	2012	1	2013	Stagnant
Infant mortality rates	1960	38	1960-1998	Decrease
Infant mortality rates	1998	1	1998-1999	Increase
Infant mortality rates	1999	1	1999-2000	Decrease
Infant mortality rates	2000	9	2000-2009	Decrease
Infant mortality rates	2009	6	2009-2015	Increase
Infant mortality rates	2015	1	2015-2016	Increase
Infant mortality rates	2016	2	2018	Stagnant
Access to sanitation services	2005	13	2005-2018	Increase
Access to electricity	1994	1	1994-1995	Increase
Access to electricity	1995	1	1995-1996	Decrease
Access to electricity	1999	1	2000	Stagnant
Access to electricity	2000	1	2000-2001	Decrease
Access to electricity	2002	1	2002-2003	Decrease
Access to electricity	2003	1	2003-2004	Increase
Access to electricity	2013	1	2013-2014	Increase
Access to electricity	2014	1	2014-2015	Stagnant
Access to electricity	2015	2	2015-2017	Decrease
Access to electricity	2017	1	2017-2018	Increase
Life expectancy	1960	49	1960-2009	Increase
Life expectancy	2009	9	2009-2018	Decrease
malnutrition	2003	5	2003-2008	Decrease
malnutrition	2001	2	2001-2003	Increase
malnutrition	2003	5	2003-2008	Decrease
malnutrition	2010	2	2010-2012	Stagnant

malnutrition	2012	2	2012-2014	Increase
malnutrition	2014	4	2014-2018	Decrease
Homicide Rate	1991	3	1992-1994	Increase
Homicide Rate	1997	3	1997-2000	Increase
Homicide Rate	2001	2	2001-2003	Increase
Homicide Rate	2003	1	2003-2004	Decrease
Homicide Rate	2005	3	2005-2008	Increase
Homicide Rate	2008	2	2008-2010	Decrease
Homicide Rate	2010	4	2010-2014	Increase
Homicide Rate	2014	1	2014-2015	Decrease
Homicide Rate	2015	1	2015-2016	Increase
Homicide Rate	2016	2	2016-2018	Decrease
Human trafficking	2004	2	2004-2006	Increase
Human trafficking	2006	2	2006-2008	Decrease
Human trafficking	2009	2	2009-2011	Increase
Human trafficking	2011	1	2011-2012	Decrease
Human trafficking	2012	1	2012-2013	Increase
Human trafficking	2013	2	2013-2015	Decrease
Human trafficking	2015	1	2015-2016	Increase
Human trafficking	2016	2	2016-2018	Decrease
WG voice and accountability	1996	2	1996-1998	Increase
WG voice and accountability	1998	1	1998-2005	Decrease
WG voice and accountability	2005	1	2005-2006	Increase
WG voice and accountability	2006	1	2006-2007	Decrease
WG voice and accountability	2015	3	2015-2018	Decrease
WG political stability/ absence of violence/terrorism	1996	2	1996-1998	Increase
WG political stability/ absence of violence/terrorism	1998	4	1998-2002	Decrease
WG political stability/ absence of violence/terrorism	2003	1	2003-2004	Decrease
WG political stability/ absence of violence/terrorism	2004	1	2004-2005	Increase
WG political stability/ absence of violence/terrorism	2010	2	2010-2012	Increase
WG political stability/ absence of violence/terrorism	2013	1	2013-2014	Increase
WG political stability/ absence of violence/terrorism	2014	4	2014-2018	Decrease
WG government effectiveness	1996	2	1996-1998	Decrease
WG government effectiveness	1998	2	1998-2000	Increase
WG government effectiveness	2000	2	2000-2002	Decrease
WG government effectiveness	2002	1	2002-2003	Increase

WG government effectiveness	2003	1	2003-2004	Decrease
WG government effectiveness	2004	1	2004-2005	Increase
WG government effectiveness	2005	1	2005-2006	Decrease
WG government effectiveness	2008	1	2008-2009	Increase
WG government effectiveness	2009	1	2009-2010	Decrease
WG government effectiveness	2011	1	2011-2012	Increase
WG government effectiveness	2012	6	2012-2018	Decrease
WG regulatory quality	1998	12	1998-2010	Decrease
WG regulatory quality	2010	1	2010-2011	Increase
WG regulatory quality	2011	7	2011-2018	Decrease
WG rule of law	1996	2	1996-1998	Increase
WG rule of law	2000	3	2000-2003	Decrease
WG rule of law	2003	2	2003-2005	Increase
WG rule of law	2005	7	2005-2012	Decrease
WG rule of law	2012	6	2012-2018	Stagnant
WG control of corruption	1996	2	1996-1998	Decrease
WG control of corruption	1998	2	1998-2000	Increase
WG control of corruption	2000	2	2000-2002	Decrease
WG control of corruption	2003	2	2003-2005	Increase
WG control of corruption	2005	5	2005-2010	Decrease
WG control of corruption	2010	5	2010-2015	Decrease
WG control of corruption	2015	3	2015-2017	Increase
WG control of corruption	2017	1	2017-2018	Decrease

After collecting the data for each country, I created a list of how many indicators were in each year. I graphed them and used the tabular data to record a number of how many indicators were in each year (Table 4). For both Venezuela and Costa Rica, the mean, median, and mode were all around 3 indicators/year. Therefore, I found which years had at least 3 indicators/year. From there, I created a list of which years had over three indicator spikes and focused on those years for the database collection process. Figures 2 and 3 illustrate the total trends line in a graph format. Figures 4 and 5 illustrate

the number of indicators for economic development in a graph format. Figures 6 and 7 illustrate the number of indicators for political stability in a graph format.

