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EFFECTS OF SWEDISH AND INTERNATIONAL DEMOCRACY AID

**Miguel Niño-Zarazúa, Rachel M. Gisselquist,
Ana Horigoshi, Melissa Samarin and Kunal Sen**

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Rapport 2020:07

till

Expertgruppen för biståndsanalys (EBA)

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Naturally, any remaining errors are ours.

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Foreword by the EBA

The world stand facing a worrying trend where dozens of countries decline on democracy. Promoting democracy is a priority for Swedish development cooperation. Sweden is one of the countries that devotes the largest share of its aid budget for democracy-related activities. In 2019, the Swedish government made the “drive for democracy” a foreign policy priority, which further increases the focus on democracy in development cooperation.

At the same time, academics and practitioners have been debating the evidence on whether inducing democracy in other countries works, or not. Can development cooperation projects and democracy promotion programs contribute to a positive change for democracy at the country level. The present study was initiated by the EBA with the aspiration to bring together the largest-ever evidence base to bear on this important question.

The study includes both a systematic review of the academic literature and its findings on the effects of democracy aid, and a rigorous empirical analysis of Swedish and international democracy aid that is probably the most encompassing ever conducted. The statistical analyses cover 148 countries from 1995 to 2018, and also looks separately at the effects of targeted democracy-support in a narrow sense, and more general democracy-related developmental cooperation.

The report finds that both international and Swedish aid has had a positive effect on levels of democracy and that the influence is more marked for aid focusing specifically on strengthening core aspects of democracy such as elections, democratic participation, civil society, and human rights. An encouraging finding is also that there are no signs that Swedish or international aid have had negative effects on democracy, as feared by some. Finally, the report finds

that democracy aid is more effective in supporting democratic upturns than in stopping democratic backsliding.

It is our hope that the results of this report will be of value not only for the intended audience at the Swedish MFA and at Sida, but well beyond. Considering the worrying trends for democracy in the world today, we have confidence in that the report can be of interest for a wide international audience.

The study has been conducted with support from a reference group chaired by Professor Staffan I. Lindberg, member of the EBA. In addition to the dialogue with the reference group an independent peer review was undertaken to scrutinize the comparative analysis of democracy indices (Appendix II) as Staffan I. Lindberg is part of the V-dem project, and that index is heavily used in the report. The authors are solely responsible for the content of the report and its conclusions.

Gothenburg, November 2020



Helena Lindholm

Sammanfattning

Demokratibistånd är en viktig del av utvecklingssamarbetet. Räknat som andel av det totala biståndet har det ökat stadigt sedan mitten av 1990-talet. År 2018 avsatte länderna i OECD:s biståndskommitté omkring 10 % av det offentliga utvecklingsbiståndet (ODA) till detta område. Sverige har konsekvent varit en av de största bidragsgivarna av demokratibistånd inom OECD:s biståndskommitté. År 2018 uppgick det till 30 % av det bilaterala biståndet.

Det har skett betydande demokratiska framsteg i världen, särskilt sedan slutet av det kalla kriget, men under de senaste åren har vi bevittnat oroväckande bakslag för demokratin. Sådana tendenser för med sig allvarliga globala konsekvenser för medborgerliga friheter och politiska rättigheter och även för den globala utvecklingen och för en internationell stabilitet.

År 2019 initierade Sverige en demokratisatsning och satte därigenom demokratistöd i centrum för utrikespolitiken (inbegripet säkerhets-, utvecklings- och handelspolitik). Ett sådant initiativ förmedlar vikten av att stödja demokrati, och även att det stödet kan bidra till värdefulla effekter.

Denna rapport omprövar beläggen för demokratibistånd genom att ställa frågorna: Fungerar demokratibistånd? På vilket sätt? Under vilka förutsättningar kan det fungera bättre? Rapporten bygger både på en ny systematisk genomgång av litteraturen och en ny jämförande kvantitativ analys som inkluderar ett flertal avancerade ekonometriska metoder. Analysen omfattar 148 länder under perioden 1995–2018.

I korta drag visar studien på följande:

- Ett blygsamt men positivt bidrag från internationellt och svenskt demokratibistånd till demokrati.
- Ett starkare samband när demokratibiståndet är inriktat på centrala demokratifrämjande områden, såsom civilsamhället, fria medier och mänskliga rättigheter.
- Inga belägg för ett negativt samband mellan internationellt eller svenskt demokratibistånd och demokrati.
- Både internationellt och svenskt demokratibistånd tycks stödja demokratisering på ett mer effektivt sätt än det hejdar en demokratisk tillbakagång.
- Sammansättningen av typ av bistånd och finansiering tycks ha betydelse, då fördelningen av bistånd via icke-statliga aktörer kan minska risken för att regimen förskingrar resurser.
- Både bilateralt och multilateralt demokratibistånd tycks stödja demokrati på ett effektivt sätt, men bidraget är mer verksamt när det är inriktat på demokratifrämjande aktörer och institutioner.

Rapporten innehåller följande huvudavsnitt:

Analysram

I den analys som ligger till grund för rapporten används Robert A. Dahls synsätt, vilket innebär att ”demokrati” avser valdemokrati och tillhörande institutionella garantier: frihet att grunda och delta i föreningar, yttrandefrihet, rösträtt, valbarhet, politiska ledares rätt att konkurrera om stöd, alternativa informationskällor, fria och rättvisa val samt institutioner som kopplar regeringens politik till röster och allmänhetens preferenser.

Demokratisering avser i sin tur övergångsprocessen från auktoritärt till demokratiskt styre. Ofta särskiljs flera olika etapper. *Övergång till*

demokrati innebär att demokratiska institutioner inrättas och ersätter auktoritära institutioner, vilket bland annat kännetecknas av konstitutionella förändringar och anordnandet av ”fria och rättvisa” val. *Demokratins överlevnad* innebär att demokrati fortsatt praktiseras, och *demokratisk konsolidering* att demokrati har blivit det enda acceptabla alternativet.

Teorier om demokratisering kan vanligtvis delas in i tre breda läger:

Strukturalistiska teorier framhäver vikten av strukturella faktorer på makronivå, t.ex. kopplingarna mellan ekonomisk utveckling, politisk utveckling och övergång till demokrati samt urbanisering och industrialisering och en större utbildad medelklass som kan utmana traditionella roller och auktoriteter, samt delta på bred front i politiken.

Institutionella teorier framhäver institutioners roll (både formella och informella). Olika institutioner exemplifieras i litteraturen, så som politiska partier och valmyndigheter, civilsamhället, medieinstitutioner, rättsliga institutioner och mänskliga rättigheter.

Aktörsbaserade teorier framhäver den roll som individer och aktörer och aktörskap spelar i demokratiseringsprocesser. Olika aktörer i civilsamhället, liksom politisk elit och politiska ledare, kan spela en avgörande roll för demokratisering inom ramen för dessa modeller.

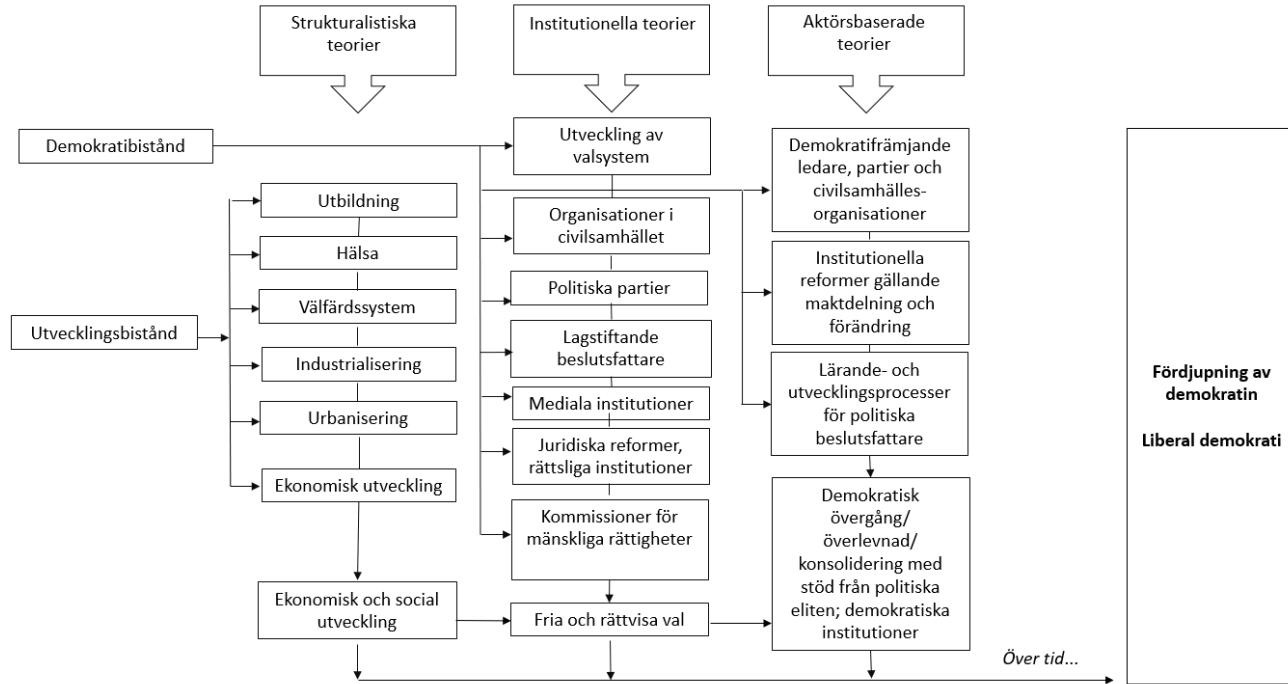
I praktiken är dessa teorier inte helt frikopplade från varandra och överlappar något när det gäller aktörer och kontext. De erbjuder dock en grund för breda, övergripande sätt att tänka kring demokratisering.

I denna rapport presenteras en analysram som sätter in biståndet i kontexten av ovan nämnda teorier. Den conceptualiserar två generella strategier för bistånd i relation till demokrati:

- När det gäller aktiviteter som klassas *demokratibistånd* läggs tonvikt vid stöd till demokratifrämjande aktörer och institutioner såsom organisationer i det civila samhället och aktivister, valmyndigheter, politiska partier, medieorganisationer, reform av rättsväsendet och rättsstatliga institutioner, mänskliga rättigheter samt demokratifrämjande ledare och förkämpar, vilka vanligtvis lyfts fram inom institutionella och aktörsbaserade demokratiteorier.
- I biståndsaktiviteter som klassas *utvecklingsbistånd* eftersträvas gradvisa, långsiktiga förändringar inom en rad olika politiska och socioekonomiska sektorer, vilket ofta framhålls inom strukturalistiska teorier, men även inom institutionella och aktörsbaserade demokratiteorier.

Analysramen som beskrivs i figur 1, utgör grunden för en noggrann jämförande analys av förhållandet mellan bistånd och demokrati och ställer frågan om bistånd med fokus på demokrati eller utveckling, bidrar till demokrati.

Figur S1. Bistånd och demokratisering: en analysram



Anmärkning: Figur 1. i huvudrapport .

Källa: Författarna.

Litteraturgenomgång

Studien inkluderar en systematisk litteraturgenomgång i syfte att göra en noggrann, objektiv och reproducerbar sammanställning av den tidigare litteratur som undersökt sambandet mellan bistånd och demokrati.

Enligt vår vetenskap så är detta den första systematiska litteraturgenomgången inom området.

Litteraturgenomgången fokuserar på studier som bygger på kvantitativa metoder som publicerats mellan åren 1990- 2020. Den omfattar både akademisk- och grå litteratur som har publicerats på engelska, spanska, franska eller portugisiska, vilket utgör 99 % av publikationerna inom den samhällsvetenskapliga disciplinen.

Sökprotokollet gav 145 861 resultat av vilka majoriteten uteslöts från analysen på grund av dess icke-akademiska karaktär, användning av icke-kvantitativa metoder eller att fokus låg på faktorer som påverkar biståndets fördelning snarare än demokratibiståndets effekter. De resultat som läggs fram här grundas på en analys av 90 publikationer.

Sammanställning av kunskapsläget

I 64 av de 90 studier som ingår i den systematiska litteraturöversikten så behandlas bistånd som det totala biståndet, även kallat ”utvecklingsbistånd” såsom det definieras i analysramen. Dessa 64 studier visar olikartade trender. I 39 studier dras slutsatsen att utvecklingsbistånd har en blygsam men positiv inverkan på demokrati. 30 studier visar en negativ inverkan och flera studier visar på både positiv och negativ inverkan beroende på typ av givare samt de mottagande staternas inhemska politiska förhållanden.

Av de 32 studier som fokuserar på ”demokratibistånd” (enbart eller i kombination med andra biståndstyper), konstaterar 26 studier en positiv inverkan på demokratin och en statistiskt signifikant negativ inverkan konstateras enbart i 9 studier. Bland de studier där fokus ligger på underkategorier av demokratibistånd (t.ex. bistånd riktat till valdeltagande, det civila samhället, mediebidand och bistånd kopplat till mänskliga rättigheter) visar 29 studier på en positiv inverkan, och 11 studier på en negativ inverkan.

Generellt sett visar en större andel av de studier som undersökt riktat demokratibistånd på en positiv inverkan på demokrati (81 %) än de studier som undersökt totalt utvecklingsbistånd (61 %). Detta tyder på att det förstnämnda stöder demokrati på ett mer effektivt sätt än det sistnämnda.

Formen av bistånd – budgetstöd, projektbistånd, kärnstöd, samfinansierade program och fonder eller personalbistånd – tycks vidare ha betydelse för hur effektivt biståndet är. Projektbistånd, kärnstöd, samfinansierade program och fonder och personalbistånd tycks generellt sett vara effektiva sätt att ge bistånd. Eftersom 55 (av 90) studier inte definierar vilken form av bistånd som ges måste dock eventuella slutsatser som dras av detta tolkas med försiktighet.

Sammanfattningsvis tyder resultaten från den systematiska litteraturgenomgången på att;

- riktat demokratibistånd kan generera positiva demokratiresultat på ett mer effektivt sätt än utvecklingsbistånd,
- form av bistånd tycks spela roll, men mer belegg krävs för att dra några säkra slutsatser på detta område,
- givarnas egenskaper påverkar biståndets effektivitet och
- de mottagande staternas inhemska politiska förhållanden avgör hur effektivt biståndet i slutändan är.

Demokrati- och biståndsindikatorer

Definitioner av demokratibistånd

I analysen används tre olika definitioner av bistånd relaterat till demokrati, så som visas i analysramen:

- Den första definitionen, *utvecklingsbistånd*, omfattar alla utvecklingsorienterade biståndsinsatser och mäts som summan av det totala utvecklingssamarbetet.
- Den andra definitionen avser demokratibistånd som innefattar en mycket *bred* uppsättning demokratirelaterade aktiviteter. Det inkluderar alla aktiviteter under kod 150 i OECD:s DAC 5-kodsystem, dvs. aktiviteter som rör statliga institutioner och organisationer i det civila samhället. Denna breda definition av demokratibistånd fångar viktiga aspekter som lyfts fram inom institutionella och aktörbaserade demokratiteorier, men den är inte tillräckligt exakt då den inbegriper verksamheter som inte kan anses primärt syfta till att stärka demokratin (t.ex. meteorologiska tjänster, brandförsvaret, räddningstjänst, polis och fängelseförvaltning).
- I analysen används därför en tredje *smalare* definition av demokratibistånd. Den avser en uppsättning verksamheter som är mer specifikt inriktade på demokratins kärninstitutioner. De lyfts fram inom institutionella och aktörsbaserade demokratiteorier, bland annat bistånd till demokratiskt deltagande och civilsamhället, val, lagstiftande församlingar och politiska partier, medier och fria informationsflöden samt mänskliga rättigheter.

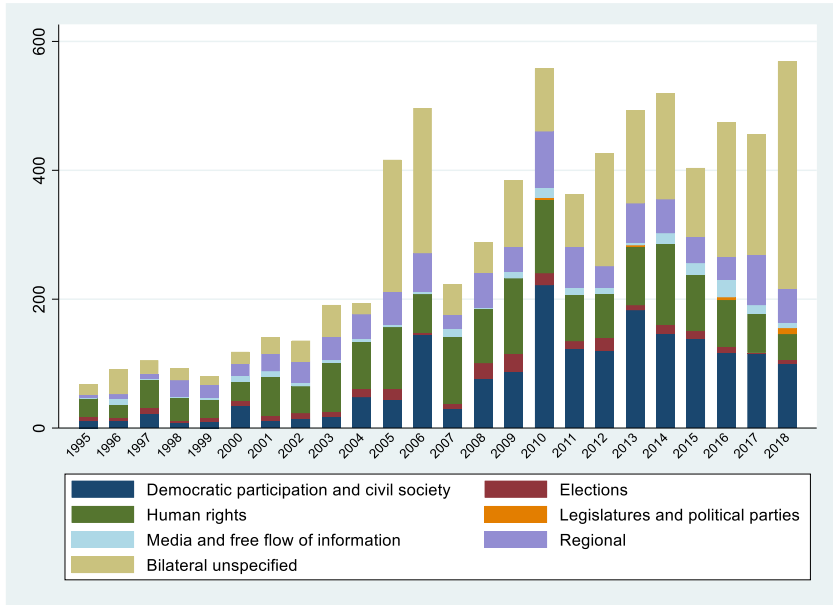
Utöver dessa tre grupper av biståndsinsatser analyserar rapporten även underkategorier inom den smalare definitionen av demokratibistånd, i syfte att bedöma om dessa specifika biståndsområden har någon inverkan på avsedda resultat.

Sveriges demokratibistånd

Cirka en tredjedel av Sveriges bistånd avsätts till demokratistöd, enligt den breda definitionen av demokratibistånd. Om den smalare definitionen tillämpas uppgår demokratistödet till en tiondel. I jämförelse med andra länder anslår Sverige för närvarande den största andelen av biståndsbudgeten till att stödja demokrati.

Sveriges budget för demokratibistånd enligt den *breda* definitionen har ökat i reala termer under det senaste årtiondet, främst på grund av de bidrag som har givits till Afrika söder om Sahara, Sydasiens och Mena-regionen. Stödet har främst gått till decentralisering och subnationella myndigheter, förvaltning inom offentlig sektor, rättslig och juridisk utveckling, samt organisationer för korruptionsbekämpning. När den *smalare* definitionen av demokratibistånd används, efter att ha uteslutit ”regionalt bistånd”, vilket omfattar verksamheter såsom regionala projekt och program som gynnar flera mottagarländer i en region (t.ex. Afrika söder om Sahara) men inte kan tillskrivas ett specifikt mottagarland, och ”ospecificerat bilateralt” bistånd, vilket innefattar bistånd riktat till verksamheter som gynnar flera världsregioner liksom ej landsspecifikt programstyrt bistånd, t.ex. administrativa kostnader och forskningskostnader för icke-statliga organisationer och multilateralt bistånd som inte inbegrips någon annanstans, noteras sedan 2014 kraftigt minskade anslag av svenskt demokratibistånd till grundläggande demokratiaspekter såsom mänskliga rättigheter, demokratiskt deltagande, civilsamhället samt fria medier i mottagarländerna (se figur S2).

Figur S2: Sveriges demokratibistånd per huvudverksamhet enligt en samlare definition (åtaganden i fasta priser i miljoner US-dollar)



Anmärkning: Figur 7 i huvudrapport.

Källa: Författarnas beräkningar baserat på OECD:s rapporteringssystem för biståndsaktiviteter.

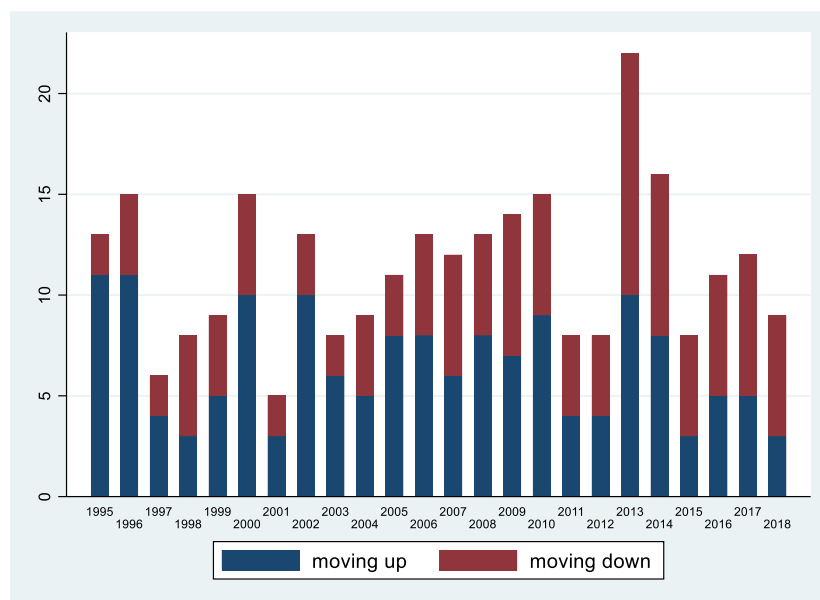
Mäta demokrati

Denna studie grundar sig på index från Varieties of Democracy (V-Dem). Valet av data bygger på en noggrann, kvantitativ och jämförande analys av de mest använda demokratiindex som återfinns i den akademiska litteraturen. Fokus ligger på V-Dems index för valdemokrati och inkluderar även index på lägre nivå som kan kopplas till olika områden av demokratibistånd inom ramen för den *smalare* definitionen.

Det globala genomsnittet för valdemokratiindexet visade en tydlig uppåtgående trend från mitten av 1990-talet fram till det första årtiondet av 2000-talet då en nedåtgång tog sin början. Trenderna ser något olika ut inom olika regioner. Särskilt bekymmersamt är de tydliga bakslagen för demokratin i medelinkomstländer i

Latinamerika, Västindien, Europa och Centralasien. Generellt sett visar uppgifterna att demokratin har varit hotad sedan början av 2010-talet, när det var fler länder som började halka nedåt på demokratistegen än länder som klättrade uppåt (se figur S3).

Figur S3. Antal länder som halkar nedåt och klättrar uppåt på demokratistegen



Anmärkning: Figur 10 i huvudrapport.

Källa: Författarna baserat på V-Dem.

Analys av internationellt och svenskt demokratibistånd

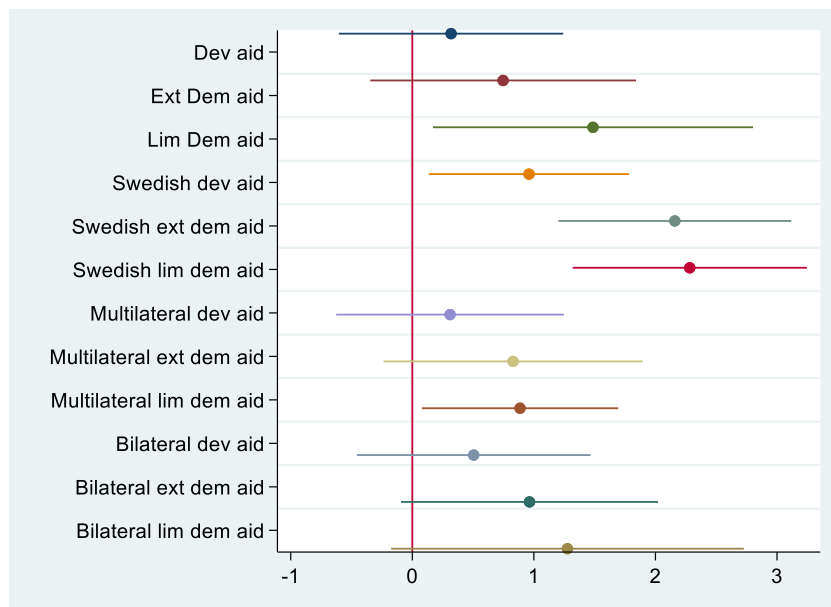
Den empiriska analysen grundas på ekonometriska metoder, modeller och tillvägagångssätt som syftar till att fånga det komplexa och dynamiska förhållandet mellan olika definitioner och delområden av demokratibistånd och demokrati. Samtidigt tar analysen hänsyn till viktiga demokratiska faktorer som lyfts fram inom strukturella, institutionella och aktörsbaserade demokratiteorier.

Resultaten tyder på att demokratibiståndets bidrag till demokratin är litet men positivt och statistiskt signifikant. Det positiva förhållandet är i linje med de antaganden som görs i analysramen, och de små punktskattningarna överensstämmer med tidigare studiers uppskattningar och reflekterar demokratibiståndets blygsamma bidrag till demokratiframjande aktörer och institutioner i mottagarländerna. Demokratibistånd är således bra för demokrati, men det är inte någon allomfattande lösning för att få till stånd regimförändringar eller global demokratisering.

Demokratibiståndets effekt är uppskattningsvis i samma storleksordning för de fem största länderna i OECD:s biståndskommitté (USA, Tyskland, Japan, Storbritannien och Frankrike), samt för multilateralt och bilateralt demokratibistånd. När det gäller bilateralt bistånd är dock inverkan signifikant först efter att man har kontrollerat för inverkan av militära utgifter i mottagarländerna och förekomsten av regionala demokratiska spridningseffekter. Det tyder på att det bilaterala demokratibiståndets framgångar påverkas i högre grad av geopolitiska förhållanden än multilateralt demokratibistånd.

När det gäller svenskt bistånd är sambandet något större och statistiskt starkare än det totala internationella biståndet. En ökning på 10 % av Sveriges demokratibistånd under en femårsperiod genererar en genomsnittlig ökning på 0,22 punkter i V-Dems index för valdemokrati. Det är fortfarande lite, men sambandet är förvånansvärt starkt. Resultaten är även positiva och statistiskt signifikanta, men mindre, för demokratibistånd enligt den breda definitionen, och sambandet blir mindre starkt när utvecklingsbistånd analyseras (se figur S4).

Figur S4. Utvecklings- och demokratibistånds effektstorlek per givartyp



Anmärkning: Uppskattningarna är baserade på modell 1, och maximum likelihood-metoden (ML-metoden) och strukturell ekvationsmodellering (SEM-metoden) har använts. Modell 1 inbegriper ekonomisk tillväxt, den inkomst per capita som har registrerats en viss period, andel stadsbefolkning, befolkningstäthet och arrende för naturresurser. Alla de modeller som mäter inverkan av Sveriges demokratibistånd kontrolleras för inverkan av demokratibistånd från andra givare. I diagrammet visas markörer för punktskattningar och streck för konfidensintervall med konfidensgrad 90 %. De streck som korsar referenslinjen vid noll visar koefficienter som skiljer sig signifikant från noll. Dev aid – utvecklingsbistånd, Ext Dem aid – bred definition av demokratibistånd, Lim Dem aid – smal definition av demokratibistånd. Figur 14 i huvudrapport.

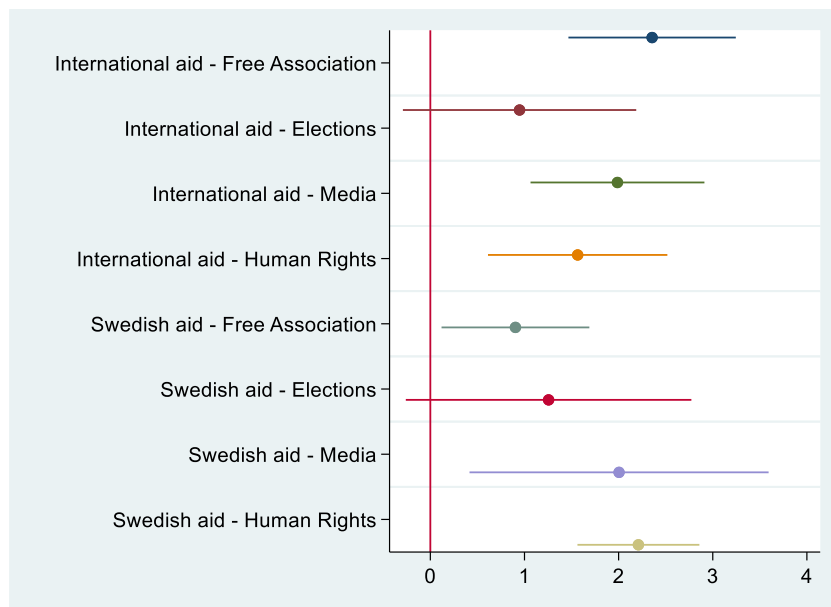
Källa: Författarna.

