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# Aid's Impact on Democracy



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## EFFECTS OF SWEDISH AND INTERNATIONAL DEMOCRACY AID

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### Does aid support democracy?

A systematic review of the literature

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### Aid's impact on democracy

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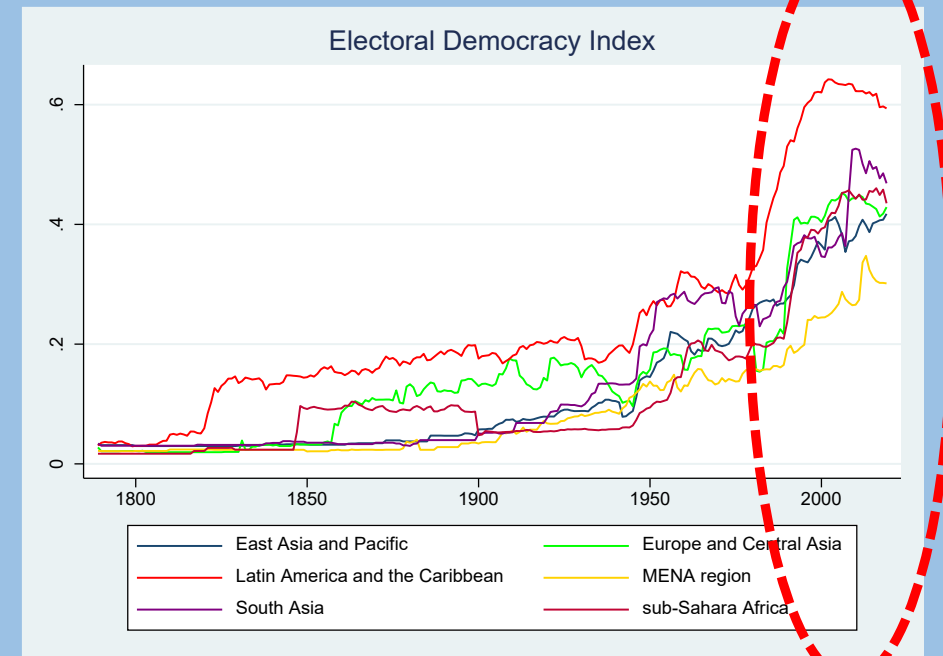
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**Motivation 1: Democracy aid is a core component of development cooperation. Does it 'work'?**