Costa Rica		Venezuela	
Trend Start Year	Number of Indicator Spikes	Trend Start Year	Number of Indicator Spikes
1960	4	1960	4
1961	2	1961	1
1964	1	1965	1
1979	1	1966	1
1980	2	1967	1
1981	2	1968	1
1982	2	1969	1
1983	1	1970	2
1984	3	1972	2
1986	2	1973	1
1987	1	1975	2
1988	1	1977	1
1989	2	1979	1
1990	4	1982	1
1991	3	1983	1
1992	2	1984	1
1993	3	1985	2
1994	2	1986	2
1995	2	1987	1
1996	4	1988	4
1997	2	1989	3
1998	3	1990	2
1999	2	1991	1
2000	7	1992	2
2001	1	1994	5
2002	6	1995	3
2003	6	1996	7
2004	5	1997	4
2005	5	1998	9
2006	2	1999	5
2007	6	2000	5
2008	4	2001	7
2009	6	2002	3
2010	6	2003	11
2011	5	2004	5
2012	4	2005	7
2013	6	2006	3
2014	4	2007	2
2015	2	2008	5
2016	5	2009	4
2017	5	2010	7
		2011	4
		2012	8
		2013	6
		2014	4
		2015	6
		2016	3
		2017	2

Figure 2: Costa Rica Total Number of Indicator Spikes

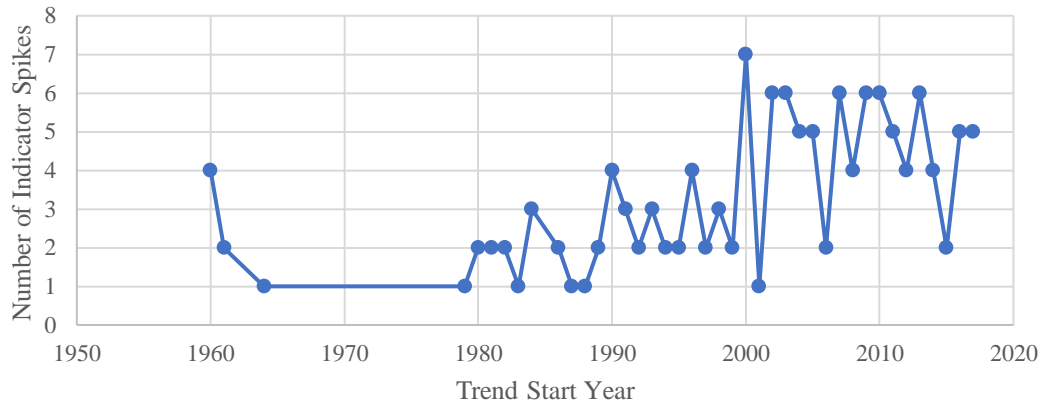


Figure 3: Venezuela Total Number of Indicator Spikes

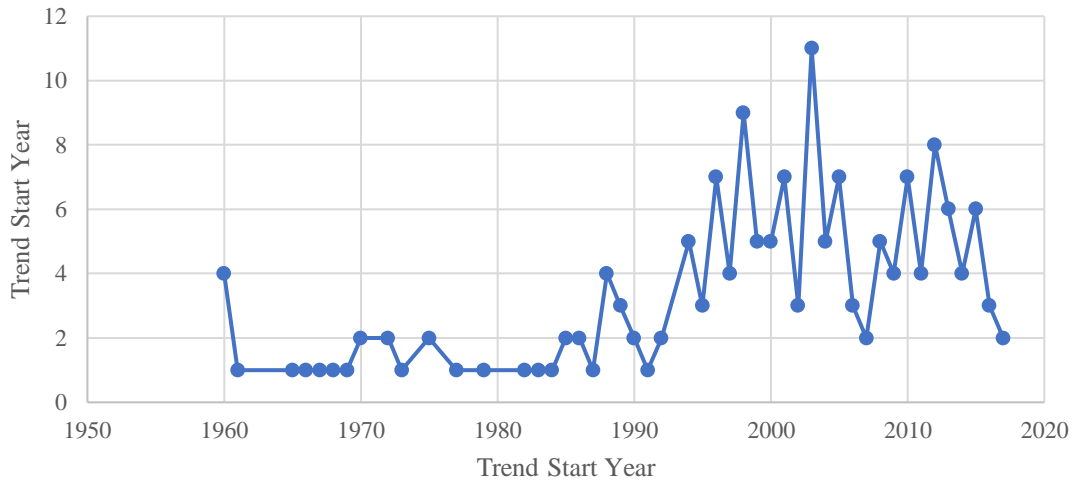


Figure 4: Costa Rica Economic Development Indicators Number of Indicator Spikes

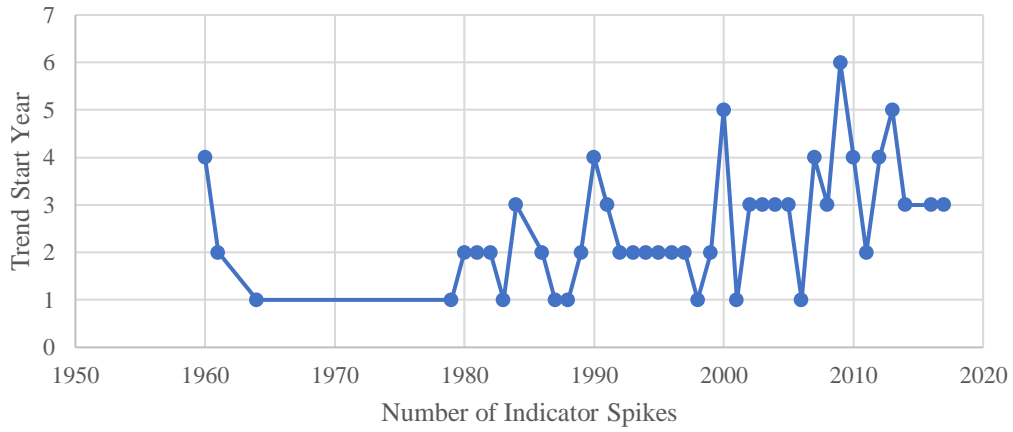


Figure 5: Venezuela Economic Development Indicators Number of Indicator Spikes

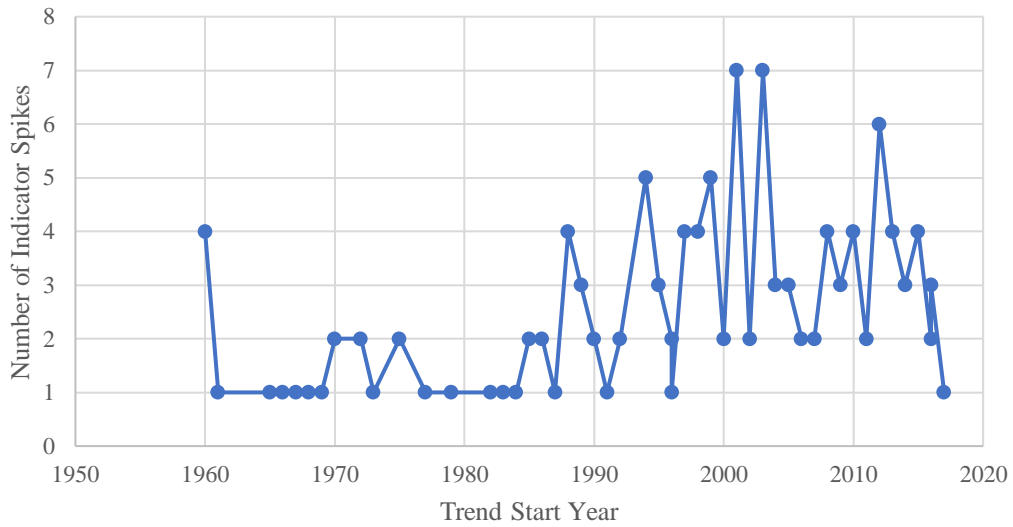


Figure 6: Costa Rica Political Stability Indicators
Number of Indicator Spikes

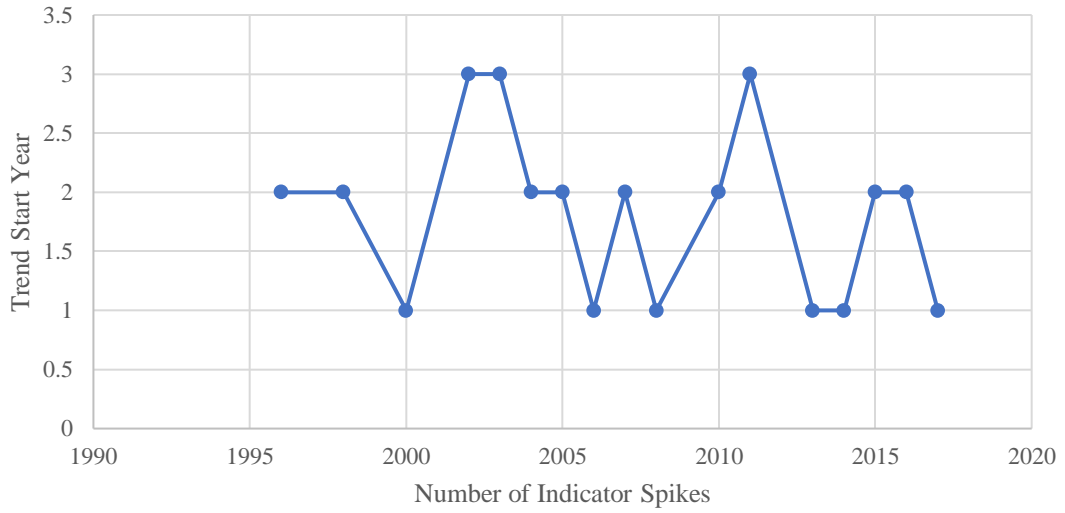
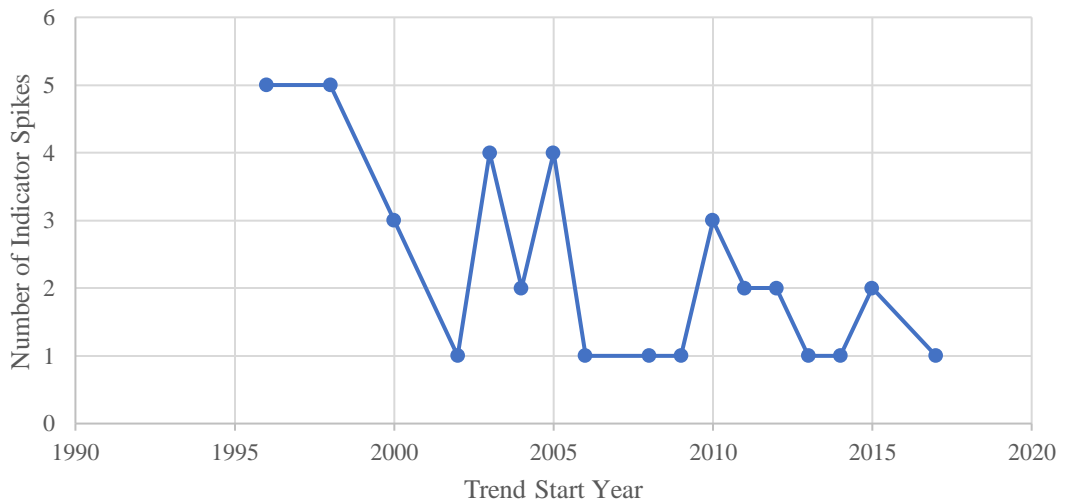


Figure 7: Venezuela Political Stability Indicators
Number of Indicator Spikes



In Costa Rica, both the economic development and political stability indicators spiked above three during the following years: 1960, 1984, 1990, 1991, 1996, 1998, 2000, 2002, 2003, 2004, 2005, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2016, 2017.

In Venezuela, both the economic and political stability indicators spiked above three during the following years: 1960, 1988, 1989, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016.

While collecting the data it is important to recognize the limits of the World Bank Data. Many indicators begin in 1960, so it would be logical that there would be a spike in 1960. Moreover, different data indicators began data collection at different times, i.e., the real GDP growth began data collection in 1960, while there was only data for intentional homicides after 1990. Additionally, the World Governance Indicators only began to have available data after 1996.

Although these issues can distort which years I chose to study, I did not alter my indicator research methods to maintain consistency in my data collection between both countries. Also, there were very limited resources that collect the data indicators that I required. The World Bank Data source was the most expansive data collection that I could find.