Även sammansättning av biståndstyp och finansieringsmetod tycks även ha betydelse i vår analys. Det finns en stor variation när det gäller hur biståndsmedel fördelas och med hjälp av vilket finansieringsinstrument det förmedlas. Den senaste tillgängliga informationen visar att 74 % av det demokratibistånd som omfattas av den smalare definitionen av demokratibistånd fördelades via projektstöd, 19 % via kärnstöd, samfinansierade program och fonder och enbart 2 % via budgetstöd. Större delen av dessa medel förmedlades i form av bidrag (95 %) och skuldinstrument (5 %). Detta tyder på att givare föredrar icke-statliga aktörer framför

statliga kanaler när de ger demokratibistånd, antagligen på grund av den stora risken för att bistånd förskingras, i synnerhet när de verkar i autokratiska politiska miljöer. Det kan även bero på svag institutionell kapacitet eller en sviktande stat i länderna i fråga (eller bådadera).

Analysen av delområden inom internationellt och svenskt demokratibistånd visar på positiva och signifikanta samband för de flesta verksamhetsområden med undantag för fria och rättvisa val, vilket är en av de verksamheter som har mottagit begränsat stöd bland de områden som demokratibistånd är inriktat på. För svenskt bistånd är en ökning på 10 % av biståndet till stöd för demokratiskt deltagande och civilsamhället, media och fria informationsflöden samt mänskliga rättigheter under en femårsperiod kopplat till ökningarna på 0,09, 0,19, och 0,21 punkter i V-Dems index över föreningsfrihet, yttrandefrihet och alternativa informationskällor samt mänskliga rättigheter och medborgerliga friheter (se figur S5).

Figur S5. Enskilda biståndsverksamheters inverkan på demokratiindex på lägre nivå



Anmärkning: Uppskattningarna är baserade på modell 1. Maximum likelihood-metoden (ML-metoden) och strukturell ekvationsmodellering (SEM-metoden), med en loglinjär funktionell form, har använts. Modell 1 inbegriper ekonomisk tillväxt, den inkomst per capita som har registrerats en period, andel stadsbefolkning, befolkningstäthet och arrende för naturresurser. Alla de modeller som mäter inverkan av Sveriges demokratibistånd kontrollerar för inverkan av demokratibistånd från andra givare. I diagrammet visas markörer för punktskattningar och streck för konfidensintervaller med konfidensgrad 90 %. De streck som korsar referenslinjen vid noll visar koefficienter som skiljer sig signifikant från noll. Figur 15 i huvudrapport.

Källa: Författarna.

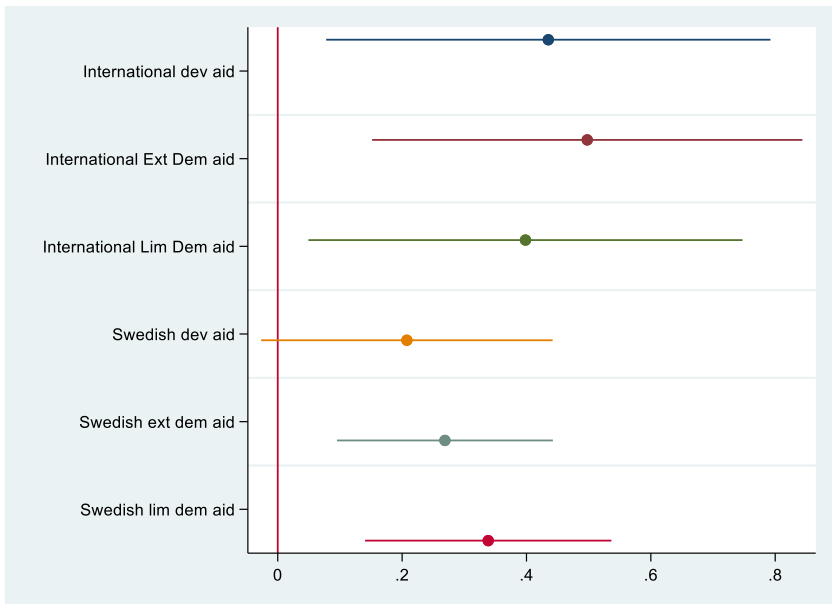
Bidrar demokratibistånd till demokratisering och till att förhindra bakslag för demokratin?

Givarländerna i OECD:s biståndskommitté, och Sverige i synnerhet, har ökat insatserna för att stödja demokrati i autokratier och bräckliga demokratier. Den demokratiska utvecklingen i de länder som Sverige prioriterar har gått åt olika håll – i vissa är demokratin på uppgång och i andra på nedgång. Därför undersöker

vi om demokratibistånd stärker övergångar till ökad demokrati (uppgång) eller förhindrar politiska nedgångar.

Resultaten visar tydligt på ett asymmetriskt förhållande mellan demokratibistånd och dynamiken i politiska processer. Både nutida och tidigare internationellt och svenskt demokratibistånd tycks stödja demokratiseringsprocesser (uppgång) på ett mer effektivt sätt än det förhindrar demokratiska tillbakagångar (se figurerna S6 och S7).

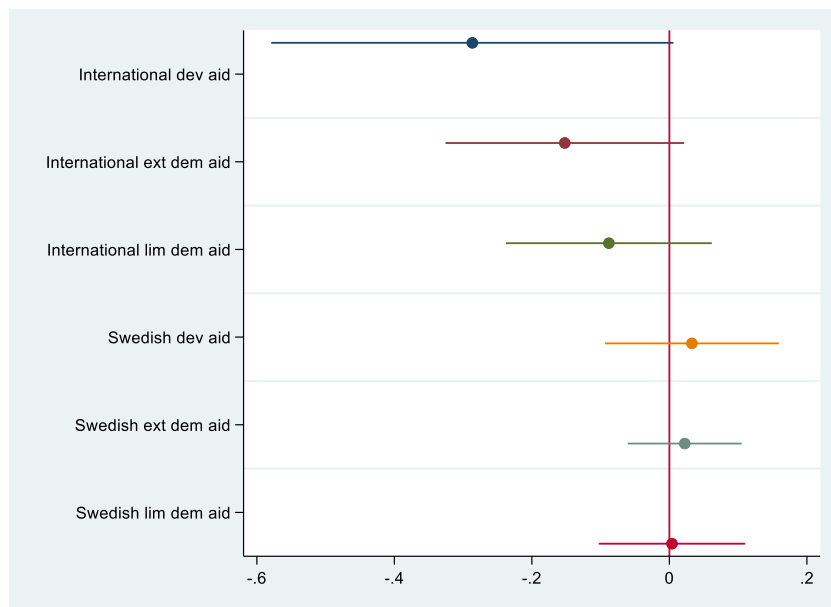
Figur S6. Demokratibiståndets inverkan på demokratisering (uppgång)



Anmärkning: Uppskattningarna är baserade på modell 1. Tobit-skattningar med fixa effekter, utifrån den semiparametriska metoden i Honoré, (1992), har använts. Modell 1 inbegriper ekonomisk tillväxt, den inkomst per capita som har registrerats en period, andel stadsbefolkning, befolkningstäthet och arrende för naturresurser. Alla de modeller som mäter inverkan av Sveriges demokratibistånd kontrollerar för inverkan av demokratibistånd från andra givare. I diagrammet visas markörer för punktskattningar och streck för konfidensintervaller med konfidensgrad 90 %. De streck som korsar referenslinjen vid noll visar koefficienter som skiljer sig signifikant från noll. Dev aid – utvecklingsbistånd, Ext Dem aid – bred definition av demokratibistånd, Lim Dem aid – smal definition av demokratibistånd. Figur 16 i huvudrapport.

Källa: Författarna.

Figur S7. Demokratibiståndets inverkan på demokratisering (nedgång)



Anmärkning: Uppskattningarna är baserade på modell 1. Tobit-skattningar med fixa effekter, utifrån den semiparametriska metoden i Honoré, (1992), har använts. Modell 1 inbegriper ekonomisk tillväxt, den inkomst per capita som har registrerats en period, andel stadsbefolkning, befolkningstäthet och arrende för naturresurser. Alla de modeller som mäter inverkan av Sveriges demokratibistånd kontrollerar för inverkan av demokratibistånd från andra givare. I diagrammet visas markörer för punktskattningar och streck för konfidensintervaller med konfidensgrad 90 %. De streck som korsar referenslinjen vid noll visar koefficienter som skiljer sig signifikant från noll. Dev aid – utvecklingsbistånd, Ext Dem aid – bred definition av demokratibistånd, Lim Dem aid – smal definition av demokratibistånd. Figur 17 i huvudrapport.

Källa: Författarna.

Analysen tyder även på att stöd till demokratiskt deltagande, civilsamhället, fria medier och mänskliga rättigheter tycks vara de kanaler som gör det möjligt att förverkliga demokratiseringseffekter. Det faktum att vi inte kan konstatera något signifikant bidrag från bistånd till att förhindra ”nedgångar” tycks återspegla faktumet att nedgångar domineras av slutna diktaturer och valautokratier, där den makt och de resurser som finns tillgängliga för politiska maskiner som stöder regimerna kan vara betydande i förhållande till biståndsbudgetar. Uppgångar domineras å sin sida av valdemokratier och valautokratier.

Demokratibistånd är komplext, vilket styrks av det faktum att den mest markanta demokratiska tillbakagången har skett i medelinkomstländer – särskilt i Latinamerika, Europa och Centralasien. Detta är länder som i allt högre utsträckning undantas från internationellt och svenskt demokratibistånd på grund av högre inkomstnivåer.

Demokratibiståndets inverkan på styrelseskick

När det gäller svenskt demokratibistånd tyder vår analys på att biståndet ökar sannolikheten för att demokratier ska upprätthålla demokratiska principer och minskar samtidigt, om än i begränsad utsträckning, sannolikheten att statusen i slutna diktaturer och valautokratier förblir oförändrad.

Sambandets styrka är inte signifikant inom ramen för alla modeller, och det blir genomgående positivt för demokratier (eller negativt för autokratier) och statistiskt signifikant först när ytterligare faktorer som förväntas påverka demokratin beaktas i analysen: hur splittrade oppositionspartierna är, ländernas finanspolitiska utrymme, hur sviktande staten är, förekomsten av etniska spänningar, hur stora inkomstskillnaderna är samt förekomsten av regeringskritiska rörelser.

Slutsats

Sammanfattningsvis visar studien på ett litet men positivt bidrag från internationellt och svenskt bistånd till stöd för demokrati runtom i världen. Iakttagelserna tyder på att demokratibistånd har ett starkare samband med demokrati, åtminstone på kort till medellång sikt, än utvecklingsbistånd, i och med att demokratibistånd är inriktat på de institutioner och aktörer som främst driver på demokratiska förändringar. Utvecklingsbistånd har ett positivt samband med

demokrati, men det förutsätter ett antal faktorer som underbygger demokrati och som kan ta mycket längre tid att förverkliga.

Det är viktigt att påpeka att det inte finns någonting som tyder på att riktat demokratibistånd (eller utvecklingsbistånd) har ett negativt samband med demokrati. Väsentlig kritik mot bistånd i allmänhet består i att det har negativ inverkan på demokratisk samhällsstyrning, men våra iakttagelser bestrider i viss grad denna kritik.

Resultaten framhäver vikten av att fortsätta ge demokratibistånd och möjligen öka det, särskilt inom de mest centrala områden som upprätthåller demokratin i biståndsmottagande länder. Samtidigt bör förväntningarna på biståndets påvisbara inverkan från år till år vara realistiska. När det gäller svenskt bistånd talar resultaten starkt för ett ökat bilateralt demokratibistånd, i syfte att kompensera för den kraftigt minskade finansieringen av centrala aspekter av demokratin under de senaste åren. Man bör ytterligare överväga möjligheten att öka biståndet till att övervaka och granska valcykler samt stärka oberoendet hos valmyndigheter som garanterar fria och rättvisa val, vilket är ett område som hittills har mottagit begränsat svenskt bistånd i förhållande till andra områden.

Analysen visar även på ett asymmetriskt förhållande mellan demokratibistånd och dynamiken i politiska processer. Både internationellt och svenskt demokratibistånd tycks stödja demokratisering (uppgång) på ett mer effektivt sätt än det hejdar bakslag för demokratin (nedgång).

Bland uppgångarna, där demokratibistånd tycks mer effektivt när det gäller att främja demokratisering, återfinns både valdemokratier och valautokratier. Frågan om huruvida knappa resurser ska anslås till att stödja autokratier som går mot mer demokrati eller demokratier som förbättras (eller bådadera) kräver noggranna överväganden från fall till fall mot bakgrund av de varierande

graderna av ekonomisk utveckling, institutionell kapacitet och geopolitisk betydelse bland dessa länder.

En mer angelägen fråga ut ett normativt perspektiv är kanske hur man ska hantera länder på tillbakagång, särskilt med tanke på att de länder med mest uttalad förlust av demokratiska friheter är medelinkomstländer i Latinamerika, Europa och Centralasien – dvs. länder vars utvecklings- och demokratibistånd har skurits ned kraftigt.

Avslutningsvis vill vi argumentera för och framhålla vikten av att fortsätta ge demokratibistånd och möjligen öka det, särskilt inom de mest centrala aspekterna av demokrati (t.ex. mänskliga rättigheter, demokratiskt deltagande, civilsamhället och fria medier) som upprätthåller och främjar demokrati och där resultaten visar att givare får mest avkastning på investeringarna. När detta görs bör samtidigt förväntningarna på biståndets påvisbara inverkan från år till år fortsatt vara realistiska.

Den globala demokratin är på tillbakagång. Om det internationella samfundet försummar att reagera kan det få långsiktiga konsekvenser för internationell fred, stabilitet och välbefinnande.

Summary

Democracy aid is a significant component of development cooperation. As a share of total aid, it has increased steadily since the mid-1990s. In 2018, countries in the OECD Development Assistance Committee (DAC) devoted roughly 10 per cent of overseas development assistance (ODA) to this area. Sweden, whose bilateral democracy aid reached 30 per cent in 2018, is consistently one of the highest contributors among DAC donors.

While the world has witnessed significant progress towards democracy, especially since the end of the Cold War, recent years show concerning trends in democratic backsliding. Such trends have worrying global implications for civil liberties and political rights, as well as for inclusive development and international stability.

In 2019, Sweden launched the ‘Drive for Democracy’ initiative, making support for democracy central to its foreign policy, including security, development, and trade policy. Implicitly, such an initiative entails the message that supporting democracy not only is intrinsically important, but also has been instrumentally effective.

This report reconsiders the evidence on democracy aid. It asks: Does democracy aid ‘work’? How? Under what conditions might it work better? It draws both on a new systematic review of the existing literature and on a new international comparative analysis using multiple advanced econometric methods. The analysis covers 148 countries during the period 1995-2018.

In a nutshell, the study finds the following:

- a modest yet positive contribution of international and Swedish democracy aid to democracy;
- stronger correlations when democracy aid targets core pro-democratic areas, such as civil society, the free media, and human rights;

- no evidence of a negative association between international or Swedish democracy aid and democracy;
- both international and Swedish democracy aid seem more effective at supporting democratization than at halting democratic backslidings;
- the composition of aid type and finance type seem to matter, as the distribution of aid via non-state actors may mitigate the risk of regime capture of these resources;
- both bilateral and multilateral democracy aid seem effective at supporting democracy, although their contribution is stronger when targeted at pro-democracy actors and institutions.

The report contains the following core sections:

Analytical framework

The analysis underpinning this report adopts a Dahlian approach in the sense that ‘democracy’ refers to electoral democracy and its institutional guarantees: freedom to form and join associations, freedom of expression, the right to vote, eligibility for public office, the right of political leaders to compete for support, alternative sources of information, free and fair elections, and institutions that tie government policy to votes and public preferences.

Democratization, in turn, refers to the process of movement from an authoritarian to a democratic regime. Several stages are regularly distinguished. *Democratic transition* refers to the adoption of democratic institutions in place of authoritarian ones, marked for instance by constitutional change and the holding of ‘free and fair’ elections; *democratic survival* to the continued practice of democracy; and *democratic consolidation* to when democracy has become ‘the only game in town’.

Theories of democratization traditionally can be grouped into three broad camps:

Structuralist theories emphasize the importance of macro-level structural factors, such as the linkages from economic development to political development and democratic transition via urbanization and industrialization, and a broader educated middle class able to challenge traditional roles and authorities and to engage in mass political participation.

Institutional theories focus on the role of institutions, both formal and informal. A variety of institutions are highlighted in the literature, including political parties and electoral institutions, civil society, media institutions, judicial institutions, and human rights.

Agency-based theories highlight the role of individuals and agency in the democratization process. In these models, various civil society actors, along with other political elites and leaders, can play a defining role in democratization.

In practice, these theoretical approaches are not mutually exclusive and do share some overlap in terms of actors and context, but also provide broad, comprehensive ways of thinking about democratization.

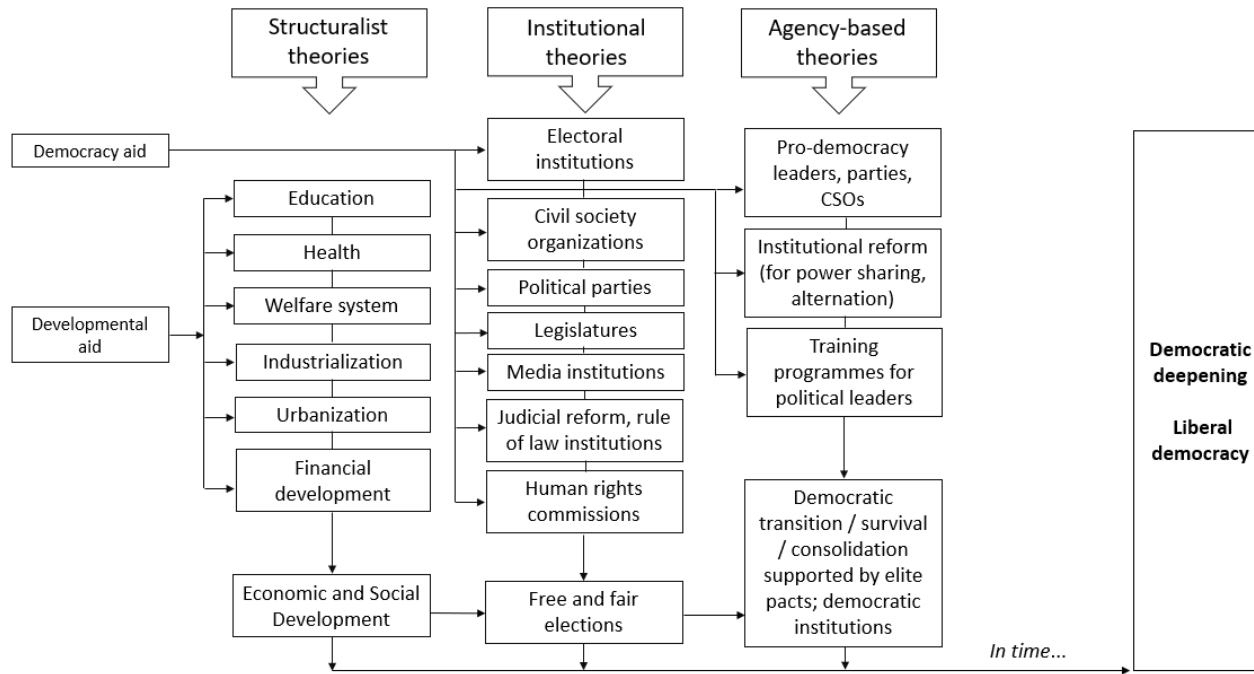
The report presents an analytical framework that considers the role of aid within the context of these three camps of theory on democratization. It conceptualizes two general approaches for aid intervention:

- Activities under a *democracy aid* approach give strong emphasis to the support of pro-democracy actors and institutions such as civil society organizations and activism, electoral institutions, political parties, media organizations, judiciary reform and rule of law institutions, human rights, and pro-democracy leaders and advocates, which are commonly highlighted by institutional and agent-based theories of democracy.

- Activities under a *developmental aid* approach pursue incremental, long-term change in a wide range of political and socioeconomic sectors, frequently emphasized by structuralist but also institutional and agent-based theories of democracy.

This framework, which is depicted in Figure 1, allows a rigorous comparative analysis of the relationship between aid and democracy and addresses the question of whether aid, falling in the ‘democracy’ or the ‘developmental’ category, contributes to democracy.

Figure S1. Aid and democratization: an analytical framework



Note: Figure 1. in main report.

Source: Authors.

Review of the literature

The report adopts a systematic review methodology to provide a rigorous, unbiased, and reproducible synthesis of the literature on the impact of democracy aid and developmental aid on democracy.

To our knowledge, this is the first such systematic review of this literature.

The review focuses on studies that adopt quantitative methodologies and were published between 1990 and 2020. It covers both the white and grey literature published in English, Spanish, French, and Portuguese, which together make up 99 per cent of the publications in the social sciences.

The search protocol yielded 145,861 results, however the majority were excluded from our analysis due to their non-academic nature, adoption of non-quantitative methodologies, or focus on the determinants of aid allocation, rather than the impact of democracy aid. The results presented here are based on analysis of 90 publications.

Synthesis of evidence

From the 90 studies included in this systematic review, 64 conceptualize aid as ‘total aid’, often synonymous with ‘developmental aid’ as defined in the analytical framework. These 64 studies offer inconclusive trends: 39 find that developmental aid has modest but positive impacts on democracy, whereas 30 show negative impact and several show both positive and negative impact, depending on the type of donor, and domestic political conditions within recipient states.

Of the 32 studies that focus on ‘democracy aid’ (either alone or in conjunction with other types of aid), 26 find a positive impact on democracy, whereas only 9 identify a statistically significant negative impact. Of the studies that focus on subcategories of democracy aid interventions (e.g. participation/civil society aid, election aid, media aid, and human rights aid), 29 find a positive impact, whereas 11 find a negative impact.

Overall, a higher percentage of studies on targeted democracy aid show a positive impact (81%) than studies on developmental aid (61%). This is suggestive of the former being more effective at supporting democracy than the latter.

In addition, the modality of aid – whether budget support, project aid interventions, core contributions, pooled programmes and funds, or technical assistance – appears to matter for the effectiveness of aid. Project aid interventions, core contributions, pooled programmes and funds, and technical assistance seem to be generally effective aid delivery modalities. However, since 55 (out of 90) studies do not define the modality of aid delivered, any conclusion drawn from this must be interpreted with caution.

In summary, findings from the systematic review suggest that

- targeted democracy aid may be more effective in producing positive democratic outcomes than developmental aid;
- aid modalities appear to matter, but more evidence is needed to draw any strong conclusions in this area;
- donor characteristics influence the effectiveness of aid; and
- the domestic political environment within recipient states conditions how effective aid ultimately is.

Democracy and aid indicators

Democracy aid definitions

The analysis in this report adopts three definitions of democracy aid, following its analytical framework:

- The first definition, *developmental aid*, captures developmental approaches to aid intervention, and is measured as the sum of total development cooperation.
- The second definition of democracy aid considers an *extensive* set of activities that fall under the purpose classification code 150 in the OECD DAC 5 code system ‘government and civil society organizations’. While this extensive definition of democracy aid captures important dimensions that are highlighted by institutional and agent-based theories of democracy, it suffers from imprecision, as it includes activities that are arguably not meant to strengthen democracy, such as meteorological services, fire and rescue services, and police and prisons management.
- Therefore, the analysis adopts a third *limited* definition of democracy aid that measures a set of activities that are more precisely targeted at supporting dimensions of democracy that are highlighted by institutionalist and agency-based theories of democracy, including assistance to democratic participation and civil society, elections, legislatures and political parties, media and free flow of information, and human rights.

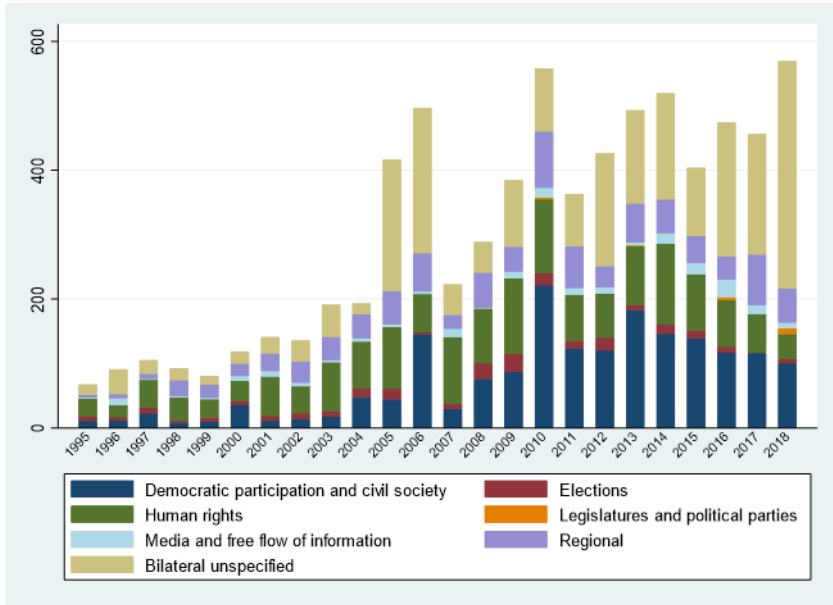
In addition to these composite aid measures, the report focuses on key subcomponents of the limited definition of democracy aid to assess whether these specific aid activities impact intended democratic outcomes

Swedish democracy aid

Roughly one-third of Swedish aid goes to democracy support, as measured using the extensive definition of democracy aid, and about one-tenth using the limited definition. Compared to other countries, Sweden currently allocates the largest proportion of its development budget to the support of democracy.

In real terms, Sweden's *extensive* democracy aid budget has increased over the past decade, largely driven by budgets allocated to sub-Saharan Africa, South Asia, and the MENA region, especially to support decentralization and subnational governments, public sector administration, legal and judicial development, and anticorruption organizations. However, when the *limited* definition of democracy aid is adopted, and after excluding 'regional aid' (which captures activities such as regional projects and programmes that benefit several recipient countries in a region (e.g. sub-Saharan Africa), but cannot be attributed to a specific recipient country, and 'unspecified bilateral' aid (which includes aid directed to activities that benefit several world regions, and also non-country programmable aid, such as administrative costs and research costs incurred by NGOs and multilaterals not included elsewhere), we observe since 2014 a steep decline in the allocations of Swedish democracy aid to core dimensions of democracy such as human rights, democratic participation and civil society, and the free media *in* aid-recipient countries (see Figure S2).

Figure S2: Swedish *limited* democracy aid by main activity (commitments at constant prices in millions of US\$)



Note: Figure 7 in main report.

Source: Authors' calculations based on OECD's Creditor Reporting System.

