Varieties of Democracy Aid Approaches: The Role of Donor's Domestic Preferences

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22.11.2023

Abstract

After the end of the Cold War, DAC donors increased their efforts of democracy promotion in developing countries. Among other instruments, DAC donors increasingly use democracy aid to improve democracy abroad. However, DAC donors differ in their allocation and delivery strategy of democracy aid. Some donors favour a bottom-up approach which consists of enhancing civil society participation. Other donors favour a top-down approach which consists of enhancing recipient states' institutions. The democracy promotion literature distinguishes between the United States and the European Union's approach to democracy assistance but fails to provide a transversal explanation among European donors. This paper argues that DAC donors' domestic ideologies influence democracy aid allocation strategies. More specifically it argues that donors' perspective on the relative importance of the role of the state and the civil society in democracy and economy influence their preference for a bottom-up or top-down strategy in delivering democracy aid. To test the hypothesis, this article employs a country-year fixed effect regression model using data from the OECD Credit Reporting System (CRS) dataset. This dataset contains detailed information on all democracy aid projects delivered by the 29 DAC donors in 157 recipient countries from 1990 to 2020. Results confirm that DAC donors' domestic ideology influences democracy aid approaches. These findings contribute to the understanding of the varieties of democracy promotion, democracy aid allocation strategies, and effectiveness in developing countries' democratization process.

Keywords

Democracy promotion; Comparative Politics; Foreign aid; Democracy aid; Political economy; Domestic ideology

Introduction

Since the end of the Cold War, Development Assistance Committee (DAC) donors increasingly integrated democracy promotion as part of their foreign policy strategies. DAC donors promote democracy abroad both as an instrument of other foreign policy objectives, such as economic development and national security, and as an ideational objective (Wolff & Spanger, 2017; Wolff & Wurm, 2011). To promote democracy abroad DAC donors use a variety of foreign policy tools, such as military, paramilitary, covert intervention, classic diplomacy, economic sanctions, foreign aid conditionalities, and democratic assistance (Beichelt, 2012; Schraeder, 2003). This paper studies how DAC donors use democracy aid to promote democracy in developing countries.

Democratic assistance comprises all foreign aid projects whose explicit objective is the enhancement of democracy's components in recipient countries. Democracy assistance projects vary in their objectives and modalities. DAC donors deliver democracy aid projects to foster the public sector policy and finance management, to support decentralisation and the subnational government, to support legal and judicial development, to foster free media, to improve human and women rights, and to enhance civil society inclusion and participation in the political process (Dietrich & Wright, 2015; Scott & Carter, 2020). After the Cold War, as a result of the increasing importance of democracy promotion as a foreign policy objective and instrument, DAC donors increased their share of democracy assistance. In 1990, less than 5% of foreign aid projects were devolved to enhance democratization in developing countries. In 2020, democracy aid constituted more than 10% of total foreign aid amounts (CRS 2023).

However, DAC donors differ considerably in their democracy aid allocation and approaches. For example, Sweden is a large democracy aid donor that tends to target civil society participation and human rights. In 2015, Sweden committed 30% of its foreign aid to democracy assistance, 80% of which was delivered to enhance civil society participation and human rights. In contrast, Japan is a small democracy aid donor despite being one of the largest aid donors. In 2015, Japan committed less than 5% of its foreign aid to enhance democratization in developing countries. Moreover, most of this aid aims to improve state capacity-building. What accounts for this variation? What are the donors' domestic factors that explain the variety of democracy assistance approaches?

To address this question, I draw into the democracy promotion literature and the foreign aid literature. The democracy promotion literature offers many insights explaining donors' variation in democracy assistance strategies. However, most of this literature focuses on the transatlantic divide, which explains democratic assistance variation between the United States (US) and the European Union (EU). Moreover, this literature investigates differences using qualitative case studies and relies on quantitative evidence only for descriptive trends. In contrast, the foreign aid literature addressing democracy aid allocation offers some limited quantitative evidence on donors and recipient factors driving democracy aid allocation. However, most of the literature focuses on the US democracy aid allocation or the aggregated DAC donors' democracy aid.

This paper aims to address this gap by explaining how DAC donors' political economy ideologies influence democracy assistance strategies in developing countries. To do so, this paper analyses democracy projects committed by 29 DAC donors between 1990-2021 in more than 150 recipient countries. Results suggest that neoliberal donors tend to deliver more democracy aid targeting more civil society components of democratization compared to traditional public sector donors.

Literature review

Democracy Promotion

Most of the literature on democracy promotion explains factors and types of democracy assistance through case studies focusing on the largest individual donors. Most of the literature focuses on the United States democracy promotion (Christensen, 2017; Collins, 2009; Nau, 2000; Robinson, 1996) and the European Union democracy promotion (Börzel & Risse, 2004; Fagan, 2015; Lavenex & Schimmelfennig, 2011; Manners, 2008; Wetzel et al., 2015). Only a few articles focus on smaller democracy promotion actors such as Japan and Indonesia (Ismail et al., 2020; Rosyidin, 2020). This literature emphasizes the importance of security and economic interests, the specific democracy model of donors, and the needs of recipients as key factors shaping democracy promotion approaches (Petrova, 2014). However, this literature lacks the comparative perspective necessary to systematically analyze the variations in democracy promotion strategies across different donors.