Step 2: Create a Database of Reports of Foreign Aid

After I selected the years for which my research would focus, I created a database of foreign policy reports for both Venezuela and Costa Rica between the years 1960-2018. The database was created by collecting data from various databases to get a full array of different foreign policy projects. The full database can be found in Appendix B. Due to time constraints; the database does not include *all* foreign policy reports in both Venezuela and Costa Rica. Instead, I used five databases to search for foreign aid reports; Comisión Económica para América Latina y el Caribe (CEPAL) Repositorio (which is part of the UN),⁴⁸⁸ the United Nations database,⁴⁸⁹ the World Bank database,⁴⁹⁰ Foreign Assistance.gov Database,⁴⁹¹ and Gale Primary Sources Database. I chose these databases so that I could have the opportunity to search for specific U.S. government aid (in ForeignAssistance.gov), random reports of foreign aid (in Gale Primary Sources), and specific institutional aid (World Bank, UN, CEPAL). [Each database required different search methods to properly access the database information.

For the CEPAL Repositorio, I used the website <https://repositorio.cepal.org/>, went to the País/Región tab, and clicked on Costa Rica. Then, I limited the document search timeline to the years in Appendix A. I manually filtered through every document entry,

⁴⁸⁸“Inicio.” Repositorio Digital Comisión Económica para América Latina y el Caribe, CEPAL, Accessed September 4, 2022. <https://repositorio.cepal.org/>.

⁴⁸⁹ “Official Document System of the United Nations,” accessed September 4, 2022, <https://documents.un.org/prod/ods.nsf/home.xsp>.

⁴⁹⁰ “Projects & Operations | The World Bank,” Text/HTML, World Bank, accessed September 4, 2022, <https://projects.worldbank.org/en/projects-operations/projects-home>.

⁴⁹¹ “FA.Gov.” ForeignAssistance.gov, Accessed November 17, 2021. <https://foreignassistance.gov/>.

without additional search parameters, to ensure that I was not missing a report. I searched for any reports of foreign aid projects. For each individual report that I found, I entered the foreign aid project reported, the year, the report citation, the URL, and a brief summary of the aid into my master database (Appendix B).⁴⁹²

For the UN Database, I went to <https://documents.un.org/>. Then, I entered the country name in quotations in the “Word(s) in the title” field, i.e., “Costa Rica,” and limited the search “Date of Publication” by the first day of the year to the last day of the year for each of the years in Appendix A. I searched for any reports of foreign aid projects. For each report that I found, I entered the foreign aid project reported, the year, the report number, URL, and a brief summary of the aid into my master database (Appendix B).⁴⁹³

For the World Bank project database, I went to <https://projects.worldbank.org/en/projects-operations/projects-home> . Then, I chose “Browse Projects: By Country,” selected either Costa Rica or Venezuela, clicked on the “Project List” tab, and limited the “Specific Date Range” for each year in Appendix B. Then, I entered all projects for the years in the timeline into my database (Appendix B). I entered Finally, for Gale Primary Resources, I created a search for each country. For each country, I used “country name” AND “search term” and filtered for entries only in the

⁴⁹² “Inicio.”

⁴⁹³ “Official Document System of the United Nations.”

years of the timeline. For each project that I found, I entered the foreign aid project title, the year, URL, and a brief summary of the aid into my master database.⁴⁹⁴

For the ForeignAssistance.gov Database, I went to <https://foreignassistance.gov/>. I went to the “By Country Tab.” I used the dropdown menu to select my country, Costa Rica or Venezuela. Next, I used the tabs to select each year in Appendix B, all agencies, and disbursements for the funding phase. Unfortunately, the ForeignAssistance.gov database only has data beginning 2001. As seen in Appendix B, I entered the year, “U.S. Project Disbursement,” and how many projects were funded that year in the description column into my master database. In the interest of time, I only entered the quantity of programs for each year, rather than every program.⁴⁹⁵

To ensure that I had a variety of foreign policy reports as possible, I used Gale Primary Sources to collect records from newspapers/primary sources of foreign aid reports that I would not have been able to find with the other databases. I went to <https://go-gale-com>. In the Advanced Search I entered “country” AND “search term” and limited the search by the years in Appendix A. The search terms that I used were development, desarrollo, foreign aid, ayuda extranjera, foreign assistance, asistencia extranjera, moneda extranjera, seguridad, security, development programs, programas de desarrollo, development projects, proyectos de desarrollo. I did an individual search for each term and year. I then entered reports of foreign aid projects into my master database.

⁴⁹⁴ “Projects & Operations | The World Bank.”

⁴⁹⁵ “FA.Gov.”

In each entry in the master database, I entered the year, the policy report, citation, URL, and a brief description of the report.

Step 3: Master Database Categories

Finally, in the master database, I also entered the database from which the entry was sourced, i.e., World Bank Project Search, and the type of aid it was in separate columns. I created filters for the different Source Database Search and Type of Foreign Aid in master database so that I could easily access the different types of aid and their source databases. I used the categories, military aid, development aid, loans, World Bank Project, U.S. Foreign Assistance, and UN Project. After creating the foreign aid program report database, I categorized all of the foreign policy reports into six categories, Military Aid, Loans, UN Project, World Bank Project, U.S. Foreign Assistance, and Development Aid.

The Military Aid category encompassed any aid pertaining to military equipment, loans of military equipment, technical and nontechnical military training, military operations, or counternarcotic programs. Since the U.S. claimed the War on Drugs, many counternarcotic programs in Latin America have been militarized or based on providing military support. I recognize that some counternarcotic aid is focused on education or nonmilitary/nonenforcement sectors. However, in the specific databases that I have examined, the majority of counternarcotic aid was focused on military aid. For

consistency, all counternarcotic aid is placed in the military category, unless said military aid was found in the U.S. Foreign Assistance.gov Database Search.

The Loans category corresponds to any reports or projects pertaining to multilateral banking institution loans. The multilateral banking institutions that had foreign aid reports in the master database were typically either the International Monetary Fund (IMF) or the World Bank. The Loans category included any reports about, or projects concerning, riots or internal violence pertaining to any loan agreements, loan discussions, or loan analyses in the source databases.

The UN Project category contains the UN-led and sponsored programs. A majority of these programs were sourced from the CEPAL and UN Document Search databases.

The World Bank Project category contains all World Bank Projects excluding those that only contained loans or loan terms. For example, the Structural Adjustment Loans were listed in the World Bank Project Search database. However, the Structural Adjustment Loans were restructuring loan debt, not implementing a development project on the ground.