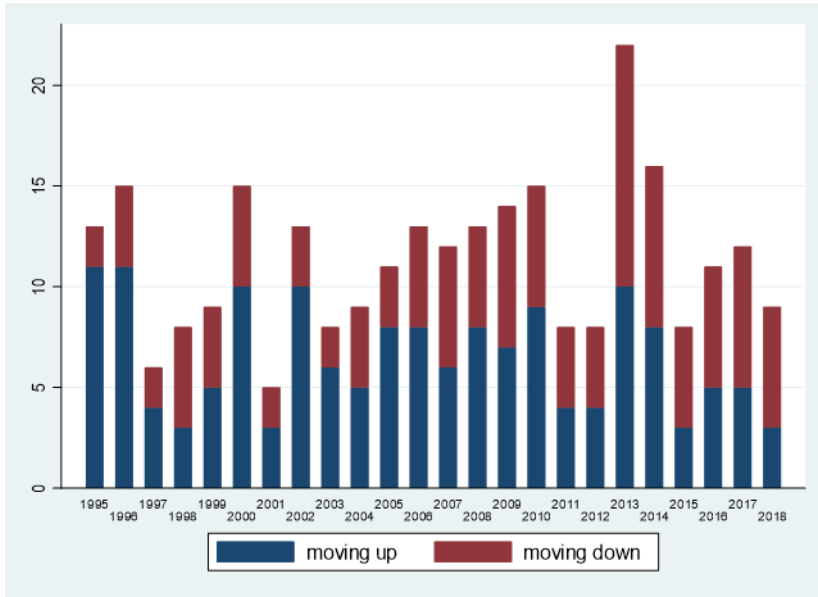
Measuring democracy

This study relies on a set of indices from Varieties of Democracy (V-Dem). The choice relies on a rigorous quantitative comparative analysis of the most widely used democracy indices in the literature. It focuses on the V-Dem electoral democracy index including those lower-level indices which are closely associated with subcomponents of democracy aid in the limited definition.

The global average of the electoral democracy index over the past 25 years shows a clear upward trend from the mid-1990s up to the end of the first decade of the 2000s, when the index began to experience a decline. Consideration of trends within regions shows some variation. Of particular concern is the apparent democratic backsliding in middle income countries of Latin America and the

Caribbean, and Europe and Central Asia. Overall, the data show democracy has been under threat since the beginning of the 2010s, when more countries began to move down the democratization ladder than to move up (see Figure S3).

Figure S3. Number of countries moving up and moving down the democracy ladder



Note: Figure 10 in main report.

Source: Authors based on V-Dem.

Analysis of international and Swedish democracy aid

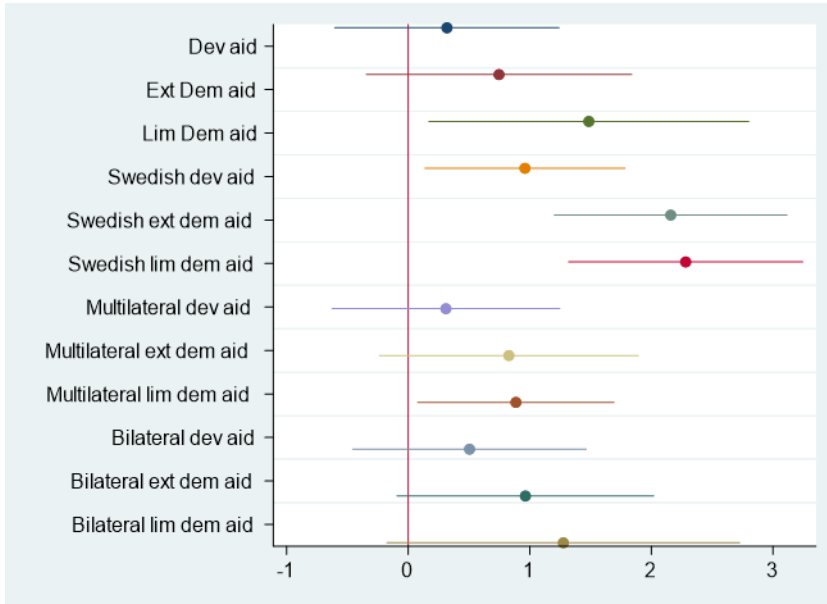
The empirical analysis is based on econometric methods, models, and approaches that aim to capture the complex dynamic configuration of the relationship between the various definitions and subcomponents of democracy aid and democracy itself, while accounting for key determinants of democracy that are highlighted by structural, institutional, and agency-based theories of democracy.

Results suggest that the contribution of democracy aid to democracy is small but positive and statistically significant. The positive relationship is consistent with expectations as set out within our analytical framework, while the small point estimates are in accordance with our priors, given the modest contribution of democracy aid to pro-democratic actors and institutions in recipient countries. Thus, while democracy aid is good for democracy, it is not the silver bullet for regime change or global democratization.

The effect of democracy aid is in a similar order of magnitude for top five DAC countries (United States, Germany, Japan, United Kingdom, and France), and for multilaterals and bilaterals. In the case of the bilaterals, however, the effect is significant only after controlling for the effect of military spending in recipient countries and the existence of regional diffusion effects of democracy. This suggests that the success of bilateral democracy seems to be more influenced by broader geopolitical considerations than multilateral democracy aid.

In the case of Swedish aid, the size of the correlation is slightly larger and statistically stronger. A 10 per cent increase in Swedish democracy aid over a five-year period is associated with an average 0.22 point increase in the scalar of the V-Dem electoral democracy index, which is still very small but surprisingly strong in its association. The results remain positive and statistically significant but smaller for democracy aid under the extensive definition, and the strength of the association weakens when developmental aid is considered in the analysis (see Figure S4).

Figure S4. Size effects of developmental and democracy aid by type of donor



Note: Estimates based on Model 1 using a maximum likelihood estimation and structural equation modelling (ML-SEM) method. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero. Figure 14 in main report.

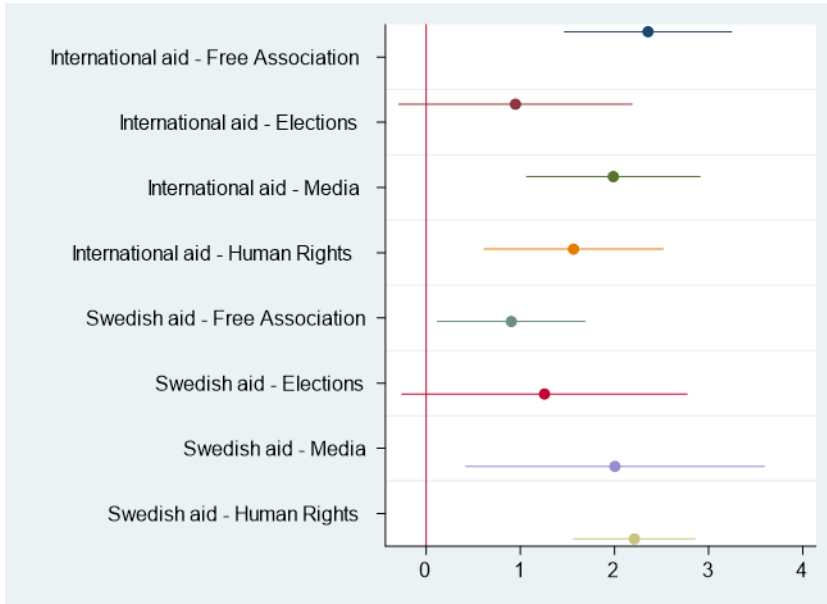
Source: Authors.

The composition of type of aid and type of finance also seems to matter in our analysis, as there is considerable variation in terms of how aid money is distributed, and by which type of financial instruments it is channelled. The most recent data show that 74 per cent of democracy aid interventions under our limited definition were distributed via project aid; 19 per cent via core contributions, pooled programmes, and funds; and only 2 per cent via budget support. Most of these funds were channelled in the form of grants (95%) and debt instruments (5%). This is suggestive of donors’ preferences for non-state actors over state channels to deliver democracy aid, probably because of the high risk of aid capture,

particularly when operating in autocratic political environments, and also because of weak institutional capacity or state fragility in those countries, or both.

Analysis of specific subcomponents of international and Swedish democracy aid points to positive and significant correlations for most activities, with the exception of free and fair elections, which is one of the activities that has received limited support among the modalities targeted by democracy aid. In the specific case of Swedish aid, a 10 per cent increase in aid to support democratic participation and civil society, the media and free flow of information, and human rights over a five year period is associated with increases of 0.09, 0.19, and 0.21 points in the scores of V-Dem's indices of freedom of association, freedom of expression and alternative sources of information, and human rights and civil liberties, respectively (see Figure S5).

Figure S5. The impact of individual aid activities on lower-level democracy indices



Note: Estimates based on Model 1 using a maximum likelihood estimation and structural equation modelling (ML-SEM) method, with a linear-log functional form. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero. Figure 15 in main report.

Source: Authors.

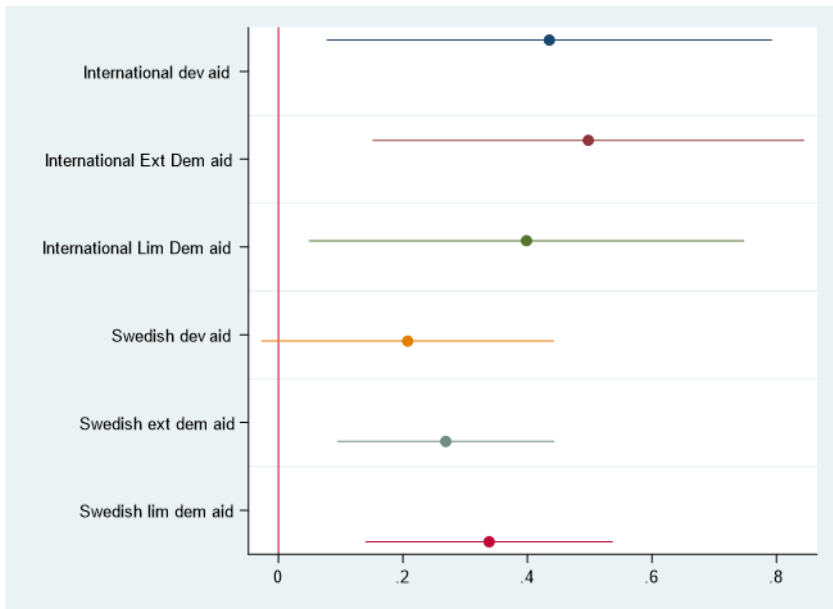
Does democracy aid support democratization or help avoid democratic backsliding?

OECD DAC country donors, and Sweden in particular, have devoted more activity in their efforts to support democracy in electoral autocracies and fragile electoral democracies. Sweden’s priority countries have experienced diverse democratic trajectories, some experiencing upturns while others observing downturns. Thus, we investigate the question of whether democracy aid

enhances transitions to greater democracy (upturns) or mitigates political downturns.

Results clearly reveal an asymmetric relationship between democracy aid and the dynamics of political processes. Both contemporaneous and past international and Swedish democracy aid appear to be more effective at supporting ongoing democratization (upturns) than at preventing ongoing democratic backsliding (downturns) (see Figure S6 and S7).

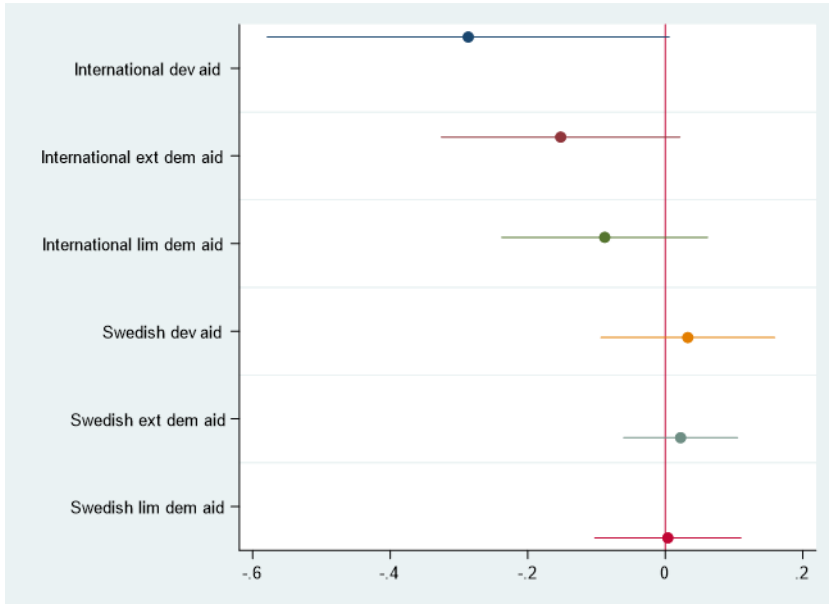
Figure S6. Effect of democracy aid on democratization (upturns)



Note: Estimates based on Model 1, using fixed-effects Tobit estimators, based on Honoré, (1992)'s semiparametric method. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero. Figure 16 in main report.

Source: Authors.

Figure S7. Effect of democracy aid on democratization (downturns)



Note: Estimates based on Model 1, using fixed-effects Tobit estimators, based on Honoré, (1992)'s semiparametric method. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero. Figure 17 in main report.

Source: Authors.

The analysis also indicates that the channels through which democratization effects materialize seem to be via the support of democratic participation and civil society, the free media, and human rights. The fact that we do not find any significant contribution of aid to stopping ‘downturns’ seems to reflect the fact that downturns are dominated by closed and electoral autocracies, where the power and resources available to political machines that support these regimes can be very significant, relative to aid budgets, while upturns are dominated by electoral democracies and electoral autocracies.

The complexity of democracy assistance is compounded by the fact that the most pronounced decline in democracy has occurred in middle-income countries, especially in Latin America, Europe, and Central Asia, which are increasingly excluded from international and Swedish democracy assistance because of their higher income status.

The effect of democracy aid on regime type

For Swedish democracy aid in particular, our analysis suggests it increases the probability of democracies upholding democratic principles, while reducing, albeit marginally, the probability of autocracies, either closed or electoral, remaining in that status.

The strength of the association is not significant across all models and it becomes consistently positive for democracies (or negative for autocracies) and statistically significant only when additional factors that are expected to influence democracy are considered in the analysis: the level of fractionalization of parties in opposition, the fiscal space of countries, the degree of state fragility, the presence of ethnic tensions, the level of income inequality, and the occurrence of anti-government movements.

Conclusion

To conclude, this study finds evidence of a small but positive contribution of international and Swedish aid to support democracy around the world. Findings suggest that aid correlates more strongly with democracy, at least in the short to medium term, than developmental aid, because democracy aid targets the very institutions and agents of democratic change. Developmental aid interventions, although positively associated with democracy, are contingent upon a number of factors underpinning democracy that can take much longer to materialize.

Importantly, there is no evidence to indicate that targeted democracy (or developmental) aid negatively correlates with democracy. A significant critique of foreign aid in general is that it has negative impact on democratic governance, and our findings raise some challenges to this critique.

The results underscore the importance of continuing to provide democracy assistance and possibly increasing it, especially in those core areas that uphold democracy in aid-recipient countries, while also maintaining realistic expectations for its demonstrable year-to-year impact. In the particular case of Swedish aid, the results make a strong case for increasing bilateral democracy aid to offset the drastic drop in funding to core dimensions of democracy seen in recent years. Further consideration should be given to the possibility of increasing aid to monitor and scrutinize electoral cycles, and also strengthen the independence of electoral bodies that guarantee free and fair elections, which is an area that so far receive limited Swedish aid, vis-à-vis other activities.

The analysis also reveals an asymmetric relationship between democracy aid and the dynamics of political processes. Both international and Swedish democracy aid appear to be more effective at supporting democratization (upturns) than at halting democratic backsliding (downturns).

Among upturns, where democracy aid appears to be more effective at promoting democratization, there are both electoral democracies and electoral autocracies. The question of whether to allocate scarce resources to support 'democratising' autocracies or 'advancing' democracies (or both) requires a careful case-by-case consideration in light of the varying degrees of economic development, institutional capacity and geopolitical significance among this group of countries.

Perhaps a more pressing question from a normative perspective is how to respond to backsliding countries, especially when those with

the most pronounced losses in their democratic freedoms are among middle-income countries of Latin America, Europe, and Central Asia that have experienced considerable cuts in development and democracy assistance.

We conclude by making the case for, and emphasizing the importance of, continuing to provide democracy assistance and possibly increasing it, especially in those core dimensions of democracy (e.g. human rights, democratic participation and civil society, and the free media), which uphold and advance democracy, and where results indicate donors get the highest returns on their investment. This should be done, while maintaining realistic expectations for its demonstrable year-to-year impact.

Global democracy is in decline. Failure by the international community to respond can have major long-term consequences for international peace, stability, and prosperity.

Introduction

Democracy aid is a significant component of development cooperation.¹ Support for fundamental freedoms, the role of democracy for development,² and strategic foreign policy considerations all play a role. For the European Union, the Maastricht Treaty (1993) and the Treaty on European Union, as modified by the Lisbon Treaty, make democracy a core principle of external policy (Zamfir & Dobрева, 2019).

As a share of total aid, democracy aid has increased steadily since the mid-1990s. In 2018, countries in the OECD Development Assistance Committee (DAC) devoted roughly 10 per cent of overseas development assistance (ODA) to this area.³ Sweden, whose bilateral democracy aid reached a high of over 38 per cent in 2015, declining to about 30 per cent in 2018, is consistently among the highest contributors of democracy aid as a share of total aid.

¹ Following Dahl (1971), we define *democracy* as a set of values, rules, and institutions that constitute a form of government in which the supreme power is vested in the people and exercised directly by them or by their elected agents under a free electoral system. Definitions are discussed in more depth below. *Democracy promotion* and *democracy support* are interchangeable concepts often used to refer to foreign policy activities, aimed at supporting democracy. *Democracy aid* is one component of such activities, together with diplomacy and military interventions. This study focuses specifically on democracy aid.

² A significant, but not uncontested, body of research argues that democracy supports socioeconomic development, with democracy aid then a means to support development (see Bishop, 2016; Doorenspleet, 2018; Kaufmann & Kraay, 2002; UNDP, 2002).

³ There is considerable diversity in how democracy aid is measured. The estimates in this section are based on data from the OECD DAC using the classification ‘government and civil society’, because it is consistent with usage by many development partners. This is what we will call an ‘extensive’ definition of democracy aid. We argue below that a ‘limited’ definition is more appropriate in the analysis of democracy aid’s impact. Table 1 lists the aid activities included in each democracy aid definition.

Democracy has shown dramatic historical growth, to which external democracy support, at least since the 1970s, has arguably contributed (Huntington, 1991a). In 1816, according to Roser (2016)'s estimates, less than 1 per cent of the world's population lived in a democracy. By 1900, it was 12 per cent, by 1950 31 per cent, and by 2000 56 per cent.⁴ Recent years, however, show concerning trends in democratic backsliding. Freedom House reports that democracy has been in decline since 2005 (Repucci, 2020). The Varieties of Democracy (V-Dem) Institute finds that the majority of the world's population (54 per cent) now live in autocracies – for the first time since 2001 (V-Dem Institute, 2020, p. 6). The CIVICUS Monitor shows that twice as many people lived in countries where civic freedoms are being violated in 2019 than in 2018 (CIVICUS 2019).

Such trends have concerning global implications for civil liberties and political rights, as well as for inclusive development and international stability. For many, including the Swedish government, they make the case for continued and increased democracy aid (see Carothers, 2020). In 2019, Sweden launched the 'Drive for Democracy' initiative, making support for democracy central to its foreign policy, including security, development, and trade policy. Implicitly, such an initiative entails the message that supporting democracy not only is intrinsically important but also has been instrumentally effective.

Not everyone agrees. Existing reviews and analyses of democracy aid in fact paint an ambiguous picture (see, e.g., Bader & Faust, 2014; Bratton & van de Walle, 1997; Burnell, 2007; Carothers, 2015;

⁴ Roser's calculations are based on Polity IV data, and data from Wimmer and Min (2006), Gapminder.org, the UN Population Division (2015 Rev), and Our World In Data.

Dietrich & Wright, 2015; Dunning, 2004; Hackenesch, 2019).⁵ Moreover, a significant critique of foreign aid in general is that it contributes to poor democratic governance, weak institutions, and a lack of local accountability (Bräutigam & Knack, 2004; Easterly, 2013; Mkandawire, 2010; Moss *et al.*, 2006).

This report reconsiders the evidence on democracy aid. It asks: Does democracy aid ‘work’? How? Under what conditions might it work better? It draws both on a new systematic review of the existing literature and on a new international comparative analysis using multiple advanced econometric methods. We analyse democracy aid’s impact in 148 countries during the period 1995–2018.

Our simple message is a modest but positive one for democracy aid. Democracy aid is associated with a small yet positive contribution to democracy building, while we do not find any evidence of a negative relationship.

Core findings

- The results indicate that the contribution of international and Swedish democracy aid to democracy is small but positive and statistically significant.
- Findings suggest that aid has a stronger positive association when it explicitly targets the building blocks of democracy, via the support of civil society, free and fair elections, media freedom, and human rights.

⁵ As discussed further below, this is not surprising given the diverse contexts and periods considered across studies; the diverse ways in which democracy aid is defined and measured across studies; and the technical complexities of identifying and isolating the effect of democracy aid from democracy itself.

- We do not find any evidence of a negative correlation between targeted democracy (or developmental) aid and democracy.
- Both international and Swedish democracy aid seem more effective at supporting democratization (upturns) than at preventing democratic backsliding (downturns).
- While the analysis shows that democracy aid strengthens the position of democracies, albeit marginally, there is no indication that democracy aid reinforces autocratic rule.
- The composition of aid type and finance type seems to matter, as the distribution of aid money via non-state actors may mitigate the risk of regime capture of these resources.
- The analysis finds no evidence that multilateral (or bilateral) aid is more effective than bilateral (or multilateral) aid at advancing democracy, although both are stronger when targeted at pro-democracy actors.

A roadmap

The next section of this report considers in more depth the core concepts of democracy and democratization; summarizes major theories of democratization; and presents an analytical framework that situates, within major theoretical approaches, how democracy assistance can be expected to support democratic outcomes.

Building on this analytical framework, the report then takes new stock of the literature. It presents a systematic review of published work on aid and democracy (including grey literature), the first such systematic review in this area. This review considers not only studies that explicitly focus on ‘democracy aid’ as an aggregate category, and on its subcomponents (e.g. electoral aid and political party aid), but also studies on aid in general that consider aid’s impact on democracy.

Next, the report presents new, original analysis of the impact of international and Swedish democracy aid across countries. This section begins with a discussion of the data used in this analysis. It sets out the value of distinguishing between democracy aid and developmental aid, as well as between broad and narrow approaches to democracy aid, and of analysing disaggregated components of democracy aid, and maps key empirical trends. This analysis draws principally on the Varieties of Democracy (V-Dem) dataset's electoral democracy measures and the OECD DAC Creditor Reporting Database. Appendix II discusses other data sources.

This section then presents the methods employed to analyse the data and to gain new leverage on the key challenges identified in our review of previous work. We also consider, using innovative econometric approaches, how best to capture aid's contribution to support democratisation or prevent democratic backsliding.

We further present new analysis of the associations between key subcategories of democracy aid and components of electoral democracy. This contributes to a scant literature providing such disaggregated analysis – for instance, of elections (see, e.g., Gibson et al., 2015; Uberti & Jackson, 2019), and legislatures and political parties (see e.g. Nielsen & Nielson, 2008).

Analytical framework

Theories of democracy and democratization

Popular and scholarly discussions employ a variety of definitions of democracy. In a minimal (or procedural) definition, the crucial defining feature is elections: ‘the democratic method is that institutional arrangement for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people’s vote’ (Schumpeter, 1976 [1942]: 260). In Dahl (1971)’s approach, democracies (or ‘polyarchies’) are those regimes with both a high degree of public contestation (the presence of competitive elections) and a high degree of inclusiveness (who votes).⁶ Notably, for Dahl (1971: 2), democracy requires – beyond procedures – institutional guarantees that citizens may formulate their preferences and signify those preferences to others, and that those preferences will be weighted equally by government. These include not only free and fair elections, but also freedom of expression, freedom to form and join associations, and institutions that tie government policy to elections.⁷

Others distinguish procedural or formal democracy from ‘substantive’ democracy, in which elections are truly representative and governance is in the interests of the entire polity (e.g. Couret Branco, 2016; Eckstein, 1990; Kaldor, 2014; Trebilcock & Chitalkar, 2009).

In other usage, democracy refers principally to countries that enjoy not only free, fair, competitive, and inclusive elections, but also strong rule of law, i.e. constraints on the state, military, and

⁶ Dahl reserves the term ‘democracy’ for an ideal, hypothetical system that is ‘completely or almost completely responsive to all its citizens’ (p. 2).

⁷ The eight institutional guarantees are listed later in this section.

executive; accountability among officeholders; and protection of pluralism and civil liberties (Howard & Roessler, 2006: 368). This is the distinction drawn by Diamond (1999) and others between electoral and liberal democracy.⁸

In the rest of this study, we adopt a Dahlian approach in the sense that ‘democracy’ refers to electoral democracy (Teorell *et al.*, 2019). We focus on understanding the impact of democracy aid on democracy in this sense. When we consider other approaches, we refer specifically to ‘liberal democracy’ and so on. The defining characteristics of democracy in our approach link with Dahl’s eight institutional guarantees: freedom to form and join associations, freedom of expression, the right to vote, eligibility for public office, the right of political leaders to compete for support, alternative sources of information, free and fair elections, and institutions that tie government policy to votes and public preferences. By contrast, strong rule of law, which is essential for liberal democracy, is not a defining characteristic of democracy in our approach. Similarly, effective bureaucracy and the absence of corruption, for instance, may indeed contribute to *better functioning* democratic states, but states lacking them may still be democracies.

Democratization, in turn, refers to the process of movement from an authoritarian to a democratic regime. Several stages are regularly distinguished. *Democratic transition* refers to the adoption of democratic institutions in place of authoritarian ones, marked for instance by constitutional change and the holding of ‘free and fair’ elections; *democratic survival* to the continued practice of democracy; and *democratic consolidation* to when democracy has become ‘the only

⁸ Bollen and Paxton (2000), for instance, offer a somewhat different approach in which liberal democracy has two dimensions: democratic rule, which highlights the electoral accountability of elites, and political liberties. Theories of democracy, they note, do not necessarily fall cleanly into either dimension; Dahl (1971)’s institutional guarantees, for instance, include elements related both to the electoral accountability of elites and to political liberties such as freedom of expression.

game in town'. As Bratton and van de Walle (1997: 235) note, consolidation 'is the more or less total institutionalization of democratic practices, complete only when citizens and the political class alike come to accept democratic practices as the only way to resolve conflict' and 'political actors so fully internalize the rules of the game that they can no longer imagine resorting to nonelectoral practices to obtain office'. Other work on democratization further distinguishes *democratic deepening*, which implies not only the consolidation of democratic practice, but also movement towards more substantive democracy (Heller, 2000).

Theories of democratization can traditionally be grouped into three broad camps: one emphasizes the importance of macro-level structural factors; a second focuses on the effect of institutions, both formal and informal; and a third highlights the role of individuals and agency.⁹ Roughly speaking, these approaches disparately consider democratization either as an endogenous process emerging from economic and social development, or as an exogenous process stemming from the strategic interactions of institutions and actors. Many arguments cut across these camps, showing democratization to result from a mix of structural and institutional factors, as well as individual agency.