# Motivation 2: Global democracy is in decline. What can be done?



Source: V-Dem

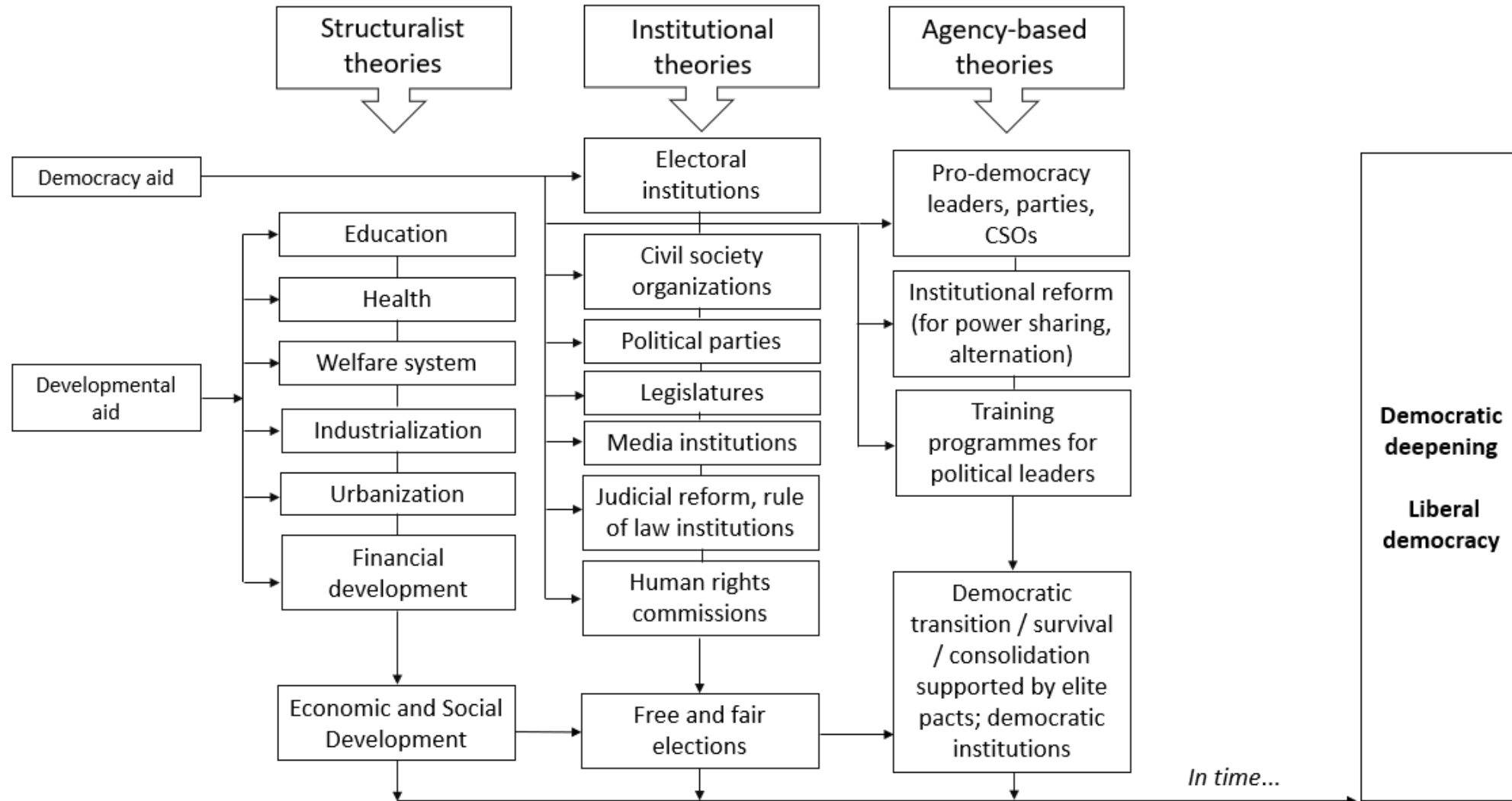
# Does democracy assistance 'work'?

**Yes.** Our analysis points to a modest but positive impact on democracy.

Its impact is clearer than the impact of developmental aid, but there is little evidence of an overall negative effect on democracy for either.

Aid targeted to the support of civil society, free and fair elections, media freedom, and human rights seems to work best in terms of impact on democracy.

# 1. An analytical framework. How should democracy assistance – in theory – support democracy?



## 2. A systematic review of the literature on aid and democracy.

Overview of findings on the effects of aid on democracy, by aid type and modality

Number of studies by type of aid	Positive	Negative	Null
<b>Developmental Aid (64)</b>	<b>39</b>	<b>30</b>	<b>13</b>
<i>Budget support (2)</i>	1	1	1
<i>Project intervention (11)</i>	5	6	4
<i>Core contribution (0)</i>	0	0	0
<i>Technical Assistance (3)</i>	1	2	0
<i>Not specified (49)</i>			
<b>Democracy Aid (32)</b>	<b>26</b>	<b>9</b>	<b>5</b>
<i>Budget support (0)</i>	0	0	0
<i>Project intervention (19)</i>	16	4	2
<i>Core contribution (2)</i>	2	0	1
<i>Technical Assistance (5)</i>	5	0	0
<i>Not specified (10)</i>			
<b>Democracy Aid + Subcategories (36)</b>	<b>29</b>	<b>11</b>	<b>5</b>

### 3. New quantitative analysis for 148 countries, 1995-2018

**Measuring aid:** OECD Creditor Reporting System. 'Democracy aid', measured in 2 ways - 'limited' and 'extensive', and 'developmental aid'.