The U.S. Foreign Assistance category contains projects that were found in the Foreign Assistance.gov Database. Sourcing the U.S. Foreign Assistance in this manner assured that I could find vast quantities of U.S. funded projects.

The Development Aid category encompasses all aid that was not categorized in any other category. Most of the reports in the Development Aid Category correspond to development projects on the ground to strengthen governance, education, infrastructure,

etc. I did include the China Development Bank projects in Venezuela in this category for two reasons. Firstly, the Development Bank projects set up a loan fund that was used to implement projects on the ground, such as building condominiums. Secondly, a loan from the China Development Bank is different not sourced from a multilateral banking institution. Therefore, the loan terms are based on the interests of the individual creditor country rather than a multilateral institution. Therefore, the terms of the loan will vary from those of a multilateral institution. It is important to study both cases of aid to gain a complete understanding of how the two different types of aid impacted internal security.

Step 4: Selecting Foreign Aid Project Case Studies

After I had built my master database, I needed to select foreign aid program study projects in each country. I studied one “entry” from each Type of Foreign Aid category for both Costa Rica and Venezuela. I studied a total of six cases for each nation. I carefully selected each “entry” to study based on size, frequency of news on the program reported, and the likely impact of the program reported on economic development or political stability. I intentionally selected the project case studies selected to ensure that they would answer my research question. I selected foreign aid programs that were reported often, were reported during years that had high variability in my dependent variables, or that had reports of generally great impacts on the recipient country.

Finally, when selecting a case from the U.S. Foreign Assistance category, I chose a year based on the indicator patterns, then went to the ForeignAid.gov database for that

year to select a program that a) had available information for me to research and b) larger quantities of funding. These two criteria ensured that the cases selected could be studied.