Modernization theory is the classic structural approach to democratization, positing a link from economic development to political development and democratic transition. This works through multiple channels, with urbanization and industrialization serving as catalysts for change in civic identities and political mobilization, cultivating a literate, cosmopolitan, consumer middle class able to challenge traditional roles and authorities and to engage in mass political participation (Deutsch, 1961; Lipset, 1959; Rostow, 1971). Although modernization theory has received its fair share of

⁹ For fuller reviews of the literature, see, e.g., Haggard and Kaufman (2016) and Stokes (2013).

criticism (Collier, 1999; Mamdani *et al.*, 1988; Moore, 1993; O'Donnell, 1973; Rueschemeyer *et al.*, 1992), economic development remains in many arguments a core factor in democratization, at least in the long run (Huntington, 1991b). Indeed, many critiques of modernization theory do not so much claim that development and democracy are unrelated but that alternative mechanisms underlie this relationship (see Dahlum, 2018; Knutsen *et al.*, 2018). In Przeworski *et al.*, (2000)'s work, for instance, the level of development 'sustains' and legitimizes democracy once a transition occurs, rather than development leading to transition itself.

In other studies, development and economic growth are linked not only to democratic 'survival' but also to democratic consolidation and deepening (Diamond, 1999). While countries may democratize and sustain minimal democracy at low levels of development, for instance, higher levels of education, better information infrastructure, and general development may support the full practice of democratic citizenship, which assumes a population with the means and ability to monitor and evaluate their elected leaders and to hold them to account (see, e.g., Gisselquist, 2008).

Yet another body of work highlights the relationship between democracy and economic growth and development, offering an alternative explanation for the correlation between the two (Barro, 1996; Knutsen, 2012). Such findings have offered important justification for democracy assistance as a means to support development (see, e.g., Bishop, 2016; Doorenspleet, 2018; Kaufmann & Kraay, 2002; UNDP, 2002). Another significant body of work considers the challenge of making democracy deliver development, especially for the poor (Bangura, 2015; Olukoshi, 2001).

Another key set of structural arguments highlights the influence of economic inequality. Greater economic equality, it is argued, may cause greater stability in democracies, as it increases the mobility of capital and thus the likelihood of democratization, but may result in further instability in autocracies (Boix, 2003; Boix & Stokes, 2002). Increased inequality may also increase the likelihood of democratization when elites can no longer offer concessions to the middle class and broader population, as highlighted by Acemoglu and Robinson (2006).

A second broad set of theories focuses on the role of institutions, both formal and informal. Modernization theory, for instance, was in large part a response to earlier cultural arguments, positing that democracy is more likely to develop and flourish in contexts with specific cultural norms and institutions (see Tocqueville, 2003). While it is now largely accepted that democracy can ‘grow in many soils’ and cultural contexts (Di Palma, 1990), contemporary literature highlights a variety of ways in which other institutions support democratization processes.

One key example relevant to our purposes is the ‘democratization through elections’ theory (Lindberg, 2009).¹⁰ Lindberg (2009: 318) posits the mechanism thus: ‘de jure, competitive elections provide a set of institutions, rights and processes giving incentives and costs in such a way that they tend to favour democratization’ and to instil democratic qualities.

The impact of a variety of institutions is highlighted in the (research and policy) literature, from the role of political parties (see, e.g., Burnell & Gerrits, 2010; Rakner & Svåsand, 2010) and specific electoral arrangements in facilitating the representation of multiple groups and interests (e.g. Reilly, 2001) to that of truth commissions, reparations programmes, and other transitional justice arrangements

¹⁰ Such an approach arguably underlies the focus on elections in some democracy promotion efforts.

in restoring confidence and trust in state institutions after authoritarian transition (e.g. Skaar, 1999); from the value of consociational arrangements in making possible democratic governance in divided societies (e.g. Andeweg, 2000) to the importance of civil society (see Youngs, 2020), media institutions (IFPIM, 2020; Schultz, 1998), judicial institutions (O'Donnell, 2004); to the question of how to reform democratic institutions to make them more gender equitable (Razavi, 2001), and so on.

A third set of theories highlights the role of individuals and agency in the democratization process. Periods of transition from authoritarian to democratic regimes, the 'transitology' school points out, are uncertain, with multiple possible outcomes. In such contexts, individuals – especially political elites and leaders – can play a defining role (e.g. O'Donnell *et al.*, 1986; Rustow, 1970). As Karl (1990: 9) argues, 'where democracies that have endured for a respectable length of time appear to cluster is in the cell defined by relatively strong elite actors who engage in strategies of compromise'.

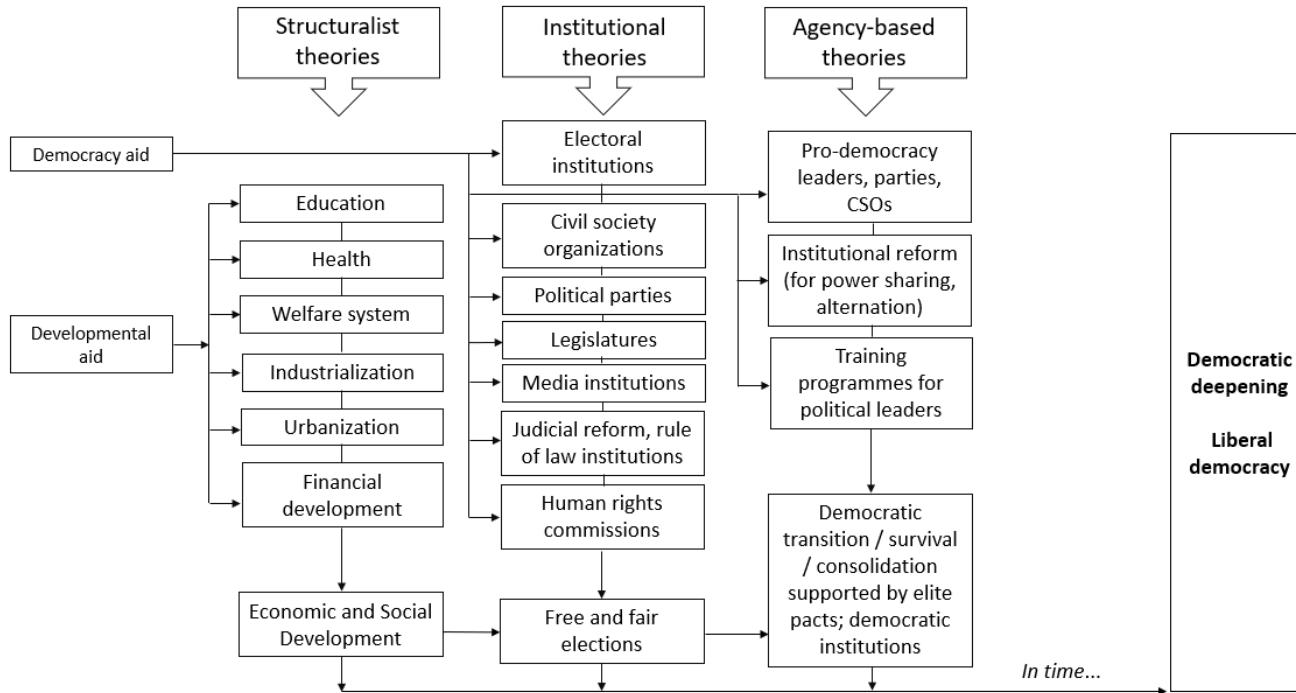
In another vein, Olson's (1993) work on roving-to-stationary bandits suggests that it is in the best interest of elites to formulate institutions and formalized arrangements. Individual actors, incentivized by the stability and certainty of the formal arrangements and the credible commitment-making inherent in the democratic process, are fundamental in creating and shaping durable democratic institutions (North, 1991; North & Weingast, 1989; Olson, 1993). Such institutions allot individuals greater capability to pursue upward mobility and broader political goals, thus sustaining democratic progress (Gourevitch, 2008).

Democracy aid and democratization

We consider the role of aid within the context of these three broad camps of theory on democratization. Carothers (2009) outlines two overall approaches to democracy support (see also Carothers, 1999, 2015). On the one hand, the political approach, associated especially with US democracy assistance, proceeds from a relatively narrow conception of democracy – focused, above all, on elections and political and civil rights – and a view of democratization as a process of political struggle in which democrats work to gain the upper hand over nondemocrats in society. It directs aid at core political processes and institutions – especially elections, political parties, and politically oriented civil society groups – often at important conjunctural moments and with the hope of catalytic effects (p. 5).

Operationally, the political approach speaks closely to the concepts that are covered by what we refer to hereafter as *democracy aid*, which seeks to support the ‘right’ pro-democracy institutions, including civil society organizations, electoral institutions, political parties, legislatures, media organizations, judiciary reform and rule of law institutions, civil society organisations, and human rights commissions, and which are commonly highlighted by institutional theories of democracy, as discussed above. Democracy aid can also include the support of pro-democracy leaders and activists, advocacy and mobilization activities by civil society groups, training for political leaders or funding to institutional reforms that facilitate power sharing or alternation during regime transitions, and which are underscored by agency-based theories of democracy (see Figure 1).

Figure 1. Aid and democratization: an analytical framework



Source: Authors.

On the other hand, the developmental approach, more associated with European democracy assistance,¹¹ rests on a broader notion of democracy, one that encompasses concerns about equality and justice and the concept of democratization as a slow, iterative process of change involving an interrelated set of political and socioeconomic developments. It favours democracy aid that pursues incremental, long-term change in a wide range of political and socioeconomic sectors, frequently emphasizing governance and the building of a well functioning state (Carothers, 2009: 5).

The distinction between these two approaches can be linked not only with different donors and conceptions of democracy, as emphasized above, but also with different underlying and implicit (occasionally explicit) theories of democratization.

Bringing together in this way Carothers' two approaches to democracy support and the three broad camps in theories of democratization gives us an analytical framework for considering whether and how democracy aid 'works'. In other words, given our theories of democratization, what should we expect the relationship between aid and democracy to be? Figure 1 summarizes this analytical framework.

Comparative analysis of the relationship between aid and democracy is complicated by a variety of factors, but at a minimum we want to know whether aid, falling both in the 'democracy/ political' or 'developmental' camps, has an impact on democracy outcomes. Is there evidence that democracy/political and/or developmental aid has positive impacts on democratization? Perhaps more importantly, what are the impacts of specific types of democracy assistance, such as aid to political parties, the media, and judicial institutions?

¹¹ The distinction between the European and US approaches here is blunt. For a more nuanced discussion of European approaches see, e.g., European Partnership for Democracy (2019), Shyrokykh (2017), and Youngs (2003).

The literature on democracy and democratization also provides insight into what we might expect such ‘impacts’ to look like in international comparative studies. In the simplest terms, a positive impact on democratization is often considered to be equivalent to an increase in democracy ‘scores’. But the discussion above underscores the flaws in this approach: democratization should be understood to involve several stages. ‘Democratic transition’ would be measured by a shift in scores from ‘authoritarian’ to ‘democratic’, whereas ‘democratic survival’ implies a ‘holding’ of scores, i.e. no change or at least no decline in scores below the democratic range. Democratic transition in turn might be preceded by authoritarian breakdown and political liberalization, during which democracy scores show improvement but remain in the authoritarian range. ‘Democratic consolidation’, meanwhile, should manifest itself in democracy scores being maintained for multiple years. ‘Deepening’ implies both this maintenance of scores and improvement in separate measures of substantive democracy.

Theories of democratization also point to the fact that processes may be slow-moving; thus, noticeable changes from year to year may be unlikely. Moreover, the size of aid flows relative to the size of the aid-recipient economies implies modest expectations, at least in terms of showing year-on-year impacts.

Taking all these points into consideration, we take stock in the next section of the literature to date that has quantitatively assessed the impact of democracy aid and developmental aid on democracy.

Review of the literature

In order to provide a rigorous, unbiased, and reproducible synthesis of the literature on the impact of democracy and developmental aid on democracy, we adopted a systematic review methodology, following the *Cochrane Handbook for Systematic Reviews and Interventions* (Higgins & Green, 2011) and PRISMA guidelines (Moher *et al.*, 2009).¹²

The search was formally conducted in February 2020 and replicated independently in March 2020. We focused on studies that adopted quantitative methodologies, and searched the period from 1990 to 2020.¹³ Searches were conducted for sources in Spanish, French, and Portuguese as well as for English-language sources¹⁴, and included both white and grey literature to mitigate the potential ‘file drawer problem’ in the literature.¹⁵

¹² Systematic reviews have been gradually adopted in economics, political science, and other social sciences with the aim of producing reliable syntheses of evidence for policy-making. Both the Campbell Collaboration and the International Initiative for Impact Evaluation (3ie) adopt the principles of the *Cochrane Handbook* for systematic reviews, but focus on the social sectors and international development interventions.

¹³ We could not find records of quantitative scholarly research predating 1990.

¹⁴ Based on Web of Science’s Social Science Citation Index (SSCI) for the period 1900–2015, about 95 per cent of scientific research in the social sciences was published in English, followed by papers published in Spanish (1.42%), German (1.19%), Portuguese (0.68%), French (0.58%), and Russian (0.37%) (Liu, 2017). Given the language skills of the research team, we conducted the search protocol in English, Spanish, French, and Portuguese, which together make up 99 per cent of the SSCI publications in the social sciences.

¹⁵ The white literature refers to peer-reviewed and published articles, book chapters, and books, while the grey literature refers to working papers and unpublished manuscripts. The inclusion of the grey literature in the search protocol helps mitigate the ‘file drawer problem’, which reflects the bias introduced into the literature by the tendency of published work (white literature) to report statistically significant results (either positive or negative), but exclude statistically insignificant findings.

The search protocol yielded 145,861 results. Of these, 145,695 publications were excluded at the identification stage due to their non-academic nature, or because of their adoption of non-quantitative methodologies, leaving us with 166 studies. In fact, over 200 papers were relevant in topic and approach but relied solely on qualitative methodology. While these studies are not part of the systematic review, they have been key sources for the theoretical and conceptual discussions presented in this study and demonstrate the breadth of the aid-democracy research agenda.

In addition, we identified 20 review publications, plus two meta-analyses, all of which we used in cross-referencing relevant publications, as well as in generally assessing the state of the literature. To our knowledge, no review of democracy aid and its impact has yet adopted a systematic review methodology. The two previous meta-analyses (Askarov & Doucouliagos, 2013; Doucouliagos & Paldam, 2009) that we identified were informative; however, neither addressed the broader context or mechanisms of democracy aid, which is a central focus of this study.

In this final eligibility stage, we identified and kept only those studies that reported and used rigorous quantitative methodologies to assess the impact of developmental aid or democracy aid in an international comparative setting. Although critical for understanding the micro-mechanisms of aid delivery and effectiveness, field experiments and randomized controlled trials conducted in subnational contexts within single countries were not included in the systematic review, because of difficulties of generalizing results across contexts and countries (Driscoll & Hidalgo, 2014; Hyde, 2007; Mvukiyehe & Samii, 2015).

A further set of 76 studies were excluded because they focused on determinants of aid allocation, rather than on the impact of democracy aid once allocated. Ultimately, therefore, the systematic review considered 90 publications in which the research design

focused, using quantitative methods and country-level data, on the impact of aid and/or democracy aid on democratic outcomes of recipient countries. A brief discussion of the results is presented below. A fuller description of the systematic review methodology is presented in Appendix I.

Description of studies

The studies included in this systematic review come from economics, international relations, development studies, and comparative politics outlets. A number of studies find both significant positive and negative impacts, conditional on particular factors; for instance, aid may have a positive impact upon democracy in existing democracies, but a negative impact upon democratic outcomes within autocracies (see, e.g., Dutta *et al.*, 2013; Kono & Montinola, 2009). Thus, the total number of studies reviewed here does not equal the total number of results. Of the 116 results from 90 studies, 39 find significant negative correlations between aid delivery and democracy outcomes, while 60 find positive correlations and 17 return null results.

The overwhelming majority of studies take a global stance, engaging in cross-country analysis, although some do subset on a particular region, including 13 studies that look only at Africa (e.g. Bratton & Van de Walle, 1997; Bräutigam & Knack, 2004; Dietrich & Wright, 2015; Dunning, 2004; Goldsmith, 2001), and 7 that focus solely on former Soviet Union and Eastern Bloc countries (e.g. Bosin, 2012; Freytag & Heckelman, 2012; Heckelman, 2010).

In this set of eligible systematic review publications we were interested first in understanding which types of aid were being analysed and for what purposes.¹⁶

Types of aid and aid modalities covered in the literature

There is notable diversity in terms of the conceptualization and measurement of ‘aid’ across the studies. While some studies underspecify what is meant by ‘aid’ (e.g. Csordás & Ludwig, 2011; Tavares, 2003) and the majority of studies underspecify the type of aid modality (e.g. Altincekic & Bearce, 2014; Arvin & Barillas, 2002; Goldsmith, 2001), some generalizations can be made about the modalities and types of aid examined in these publications.

With regard to aid type, some publications explicitly reference DAC purpose codes (e.g. Fielding, 2014), but many are vague or assume total developmental aid flows. Total developmental foreign aid is most often the focus, with 64 studies referring to total aid and 55 of those exclusively operationalizing developmental aid as total aid (e.g. Carnegie & Marinov, 2017; Goldsmith, 2001; Haass, 2019; Knack, 2004; Remmer, 2004; Selaya & Thiele, 2012; Young & Sheehan, 2014).

By comparison, 32 studies identify ‘democracy aid’ specifically, often in conjunction or comparison with other forms of developmental aid (e.g. Finkel *et al.*, 2007; Jones & Tarp, 2016; Scott & Steele, 2011). A smaller number of publications specify more

¹⁶ We referred to DAC-CRS Purpose Codes to classify seven categories of aid type (total foreign aid, democracy aid, participation and civil society aid, election aid, legislature and political party aid, media aid, and human rights aid) and to DAC-CRS Type of Aid codes to classify four categories of aid modalities (budget support, core contributions, pooled programmes and funds, project interventions, and technical assistance).

disaggregated categories of aid. For instance, 15 studies refer to election aid (e.g. Gibson *et al.*, 2015; Uberti & Jackson, 2019); 11 address participation and civil society aid (e.g. Heinrich & Loftis, 2019); 6 examine media aid (e.g. Kalyvitis & Vlachaki, 2010); 6 legislature and political party aid (e.g. Nielsen & Nielson, 2008); and 5 aid targeted at human rights (e.g. Shyrokykh, 2017).

Overwhelmingly, studies do not specify which modality of aid is being analysed (55 studies), with the exception of technical assistance and project-type interventions. Twenty-eight studies specifically examine project interventions (e.g. Edgell, 2017; Knack & Rahman, 2007; Scott & Steele, 2011; Uberti & Jackson, 2019a), which include USAID projects as well as project assistance more broadly.¹⁷ Meanwhile, nine studies analyse technical assistance (e.g. von Borzyskowski, 2019; Poast & Urpelainen, 2015; Remmer, 2004; Shyrokykh, 2017), although in these cases, it is unclear whether they refer to technical assistance in the same way as DAC-CRS codes define it. For instance, Poast and Urpelainen (2015:79) specifies technical assistance, defining it as ‘capacity building and technical expertise, coordination between private and public actors, and enhanced transparency’, whereas the DAC-CRS considers this form of aid to be ‘know-how in the form of personnel, training and research’.

In any case, more research is needed on disaggregating the impact of the different modalities of democracy aid, since only two studies in this systematic review specify an aid modality of a core contribution and two identify budget support. Most studies operationalize aid in per capita terms, as a percentage of GDP, or as

¹⁷ Project-type interventions are defined by DAC-CRS as ‘a set of inputs, activities and outputs, agreed with the partner country, to reach specific objectives and outcomes within a defined time frame, with a defined budget and a geographical area’.

total aid commitments, but no studies specifically analyse effectiveness between or amongst types of aid modalities.

The paucity of studies focusing on aid targeting specific pillars of democracy (media, elections, human rights, etc.) is perhaps reflective of the under-specification of democracy throughout the literature as well.

Democracy and regime type indicators

The two most common measures of democracy used as dependent variables in the literature are Polity IV scores and Freedom House rankings. Most studies apply the aggregate indices of these democracy measures and utilize both as robustness checks (e.g. Bermeo, 2016; Cornell, 2013; Knack, 2004). A common approach is to assess a straightforward percentage change in scores between years or instances of binary regime change (e.g. from ‘autocracy’ to ‘democracy’).

Even though these indices, and others like them, do include media freedom, strength of civil society, electoral transparency as part of their measurement, the studies themselves do not always disaggregate indices into their component scores or include subsequent measures of these component aspects of democratic development. There are exceptions; for instance, Finkel *et al.* (2007) disaggregates the measure of democratization to include, in addition to Polity scores, six subset indicators of democratization per USAID benchmark: free and fair elections, civil society, respect for human rights, free media, rule of law, and government effectiveness – running Markovian switching models on each dependent variable. Freedom House rankings are also often disaggregated in terms of political freedoms and civil liberty scores (e.g. Young & Sheehan, 2014). Disaggregated measures may allow researchers to conclude which specific components of democracy are most impacted by aid (for instance, Finkel *et al.* (2007) concludes that aid has no impact

on human rights), but the use of disaggregated measures has not been extensive, so far.

Other regime measures utilized include: the Przeworski *et al.* dataset (e.g. Bermeo, 2011); the Cheibub, Gandhi, and Vreeland dataset (e.g. Wright, 2010); Petrov composite scores (Lankina & Getachew, 2006); the Unified Democracy Score (Ziaja, 2013); the Vanhanen index (Bjørnskov, 2010); the Geddes typology of regimes (Savage, 2017), and V-Dem's electoral democracy indices (Haass, 2019; Uberti & Jackson, 2019b).

Some studies remain agnostic to regime typology, instead measuring government turnover, multi-party transitions, electoral performance, electoral outcomes, corruption, quality of institutions, or other governance indicators. For example, in an effort to capture levels of democratization, Ahmed (2012) measures incumbent years in office and whether or not turnover occurred. Moreno-Dodson *et al.* (2012) similarly uses a binary variable of whether an incumbent was re-elected or not. Marinov and Geomans (2014) identifies the onset of an election after a coup as an indicator of democratic consolidation; Dietrich and Wright (2015) examines whether an opposition party was elected to a legislature or not; and Heinrich and Loftis (2019) examines incumbent electoral performance.

Some studies took extra steps to identify regime typologies when assessing the impact of foreign or democratic aid (Cornell, 2013; Lührmann *et al.*, 2017; Wright, 2009). Others even assess the impact of aid on particular regimes, for example the relationship between aid and patronage politics (Gibson *et al.*, 2015), personalist politics (Wright, 2010), or autocratic rule (Dutta *et al.*, 2013; Kono & Montinola, 2009).

Analytical methods used in the literature

Concerns surrounding the *endogeneity* problem of aid are persistent in the literature. Endogeneity reflects the condition in which aid allocation decisions made to support democracy cannot be regarded as independent (or *exogenous* in statistical terms) of the level of democracy in aid-recipient countries. This situation causes a reverse causality problem, insofar democracy aid allocations affect democracy scores as much as democracy scores influence decisions regarding the allocation of democracy aid.¹⁸ For example, if donors give more aid to countries they perceive to be on the cusp of a democratic transition, and these countries are indeed more likely to democratize, analysis could show a strong association between aid and democratization when in fact aid itself had no causal effect. Not accounting for endogeneity leads to biased estimates in quantitative cross-national research.

One simple approach to addressing such concerns in dynamic settings is to include a ‘lagged’ value of democracy to pick up the effect of democracy in the previous period, although this approach does not always work effectively. A more conventional solution is to adopt ‘instrumental variables’ methods. The basic idea here is to zoom in on the impact of aid on democracy by using another variable (the instrument) that is correlated with aid, and therefore causes variation in democracy aid, but is not associated, and have not direct effect on, democracy, only indirectly via democracy aid.

We identified via the systematic review 46 studies that adopt instrumental variable methods. Of the remaining publications, some do not refer to endogeneity at all, some offer a qualitative discussion of it, and some employ other quantitative analyses and robustness checks, including utilizing a variety of model types or running models with additional variables. At least seven studies consider

¹⁸ For a technical discussion on endogeneity, see Wooldridge (2010).

instrumental variables to address endogeneity, but are sceptical of finding valid instruments for democracy aid. Their hesitation to utilize instrumental variables derived from concerns about introducing significant biases in results and conclusions, and from reasoning that no instrument was better than a weak one.

For those that did use instrumental variables, there appears to be an informally accepted set of instruments. Goldsmith (2001) and Knack (2004) established what can be considered fairly standard instruments for aid within the literature. Goldsmith (2001) uses GDP per capita, French colonial past, and population size as three exogenous instruments for democracy aid. Knack (2004), meanwhile, uses three similar exogenous instruments, namely: infant mortality rates as a measure of recipient need, size of country population as a measure of donor interest – with smaller states more likely to receive aid – and a set of colonial heritage dummies also as a measure of donor interest. Many subsequent studies use these same instruments, or employ at least one or two of them in their own analyses. In fact, population, colonial legacy, and child mortality rates or life expectancy are the most commonly utilized instruments for aid and widely accepted across the literature.¹⁹

¹⁹ Other instruments for aid are wide-ranging and varied. They include: the world price of oil for Arab nations (Ahmed, 2012); initial governance aid, a post-Cold War dummy variable, and initial life expectancy (Kalyvitis & Vlachaki, 2010); legislative fractionalization (Ziaja, 2020); a recipient country's agricultural share of GDP and life expectancy (Young & Sheehan, 2014); participation in the FIFA World Cup finals (Fielding, 2014); a foreign policy priority variable measuring the number of times a secretary of state or assistant secretary of state was mentioned by the *New York Times* (Finkel *et al.*, 2007); a recipient country's geographical and cultural proximity to OECD donor countries interacted with the latter's aid outflows (Tavares, 2003); the level of aid spending in a country's geographical region (Uberti & Jackson, 2019); United Nations General Assembly voting patterns and Security Council composition (Bjørnskov, 2010); log of initial income, log of initial population, and a group of variables capturing

Taking into consideration the considerable heterogeneity of studies covered by the systematic review, in terms of focus, scope, methods and coverage, we present in the next section a synthesis of the main collective findings.

Synthesis of evidence

Table A1 in Appendix I provides a summary of the studies included in the systematic review. What is immediately apparent is the variety of outcomes used to proxy for democratization and the mixed results on the effect of aid. Whereas some studies find a straightforward negative or positive relationship, others condition the effect of aid on a variety of country-level characteristics. The synthesis of evidence in Table A1 further shows the aid typology focus within the literature, as the overwhelming majority operationalize aid as total aid in the form of project interventions, with fewer studies considering core contributions, technical assistance and budget support, or democracy aid or its component parts.

These findings suggest that: (1) there is room for more analyses of the impacts of other modalities and types of aid; (2) it is important to understand the efficacy of these modalities and types, particularly as they relate to institutional and/or agency-based democratization models; and (3) the data on democracy aid by type of modality are limited, so any argument in favour of or against a particular aid modality should be interpreted with caution, as such arguments rely on very limited information.

donor strategic interests (Djankov *et al.*, 2008; Moreno-Dodson *et al.*, 2012); income levels, legal origins, and religious denominations (Asongu, 2012; Asongu & Nwachukwu, 2016); donor GDP (Asongu & Nwachukwu, 2016); and domestic inflation and share of women in parliament (Dietrich & Wright, 2015).

The directionality of aid effectiveness

The statistical findings identified by the studies included in this systematic review suggest that the type of aid and modality with which it is delivered have an impact on the effectiveness of that aid.