**Measuring democracy:** Varieties of Democracy (V-Dem) Electoral Democracy Index. Also indexes of freedom of association, clean elections, freedom of expression, alternative sources of information, and civil liberties

**Controls:** income per capita, rate of growth, urban population, population density, natural resource endowments. Also: military spending (% of GDP), average democracy of neighboring countries, party fractionalization, non-tax revenues, internal conflict, ethnic tensions, inequality

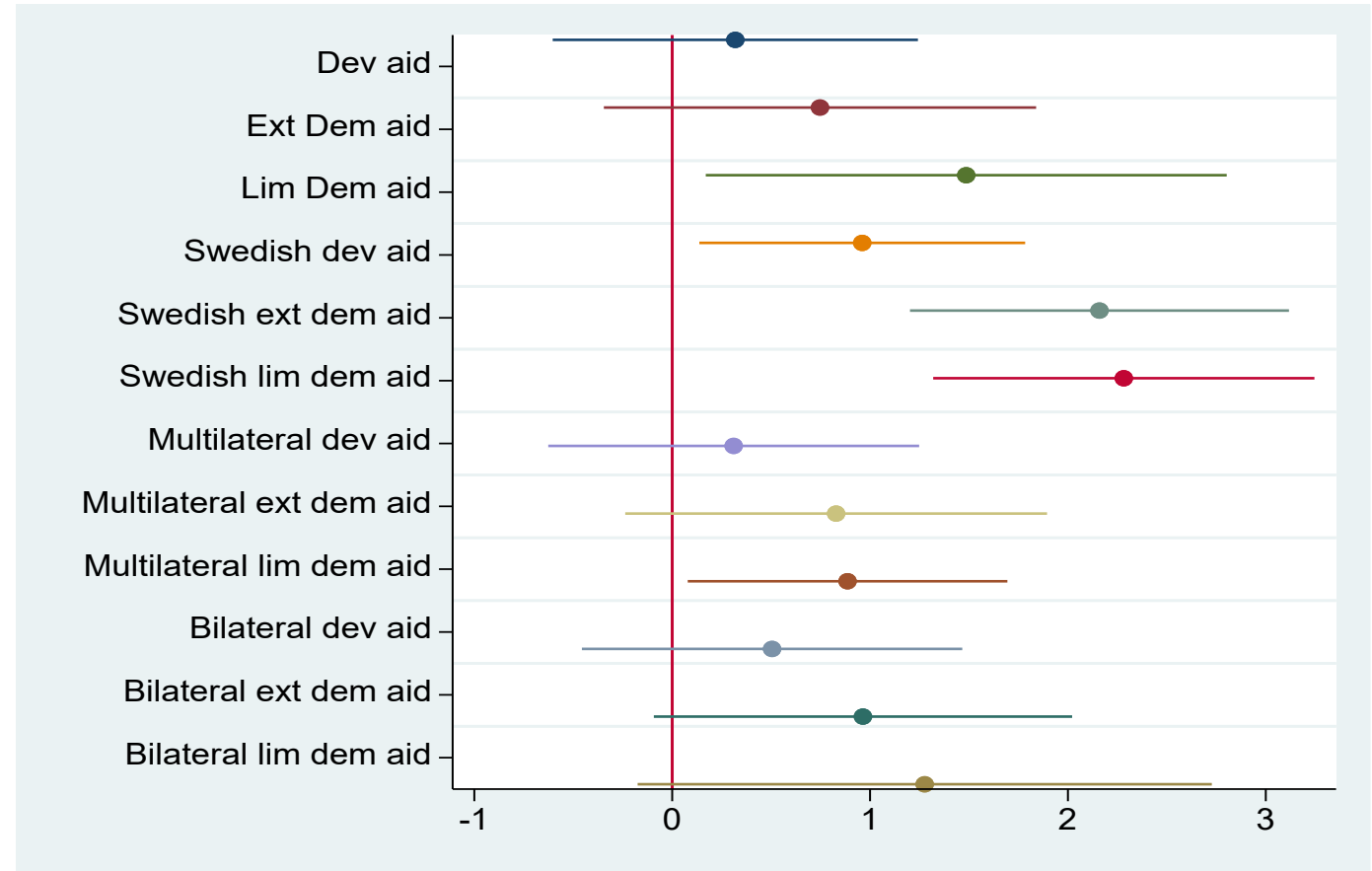
**Use of multiple advanced econometric methods and checks,** with attention to challenges in previous analyses – in particular the **endogeneity problem**.