Appendix B

Costa Rica Master Foreign Aid Program Database

Year	Source Database Search	Type of Foreign Aid	Foreign Aid Project Report	Journal Citatic URL	Notes on the Report
1960	Gale Search	Loans	World bank \$2 million loan for the development of private industrial enterprises	World Bank Lch	https://go-gale-Three banks; continental illino
1960	World Bank Project	Loans	World bank \$2 million loan for the development of private industrial enterprises	https://documenthttps://document	Give the loan to be used for in
1960	World Bank Project	Loans	World bank \$2 million loan for the development of private industrial enterprises	https://documents1.worldbank	A lending program that began
1960	World Bank Project	Loans	Assessment of World Bank loans	https://documentloans given.	Loans since
1960	Gale Search	Loans	Inter-American Development Bank	https://go-gale-	Report on current economic de
1960	Gale Search	Development Aid	Withholding aid to those who support the Castro regime	"Latin Aid." Eco	https://go-gale-Refusal to give aid to those the
1984	Gale Search	Development Aid	Costa Rica refuses US military engineers' help	Honey, Marth	https://go-gale-The engineers were supposed
1984	Gale Search	Military Aid	Costa Rica receives arms aid from U.S.	Shears, David.	https://link-gale-Received arms aid from the U.
1984	Gale Search	Development Aid	Central America generally appealed to West European Foreign Ministers EEC	Brodie, Ian.	"E
1984	Gale Search	Development Aid	Central America generally appealed to West European Foreign Ministers EEC	https://go-gale-EEC committed to \$221 millior	
1990	Gale Search	Development Aid	Debt for Nature Swaps	https://go-gale-Worldwide fund for nature deb	
1990	World Bank Project	World Bank Project	Transport Sector Investment	https://projects.	The project supports insitutor
1990	Gale Search	Loans	Brady Plan	https://go-gale-https://go-gale-Brady Plan Loans	
1990	UN Document Search	UN Project	Implementation of UN Covention agains illicit traffic in narcotic drugs	trabajo:N9030	https://documentUN counternarcotics progrm
1991	World Bank Project	World Bank Project	Basic Education Rehabilitation Project	https://projects.	"The project supports the Gove
1991	UN Document Search	UN Project	Emergency Assistance to Costa Rica and Panama: Draft Resolution	Working Numb	https://documentUN to give funds/coordination
1991	UN Document Search	UN Project	Emergency Assistance to Costa Rica and Panama: Draft Resolution	Working Numb	https://documentAdd Peru to the draft of the ecc
1991	CEPAL	UN Project	Informe del Seminario-ZOPP sobre Politicas para la Gestión Ambientalmente Adecuada de los Residuos Industriales	https://reposito	Environmental based develop
1996	Gale Search	Development Aid	Carbon Bonds	"Your pollution	https://go-gale-Launched a Carbon bonds pr
1996	UN Document Search	UN Project	Emergency Aid to Costa Rica	trabajo:N9677	https://documentrelief
1996	UN Document Search	UN Project	International cooperation for combating drugs	trabajo:N9628	https://documentCounternarcotics operations
1996	UN Document Search	UN Project	Funding recommendation	trabajo:N9614	https://documentFunding recommendation for a
1998	Gale Search	Development Aid	Carbon Bonds	"Your pollution,	https://go-gale-Carbon bonds program report
1998	World Bank Project	World Bank Project	Biodiversity Resource Development	https://projects.	Biodiversity Resources
1998	UN Document Search	UN Project	Hurricane relief	Date:03/11/19	https://documentHurricane relief money sent
2000	Gale Search	Development Aid	Central American Integration System	"Small, vulnera	https://go-gale-There is limited information in
2000	Gale Search	Development Aid	Creation of the Mesoamerican Corodor	"Poor Nations E	https://go-gale-There is limited information in
2000	Gale Search	Development Aid	Sistema de Integracion Centroamericano	https://www.sic	Tecugicgalpa Protocol to the
2000	Gale Search	Development Aid	EU Organisation for Economic Co-Operation and Development	"Vulnerable Eco	https://go-gale-The aid was only given to rich
2000	World Bank Project	World Bank Project	Ecomarkets Project	https://projects.	https://projects.
2000	UN Document Search	Development Aid	Central American Integration System	trabajo:N0076	https://documentof the development of the
2000	CEPAL	UN Project	Proyecto de reforma a la Ley No 7447 'Regulación del uso racional de la energía' en Costa Rica	https://reposito	'Resumen Este informe ha sid
2002	Gale Search	Development Aid	Plan Pueblo Panama	Plan Pueblo P	https://nacla.onBegan in 2001. Is a multilateral
2002	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 20 projects in disbursed categ	
2002	World Bank Project	World Bank Project	Cote Hydroelectric Project	https://projects.	https://projects.
2003	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 18 projects in disbursed categ	
2004	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 23 projects in disbursed categ	
2005	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 32 projects in disbursed categ	
2005	World Bank Project	World Bank Project	Costa Rica Equity and Efficiency of Education	https://projects.	"The Equity and Efficiency of E
2006	UN Document Search	UN Project	UNICEF Project in Costa Rica	trabajo:N0643	https://documentprogramme document for
2007	Gale Search	Development Aid	Debt for Nature Swaps	https://www.nbn	environmental groups will
2007	Gale Search	Development Aid	Aids Committee of Durhams Committee	Rau, Krishna.	https://go-gale-Expand aid programs into Lat
2007	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 49 projects in disbursed categ	
2007	UN Document Search	UN Project	UNDAF	trabajo:N0740	https://documentDevelopment Plan, the
2007	UN Document Search	UN Project	UN Population Fund	trabajo:N0745	https://documentproposed programme
2008	Gale Search	Development Aid	El Proyecto de Integración y Desarrollo de Mesoamerica (PM)	http://www.proy	Multiple Axis; transportation, o
2008	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 54 projects in disbursed categ	
2008	World Bank Project	World Bank Project	Infrastructure project in Limon	https://projects.	"The objective of the Costa Ric
2008	World Bank Project	World Bank Project	Sum Eradication National Policy Costa Rica	https://projects.	https://projects.
2008	World Bank Project	World Bank Project	Costa Rica Catastrophe Deferred Draw Down Option	https://projects.	Neighbourhood Improvement
2009	Gale Search	Loans	OECD takes Costa Rica off of the list	"Organization F	https://go-gale-com du idm.oecd.org/ps/retriev
2009	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 48 projects in disbursed categ	
2009	World Bank Project	World Bank Project	Public Finance and Competitiveness Development Policy Loan with Deferred Drawdown Option	https://projects.	The objectives of the Public Fi
2010	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 53 projects in disbursed categ	
2010	World Bank Project	World Bank Project	CR Port regional and hinterland access	https://projects.	https://projects.
2010	World Bank Project	World Bank Project	Costa Rica Pilot on Early Warning Systems for Hydrometeorological Hazards	https://projects.	The development objective of
2010	World Bank Project	World Bank Project	Adaptive Natural Resources Management will Bolster Cabécar Communities	https://projects.	is to strength the capacity of
2011	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 79 projects in disbursed categ	
2011	UN Document Search	UN Project	Natural Disaster Aid	trabajo:N1157	https://documentTropical depression aid
2012	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 49 projects in disbursed categ	
2012	World Bank Project	World Bank Project	Costa Rica FCPF REDD READINESS	https://projects.	The development objective of
2012	World Bank Project	World Bank Project	Costa Rica Higher Education Improvement Project	https://projects.	The objectives of the Higher E
2012	UN Document Search	UN Project	UNDP Country Program	trabajo:N1231	https://documentthe national, provincial and
2013	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 59 projects in disbursed categ	
2013	UN Document Search	UN Project	UNDP Country Program	Número de trat	https://document2013-2017 Country Program
2014	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 56 projects in disbursed categ	
2016	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 90 projects in disbursed categ	
2016	World Bank Project	World Bank Project	Strengthening Universal Health Insurance in Costa Rica	https://projects.	The development objectives o
2017	Foreign Assistance. Gov database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreigna 100 projects in disbursed cate	
2017	UN Document Search	UN Project	UNDP Country Program	trabajo:N1719	https://documentnationally executed. UNDP
2017	UN Document Search	UN Project	UNICEF Project in Costa Rica	trabajo:N1724	https://documentStrategic Plan, 2018-2021,
2018	Gale Search	UN Project	United Nations Development Assistance Framework from 2018-2022	UN	https://costaric Development plans- UN to inc
2018	UN Document Search	UN Project	UNDP Country Program	trabajo:N1719	https://documentnationally executed. UNDP
2018	UN Document Search	UN Project	UNICEF Project in Costa Rica	trabajo:N1725	https://documentStrategic Plan, 2018-2021,