Of the 90 studies included in this review, 64 conceptualize aid as ‘total aid’, often synonymous with ‘total developmental aid’, ‘developmental aid’, ‘economic aid’, ‘financial aid’, or ‘general aid’ (Ahmed, 2012; Altunbas & Thornton, 2014; Asongu, 2012; Bratton & van de Walle, 1997; Charron, 2011; Haass, 2019; Heckelman, 2010; Knack, 2004). These studies either identify ‘total developmental aid’ as the sole type of aid under analysis or, in some cases, assess it alongside other types of aid (Dietrich & Wright, 2015; Gibson *et al.*, 2015).

This subset of studies offers relatively inconclusive trends: 39 studies find that developmental aid has a modest positive impact on the democracy outcome(s) specified (e.g. Altunbas & Thornton, 2014; Bratton & van de Walle, 1997; Heckelman, 2010), whereas 30 studies find that developmental aid has a negative impact on specified outcome(s) (e.g. Ahmed, 2012; Asongu, 2012; Knack & Rahman, 2007). Many studies also find developmental aid to both positively and negatively impact outcomes, depending upon a variety of factors, including the type of donor and political conditions within the recipient state. For instance, Charron (2011) finds that the direction of aid’s effect is dependent upon whether the donor is a bilateral (-) or multilateral (+) donor, and Haass (2019) finds that aid can improve election quality in post-conflict power-sharing states, while simultaneously limiting rule of law.

Many studies analyse the effect of developmental aid on democracy by a variety of conditions. Some studies find that total developmental aid distribution props up dictators, while further democratizing already established democratic regimes (Dutta *et al.*, 2013; Kono & Montinola, 2009; Kosack, 2003). It is worth noting

that democracy aid may similarly intensify existing regime trends (magnifying both existing autocratic and existing democratic trends), as reported by Nielsen and Nielson (2010). A positive effect of total developmental aid may be contingent upon many variables, including geopolitical context – namely that aid was effective only during the Cold War (Bancalari, 2015; Bermeo, 2016) or conversely that aid is only effective in the post-Cold War period (Dunning, 2004).

Aid delivery may also be effective only through multilateral (Charron, 2011; Menard, 2012) or democratic donors (Bermeo, 2011), large distributional coalitions in recipient states (Wright, 2009), or even lower levels of institutional quality within recipient states (Asongu, 2015). These findings suggest that caveats do exist in identifying effective aid delivery; however, the evidence is slim, so we cautiously avoid generalizing any of these trends based on the existing literature.

For assistance specified as ‘democracy aid’, the directionality of findings is more apparent. Of the 32 studies that expressly define ‘democracy aid’ (either alone or in conjunction with other types of aid), 26 find a positive impact on democracy outcomes (e.g. Finkel *et al.*, 2007; Heinrich & Loftis, 2019; Kalyvitis & Vlachaki, 2010; Scott & Steele, 2011; Ziaja, 2020), whereas only 9 identify a significant negative impact (e.g. Bosin, 2012; Dietrich & Wright, 2015; Fielding, 2014; Scott & Steele, 2005). When expanded to include democracy aid and its constituent subcategories – participation/civil society aid, election aid, legislative and political party aid, media and information aid, and human rights aid – 29 studies find a positive impact (e.g. Uberti & Jackson, 2019; von Borzyskowski, 2019), whereas 11 studies find a negative impact (e.g. Beaulieu & Hyde, 2009). Only 3 studies singularly analyse one subcategory of democracy aid (Beaulieu & Hyde, 2009; Shyrokykh, 2017; Uberti & Jackson, 2019); all the others address democracy aid subcategories in conjunction with other types of aid.

Findings suggest that aid is more likely to produce positive democratic outcomes when it explicitly targets democracy building, indicating the salience of directed and purposeful aid. Targeted democracy aid may even help ease autocratic tendencies over time (Nieto-Matiz & Schenoni, 2020). The positive impact of democracy aid may also be contingent upon several factors. Democracy aid may be effective only within one-party state regimes, not within multiparty or military regimes (Cornell, 2013), or only within ‘regimeless countries’ – those states where a transitioning power structure has not yet been fully institutionalized – and not in liberal democracies or closed autocracies (Lührmann *et al.*, 2017). Military spending may also matter, as recipient states with small militaries are also more likely to see democratic effects of aid (Savage, 2017). Finally, the recipient state’s capacity may play a role, as external assistance may more positively benefit those with larger state capacity (Shyrokykh, 2017). We are again reluctant to generalize any of these findings with any certainty. Nonetheless, in terms of the percentage of studies that find aid to have a positive impact, targeted democracy aid (81%) appears to be more likely to positively effect specified democratic outcomes than general developmental aid flows (61%) (see Table 1).

Table 1. Overview of effects of aid on democracy in the literature, by aid type

Number of studies by type of aid	Positive effect	Negative effect	Null
Developmental aid (64)	39	30	13
Democracy aid (32)	26	9	5
Democracy aid + subcategories (36)	29	11	5
Developmental aid (64)			
Budget support (2)	1	1	1
Project intervention (11)	5	6	4
Core contribution (0)	0	0	0
Technical assistance (3)	1	2	0
Not specified (49)			
Democracy aid (32)			
Budget support (0)	0	0	0
Project intervention (19)	16	4	2
Core contribution (2)	2	0	1
Technical assistance (5)	5	0	0
Not specified (10)			
Democracy aid + subcategories (36)			
Budget support (0)	0	0	0
Project intervention (21)	17	5	2
Core contribution (2)	2	0	1
Technical assistance (7)	7	1	0
Not specified (10)			

Note: Studies sometimes present more than one result which means that the number of results not always add up to the total number of studies.

Source: Authors.

The modality of aid – whether given as budget support, project intervention, core contributions, or technical assistance – also appears to impact the overall effectiveness of aid (Bandstein, 2007; Tilley and Tavakoli, 2012). However, given that 55 studies (out of our 90-study sample) do not define the modality of aid delivered, any findings drawn from this must be interpreted with caution. It is also notable that the majority of studies that did not specify aid modality were also studies in which the aid was general developmental aid, perhaps reflecting the under-specification of aid operationalization within the study in general.

However, from our limited findings, it does appear that aid modalities do matter. Technical assistance, albeit a small subset of studies in this review, appears to be an effective modality, particularly in the democracy aid context. As stated above, technical assistance is itself a concept that may include other aspects of aid not considered technical assistance by DAC-CRS codes; therefore, further examination into this aid modality is needed.

For both democracy aid and developmental aid, project aid interventions and core contributions, and pooled programmes and funds, also appears to be a generally effective aid delivery modalities, although for developmental aid, the directionality of aid effectiveness is less conclusive, but the total number of studies is also much lower. Project-aid interventions is the most specified aid modality across the studies in this systematic review (28 studies). Therefore, it may not be that this modality is actually more effective, but simply that other modalities (core contributions, technical assistance, or budget support) are drastically underexamined. More research is also needed in this area.

In general, however, positive directionality is much more apparent for democracy aid, and this positive trend holds across aid modalities. Our preliminary findings suggest that specified democracy aid, no matter the modality, remains more likely to positively impact democratic outcomes.

It is worth noting that several studies also report null results. For instance, Knack (2004), which supports a pessimistic view of foreign aid, concludes that initial democracy index values are negatively correlated with democracy, but ultimately finds null, and largely negative, results for the impact of aid. Null results are also often reported alongside statistically significant positive or negative findings. For instance, Li (2017) finds a statistically significant positive effect of aid, but only from 1987 to 1997, when there was one main global source of aid; the study finds negative, but not

statistically significant results during the Cold War and the most recent era, when multiple sources of funds exist.

Similarly, Charron (2011) finds that multilateral aid has a statistically positive impact on democracy outcomes, whereas the outcomes for bilateral aid are negative, but not statistically significant. While it is rare for all models to output statistically significant coefficients for every value, the nulls reported in this systematic review include those studies for which null results were consistently reported for the outcome of interest.

We remain cautious of making any affirmative claims concerning the effectiveness of particular aid modalities as identified by the literature. With regard to project interventions, core contributions, and technical assistance, there are fewer studies that examine these modalities; thus, before definitive assertions can be made about the comparative impact of modality types, more quantitative research on these three is still needed.

However, what our assessment does suggest is a promising role for aid channels that move beyond government-to-government budget transfers, especially aid targeted towards democratic development, which does imply a favourable role for assistance in the form of project implementation, core contributions to non-state actors, and technical assistance.

Regional impact

Turning briefly to the two regions in this systematic review that have been most examined – Africa and the former Soviet Union (FSU) – results from these regional subsets slightly augment the trends from the findings listed above. First, studies that examine these regions find largely positive, or conditionally positive, outcomes. Of the 13 studies that look at Africa, 10 find evidence for aid’s positive impact, whereas only 4 find a negative impact (with 3 determining null

results), whereby aid's influence upon democracy outcomes had a positive or negative directionality, but was not statistically significant). Interestingly, 12 of those studies examine developmental aid; only 4 studies that examine Africa conceptualize aid as targeted democracy aid. Of the 13 Africa studies, 11 do not specify the modality of the aid, while 2 specify that it is technical assistance (von Borzyskowski, 2019; Gibson *et al.*, 2015).

Due to the small sample of regional studies, any emergent patterns are limited and must be further corroborated, but these preliminary findings suggest that aid has a generally positive effect on democracy in Africa.

It is difficult to establish whether this positive trend is being driven by: a particular modality of aid, as that is generally not specified within these studies; the fact that a variety of donors – including bilateral and multilateral donors – are active in the region, perhaps increasing the likelihood of positive outcomes; or the fact that the timing of aid delivered in the post-Cold War era has contributed to a 'catch-up' effect.

Patterns of aid type and modality in the FSU region are more consistent with global trends – that targeted democracy aid, rather than general developmental aid is more effective – even though the sample size is smaller. Of the seven studies focused on the FSU region, five find aid to have a positive impact, while three find a negative impact. However, five of these studies conceptualize aid as democracy aid specifically and, while they do identify conditionalities on that aid effectiveness, it may be an example of the impact of targeted democracy aid producing generally positive outcomes.

The role of donors

The role of donors is also important to this discussion, as donor characteristics may determine aid's impact on democracy. While not all studies identify the type of donor(s) or disaggregate effects amongst them, some studies offer evidence to suggest that donors may indeed condition the impact of aid on democracy. It is difficult to fully identify particular patterns amongst donor types in this review, given that many studies do not disaggregate on the basis of donor type.

Preliminary patterns suggest that aid given specifically by multilateral organizations is effective and positive (see, e.g., Birchler *et al.*, 2016; Nelson & Wallace, 2012; Poast & Urpelainen, 2015); only Meyerrose (2020) suggests that aid from multilateral organizations negatively impacts democracy. Meanwhile, aid from bilateral donors appears to be less effective, as individual donors are less likely to be associated with positive outcomes (Okada & Samreth, 2012). However, not all studies specify particular bilateral donors. Those that do identify the states that contribute to DAC support (e.g. Knack, 2004; Okada & Samreth, 2012; Tavares, 2003) typically do not examine the effectiveness of individual donors, instead calculating aggregate impacts from international (both DAC and non-DAC) donor countries.

Most studies identify or assume DAC donors, OECD donors, or Western donors in their analyses, or do not specify donor characteristics at all. However, a small subset focuses specifically on one particular donor, namely bilateral aid from the US (14 studies) and aid from the European Union (EU) (8 studies). Schmitter (2008) compares American and European aid, Askarov and Doucouliagos (2015) compare US aid to other DAC and multilateral donors, Okada and Samreth (2012) examine four bilateral donors including the US, and Kangoye (2011, 2015) specifies five donor sources that include aid from the US (or Canada) and the EU. Others in this

subset examine aid only from the EU or European Commission (Carnegie & Marinov, 2017; Grimm & Mathis, 2018; Lankina & Getachew, 2006; Pospieszna & Weber, 2017; Shyrokykh, 2017) or aid from the US including from USAID or NED programmes (Bosin, 2012; Finkel *et al.*, 2007; Freytag & Heckelman, 2012; Regan, 1995; Savage, 2017; Scott, 2012; Scott & Steele, 2005, 2011; Seligson & Finkel, 2009).

Of the studies that examine aid from the US, 10 find that aid to be positive and effective, while 5 find that it has a negative impact. Nearly all of them (9 studies) conceptualize aid as ‘democracy aid’ (e.g. Finkel *et al.*, 2007; Scott & Steele, 2011). Regarding aid from the EU, seven studies find a positive impact, while two studies report a negative impact. While the sample size is quite small, it is worth noting that five of these studies explicitly conceptualize aid as some form of democracy aid (e.g. Grimm & Mathis, 2018; Lankina & Getachew, 2006) and two operationalize aid as technical assistance (e.g. Lankina & Getachew, 2006; Shyrokykh, 2017).

The studies that compare multilateral aid to bilateral aid tend to conclude that multilateral aid is more effective at producing intended outcomes (Charron, 2011; Menard, 2012), although Kersting and Kilby (2016) come to the opposite conclusion, finding that only bilateral donors produce a positive impact, while multilateral donors do not. Then again, some studies find that aid, whether bilateral or multilateral, has uniformly (negative) effects on democracy (Kalyvitis & Vlachaki, 2012).

While the literature extensively examines how donor characteristics impact the likelihood of donor distributions of aid and to whom (see, e.g., Alesina & Dollar, 2000; Dietrich, 2015; Dreher *et al.*, 2011; Hoefler & Outram, 2011; Scott & Carter, 2019; Winters & Martinez, 2015), there is still more to be understood from precise quantitative assessments about bilateral versus multilateral aid flows. With the rising importance of emerging donors – such as China,

Russia, and the Arab States – pinpointing the mechanisms behind multilateral and bilateral aid donorship is particularly relevant.

Perhaps more important than whether a donor is bilateral or multilateral is a donor's political alignment. There is evidence to suggest that democratic donors are more likely to sustain democratic transitions, while authoritarian donors are more likely to stave off democratic transitions (see, e.g., Bermeo, 2016; Kersting & Kilby, 2016). This systematic review has included a scant number of studies that focus on emerging donors and their relationship to DAC donors (Kersting & Kilby, 2016; Li, 2017).

While a growing literature on emerging donors does exist, including studies of donor behaviour and interactions (e.g. Dreher *et al.*, 2011; Hackenesch, 2015), there is still much research to be done in terms of quantitatively measuring the impact of aid from this group of non-traditional donor states.

In summary, based on the findings from the systematic review, we conclude that:

1. targeted democracy aid appears to be more effective in producing positive democratic outcomes;
2. aid modalities do appear to matter, but there is not enough comparative analysis examining the effectiveness of aid modalities, in part due to limited data;
3. donor characteristics influence the effectiveness of aid; and
4. the domestic political environment within recipient states conditions how effective aid ultimately is.

If these findings are correct, then they suggest that the role of political institutions and institutional development within recipient states is highly important in manifesting positive aid outcomes. This finding reinforces the underlying emphasis on democratization as a process, one with long time horizons and a complex interplay of mechanisms.

Additionally, the evidence presented here supports the idea that project-type interventions, core contributions, pooled programmes and funds, and technical assistance modalities may be associated with positive impacts on democracy. This finding is consistent with expectations that strengthening and empowering diverse democratic institutions and actors in aid-recipient countries is critical in promoting democratization and ultimately sustaining or deepening democracy within a country.

Perhaps the reason these modalities are found to be more likely to positively affect democracy is because they also are likely to target the very agents of democratic change, such as civil society organisations, political participants, electoral bodies, and the free media.

Ultimately, the findings from the systematic review seem to be consistent with theories of exogenous democratization, in the sense that economic development may be important for sustaining institutional stability but is not itself the driver of democratization.

In the subsequent sections, we investigate these important questions empirically. We first present a descriptive analysis of democracy indices and aid indicators before moving on to a discussion of the empirical analysis.

Democracy and aid indicators

Measuring developmental and democracy aid

Foreign aid is broadly defined as the ‘transfer of concessional resources from one government to another government, nongovernmental organization, or international organization to promote long-term beneficial change’ (Lancaster, 2009: 799). As discussed above, there is a wide range of aid types and modalities. Democracy aid, sometimes referred to as governance or political aid, has diverse definitions in the literature (see Dijkstra, 2018). Finkel *et al.* (2007: 411) defines it ‘as an externally driven, agent-based influence on democratization’. The OECD defines it as flows that are meant to develop pluralism and political participation (OECD, 2007, cited in Savun & Tirone, 2011). It is also often specified as efforts to support ‘institutions and processes crucial to democratic contestation, the strengthening and reform of key state institutions, and support for civil society’ (Carothers, 2015: 1).

Building on the analytical framework presented above (see Figure 1), we adopt three definitions of aid that are expected to impact democracy via distinct channels. The first, *developmental aid*, captures developmental approaches of aid interventions, following a vast literature (Ahmed, 2012; Altunbas & Thornton, 2014; Asongu, 2012; Bratton & van de Walle, 1997; Charron, 2011; Haass, 2019; Heckelman, 2010; Knack, 2004). It is measured by the sum of total aid allocated to the sectors and activities listed in the first column of Table 2.

The second definition of democracy aid has been widely used by a scatter literature (e.g. Finkel *et al.*, 2007; Heinrich & Loftis, 2019; Kalyvitis & Vlachaki, 2010; Scott & Steele, 2011; Ziaja, 2020). It considers an *extensive* set of activities that fall under the purpose classification code 150 in the OECD DAC 5 code system ‘government and civil society organizations’ (see Table 2).

Table 2. Activities under *developmental* and *democracy* aid definitions

Developmental aid	Extensive definition of democracy aid		Limited definition of democracy aid
<ul style="list-style-type: none"> • Education • Health • Population policies • Water and sanitation • Government and civil society (the activities under this classification are equivalent to our extensive definition of democracy aid) • Conflict, peace and security • Social infrastructure and services • Transport • Communications • Energy • Banking and financial services • Business development • Agriculture 	<ul style="list-style-type: none"> • Public sector policy and administrative management • Foreign affairs • Diplomatic missions • Administration of developing countries' foreign aid • General personnel services • Other general public services • National monitoring and evaluation • Meteorological services • National standards development • Executive office • Public finance management (PFM) • Budget planning • National audit • Debt and aid management 	<ul style="list-style-type: none"> • Public procurement • Legal and judicial development • Justice, law and order policy, planning and administration • Police • Fire and rescue services • Judicial affairs • Ombudsman • Immigration • Prisons • Macroeconomic policy • Democratic participation and civil society • Elections • Legislatures and political parties • Media and free flow of information • Women's equality organizations and institutions 	<ul style="list-style-type: none"> • Democratic participation and civil society • Elections • Legislatures and political parties • Media and free flow of information • Human rights

Developmental aid	Extensive definition of democracy aid		Limited definition of democracy aid
<ul style="list-style-type: none"> • Forestry • Fishing • Industry, mining, and construction • Trade policy • Tourism • Environmental protection • Urban and rural development • General budget support • Food aid • Debt relief • Emergency response • Reconstruction relief • Disaster prevention • Refugees in donor countries 	<ul style="list-style-type: none"> • Decentralization and support to subnational government • Local government finance • Other central transfers to institutions • Local government administration • Anti-corruption organizations and institutions • Domestic revenue mobilization • Tax collection • Tax policy and administration support • Other non-tax revenue mobilization 	<ul style="list-style-type: none"> • Human rights • Ending violence against women and girls • Facilitation of orderly, safe, regular, and responsible migration and mobility • Security system management and reform • Civilian peacebuilding, conflict prevention and resolution • Participation in international peacekeeping operations • Reintegration and SALW control • Removal of land mines and explosive remnants of war • Child soldiers (prevention and demobilization) 	

Source: Authors' calculations based on OECD's Creditor Reporting System

While this extensive definition of democracy aid clearly captures important dimensions that are highlighted by institutional theories of democratization (e.g. electoral institutions, legislatures, civil society organizations, judiciary reforms, and rule of law institutions), it suffers, in our assessment, from imprecision, as it includes activities that are arguably not meant to strengthen democracy, such as meteorological services, fire and rescue services, and police and prisons management.

Therefore, we adopt a third *limited* definition of democracy aid that measures a set of activities which are in our assessment more precisely targeted at supporting dimensions of democracy that are highlighted by institutionalist and agency-based theories of democracy, and which are *operationally* linked to Carothers (2009)'s notion of political aid discussed in the Introduction. These dimensions include assistance to democratic participation and civil society; elections; legislatures and political parties; media and the free flow of information; and human rights (see Table 2).

In addition to these composite aid measures, we focus on key subcomponents of the limited definition of democracy aid to assess whether, and the extent to which, these specific aid activities achieve their intended democratic outcomes (see Table 2).

The main source of aid definitions is the OECD's Creditor Reporting System (CRS). We focus on aid commitments in constant prices for total ODA grants, ODA loans, and other official flows (non-export credit). We rely on commitments data since their annual coverage is more complete (about 70% in 1995, over 90% in 2000, and nearly 100% from 2003 to date) and because disbursements data cannot be regarded as a reliable source before 2002. Nonetheless, the correlation between commitment and disbursement data is strong and consistent over time (see Figure 2 and Table 3).

Table 3. Correlations between disbursements and commitments by aid definition (in millions of US\$) – yearly averages

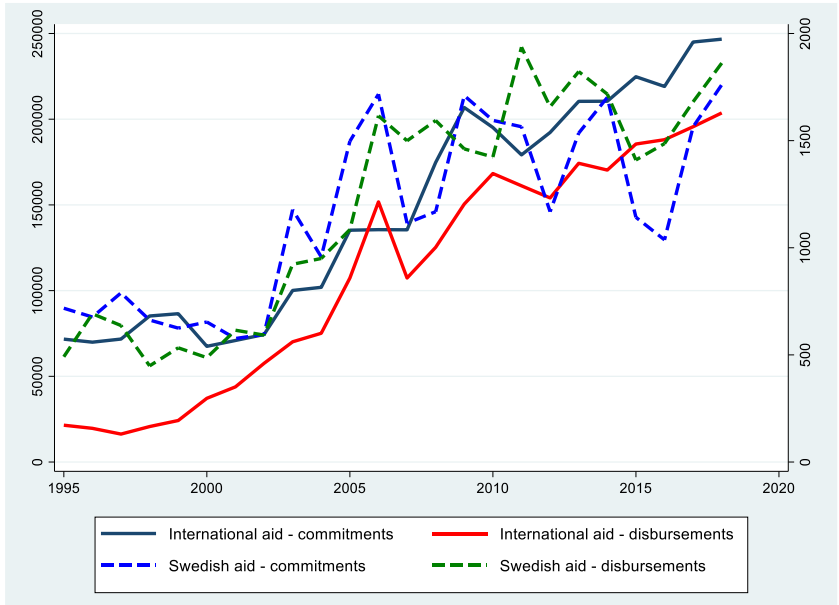
	Commitments	Disbursements	Correlation coefficient
Developmental aid	119,938.90	87,791.20	0.9038*
Extended democracy aid	12,142.40	9,109.46	0.8356*
Limited democracy aid	1,536.50	1,326.18	0.8182*
Developmental aid (Swedish)	958.25	971.39	0.8344*
Extended democracy aid (Swedish)	261.58	261.28	0.8207*
Limited democracy aid (Swedish)	130.94	136.08	0.7332*
Developmental aid (DAC)	63,324.33	51,806.03	0.9472*
Extended democracy aid (DAC)	6,771.21	5,482.07	0.9322*
Limited democracy aid (DAC)	1,383.63	1,188.44	0.8210*
Developmental aid (multilateral)	54,666.92	32,912.33	0.7951*
Extended democracy aid (multilateral)	5,327.30	3,578.71	0.6547*
Limited democracy aid (multilateral)	146.15	131.26	0.6791*
Developmental aid (bilateral)	64,768.46	54,374.17	0.9292*
Extended democracy aid (bilateral)	6,798.99	5,516.03	0.9318*
Limited democracy aid (bilateral)	1,383.99	1,188.86	0.8210*
Developmental aid (top 5 donors)	39,047.07	32,056.28	0.9299*
Extended democracy aid (top 5 donors)	3,610.42	3,006.14	0.9219*
Limited democracy aid (top 5 donors)	621.24	501.66	0.7681*

	Commitments	Disbursements	Correlation coefficient
Aid to democratic participation and civil society	843.57	681.72	0.6740*
Aid to elections	232.77	213.12	0.8086*
Aid to media and free flow of information	82.88	76.20	0.8414*
Aid to human rights	340.72	316.97	0.7638*
Aid to democratic participation and civil society (Swedish)	61.17	64.82	0.6415*
Aid to elections (Swedish)	8.47	8.55	0.8155*
Aid to media and free flow of information (Swedish)	6.76	6.96	0.4698*
Aid to human rights (Swedish)	53.93	55.05	0.6501*

* at 1% significance level

Source: Authors' calculations based on OECD's Creditor Reporting System.

Figure 2. International and Swedish developmental aid commitments vs. disbursements (constant prices in millions of US\$)



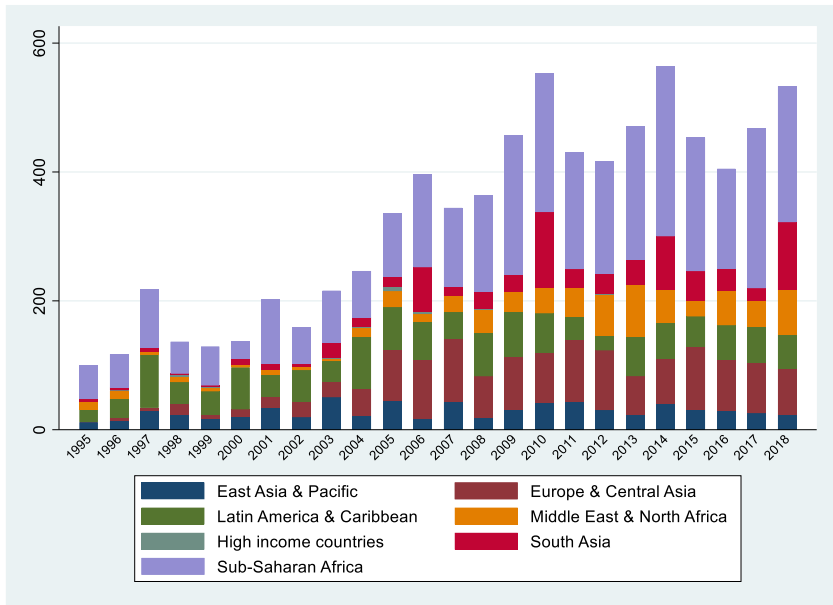
Source: Authors’ calculations based on OECD’s Creditor Reporting System.

Interestingly, we observe in Table 4 that regardless of the definition of democracy aid that is adopted, the share of global aid distributed to support democracy in recipient countries has followed a relatively smooth pattern since the mid-1990s, when records began, with a big jump in 2000 and then a marginal decline from about 11 per cent of total aid to about 9 per cent in 2018. Sweden is the country that currently allocates by far the largest proportion of its development budget to the support of democracy. Roughly one-third of Swedish aid goes to democracy support in recipient countries, as measured using our extensive definition of democracy aid, and about one-tenth using our limited definition.

In real terms, Sweden’s extensive democracy aid budget has increased over the past decade, with ups and downs in certain years but on an increasing trend since 2017, largely driven by budgets

allocated to sub-Saharan Africa, South Asia, and the MENA region (see Figure 3). We notice that there is a much more pronounced increase in Swedish aid when we include the ‘regional’ and ‘bilateral unspecified’ aid classifications (see Figure 4).