## (a) Does democracy aid contribute to democracy? How about developmental aid?

**Yes:** Results suggest the contribution of democracy (and developmental) aid to democracy is small, but positive and statistically significant.

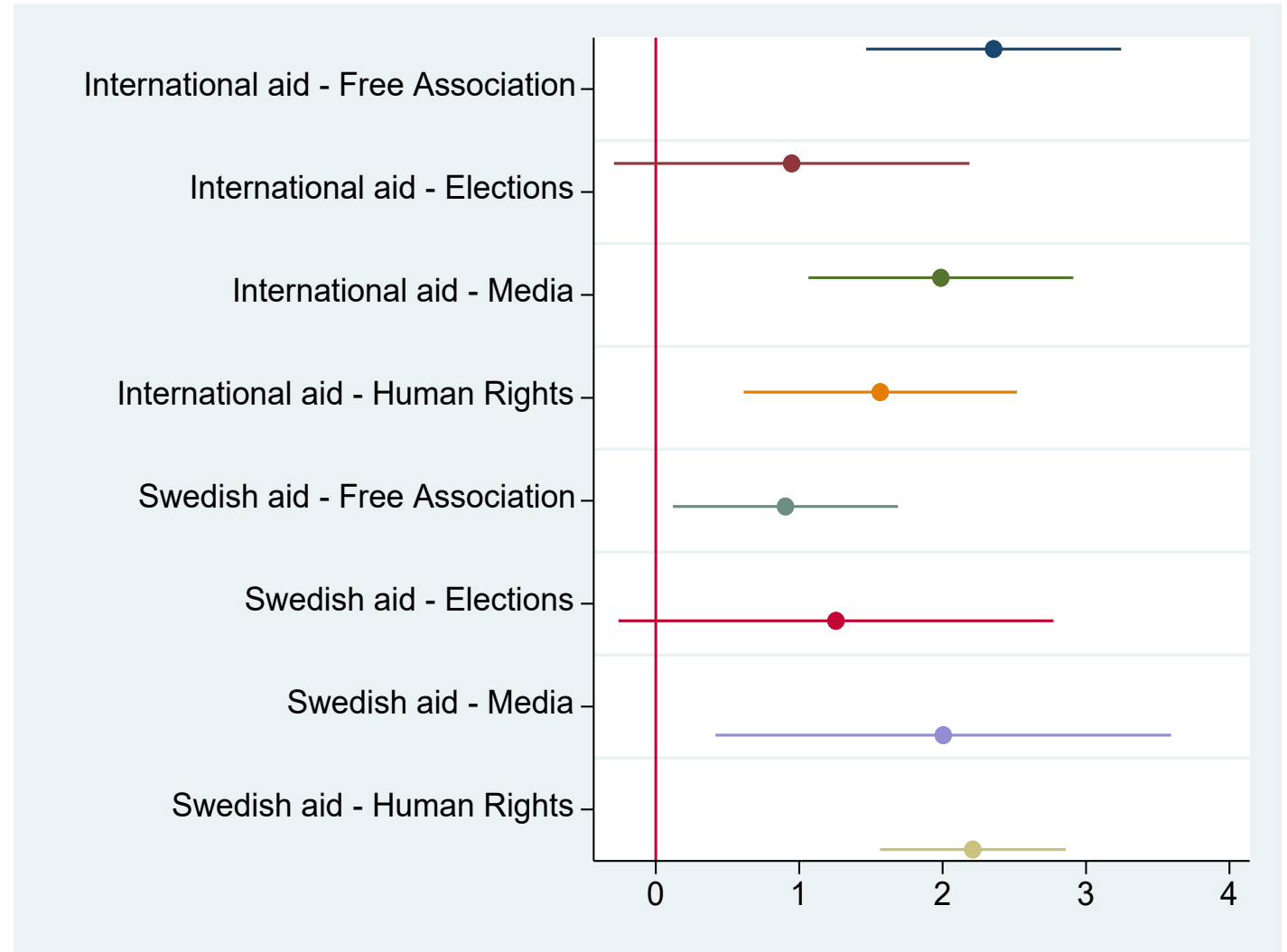
*A 10% increase in democracy aid (limited definition) over a five-year period is associated with an average 0.14 point increase in the scalar of the Electoral Democracy Index.*



The ropeladder plot shows markers for point estimates. Spikes show CI at 90% levels. Spikes crossing the reference line at zero show coefficients that are significantly different from zero.