Venezuela Master Foreign Aid Program Database

Year	Type of Foreign Aid	Foreign Aid Project Report	Policy Decision	Journal Citati URL	Notes on the Report
1960	Gale Search	Loans	\$200 million loan	"Report Of \$2t https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	"Group of Canadian and American priv
1960	Gale Search	Loans	Venezuela begins to participate in the world bank's participation program	"World Bank's https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	"Loan approval \$12million
1960	Gale Search	Loans	Loan approval for World Bank	"World Bank F https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	"Central File: C https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Monographs&resu
1960	Gale Search	Military Aid	British sell arms to Venezuela	Evaluation of https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Monographs&resu	"The Expressway Project for Venezuela i
1961	World Bank Project Search	World Bank Project	Expressway Project	https://projects.worldbank.org/en/	
1961	Gale Search	Development Aid	How foreign aid may be dispersed in the next four to ten years	Latin America https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	"Foreign aid should be regarded as a m
1988	CEPAL	UN Project	(FORVIS)	https://repositorio.cepal.org/bistrea/cuya base financiera e soportaba en	
1988	CEPAL	UN Project	PWYECRO UPBIS/IMMT PROGRAMA DE TRABAJO 1988	"Elaboración https://repositorio.cepal.org/bistrea/handle/11362/8902/S8800600_es.p	
1988	Gale Search	Loans	Venezuela repaid bonds	Joseph, and https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1989	Gale Search	Loans	Caracas wins \$450 million loan from the US	Barber, Lionel https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Will act as a bridge for an IMF loan
1989	Gale Search	Loans	IMF Loan Venezuela	Mann, Joe "U https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	\$453m loan to Venezuela
1989	Gale Search	Development Aid	Venezuela accepts liberalization policies	Fidler, Stephe https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Venezuela eases swap terms
1989	Gale Search	Loans	USA loan. Bridge fail	Stelzer, Irwin https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Loan failure
1989	Gale Search	Loans	Brady Refinance Plan	Srodes, Jame https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Loan forgiveness fund
1989	Gale Search	Loans	Brady plan failure	William, and https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Google Brady Plan and IMF developme
1989	CEPAL	Loans	1989 liberalization	https://repositorio.cepal.org/bistrea/Pair these articles with others on washir	
1989	World Bank Project Search	Loans	Structural Adjustment Loan Project	https://projects.worldbank.org/en/ps/ Structural Adjustment Loan	
1989	World Bank Project Search	World Bank Project	Trade Policy Loan Project	https://projects.worldbank.org/en/ps/ Structural Adjustment Loan	
1989	Gale Search	Loans	Bank loans decrease in 1989	Nicoll, Alexan https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1989	Gale Search	Loans	Payment Deficit	https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	"Staggering In https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu
1989	Gale Search	Loans	Payment imbalance from International Loans	Developing h https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1989	Gale Search	Loans	IMF slows down on the adjustment rates.	Lamb, Christir https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1989	Gale Search	Loans	Debt Outflows	Srodes, Jame https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1989	Gale Search	Loans	Commercial Banks v International Banks	Harvey, Robe https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	says inf and iadb should give loans, no
1989	Gale Search	Loans	Riots	Mann, Joseph https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	riots linked to debt crisis
1989	Gale Search	Loans	Strategy for debt- brady deals	"A Strategy for https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1994	Gale Search	Loans	IMF visit to Venezuela	Mann, Joseph https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1994	Gale Search	Loans	Brady Bond boom	Srodes, Jame https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1994	CEPAL	UN Project	UN Conference	UN Conferenc https://repositorio.cepal.org/bistrea/The ministry was not well organized , be	
1994	Gale Search	Development Aid	USAID response to HIV/AIDS	Agency for Int https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Monographs&resu	
1994	World Bank Project Search	World Bank Project	Substitution of HFC-134a for CFC-12 in Central Air Conditioning Systems Montreal Protocol Ph	https://projects.worldbank.org/en/ps/ The primary objective of the Central Air	
1994	World Bank Project Search	World Bank Project	The Health Services Reform Project aims to improve the health of the three million users of gov	https://projects.worldbank.org/en/ps/ The Health Services Reform Project aim	
1995	World Bank Project Search	World Bank Project	Montreal Protocol - FAACA Auto Air Conditioning CFC 12 to HFC 134a Conversion	https://projects.worldbank.org/en/ps/ The Air Conditioning Chlorofluorocarbo	
1995	World Bank Project Search	World Bank Project	Agricultural Extension Project	https://projects.worldbank.org/en/ps/ The objectives of the Agricultural Exten	
1995	World Bank Project Search	World Bank Project	Imparques Project	https://projects.worldbank.org/en/ps/ The objective of the Imparques Project is	
1995	World Bank Project Search	World Bank Project	AUSA Automobile Air Conditioner (MAC) Factory Conversion for Fabrication of HFC 134a Heat	https://projects.worldbank.org/en/ps/ Conditioner Factory Conversion	
1995	Gale Search	Development Aid	USAID response to HIV/AIDS	Agency for Int https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Monographs&resu	
1996	Gale Search	Loans	IMF Loan Venezuela	Raymond Col https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	\$1.4 bn loan agreement with IMF mult
1996	Gale Search	Loans	Critique of the foreign development banks	Nancy, and https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1996	World Bank Project Search	World Bank Project	Water and Sewage Decentralization Project- State of Monagas	https://projects.worldbank.org/en/ps/ The principal objectives of the Water an	
1996	Gale Search	Loans	Critique of the foreign development banks	Nancy, and https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1996	UN Document Search	UN Project	UNICEF program	trabajo N960 https://documents-dds-ny.un.org/d/1996-1997	
1996	Gale Search	UN Project	UNAI report	Joint United N https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	UN aid program began in 1996/ to wor
1997	World Bank Project Search	World Bank Project	Environmental Management and Cartography Project	https://projects.worldbank.org/en/ps/ ICR do not fully reflect the original	
1997	World Bank Project Search	World Bank Project	Supreme Court Modernization	https://projects.worldbank.org/en/ps/ The Supreme Court Modernization Proj	
1997	Gale Search	Development Aid	FHI HIV Programs	Family Health https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Monographs&resu	
1997	Gale Search	Loans	IMF	"Inf Stamp of, https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Monographs&resu	IMF will stand by agreements made in 1
1997	Gale Search	Loans	IMF Brady Plan fail	"IMF go home https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	IMF Brady Plan failed, riots
1997	Gale Search	Loans	Brady bond leads to impeachment	Collit, Raymo https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	debt restructuring plan failed
1997	Gale Search	Loans	Brady plan	Collit, Raymo https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Brady plan helps to get venezuela back
1997	UN Document Search	UN Project	UNICEF program	trabajo N971 https://documents-dds-ny.un.org/d/ Will be a supporting program for nation	
1998	Gale Search	Development Aid	NGOs work on HIV Aids	Joint United N https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Not much on the website
1998	Gale Search	Loans	Loan aid package to Latin America	Adams, David https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	
1998	World Bank Project Search	World Bank Project	Public Sector Modernization and Decentralization Project	https://projects.worldbank.org/en/ps/ The Public Sector Modernization and Di	