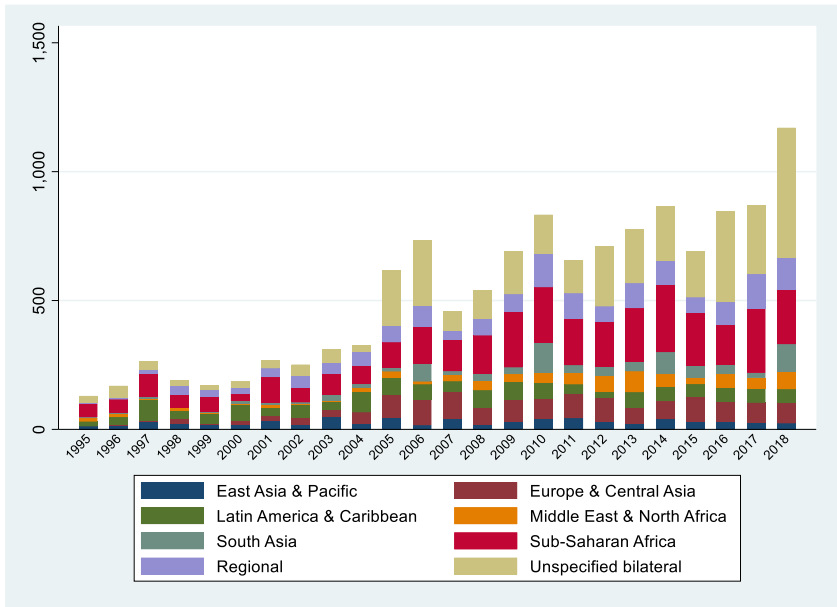
Figure 3: Swedish extensive democracy aid by world regions (commitments at constant prices in millions of US\$)



Source: Authors’ calculations based on OECD’s Creditor Reporting System.

The ‘regional’ category captures activities such as regional projects and programmes that benefit several recipient countries in a region (e.g. sub-Saharan Africa), but which cannot be attributed to a specific recipient country. The ‘bilateral unspecified’ category includes aid directed to activities that benefit several world regions, and also non-country programmable aid, such as administrative and research costs incurred by multilaterals, donor-country based non-governmental organisations (NGOs), international NGOs, which have affiliations in donor and recipient countries, and also developing country-based NGOs.

Figure 4. Swedish extensive democracy aid by world regions, including regional and unspecified bilateral aid (commitments at constant prices in millions of US\$)

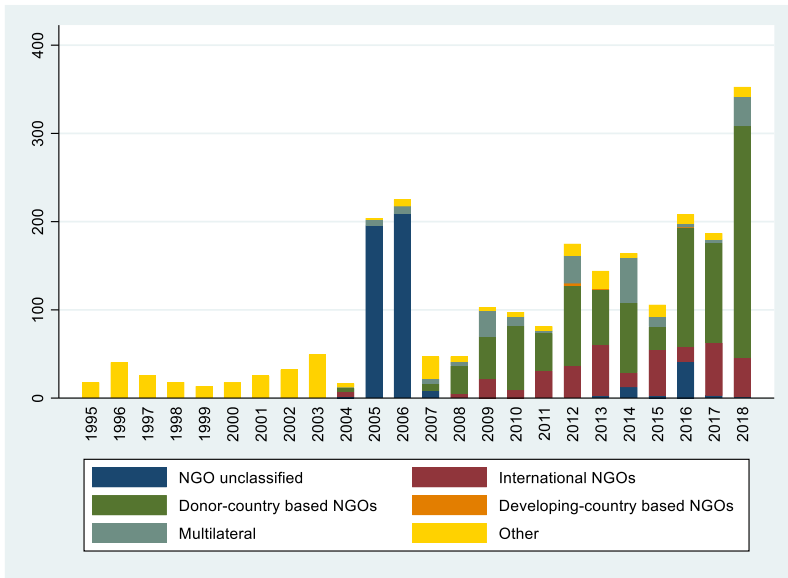


Source: Authors' calculations based on OECD's Creditor Reporting System.

As observed in Figures 5, the most recent available data from 2018 show that approximately 74.46% of Swedish 'unspecified bilateral' aid under the limited democracy aid definition went to NGOs based in Sweden (e.g. Forum Syd, Svenska Kyrkan and Riksförbundet för Sexuell Upplysning), 12,64% went to international NGOs (e.g. Civicus World Alliance for Citizen Participation and the European Council on Foreign Relations), 9.43% went to multilaterals (e.g. UNICEF, UNESCO and UNDP), and about 3.5% went to unclassified and other NGOs.

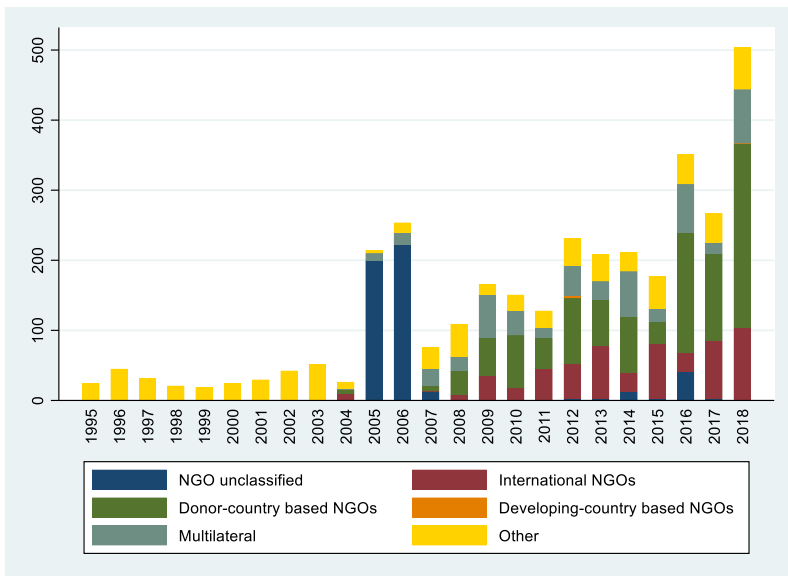
A similar distribution is observed in Figure 6 when the extensive definition of democracy aid is adopted, although the share of unspecified bilateral aid going to international NGOs, multilaterals and other NGOs is larger than in the case of the limited definition of democracy aid.

Figure 5. Swedish ‘unspecified bilateral’ limited democracy aid by type of recipient organisation (commitments at constant prices in millions of US\$)



Source: Authors’ calculations based on OECD’s Creditor Reporting System.

Figure 6. Swedish ‘unspecified bilateral’ extensive democracy aid by type of recipient organisation (commitments at constant prices in millions of US\$)



Source: Authors’ calculations based on OECD’s Creditor Reporting System.

We do not consider these aid categories, i.e. ‘regional’ and ‘bilateral unspecified’ in the empirical analysis, because we do not have certainty about whether, and the extent to which, aid allocations under these classifications do actually reach pro-democratic actors and institutions operating *in* aid-recipient countries. Nevertheless, we acknowledge that because of this choice, the results from the analysis of both international and Swedish democracy aid presented below are likely to be ‘lower-bound’ estimates of the ‘true’ contribution of democracy aid to democracy.²⁰

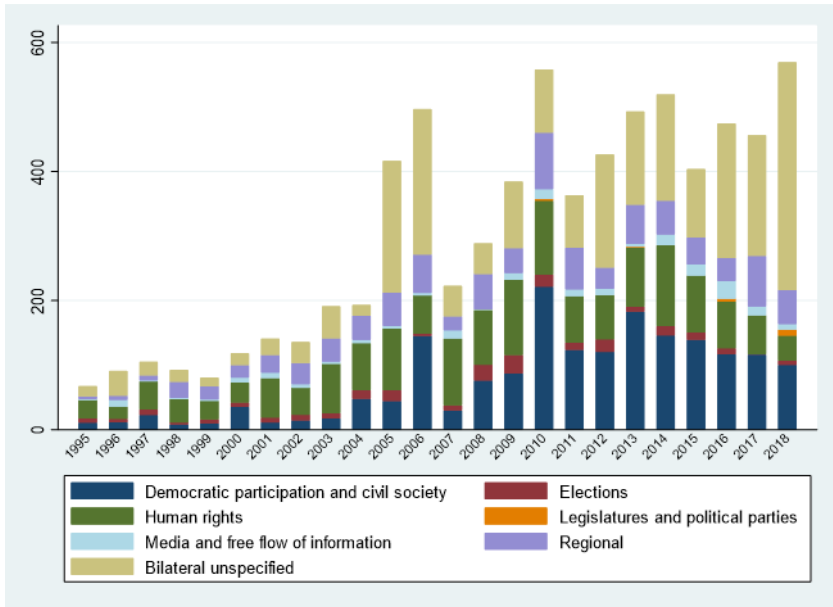
Once ‘regional’ and ‘unspecified bilateral’ aid are excluded, we note that, although there was a gradual increase in democracy aid over the first decade of the 2000s, since 2014 there has been a marked decline in the financial support to *core* dimensions of democracy, especially in the areas of human rights, democratic participation and civil society, and the free media *in* recipient countries (see Figure 7 and also Table 4).

In fact, the upward trend in Sweden’s limited democracy aid can be explained by a recent reconfiguration of aid allocations, consisting of 1) a reduction of bilateral aid to core dimensions of democracy at country level, particularly in the areas of democracy participation and civil society, human rights, media and free flows of information, and elections, and 2) an increase of non-country programmable aid to regional bodies, and especially Sweden-based NGOs, and international organisations (see Figure 7).

Further analysis is needed to better understand the impact that this reconfiguration of aid budgets may have on pro-democracy actors and institutions - and ultimately on democracy - in recipient countries.

²⁰ Lower-bound estimates would reflect a downward bias resulting from the partial information used to estimate the effect of aid on democracy.

Figure 7: Swedish limited democracy aid by main activity (commitments at constant prices in millions of US\$)



Source: Authors' calculations based on OECD's Creditor Reporting System.

Table 4. Democracy aid by type of donor and aid definition

		1995	2000	2005	2010	2015	2018
Global aid	Aid (USD millions)	78,314	90,624	145,801	185,926	229,654	238,014
	Extensive democracy aid (%)	5.88	10.62	10.87	11.11	8.20	9.35
	Limited democracy aid (%)	0.72	1.52	1.71	1.41	0.97	1.12
Swedish aid	Aid (USD millions)	851	938	1,633	1,498	1,171	1,751
	Extensive democracy aid (%)	11.76	14.59	20.55	36.87	38.69	30.44
	Limited democracy aid (%)	5.56	8.57	9.67	24.88	21.86	9.34
Top 5 donors aid	Aid (USD millions)	27,141	30,529	67,908	55,244	62,168	63,471
	Extensive democracy aid (%)	8.81	5.14	8.87	13.67	8.12	11.57
	Limited democracy aid (%)	1.44	1.24	1.21	2.12	1.40	1.93
Multilateral aid	Aid (USD millions)	37,345	38,696	45,878	91,431	115,081	120,338
	Extensive democracy aid (%)	3.83	15.24	11.89	8.55	6.87	7.61
	Limited democracy aid (%)	0.00	0.92	0.78	0.15	0.12	0.19
Bilateral aid	Aid (USD millions)	40,968	51,928	99,923	94,018	113,161	114,381
	Extensive democracy aid (%)	7.75	7.18	10.40	13.64	9.62	11.28
	Limited democracy aid (%)	1.38	1.97	2.14	2.65	1.85	2.04
DAC aid	Aid (USD millions)	40,968	51,928	99,923	92,320	105,338	102,979
	Extensive democracy aid (%)	7.75	7.18	10.40	13.88	9.88	12.42
	Limited democracy aid (%)	1.38	1.97	2.14	2.69	1.98	2.27

Note: Figures exclude aid allocations to activities under the 'regional' and 'bilateral unspecified' classifications.

Source: Authors' calculations based on OECD's Creditor Reporting System.

Measuring democracy

Democracy, whether defined in minimal or maximal terms, has been measured in a variety of ways in the literature (Bollen & Paxton, 2000; Coppedge *et al.*, 2011; Munck & Verkuilen, 2002; Teorell *et al.*, 2019), and McMahon and Kornheiser (2010) finds significant variance across democracy measures, the choice of which may influence findings.

Some of the most widely used measures of democracy in previous cross-country analyses are drawn from Freedom House's *Freedom in the World*, Polity IV, the *International Country Risk Guide* (ICRG), and the Varieties of Democracy (V-Dem) project. Other measures, such as the Unified Democracy Scores (UDS), Boix-Miller-Bosato dichotomous coding of democracy (BMR), and the Democracy-Dictatorship index (DD) created by Alvarez *et al.* (1996) and revisited by Cheibub *et al.* (2010), have also been influential.

In this study we rely on a set of indices from V-Dem. Our choice relies on a rigorous comparative analysis of the most widely used democracy indices in the literature.²¹ More generally, the indices provided by the V-Dem project – specifically the index of electoral democracy and its component parts – are well suited to considering the impact of aid within our analytical framework for several reasons. First, as outlined above, democratization in our approach is not an either/or process and thus dichotomous measures of democracy, such as BMR and DD, are not well suited to our analysis. Second, our approach requires a measure of democracy that assesses levels of *electoral* democracy, as measured in the V-Dem project, rather than levels of *liberal* democracy. Finally, our framework suggests that aid in particular sectors may have an impact on particular institutions or components of democracy; thus, our

²¹ A detailed analysis of democracy indices is presented in Appendix II.

framework requires decomposable measures of democracy, as also provided by V-Dem.

V-Dem uses a concept of democracy that involves seven principles, extracted from the literature: electoral, liberal, majoritarian, consensual, participatory, deliberative, and egalitarian (Coppedge *et al.*, 2020). The database then includes separate indices for five of the elements, excluding majoritarian and consensual, as those were deemed impossible to operationalize.

We focus on the electoral democracy index, which is an interval index on a scale between 0 and 1 made of annual continuous indicators. The degree of sensitivity to small gradations of democracy is important for our analysis, as the period under which democracy aid is observed is rather short to capture significant changes in the dimensions of democracy that can be influenced by democracy aid allocations.

The electoral principle is at the heart of V-Dem's conceptualization of democracy:

The electoral principle of democracy seeks to embody the core value of making rulers responsive to citizens, achieved through electoral competition for the electorate's approval under circumstances when suffrage is extensive; political and civil society organizations can operate freely; elections are clean and not marred by fraud or systematic irregularities; and elections affect the composition of the chief executive of the country. In between elections, there is freedom of expression and an independent media capable of presenting alternative views on matters of political relevance. (V-Dem *Codebook* V10²²: 42).

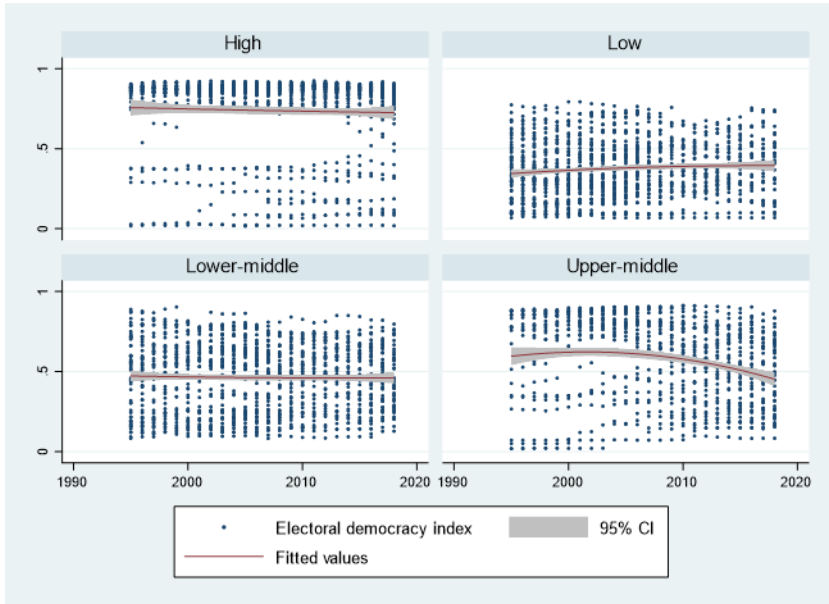
²² Available: https://www.v-dem.net/media/filer_public/28/14/28140582-43d6-4940-948f-a2df84a31893/v-dem_codebook_v10.pdf [22 Sep 2020].

In brief, the electoral democracy index can be understood to speak to the de facto existence of Dahl's polyarchy, including both dimensions of contestation and inclusiveness. The index includes five underlying indices, three of which are described below, plus the elected official index and the share of the population with suffrage.

The progression of the global average of the electoral democracy index over the past 25 years exhibit an upward trend from the mid-1990s up to the end of the first decade of the 2000s, when the index began to experience a marked decline. It is worth noting the relatively small range of variation over the period of analysis, roughly between 0.48 and 0.54 points in the scale of the index.

When separating the trends by specific groups of countries, we find some interesting patterns. Figure 8 displays the electoral democracy index among countries classified by income levels, based on the World Bank classification. We fit the values to a quadratic model to capture the nonlinear patterns of democracy across countries. The resulting figure suggests that while there has been a modest although positive trend in democratization among low-income countries, there is a clear downward pattern among upper-middle-income countries.

Figure 8. V-Dem electoral democracy index by income levels

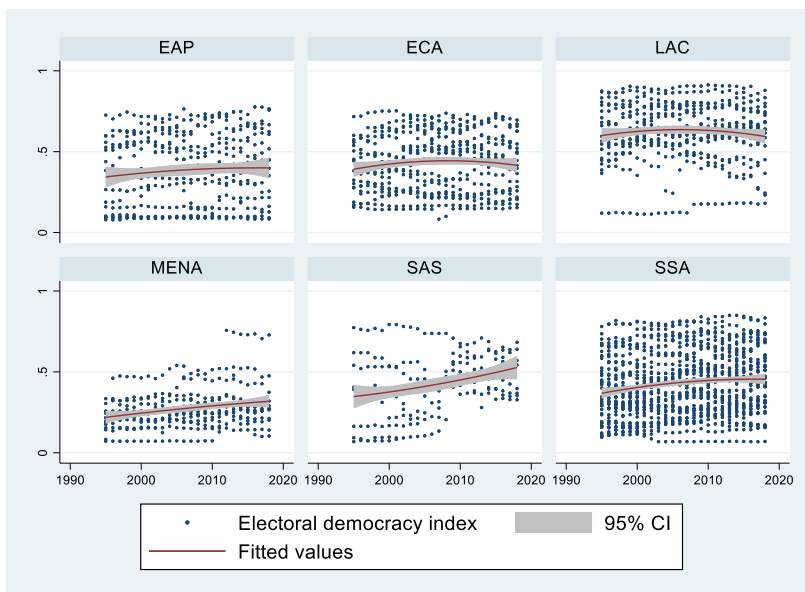


Source: Authors based on V-Dem.

Furthermore, when we look into the patterns of democracy by world regions (Figure 9), we find a clear positive upward trend in democratization in South Asia (SAS) and a more modest trend in sub-Saharan Africa (SSA), the Middle East and North Africa (MENA), and East Asia and the Pacific (EAP). A matter of concern is the apparent democratic backsliding observed in Latin America and the Caribbean (LAC) and Europe and Central Asia (ECA).

In fact, what is evident from the data is that the foundational basis for sustainable democracy has been under threat since the beginning of the 2010s, when more countries began to move down the democratization ladder than moved up (Figure 10).

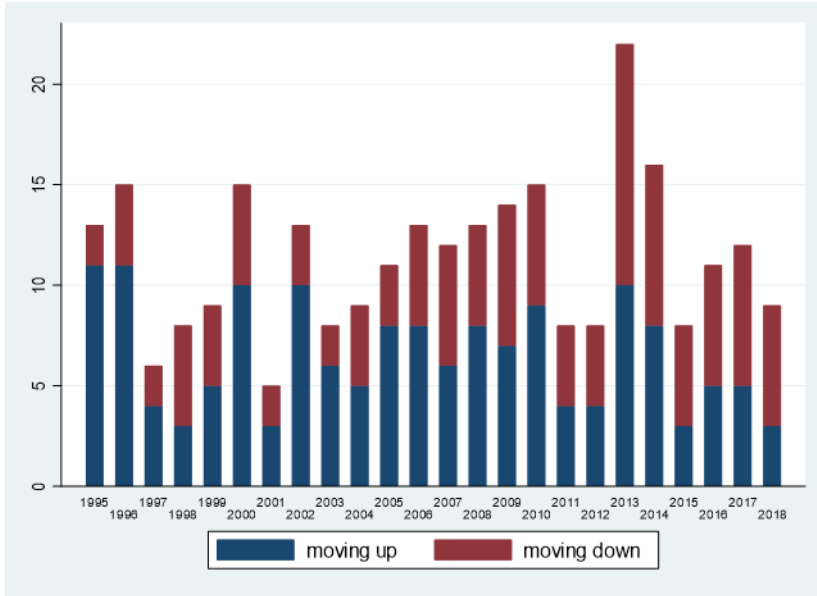
Figure 9. V-Dem electoral democracy index by world regions



Note: East Asia and the Pacific (EAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), Middle East and North Africa (MENA), South Asia (SAS), sub-Saharan Africa (SSA).

Source: Authors based on V-Dem.

Figure 10. Number of countries moving up and moving down the democracy ladder



Source: Authors based on V-Dem.

Lower-level indices of V-Dem’s electoral democracy index

Since the core activities underpinning our limited definition of democracy aid deal with key dimensions that are highlighted by institutionalist and agency-based theories of democracy, as depicted in Figure 1, we resort to lower-level indices of the electoral democracy index that are, in our judgement, more closely associated with these aid activities, namely: (1) the freedom of association index, (2) the clean elections index, and (3) the freedom of expression and alternative sources of information index. We also consider (4) a civil liberties index, which is not part of the V-Dem electoral democracy index (see Table 5).

The *freedom of association index* aims to capture the extent to which parties are allowed to form and participate in elections, as well as the

extent to which civil society organizations are able to form and operate freely. The index is composed of six indicators: (1) party ban; (2) barriers to parties; (3) opposition parties autonomy; (4) multiparty elections; (5) civil society organizations (CSO) entry and exit; (6) CSO repression.

The *clean elections index* measures the extent to which elections are clean and fair, which is clarified as an absence of registration fraud, systemic irregularities, government intimidation of the opposition, vote buying, and election violence. The index is composed of eight indicators: (1) election management board (EMB) autonomy; (2) EMB capacity; (3) election voter registry; (4) election vote buying; (5) other voting irregularities; (6) government intimidation; (7) other electoral violence; and (8) free and fair elections.

The *freedom of expression and alternative sources of information index* measures the extent to which the government respects press and media freedom, the freedom of ordinary people to discuss political matters at home and in the public sphere, and the freedom of academic and cultural expression. The index includes the following nine indicators: (1) government censorship effort – media; (2) harassment of journalists; (3) media self-censorship; (4) media bias; (5) print/broadcast media perspectives; (6) print/broadcast media critical; (7) freedom of discussion for men; (8) freedom of discussion for women; and (9) freedom of academic and cultural expression.

Finally, the *civil liberties index*, which is not a component of the electoral democracy index, measures the freedoms that protect individuals from government, including the absence of physical violence committed by government agents and the absence of constraints on private liberties and political liberties by the government. Protection of civil liberties is not strictly part of electoral democracy as defined above, and extends our focus towards liberal democracy. That said, some level of protection of

civil liberties is arguably necessary for both inclusiveness and participation within an electoral democracy – in addition to the political rights highlighted in the other lower-level indices considered. The index is itself composed of three lower-level indices: (1) the *physical violence index*, (2) the *political liberties index*, and (3) the *private civil liberties index*. Some of the underlying indicators of the political civil liberties index overlap with those of the indices described above such as CSO entry and exit, and harassment of journalists.

We note that international and Swedish aid to legislatures and political parties has been negligible for most of the years covered in this study. Between 1995 and 2010, there are no records of international or Swedish democracy aid going to these sectors, and the most recent data from 2018, show relatively modest allocations from DAC donor countries and Sweden, in the order of US\$66 million and US\$9 million, respectively. Therefore, we were unable to include legislatures and political parties in the analysis of lower-level indices of the electoral democracy.

Table 5. Subcomponents of democracy aid and their associated lower-level indices of electoral democracy

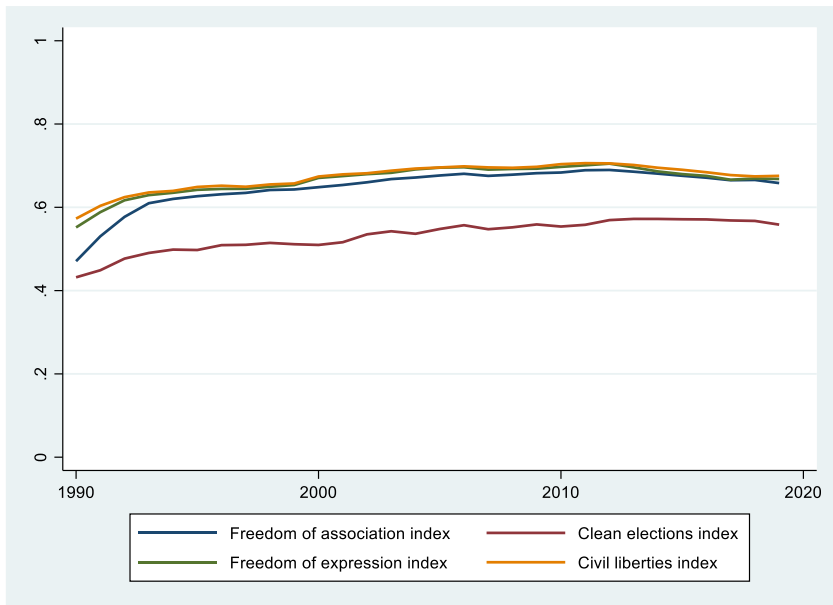
Activities under the limited definition of democracy aid	V-Dem sub-indices of democracy
Democratic participation and civil society	Freedom of association index
Free and fair elections	Clean elections index
Media and free flow of information	Freedom of expression and alternative sources of information index
Human rights	Civil liberties index

Source: Authors, based on V-Dem.

Focusing on the recent trends of these three lower-level indices and the civil liberties index is also informative, as they help us identify the dimensions that are likely to be driving the observed changes in the scalar of electoral democracy. It is interesting to observe in

Figure 11 that all indices show a downward trend, but the clean elections index has had the least pronounced downward trend. As the civil liberties index is not a component of the electoral democracy index, it seems likely that the freedom of association and freedom of expression indices are the elements that have been pulling the electoral democracy index down in recent years.

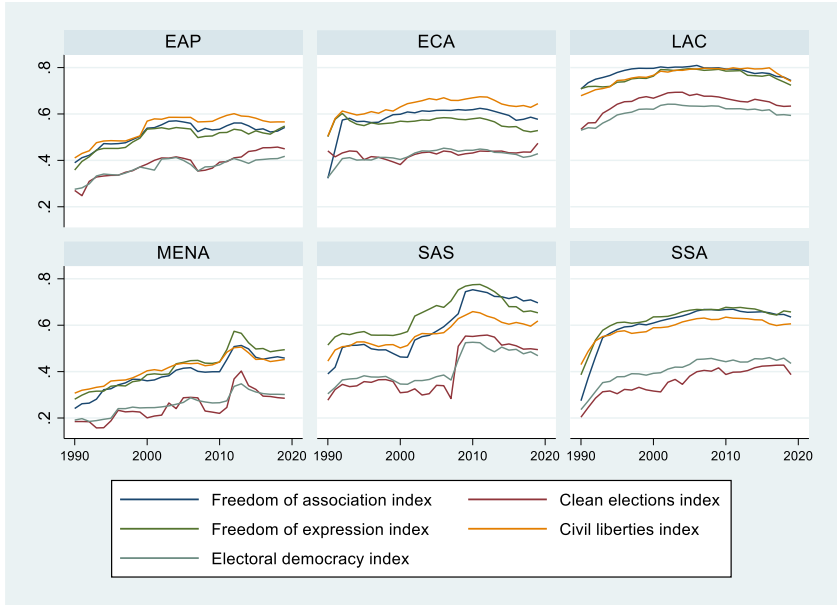
Figure 11. Global trends of lower-level indices of democracy



Source: Authors based on V-Dem.