## *What about democracy aid's impact on lower-level indices of democracy?*

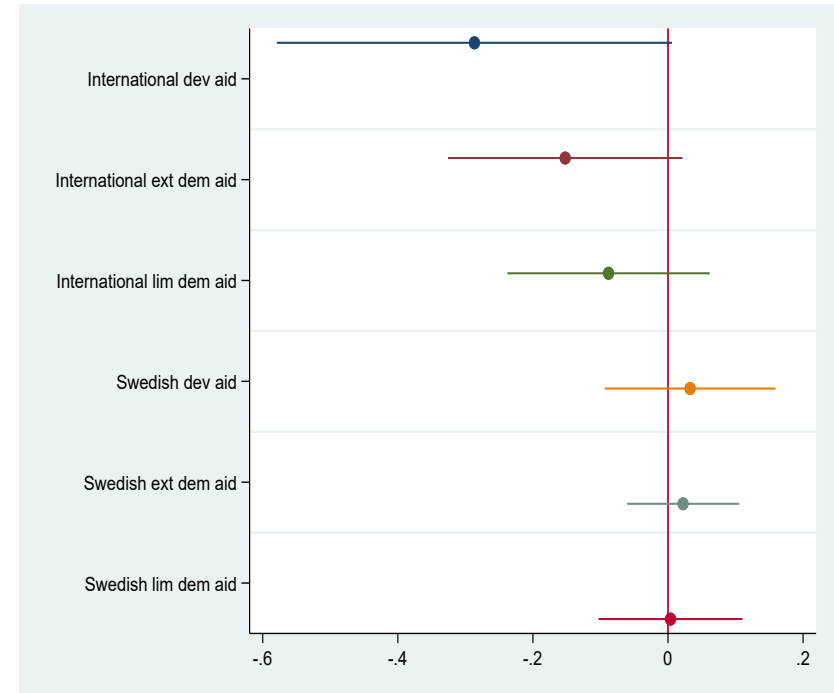
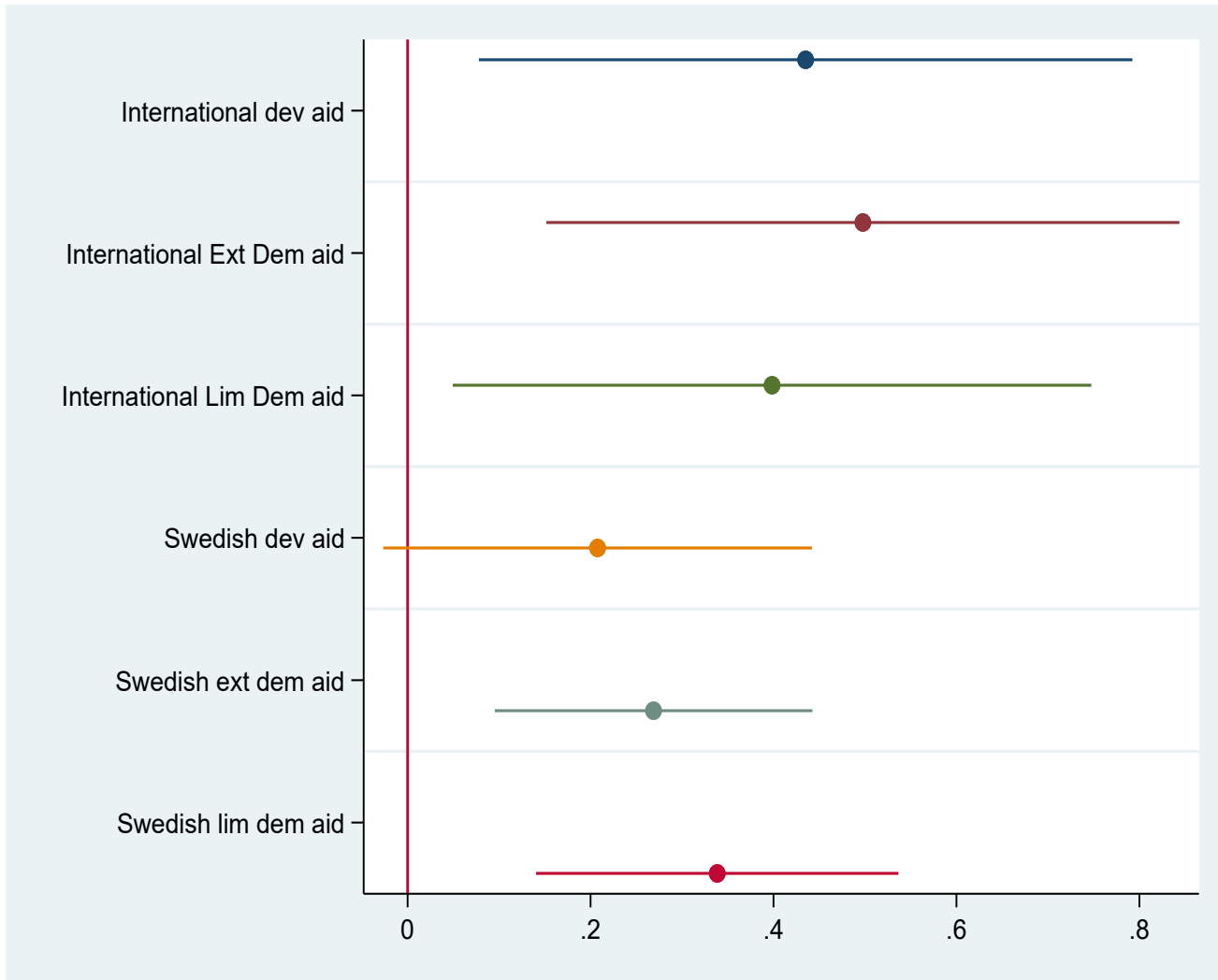
We find positive contributions for most subcomponents of international democracy aid (except aid to elections) on lower-level indices of democracy.