1998	World Bank Project Search	World Bank Project	Caracas Slum-Upgrading Project	https://projects.worldbank.org/en/ps/ The Caracas Slum-Upgrading Project a	
1998	World Bank Project Search	World Bank Project	Public Expenditure Management Reform Project	https://projects.worldbank.org/en/ps/ The objectives of the Public Expenditure	
1999	World Bank Project Search	World Bank Project	Biodiversity Conservation & Resource Management Llanos Region (GEF-MSP)	https://projects.worldbank.org/en/ps/ There is limited information in this repor	
1999	UN Document Search	UN Project	Emergency aid to Venezuela after floods and landslides	trabajo N993 https://documents-dds-ny.un.org/d/ Emergency relief aid fund.	
1999	UN Document Search	UN Project	Emergency aid to countries affected by hurricanes	trabajo N993 https://documents-dds-ny.un.org/d/ Hurricane relief fund	
2000	Gale Search	Loans	Foreign banks	"Foreigners C https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Foreign banks control large assets on C
2000	Gale Search	Development Aid	Training skilled workers	Murray, Saran https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	World Bank funds a program from Cisco
2000	World Bank Project Search	World Bank Project	Millenium Science Initiative Project	https://projects.worldbank.org/en/ps/ Innovation Loan (LL) was to	
2000	Gale Search	Loans	IMF studies capital controls	Fidler, Stephe https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	capital controls can be helpful
2001	World Bank Project Search	World Bank Project	Caracas Metropolitan Health Services Project	https://projects.worldbank.org/en/ps/ The Caracas Metropolitan Health Serv	
2001	Gale Search	Development Aid	Democracy development plan	U.S. Departm https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	"Global Human Rights and Democracy i
2001	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 23 projects in disbursed categories.	
2001	UN Document Search	UN Project	UNICEF program	trabajo N015 https://documents-dds-ny.un.org/d/ UNICEF Convention on the Rights of th	
2002	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 24 projects in disbursed categories.	
2002	Gale Search	Loans	WB decreases investments	Beattie, Alan https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	WB decreases capital available to deve
2002	UN Document Search	UN Project	UNFPA program	trabajo N023 https://documents-dds-ny.un.org/d/ Country program for reproductive healt	
2003	Gale Search	Loans	Corruption of Debt Swaps	Webb-Vidal, A https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Bond sale in Venezuela is being invest
2003	Gale Search	Loans	Venezuela buys back Brady bonds	Webb-Vidal, A https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Venezuela buys back \$3.2 bn brady bor
2003	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 22 projects in disbursed categories.	
2003	UN Document Search	UN Project	UNDP HIV program	trabajo N023 https://documents-dds-ny.un.org/d/ programme will	
2004	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 23 projects in disbursed categories.	
2005	Gale Search	Military Aid	Chavez halts cooperation with U. S. on drug trafficking	Webb-Vidal, A https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Venezuela accuses the U. S. of spying- t
2005	Gale Search	Loans	Domestic bond swap	Webb-Vidal, A https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Domestic swap of domestic bonds
2005	Gale Search	Military Aid	Venezuela not considered as U.S. ally in Military Aid	Webb-Vidal, A https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	U.S. may choose to vote against / devic
2005	World Bank Project Search	World Bank Project	Ozone Layer Protection Project	https://projects.worldbank.org/en/ps/ To enable early phase-out of CFC prod	
2005	World Bank Project Search	World Bank Project	Biodiversity Conservation - Dhekuauna Nonoodo (GEF-MSP)	https://projects.worldbank.org/en/ps/ The purpose of the Grant is to assist in th	
2005	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 36 projects in disbursed categories.	
2006	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 40 projects in disbursed categories.	
2006	Gale Search	Development Aid	China development programs in Venezuela	Yeh, Andrew https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	No program yet but financing for progr
2006	Gale Search	Development Aid	USAID millions in human development	"US millions \ https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	USAID spends millions in human rights
2007	Gale Search	Development Aid	South American development bank	Smith, Gordor https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Venezuela, Brazil, Argentina, Bolivia, E
2007	Gale Search	Loans	China loans	"Rich but rash https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	China has given nearly \$50 in loans and
2007	Gale Search	Loans	South American development bank	"Hugo Chávez; https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	The Banco del Sur is not a replacement
2007	Gale Search	Loans	Venezuela announces intent to withdraw from IMF and World Bank	Lapper, Richa https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	withdrawal from multilateral banking inst
2007	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 47 projects in disbursed categories.	
2008	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 41 projects in disbursed categories.	
2008	Gale Search	Military Aid	Russian arms aid to Venezuela	"Friends of op https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Sold lots of arms- 50,000 rifles due for 2
2008	UN Document Search	UN Project	UNDAF AND UNICEF programs	trabajo N084 https://documents-dds-ny.un.org/d/ 2009-2013 aims to achieve results for	
2008	UN Document Search	UN Project	UNFPA program	trabajo N084 https://documents-dds-ny.un.org/d/ programming with United Nations	
2008	UN Document Search	UN Project	UNFPA program	trabajo N084 https://documents-dds-ny.un.org/d/ Número de trabajo N0843451	
2009	Gale Search	Development Aid	Venezuela and Iran invest agreement	Reulers, "Ven https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Venezuela and Iran strike an agreeme
2009	Gale Search	Development Aid	Russia provides technological aid to Venezuela	State Depart https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Russian authorities give Venezuela ted
2009	Gale Search	Military Aid	UK collaboration on anti-drug stuff	State Depart https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	cooperate on counter narcotic operations
2009	Gale Search	Military Aid	Russian arms aid to Venezuela	"Dreams of a https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Russia sold Venezuela at least "\$4.4 bi
2009	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 39 projects in disbursed categories.	
2010	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 36 projects in disbursed categories.	
2010	Gale Search	Development Aid	China development programs in Venezuela	"The wrecking https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	China lends \$20 bil to Venezuela for oil
2010	Gale Search	Development Aid	China development programs in Venezuela	"US millions \ https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	China lends \$20 bil to Venezuela for oil
2011	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 43 projects in disbursed categories.	
2012	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 31 projects in disbursed categories.	
2013	Gale Search	Loans	China loans	Chu, Ben, Ecc https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	china spent money on development in \
2013	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 58 projects in disbursed categories.	
2014	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 46 projects in disbursed categories.	
2014	Gale Search	Development Aid	Aid laws	"Donors: keep https://go-gale-com-du-idm-ocdc.org/ps/retreive.do?tabID=Newspapers&resu	Donors faced with more stringent laws s
2015	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 51 projects in disbursed categories.	
2015	UN Document Search	UN Project	UNICEF program	trabajo N142 https://documents-dds-ny.un.org/d/ components (a) health and nutritio;	
2016	Foreign Assistance. Gov Database	U.S. Foreign Assistance	USAID Project Disbursement	https://foreinassistance.gov/ 64 projects in disbursed categories.	