We observe in Figure 12 and Figure 13 that the freedom of expression, the freedom of association, clean elections, and civil liberties have been gradually deteriorating over the past decade, particularly among upper-middle-income countries and in South Asia, Latin America, and the MENA regions.

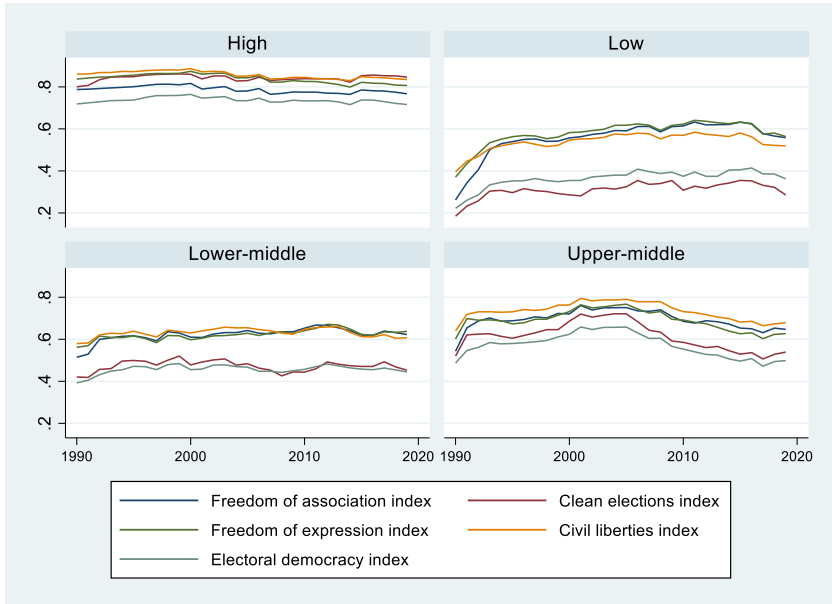
Figure 12. Trends of lower-level indices of democracy by world regions



Note: East Asia and the Pacific (EAP), Europe and Central Asia (ECA), Latin America and the Caribbean (LAC), Middle East and North Africa (MENA), South Asia (SAS), sub-Saharan Africa (SSA).

Source: Authors based on V-Dem.

Figure 13. Trends of lower-level indices of democracy by country income groups



Source: Authors based on V-Dem.

This is important, as the divergence between some of V-Dem's lower-level indices underscores the complex dynamics underpinning the process of democratization across world regions and makes a strong case for conducting disaggregated international comparative analyses of democracy support. We address these considerations in the empirical analysis presented in the next section.

Analysis of international and Swedish democracy aid

In this section, we present the results of our comparative quantitative analysis of the impact of international and Swedish democracy aid. In this analysis, we follow the literature as summarized above in pursuing three core lines of analysis:

The first focuses on the effect of *developmental* aid on democracy, where democracy is captured by V-Dem's electoral democracy index, and developmental aid is the sum of total aid allocations as described above in Table 2. This empirical strategy is associated directly, although not exclusively, with the assumptions underpinning structuralist and institutional theories of democratization.

The second focuses on the impact of our two definitions of democracy aid: the *extensive* definition, as described above, and the *limited* definition, which measures the set of activities listed in Table 2, i.e. those that are specifically funded with the aim of supporting pro-democratic actors and institutions.

The third empirical approach focuses on the individual effects of key subcomponents of the limited definition of democracy aid on lower-level indices of V-Dem's electoral democracy index.

We implemented the empirical analysis using econometric methods, models and approaches that capture the complex dynamic configuration of the relationship between the various definitions and subcomponents of democracy aid discussed above and democracy, while accounting for key determinants of democracy that are highlighted by structural, institutional, and agency-based theories of democracy.

The preferred dynamic approach used in the analysis relies on a maximum likelihood estimation and structural equation modelling (ML-SEM) method, which mitigates the endogeneity problem discussed earlier by using lags of the dependent variable (in our case the electoral democracy index) to generate synthetic instruments.²³ We recall that the endogeneity problem arises from a situation in which future allocations of democracy aid are correlated with contemporaneous levels of democracy and democracy aid, while contemporaneous levels of democracy are correlated with past allocations of democracy aid. The ML-SEM estimators are more efficient than other alternative methods, especially when considering relatively short time series, as in our case (Moral-Benito, 2013; Moral-Benito *et al.*, 2019).

As part of the robustness checks, we also compute country fixed effects estimators, which mitigate the potential threat of endogeneity coming from omitted variables bias.²⁴ Fixed effects estimators control for the average differences across countries in observable or unobservable determinants of democracy. For example, country differences in terms of norms, values, and attitudes towards political freedoms; colonial legacies, or geopolitical considerations, are all picked up by country fixed effects estimators.²⁵

We adopt four quantitative models that measure, additively, key determinants of democracy:

²³ See Appendix III for a more technical discussion on properties of the ML-SEM method.

²⁴ Omitted-variable bias occurs when an econometric model excludes relevant variables that are correlated with democracy and are also determinants of democracy. The resulting bias from this omission would lead to attributing the effect of the missing variable(s) in the model to those that are included, such as democracy aid.

²⁵ See Appendix III for a more formal discussion on the fixed effect model adopted in the analysis.

Model 1 accounts for:

- the effect of economic growth – in order to measure the dynamism of aid-recipient-country economies;
- the log of income per capita lagged one period to capture the stock of physical capital and the rate of economic convergence in aid-recipient countries;
- the share of the urban population, which is expected to positively impact democratization, as posited by modernization theory;
- population density, measured as the number of people per square kilometre of land area. Higher population density is expected to have a positive effect on democratization via economies of scale in the provision of public goods and a reduction in the unit costs for pro-democratic civil society organizations (Newton, 1982);
- natural resource endowments, measured as a percentage of GDP, which are expected to support economic diversification but also potentially undermine democratization via state capture (see Caselli & Cunningham, 2009; Caselli & Michaels, 2009; Currie & Gahvari, 2008).

Model 2 adds two dimensions to Model 1:

- military spending – measured as a share of GDP, to capture the financial resources dedicated to defence and security – which may have positive or negative effects depending on the level of state fragility and conflict and the type of regime in control of public finances (Brauner, 2015; Rota, 2016);
- the average electoral democracy index of neighbouring countries which account for the existence of regional diffusion effects of democratic capital. This indicator is expected to positively impact democratization (Huntington, 1991; Persson & Tabellini, 2009).

Model 3 adds to Model 2 the following determinants:

- the level of fractionalization of parties in opposition, which captures the strength of political competition and the balance of power in the legislative branch, and which is expected to negatively impact democratization;
- a measure of all current non-tax revenues as an indicator of state autonomy, which may influence state transition negatively (Aleman and Yang, 2011);
- a dummy for a regime in which the chief of the executive is a military officer. Military dictatorships are expected to undermine democratic transitions;
- a measure of internal conflict – to capture the degree of state fragility – which is expected to negatively impact democratization efforts;
- a measure of ethnic tensions, as ethnic fractionalization may influence regime type in diverse ways, for instance by impeding democratic transition (Dahl, 1971; Rustow, 1970) or by narrowing the regime’s support coalition in autocratic societies.

Finally, Model 4 adds to Model 3:

- the Gini coefficient as a measure of inequality – in linear and quadratic versions to capture the negative concavities in the relationship between high income inequality and democracy, as highlighted by studies on democracy and political regimes (Acemoglu & Robinson, 2006; Boix, 2003);
- a measure of political dissent in the form of anti-government movements, which may be a catalyst to liberalization.

We consider three alternative specifications. One specification enters democracy aid in contemporaneous values. A second specification enters democracy aid lagged one period to capture possible delayed feedback effects of aid on contemporaneous levels

of democracy, and also to mitigate the possibility of an endogenous relationship of aid on democracy, since contemporaneous levels of democracy cannot determine past aid allocations. A third specification enters aid in per capita terms to control for the effect of aid after accounting for the size of the recipient countries' populations.

We estimate Models 1–4 based on linear-log functions that provide estimates of an absolute change in V-Dem's electoral democracy indices associated with a percentage change in democracy aid allocations. As part of the robustness checks, we also estimate the Models 1–4 in log-log form, measure elasticities – i.e. a 1 percentage change in V-Dem's electoral democracy scores associated with a 1 percentage change in democracy aid allocations. In order to make the logarithmic transformation of V-Dem's electoral democracy indices more reasonable, we rescale the indices to run from values close to 0 to values close to 100. In the following section, we discuss the results based on the linear-log functional form; we present the results from all econometric methods, models, functional forms, specifications, and data in Appendix III (methods and main results) and IV (additional tables).

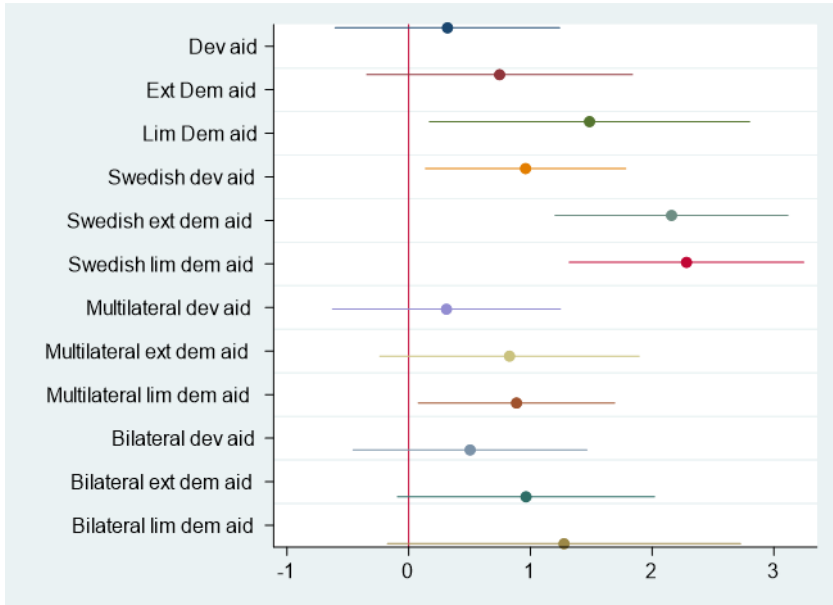
Results

We begin the discussion by focusing on the effect of international and Swedish democracy aid using our limited definition of democracy aid as described in Table 5. We present a summary of the results in Figure 14 and Table 6. A more complete description of the findings is presented in Appendix III.

The results indicate that the contribution of international democracy aid to democracy is small but positive and statistically significant. Looking at the limited definition of democracy aid (our preferred concept), a 10 per cent increase in international democracy aid over

a five-year period is associated with an average 0.14 points increase in the scalar of the V-Dem electoral democracy index.

Figure 14. Size effects of developmental and democracy aid by type of donor



Note: Estimates based on Model 1 using a maximum likelihood estimation and structural equation modelling (ML-SEM) method. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero.

Source: Authors.

The effect is in a similar order of magnitude for the top five DAC countries (United States, Germany, Japan, United Kingdom, and France), multilaterals and bilaterals, although in the case of the last, the association is only significant after controlling for the effect of military spending in aid-recipient countries and the existence of regional diffusion effects of democracy. This indicates that bilateral democracy seems to be more strongly influenced by broader geopolitical considerations than multilateral democracy aid.

In the case of Swedish aid, the size of the correlation is slightly larger and statistically stronger. A 10 per cent increase in democracy aid over a five year period is associated with an average 0.22 points increase in the scalar of the V-Dem electoral democracy index in the same period, which is still small but surprisingly strong in its association. To illustrate the findings, we show in Table 6 the top five recipient countries of international and Swedish democracy aid over the five-year period 2013–2018.

Table 6. The impact of democracy aid on democracy, 2013–2018

Top five recipient countries of aid in the past 5 years (limited definition)	Type of political regime ²	Average aid allocations in constant USD millions	Average democracy score	ML-SEM ¹		
				Effect of 1% increase in democracy aid	Effect of 5% increase in democracy aid	Effect of 10% increase in democracy aid
International democracy aid				0.02	0.07	0.14
Afghanistan	EA	141.0	38.02	38.03	38.09	38.16
Turkey	EA	131.0	41.40	41.41	41.47	41.54
Pakistan	EA	79.3	44.60	44.61	44.67	44.74
Ukraine	EA	76.5	41.77	41.78	41.84	41.91
Brazil	ED	59.7	82.25	82.26	82.32	82.39
Swedish democracy aid				0.02	0.11	0.22
Guatemala	ED	12.7	61.65	61.67	61.76	61.87
Kenya	EA	11.8	46.87	46.89	46.98	47.08
Mozambique	EA	11.1	43.93	43.96	44.04	44.15
Afghanistan	EA	9.5	38.02	38.04	38.13	38.23
Mali ³	ED	9.4	49.13	49.16	49.24	49.35

1 Maximum likelihood estimation and structural equation modelling (ML-SEM) estimates based on Model 1 with a linear-log functional form. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. Full results are presented in Appendix III.

2 Regime classification based on Lührmann *et al.* (2018). EA stands for electoral autocracy while ED stands for electoral democracy.

3 Mali was an electoral autocracy but moved up to become an electoral democracy in 2014 and retained that status until 2018.

Source: Authors.

Focusing on Swedish democracy aid, we observe that the average electoral democracy scores of Guatemala, Kenya, Mozambique, Afghanistan, and Mali were about 61.65, 46.87, 43.93, 38.02, and 49.13, respectively, in that period. These countries received on average, 12.7, 11.8, 11.1, 9.5, and 9.4 million US dollars, respectively, between 2013 and 2018.

Our calculations indicate that a 10 per cent increase in democracy aid to these countries – devoted exclusively to support core dimensions of democracy, namely, democratic participation and civil society, elections, media and free flow of information, and human rights – would lift the electoral democracy scores of these countries marginally, to levels of 61.87, 47.08, 44.15, 38.23, and 49.35, respectively.

The results remain positive and statistically significant but smaller for democracy aid under the extensive definition. The strength of the association weakens even further when developmental aid is considered in the analysis, which indicates that the results are driven by activities that fall under the limited concept of democracy aid. This is relevant given the marked differences between democracy aid definitions, in terms of activities, budgets and resources (see Table 7).

The composition of type of aid and type of finance also seem to matter in our analysis, as there is considerable variation in terms of how aid money is distributed, and by which type of financial instruments it is channelled.²⁶ Project-aid interventions and core

²⁶ In the OECD CRS/DAC terminology, ‘type of aid’ refers to the modalities used to distribute aid, including e.g. budget support; core contributions and pooled programmes and funds; project-type interventions; experts and other technical assistance; scholarships and student costs in donor countries; debt relief; administrative costs; and other in-donor expenditures. In contrast, the term ‘type of finance’ is used to distinguish the financial instruments used in the delivery of aid, e.g. grants, loans, mezzanine finance instruments, equity and shares in collective investment vehicles and debt relief.

contributions, pooled programmes and funds have been the dominant aid modality among donors, at least in the most recent years, regardless of the definition of aid that is adopted. Roughly speaking, the most recent data show that 74 per cent of democracy aid interventions under our limited definition were distributed via project aid, 19 per cent via core contributions and pooled programmes and funds, and only 2 per cent via budget support. Most of these funds were channelled in the form of grants (95%) and debt instruments (5%) (see Table 7 and Table 8).

In contrast, when the extensive definition of democracy aid is considered, we observe that about 23 per cent of aid money was allocated via budget support, 62 per cent was distributed through project aid interventions, and about 11 per cent via core contributions and pooled programmes. The structure of aid finance is also markedly different: 55 per cent of the budgets were channelled in the form of grants and the remaining 44 per cent as debt instruments (see Table 8).

This is important because the channels of democracy aid – whether issued via state channels such as budget support or via non-state instruments such as projects and core contributions to development actors – can influence aid effectiveness. Table 7 shows that donors have favoured non-state actors to deliver democracy aid within aid-receiving countries, probably because of the high risk of aid capture, particularly when operating in autocratic political environments, as suggested by Dietrich (2013) and Bush (2015; 2016), and also because of weak institutional capacity or state fragility in those countries, or both.

Our results arguably point to the significance of democracy aid interventions via non-state actors. Some previous analyses, by contrast, have highlighted the importance of aid supporting state-led political reforms, arguing that these are more adept at generating institutional strengthening and, ultimately, regime change (see, e.g.,

Dietrich and Wright, 2015). We find no clear support for such claims given the relatively low share of limited democracy aid provided through budget support. We note, however, that any conclusions drawn from consideration of types of aid interventions are highly speculative given the historical incompleteness of the data. Indeed, before 2010, the amount of missing information on the OECD's CRS was above 90 per cent (see Table 7).

Thus, our analysis casts serious doubts over any conclusion from previous comparative studies that make a case for either state-led or non-state actors-led interventions as effective modalities for allocating democracy assistance, and underscores the need for more research into the merits of various aid modalities in the context of democracy assistance.

Table 7. Distribution of international democracy aid by type and definition (%)

Aid definition	Aid type	1995	2000	2005	2010	2015	2018
Developmental aid	Budget support	0.00	2.84	1.83	4.78	14.38	7.81
	Core contributions and pooled programmes and funds	0.06	0.05	0.19	5.49	5.73	5.97
	Project-type interventions	0.67	7.84	6.54	60.28	70.69	78.16
	Experts and other technical assistance	0.01	0.02	0.01	2.78	1.72	1.32
	Scholarships and student costs in donor countries	0.00	0.00	0.00	1.54	1.10	1.25
	Debt relief	0.00	0.02	0.16	2.18	0.26	0.11
	Administrative costs not included elsewhere	0.00	0.00	0.04	0.17	0.23	0.71
	Other in-donor expenditures	0.00	0.00	0.00	0.02	0.01	0.12
	Missing information	99.27	89.24	91.23	22.77	5.89	4.54
Extensive democracy aid	Budget support	0.00	9.13	5.66	4.68	34.61	23.26
	Core contributions and pooled programmes and funds	0.00	0.00	0.00	9.70	12.59	10.92
	Project-type interventions	0.00	10.01	3.63	63.65	47.74	62.15
	Experts and other technical assistance	0.00	0.02	0.01	6.77	4.59	2.85
	Scholarships and student costs in donor countries	0.00	0.00	0.00	0.05	0.08	0.20
	Debt relief	0.00	0.00	0.00	0.00	0.00	0.00
	Administrative costs not included elsewhere	0.00	0.00	0.00	0.01	0.00	0.02
	Other in-donor expenditures	0.00	0.00	0.00	0.00	0.00	0.00
	Missing information	100.00	80.84	90.71	15.14	0.38	0.60

Aid definition	Aid type	1995	2000	2005	2010	2015	2018
Limited democracy aid	Budget support	0.00	0.12	0.07	0.68	1.65	2.68
	Core contributions and pooled programmes and funds	0.00	0.00	0.00	24.47	22.05	18.96
	Project-type interventions	0.00	14.08	3.03	69.95	72.40	74.14
	Experts and other technical assistance	0.00	0.00	0.00	4.80	3.87	4.01
	Scholarships and student costs in donor countries	0.00	0.00	0.00	0.00	0.02	0.07
	Debt relief	0.00	0.00	0.00	0.00	0.00	0.00
	Administrative costs not included elsewhere	0.00	0.00	0.00	0.08	0.00	0.15
	Other in-donor expenditures	0.00	0.00	0.00	0.01	0.00	0.00
	Missing information	100.00	85.80	96.91	0.00	0.00	0.00

Source: Authors' calculations based on OECD's Creditor Reporting System.

Table 8. Distribution of democracy aid by financial instrument and definition (%)

Aid definition	Financial instrument	1995	2000	2005	2010	2015	2018
Developmental aid	Grants	30.12	46.07	58.22	40.40	34.38	35.02
	Guarantees and other unfunded contingent liabilities	0.00	0.00	0.00	0.00	0.00	0.04
	Debt Instruments	69.64	53.45	37.19	56.70	62.92	64.25
	Mezzanine finance instruments	0.00	0.00	0.00	0.00	0.00	0.07
	Equity and shares in collective investment vehicles	0.25	0.46	0.94	0.73	2.44	0.51
	Debt relief	0.00	0.02	3.65	2.17	0.26	0.11
	Missing information	0.00	0.00	0.00	0.00	0.00	0.00
Extensive democracy aid	Grants	62.69	37.96	69.52	65.03	59.46	55.15
	Guarantees and other unfunded contingent liabilities	0.00	0.00	0.00	0.00	0.00	0.00
	Debt instruments	37.31	61.73	30.48	34.97	40.54	44.85
	Mezzanine finance instruments	0.00	0.00	0.00	0.00	0.00	0.00
	Equity and shares in collective investment vehicles	0.00	0.32	0.00	0.00	0.00	0.00
	Debt relief	0.00	0.00	0.00	0.00	0.00	0.00
	Missing information	0.00	0.00	0.00	0.00	0.00	0.00
Limited democracy aid	Grants	100.00	74.59	87.78	99.52	98.52	94.67
	Guarantees and other unfunded contingent liabilities	0.00	0.00	0.00	0.00	0.00	0.00
	Debt instruments	0.00	25.41	12.22	0.48	1.48	5.33
	Mezzanine finance instruments	0.00	0.00	0.00	0.00	0.00	0.00
	Equity and shares in collective investment vehicles	0.00	0.00	0.00	0.00	0.00	0.00
	Debt relief	0.00	0.00	0.00	0.00	0.00	0.00
	Missing information	0.00	0.00	0.00	0.00	0.00	0.00

Source: Authors' calculations based on OECD's Creditor Reporting System.

Aid activities and lower-level indices of democracy

In order to better understand how effective the subcomponents of democracy aid have been at promoting democracy, we estimate separate models that measure their individual contributions on the corresponding lower-level indices of democracy as described in Table 5. A summary of the results for international and Swedish democracy aid is presented in Figure 15. A more detail description of the results is presented in Appendix III. Overall, we find positive associations for most of the subcomponents of international and Swedish democracy aid on relevant lower-level indices of democracy.

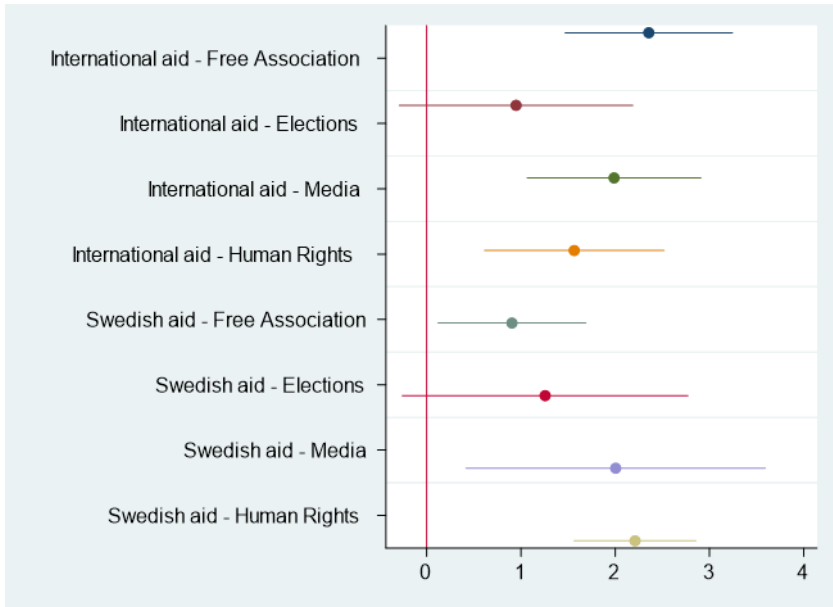
The results are generally consistent with our expectation that specific subcomponents of democracy aid, channelled to support freedom of association and participation, freedom of expression and the press, and human rights and civil liberties, have a positive correlation in these areas.

In the specific case of Swedish aid, the correlations are positive and significant for most activities, with the exception of supporting free and fair elections, which is one of the modalities that has received very limited support among those targeted by democracy aid over the past three decades (see Figure 7).²⁷ A 10 per cent increase in aid to support democratic participation and civil society, the media and free flow of information, and human rights over a five year period is associated with increases of 0.09, 0.19, and 0.21 points in the scores of V-Dem's indices of freedom of association, freedom of expression and alternative sources of information, and human rights and civil liberties, respectively. These are small correlation levels from low levels of democracy assistance, which in total averaged in

²⁷ Swedish aid to elections averaged US\$10.6 million in the period 1995-2018, relative to US\$76.5 million allocated to support democratic participation and civil society, or US\$67.4 million distributed to support human rights.

the period 1995–2018 just over US\$73 million to support democratic participation and civil society worldwide, US\$8 million to support the media and free flow of information, and US\$64 million to support human rights.

Figure 15. The impact of sector specific aid activities on lower-level democracy indices



Note: Estimates based on Model 1 using a maximum likelihood estimation and structural equation modelling (ML-SEM) method, with a linear-log functional form. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero.

Source: Authors.

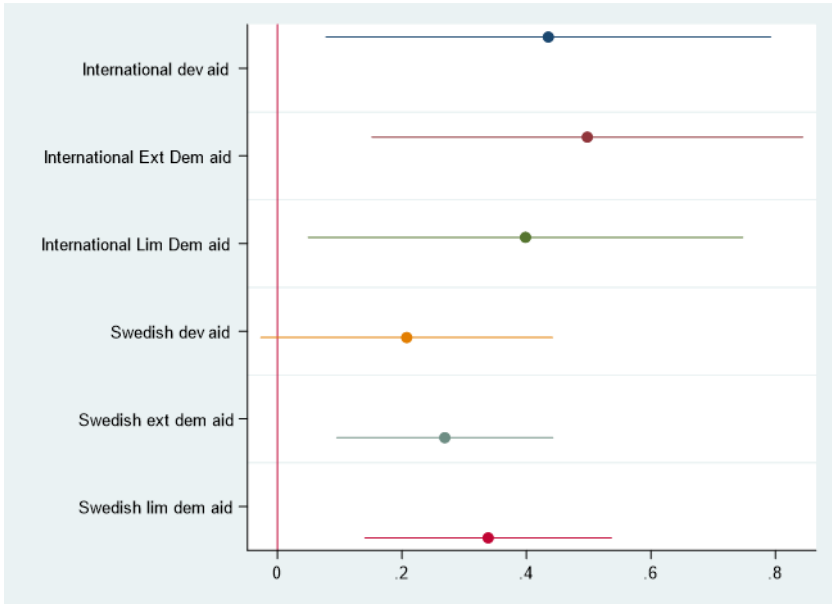
Does democracy aid support democratization (upturns) or help avoid democratic backsliding (downturns)?

Looking at the countries in which OECD DAC country donors, and Sweden in particular, have been most actively involved in democracy assistance over the past 25 years, electoral autocracies and fragile electoral democracies seem to figure most strongly in recent years (see Table 9 and Table 10). Sweden's priority countries have experienced diverse democratic trajectories, some experiencing upturns while others observing downturns.

Thus, we investigate the question of whether democracy aid enhances transitions to greater democracy (upturns) or mitigates political downturns. The econometric methods adopted in the analysis are described in full in Appendix III. The results are summarised in Figure 16 and Figure 17.

The results clearly reveal an asymmetric relationship between democracy aid and the dynamics of political processes. Both contemporaneous and past international and Swedish democracy aid appear to be more effective at supporting democratization (upturns) than at preventing democratic backsliding (downturns).