The ropeladder plot shows markers for point estimates. Spikes show CI at 90% levels. Spikes crossing the reference line at zero show coefficients that are significantly different from zero.

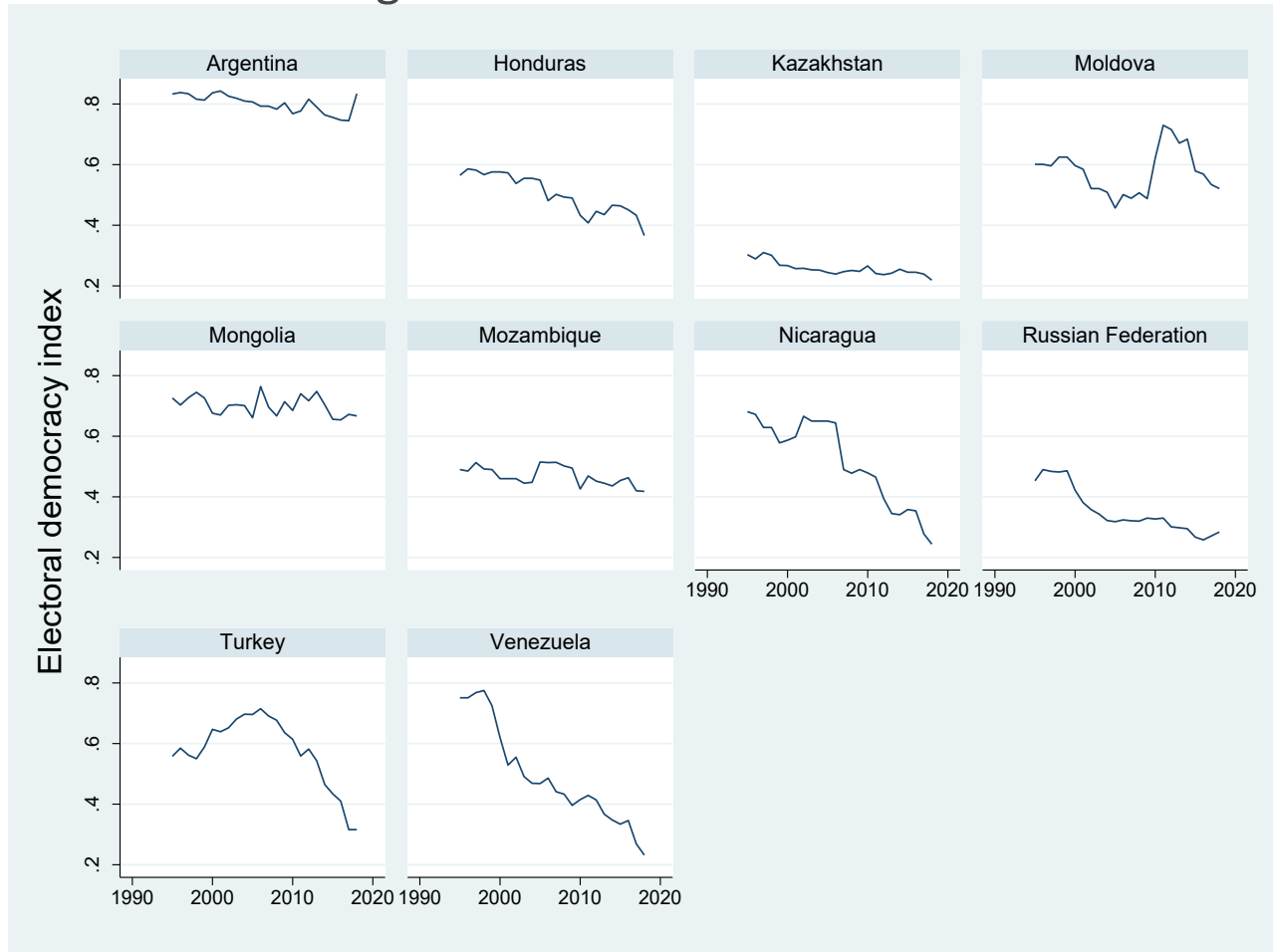
## *(b) Does democracy aid better support democratization (upturns) or help avoid democratic backsliding (downturns)?*

Results suggest it supports **upturns** better than downturns:



Estimates based on fixed-effects Tobit estimators. The plot shows markers for point estimates. Spikes show CI at 90% levels. Spikes crossing the reference line at zero show coefficients that are significantly different from zero.

## Countries with greatest downturns in the EDI since 1995



There are differences in regime type between the groups:

- ‘Upturn’ countries – many electoral democracies and some electoral autocracies
- ‘Downturn’ countries – mainly closed and electoral autocracies

Most pronounced decline in democracy in MICs – in Latin America, Europe, and Central Asia. Countries increasingly excluded from international assistance because of their higher income status.

## ***(c) Is aid more effective at supporting democratization in electoral democracies or autocracies?***

### **Electoral democracies.**

We use Lührmann *et al.* (2018)'s regime classification: *closed autocracies, electoral autocracies, electoral democracies, and liberal democracies.*

We find a small but positive effect of democracy aid:

- A 10% annual increase in democracy aid is associated with a 22% increase in the probability of electoral democracies remaining electoral democracies
- A 10% annual increase in democracy aid is associated with a marginal reduction in the probability of closed autocracies (-11%) and electoral autocracies (-33%) remaining as such

# Some concluding thoughts

- There are good reasons to be skeptical about democracy promotion and aid, but be wary of knee-jerk aid pessimism. Overall, aid's impact is modest but positive.
- Aid can help stem the decline of democracy, if used in the right way.
- This is clearest for aid that targets core democratic institutions: civil society, free media, human rights, and (maybe) elections.
- The impact of developmental aid may take longer and is (simply) harder to document.
- A pressing question is how to respond to backsliding countries



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