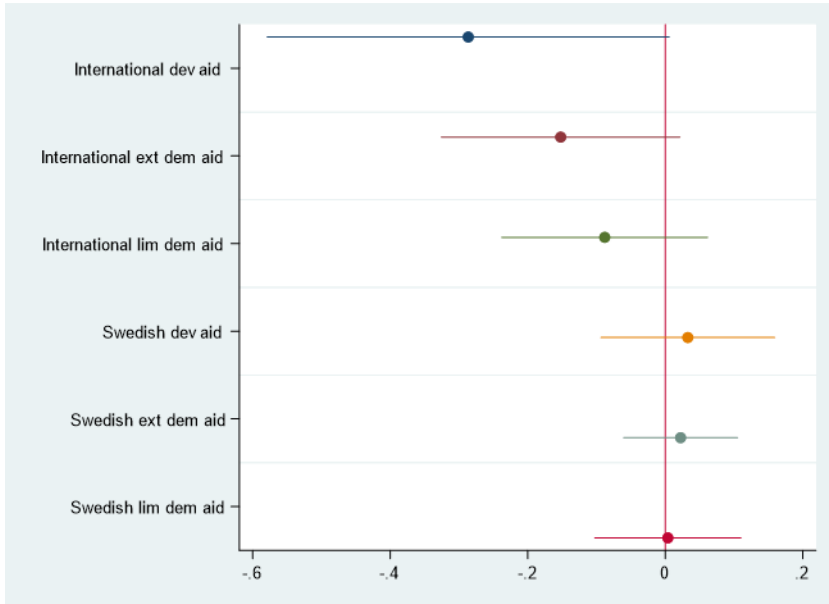
Figure 16. Effect of democracy aid on democratization (upturns)



Note: Estimates based on Model 1, using fixed-effects Tobit estimators, based on Honoré, (1992)'s semiparametric method. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero.

Source: Authors.

Figure 17. Effect of democracy aid on democratization (downturns)



Note: Estimates based on Model 1, using fixed-effects Tobit estimators, based on Honoré, (1992)'s semiparametric method. Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. The ropeladder plot show markers for point estimates, and spikes for confidence intervals at 90% levels. Those spikes crossing the reference line at zero show coefficients that are significantly different from zero.

Source: Authors.

The analysis also indicates that the channels through which democratization effects seem to materialize are via the support of democratic participation and civil society, free media, and human rights. The fact that we do not find any significant contribution of aid to stopping 'downturns' seems to reflect the fact that downturns are dominated by closed and electoral autocracies, where the power and resources available to political machines that support these regimes can be very significant, relative to aid budgets, while upturns are dominated by electoral democracies and electoral autocracies.

Figure 18 shows the distribution of downturn movements—movements in which the democracy index goes down in comparison to the previous period—according to the regime classification of countries, based on Lührmann *et al.* (2018). Notably, autocracies both closed and electoral, have larger downturn movements than democracies, which exhibit much smaller downturn movements. In contrast, Figure 19 presents the distribution of upturn movements—in which the electoral democracy index increases relative to the previous period—according to the same regime classification. While the liberal democracies show a small range of upward movements, presumably because they have already consolidated their democratic institutions and have limited space for improvement, closed autocracies on the contrary, also show a small upward range in their democracy index but for very different reasons, which reflect unfavourable conditions to advance political rights and civil liberties in these political systems. Electoral democracies, and to a lesser extent electoral autocracy, are the regimes that exhibit the highest upward movements in their democratic scores.

Figure 20 and Figure 21 depict the countries with the most pronounced downturns and upturns in the scalar of V-Dem’s electoral democracy index. We observe that Honduras, Moldova, Nicaragua, Mozambique, Turkey, and Venezuela have seen the most significant downturns in their political systems, Nicaragua and Turkey experiencing a particularly rapid deterioration in the conditions that sustain democracy in those countries.²⁸

²⁸ Other countries that have experienced downturns in their democratic scale are Bangladesh, Benin, Bhutan, Cape Verde, Hungary, Lebanon, Lithuania, Montenegro, Namibia, Serbia, Slovak Republic, South Africa, South Sudan, Tanzania, Thailand, Togo, Ukraine, Uzbekistan, Viet Nam, Yemen, and Zambia (see Appendix III).

Among the top 10 recipient countries of Swedish democracy aid, more than half are closed or electoral autocracies (Somalia, Kenya, and Zimbabwe have not experienced any major pro-democratic transition since the mid-1990s), while one-third are infant electoral democracies (Liberia, Guatemala, and Mali).

Table 9. Top 10 recipients of Swedish democracy aid (extensive definition) (million US\$)

1995	2005	2010	2015	2018
South Africa ED 24.775	Serbia ED 28.880	Afghanistan EA 92.638	Kenya EA 31.616	Afghanistan EA 86.415
Palestine CA 12.654	Vietnam CA 24.355	Mozambique EA 55.737	Afghanistan EA 31.133	Iraq EA 38.805
Nicaragua ED 9.317	Guatemala ED 22.554	DR Congo EA 29.434	Guatemala ED 29.351	Somalia CA 28.371
Namibia ED 9.038	Colombia ED 18.319	Tanzania ED 24.760	Mali ED 28.054	Uganda EA 26.432
Vietnam CA 5.743	Kenya EA 17.688	Palestine EA 23.809	Georgia ED 23.809	DR Congo EA 23.767
Tanzania EA 5.268	Palestine ED 14.066	Liberia ED 22.102	Zimbabwe EA 23.311	Kenya EA 23.357
Guatemala EA 3.901	DR Congo CA 12.452	Cambodia EA 21.172	Uganda EA 22.691	Zambia EA 23.294
Guinea-Bissau EA 3.637	Bosnia and Herzegovina ED 10.845	Sudan EA 19.025	Rwanda EA 17.303	Guatemala ED 20.297
El Salvador ED 3.300	Bolivia ED 9.385	Guatemala ED 17.118	DR Congo EA 17.211	Liberia ED 17.262
Senegal ED 2.824	Mozambique ED 8.910	Georgia EA 15.959	Myanmar EA 16.379	Colombia ED 16.022

CA = closed autocracy, EA = electoral autocracy, ED = electoral democracy.

Note: Countries in bold have not experienced regime transitions since 1995. Regime classification based on Lüthmann *et al.* (2018).

Source: Authors.

Table 10. Top 10 recipients of Swedish democracy aid (limited definition) (million US\$)

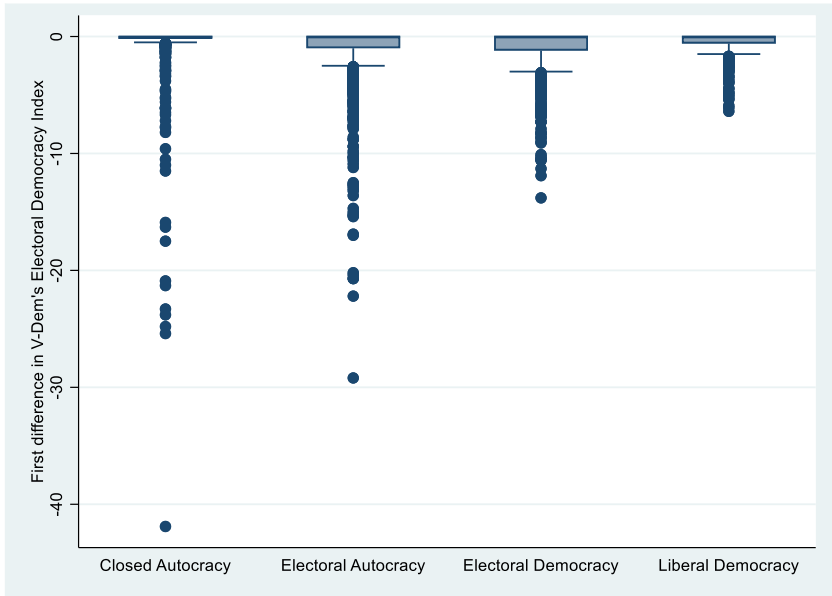
1995	2005	2010	2015	2018
Palestine CA 8.916	Palestine ED 13.080	Afghanistan EA 84.132	Guatemala ED 26.190	Kenya EA 18.145
South Africa ED 8.882	Guatemala ED 12.628	Mozambique EA 55.737	Mali ED 24.116	Liberia ED 12.549
Nicaragua ED 7.903	Serbia ED 9.577	Guatemala ED 16.698	Kenya EA 23.773	DR Congo EA 12.201
Tanzania EA 4.849	Iraq EA 8.689	Tanzania ED 16.139	Rwanda EA 17.303	Ethiopia EA 12.080
Guatemala EA 3.852	Colombia ED 8.388	Palestine EA 12.430	Zimbabwe EA 14.098	Zambia EA 10.695
Indonesia EA 1.163	DR Congo CA 6.559	Bolivia ED 10.411	Uganda EA 13.748	Bolivia ED 10.128
Peru EA 1.145	Bolivia ED 5.831	Cambodia EA 10.204	Turkey EA 12.522	Tanzania EA 9.327
Sri Lanka ED 1.115	Vietnam CA 5.809	Georgia EA 9.932	Myanmar EA 10.273	Zimbabwe EA 8.335
Bangladesh ED 1.056	Bosnia and Herzegovina ED 4.841	Pakistan EA 8.906	Sudan EA 9.558	Colombia ED 6.253
Cambodia EA 0.963	Myanmar CA 4.484	Sudan EA 7.912	Bangladesh EA 7.966	Mali ED 5.722

CA = closed autocracy, EA = electoral autocracy, ED = electoral democracy.

Note: Countries in bold have not experienced regime transitions since 1995. Regime classification based on Lührmann *et al.* (2018).

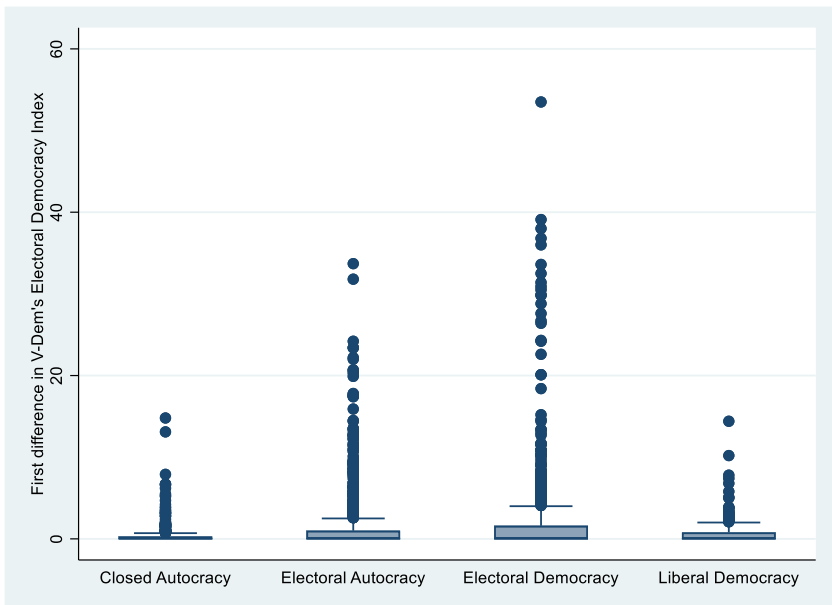
Source: Authors.

Figure 18. Downturns in democracy by type of political regime



Source: Authors.

Figure 19. Upturns in democracy by type of political regime



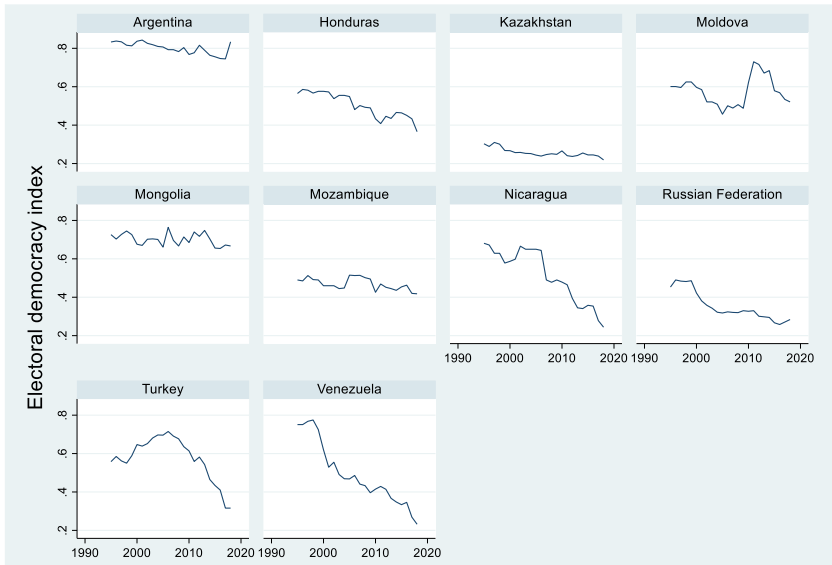
Source: Authors.

The complexity of democracy assistance is compounded by the fact that the most pronounced decline in democracy has occurred in middle-income countries, especially in Latin America, Europe, and Central Asia, which are being increasingly excluded from international and Swedish democracy assistance because of their higher income status.

Middle-income countries such as Venezuela have observed some of the largest declines in democratic institutions over the past 20 years, with an immense human cost associated with the democratic debacle. Yet democracy aid to Venezuela from DAC countries (and Sweden) has remained practically absent, even prior to the collapse of democratic rule in that country, in contrast to poorer nations such as Nicaragua, which, although also experiencing a rapid deterioration in democracy, has received approximately five times (328 times) more international (Swedish) democracy aid than Venezuela since 2000.

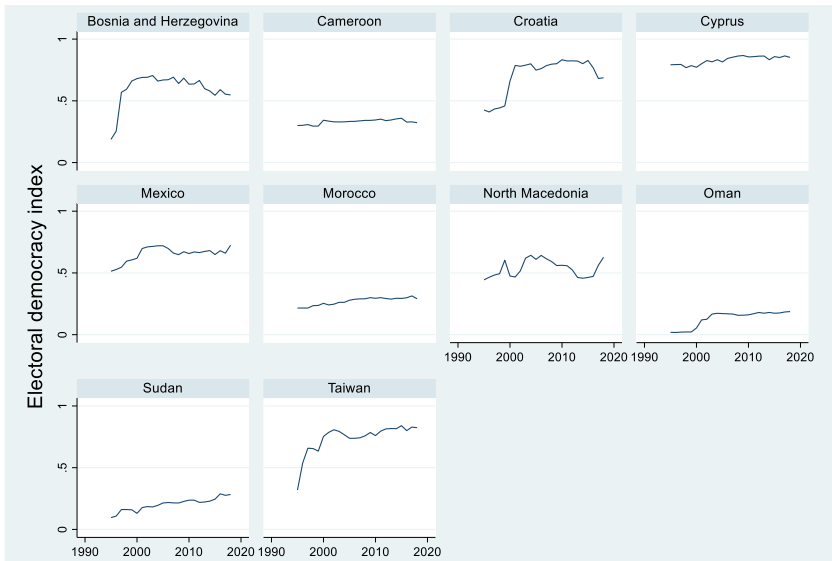
While the analysis so far provides relevant information on the impact of democracy aid on democracy and its asymmetric dynamics, we still cannot answer the question of whether democracy aid is more effective at supporting democracies or autocracies. This distinction is important, as it can guide policy and pro-democratic policy strategies in donor countries. We address this question in the next section.

Figure 20: Countries with the most pronounced downturns in the scalar of V-Dem’s electoral democracy index since 1995



Source: Authors.

Figure 21: Countries with the most pronounced upturns in the scalar of V-Dem’s electoral democracy index since 1995



Source: Authors.

The effect of democracy aid on regime type

In this section, we investigate the question of whether democracy aid is more or less effective at supporting democracies or autocracies.

We adopt an econometric method that accommodates the regime classification proposed by Lührmann *et al.* (2018), which classifies political regimes in four categories: (1) closed autocracies, (2) electoral autocracies, (3) electoral democracies, and (4) liberal democracies. A full discussion of the econometric methods used, and a complete description of the results, is presented in Appendix III. The results are summarised in Table 11. The point estimates of the various definitions of democracy aid from global and Swedish aid can be interpreted as changes in the probabilities of an aid-recipient country remaining in the current political regime if democracy aid is increased by 10 per cent, holding other things constant.

Table 11. Effect of democracy aid on the likelihood of remaining in a political regime (fixed-effects ordered logit estimates)

Model	Political regime	Global aid			Swedish aid		
		Dev. Aid	Democracy aid (extensive definition)	Democracy aid (limited definition)	Dev. aid	Democracy aid (extensive definition)	Democracy aid (limited definition)
Model 1	CA	0.001	-0.001	0.002	-0.002	-0.007**	-0.005
	EA	0.001	-0.001	0.003	-0.004	-0.012**	-0.008
	ED	-0.001	0.001	-0.002	0.003	0.011**	0.007
	LD	-0.001	0.001	-0.002	0.002	0.008**	0.005
Model 2	CA	-0.005	-0.006	-0.001	-0.005*	-0.005*	-0.004
	EA	-0.011	-0.013	-0.003	-0.011*	-0.012*	-0.009
	ED	0.009	0.010	0.003	0.009*	0.010*	0.007
	LD	0.007	0.008	0.002	0.007*	0.008*	0.005
Model 3	CA	-0.031	-0.023**	-0.011**	-0.009**	-0.009***	-0.006***
	EA	-0.092	-0.066**	-0.033**	-0.026**	-0.027***	-0.018***
	ED	0.061	0.044**	0.022**	0.017**	0.018***	0.012***
	LD	0.062	0.044**	0.022**	0.017**	0.018***	0.012***
Model 4	CA	-0.020	-0.016**	-0.008	-0.006**	-0.006***	-0.005***
	EA	-0.082	-0.064**	-0.031	-0.024**	-0.025***	-0.019***
	ED	0.048	0.038**	0.018	0.015**	0.015***	0.011***
	LD	0.053	0.042**	0.020	0.016**	0.017***	0.013***

CA = closed autocracy, EA = electoral autocracy, ED = electoral democracy, LD = liberal democracy

Note: Model 1 includes the rate of economic growth, the log of income per capita lagged one period, the share of the urban population, population density, and natural resource rents. Model 2 adds to Model 1 military spending, measured as share of GDP and the average polyarchy index of neighbouring countries, to control for the existence of regional diffusion effects of democracy. Model 3 adds to Model 2 the level of fractionalization of parties in opposition, a measure of all current non-tax revenues as an indicator of state autonomy, a dummy for a regime in which the chief of the executive is a military officer, a measure of internal conflict, and a measure of ethnic tensions. Model 4 adds to Model 3 the Gini coefficient as a measure of inequality – in linear and quadratic versions to capture the negative concavities in the relationship between high income inequality and democracy, and a measure of political dissent in the form of anti-government movements, which may be a catalyst to liberalization. All models measuring the effect of Swedish democracy aid control for the effect of democracy aid coming from other donors. * $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Source: Authors.

Consistent with previous results, the contribution of democracy aid is positive but very small. In the case of Swedish democracy aid, and taking the limited definition of democracy aid as our benchmark, we observe that, in general, democracy aid increases the probability of democracies remaining in that political category, while reducing the probability of autocracies, either closed or electoral, remaining in that classification.

The strength of the association is nonetheless not significant across all models and it only becomes consistently positive (or negative) and statistically significant when we control for additional factors that are expected to influence democracy: the level of fractionalization of parties in opposition, the fiscal space of countries, the level of state fragility, and the presence of ethnic tensions (Model 3), and the level of income inequality and the occurrence of anti-government movements (Model 4). After accounting for these determinants, a 10 per cent increase in Swedish democracy aid from one year to the next is associated with a reduction in the probability of closed autocracies such as Palestine or Viet Nam, and electoral autocracies such as Kenya, Ethiopia, Zambia, Tanzania, and Zimbabwe to remain in that autocratic condition by about 0.06 and 0.18 per cent, respectively. Similarly, a 10 per cent increase in Swedish democracy aid is associated with a 12 per cent increase probability of electoral democracies such as Liberia, Bolivia, Colombia, or Mali to remain in that political categorization.

These are small probabilities but still remarkably strong in their level of association, especially when considering the modest contribution that Swedish aid makes to supporting democracy in aid-recipient countries (see Table 4).

Conclusions

In this study, we have investigated the complex relationship between democracy aid and democracy over the past 25 years. The findings point to a small but positive contribution of international and Swedish aid to support democracy as a political system around the world. The level of association between democracy aid and democracy is in general small, reflecting the modest contribution of international and Swedish democracy aid, relative to the financial needs of pro-democratic actors in autocracies and evolving democracies.

The positive direction of the correlations between democracy aid and democracy is broadly consistent with our priors and with previous work on democracy aid summarized in our systematic review. This holds across both our ‘extensive’ and ‘limited’ definitions of democracy aid, but is clearer under the limited definition.

The composition of aid type and finance type seem to matter. The fact that most democracy aid – in both the extensive and limited definitions – has been channelled via non-state actors, and in the form of project aid interventions, core contributions, pooled programmes and funds, and technical assistance may mitigate the risk of regime capture of aid moneys. Although we remain cautious about arguing in favour of project aid, core contributions, or technical assistance over budget support (because of data limitations), building strong partnerships with pro-democracy non-state actors and institutions is clearly important – and possibly the only way in many contexts to support democratic values in autocracies and infant or evolving democracies. Nevertheless, we draw attention to the need for more research into the merits of various aid modalities in the context of democracy assistance.

The literature has emphasized a distinction between bilateral and multilateral aid, in which bilateral aid is found to be more amenable to aid-for-policy deals than multilateral aid (Bueno de Mesquita & Smith, 2009). Bilateral aid has also been associated with positive democratic outcomes in the short run, whereas multilateral aid appears to be ineffective alongside autocracies (Kersting & Kilby, 2016). There are a few exceptions, such as Menard (2012), which finds that only multilateral aid is beneficial for democratization.

Our analysis, however, does not support this literature. We find no evidence that multilateral (or bilateral) aid is more effective than bilateral (or multilateral) aid at advancing democracy. While our results indicate that aid from democratic donors (bilateral or multilateral) sustains democracy, the influence of emerging authoritarian donors remains less clear due to data constraints. This underscores the need for future international comparative research on emerging donors.

What our findings clearly show is a stronger positive association when aid explicitly targets the building blocks of democracy, via the non-state actors that support civil society, free and fair elections, free media, and human rights at the country level. This seems to confirm the conventional wisdom in aid studies that development cooperation is most effective when it supports those actors and institutions that hold the ‘ownership’ on political, social, and economic reforms and processes.

Importantly, we do not find any evidence of a negative impact of targeted democracy (or developmental) aid on democracy, as some studies have reported in the past. Indeed, a significant critique of foreign aid in general is that it has negative impact on democratic governance, and our findings raise some challenges to this critique.

In the particular case of Swedish aid, the results make a strong case for increasing bilateral democracy aid to offset the drastic drop in funding to core dimensions of democracy seen in recent years.

Further consideration should be given to the possibility of increasing aid to monitor and scrutinize electoral cycles, and also to strengthen the independence of electoral bodies that support free and fair elections, which is an area that so far had received limited Swedish aid vis-à-vis other activities.

A major challenge in multi-country, multi-year analysis of aid and democracy is the ‘endogeneity’ problem, in particular how to disentangle the impact of aid on democracy from the influence of democracy and other factors on aid allocations. With reference to one country, this problem could be addressed via experimental or quasi-experimental research, ideally complemented with careful qualitative case studies and process tracing. However, in multi-country, multi-year analyses such as ours, the endogeneity problem can easily become intractable, so the best choice is to rely on advanced econometric techniques to mitigate this problem.²⁹

We acknowledge that we are not in a position to *prove* causation, and that our results should be treated as approximations to a causal relationship. However, the multiple models, methods, and approaches that have been tested in the analysis give us strong indications and confidence to assert that (1) democracy aid does good, not bad, for democracy building around the world, and (2) targeted democracy aid is more likely, at least in the short and medium term, to positively contribute to the building blocks of democracy than developmental aid, because democracy aid specifically targets key institutions and agents of democratic change.

Developmental aid interventions, although positively associated with democracy, are contingent upon a number of factors that underpin democracy, such as a more educated population or the

²⁹ A promising area for future work would be to build on this analysis with detailed case studies to probe the underlying causal relationships suggested in our cross-country analysis.

enlargement of the middle class – factors that can take much longer time horizons to materialize.

Nevertheless, the analysis does not find strong evidence that the factors underpinning economic development are strongly associated with democratization, as structural theories suggest. In fact, the effect of economic development on democracy is largely insignificant across models and specifications. Considerations related to state capabilities, military spending, population density, and regime type, which are in the domain of institutional and agency-based theories, seem to be stronger predictors for democratization.

An important question posed by the literature is whether democracy aid enhances the transition to (greater) democracy or mitigates democratic backsliding. Our results clearly reveal an asymmetric relationship between democracy aid and the dynamics of political processes. Both international and Swedish democracy aid appear to be more effective at supporting ongoing democratization (upturns) than at halting ongoing democratic backsliding (downturns).

Both developmental aid and democracy aid are strongly associated with patterns of positive democratization in evolving democracies, although the association weakens substantially when we consider political contexts dominated by military rule, high ethnic tensions, a weak political opposition in the legislative branch, high income inequality, and limited political space for dissent and anti-government movements.

Taken as a whole, findings are relevant and have important policy implications. Among upturns, where democracy aid appears to be more effective at promoting democratization, there are both electoral democracies and electoral autocracies. The question of whether to allocate scarce resources to support ‘democratising’ autocracies or ‘advancing’ democracies (or both) requires a careful case-by-case consideration in light of the varying degrees of

economic development, institutional capacity and geopolitical significance among this group of countries.

An equally important, and perhaps a more pressing, question from a normative perspective is how to respond to backsliding countries, especially when those with the most pronounced losses in their democratic freedoms are among middle-income countries of Latin America, Europe, and Central Asia that have experienced considerable cuts in development and democracy assistance.

Several of these countries enjoyed not long time ago, spells of democratization before experiencing backsliding trends (e.g. Turkey from 2000 to 2012, Argentina in the 2000s, Venezuela from the mid-1990s to 2002). Other countries such as Brazil, Croatia, Mexico, and South Africa, made important strides towards democracy in past decades, but have shown more recently signs of a rapid deterioration in the institutions and freedoms that uphold democratic practice.

While our results indicate that, on *average*, aid is ineffective at stopping downturns, they also underscore the important contribution of aid to strengthening democracy and arguably to helping countries to consolidate their democracies and to avoid future democratic backsliding. Indeed, an implicit interpretation of our findings is that cutting democracy aid to countries that have not achieved democratic consolidation could adversely impact the state of democracy worldwide. This is important in light of recent global declines in democracy and the raise of authoritarianism.

We conclude by making the case for, and emphasizing the importance of, continuing to provide democracy assistance and possibly increasing it, especially in those core dimensions of democracy (e.g. human rights, democratic participation and civil society, and the free media) which uphold and advance democracy, and where results indicate donors get the highest returns on their investment. This should be done, while maintaining realistic expectations for its demonstrable year-to-year impact.

Global democracy is in decline. Failure by the international community to respond can have major long-term consequences for international peace, stability, and prosperity.

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Democracy aid is a significant component of Swedish development cooperation. This report explores the effects and how it can be improved. The results are based on both a systematic review of the existing literature and an extensive quantitative analysis of aid and democracy data.

Demokratibistånd är en viktig del av svenskt utvecklingssamarbete. Den här rapporten undersöker effekterna av demokratibistånd och hur det kan förbättras. Resultaten bygger på en systematisk genomgång av tidigare litteratur och en omfattande kvantitativ analys av bistånds- och demokratidata.