Only a few articles address the varieties of democracy promotion with a comparative approach. According to Schraeder (2003), the United States, Nordic countries, Germany, and Japan's democracy promotion approaches vary depending on underlying foreign policy objectives. The United States prioritizes security interests, while Germany and Japan focus on economic interests in their democracy promotion efforts. In contrast, Nordic countries align their democracy promotion with humanitarian interests. Barry (2012) compares democracy promotion strategies and democracy assistance of France, Germany, the United Kingdom, the United States, and the European Union. The study reveals that while all democratic donors increased their level of democracy assistance after the Cold War, there is an important variation in the use of democracy assistance. Descriptive findings suggest that donors with neoliberal inclinations tend to offer more democracy assistance. Petrova (2014) book, along with the related literature on new democracy donors from Eastern Europe (Pospieszna, 2014), is also an important starting point for the comparison between donors. Petrova (2014) comparative analysis of Poland, Slovakia, and Bulgaria shows that donors' domestic factors, such as non-governmental organizations (NGOs) presence and historical democratization process are good predictors of democracy promotion approaches.

Most of the comparative literature on democracy promotion focuses on the "transatlantic divide" (Kopstein, 2006). This literature offers both theoretical and conceptual insights on the differences between US and EU democracy promotion strategies (Kopstein, 2006; Carothers, 2008; Magen et al., 2009; Bridoux & Kurki, 2015; Stahn & van Hüllen, 2017) and case studies addressing the differences in specific recipient countries (Babayev, 2014; Biondo, 2015; Holthaus, 2019; Huber, 2008; Omelicheva, 2015). Earlier research in this area tends to underscore distinct and clear features distinguishing the approaches of the United States from those of the European Union (Kopstein, 2006). Carothers (2008) conceptual framework, which distinguishes between developmental and political approaches to democracy promotion, is the most useful for understanding the varieties of democracy promotion between the two major donors. According to Carothers (2008), the United States has a political approach to democracy promotion. The political approach, rooted in a Dahlian conception of democracy, emphasizes the value of both formal institutions and civil liberties in democracy. In this approach, democratization is conceived as a political struggle between democratic and non-democratic actors. Therefore, democracy promoters that follow this approach tend to support democratic actors, such as civil society, political opponents, and political parties and associations, to win the political battle that is essential for achieving democratization (Carothers, 2008). In contrast,

the European Union follows the developmental approach to democratization. This approach is grounded in a broader conception of democracy, incorporating socio-economic development as a crucial element. It views the democratization process as a gradual and iterative interplay between socio-economic advancement and the foundational aspects of democratic governance. Therefore, proponents of this approach tend to support governance reforms and capacity-building initiatives, focusing simultaneously on enhancing state institutions and fostering socio-economic development. (Carothers, 2008).

However, scholars argue that the difference between the European Union and the United States' democracy promotion approach is exaggerated. This literature argues that the EU and the US democracy promotion approaches are converging and similar in certain dimensions (Bridoux & Kurki, 2015). This literature argues that the United States is gradually shifting towards a more mixed democracy approach which is both political and developmental (Bridoux & Kurki, 2015). Moreover, the distinction between the United States and the European Union in democracy promotion remains ambiguous, largely due to the complexity of the EU's approach to democracy. According to this literature, the EU does not have a clear conceptualization of democracy promotion. The lack of European consensus on democracy promotion is due to member's state heterogeneity' perspective on democracy promotion (Bridoux & Kurki, 2015). Indeed the EU is composed of member states that have both a "liberal democracy" perspective and a "reform liberal perspective" on democracy (Kurki, 2013). This fuzzy definition of democracy generates flexibility and leads to a mixed democracy aid assistance approach that is both top-down and bottom-up depending on recipient countries' characteristics (Wetzel et al., 2015; Youngs, 2003).

The comparative literature on democracy promotion approach highlights the heterogeneity of democracy promotion varieties. This literature shows that donors' perspective on democracy is the most decisive factor influencing democracy promotion approaches (Barry, 2012; Bridoux & Kurki, 2015; Carothers, 2008; Kurki, 2013; Petrova, 2014). Part of the literature highlights the difference between neoliberal donors and reform liberal donors' conception of democracy that leads to different democracy assistance patterns (Barry, 2012; Bridoux & Kurki, 2015; Kurki, 2013). It also offers a clear conceptualization of democracy assistance typology, differentiating between the political and developmental approaches (Carothers, 2008). However, this literature offers only qualitative evidence or descriptive statistics on selected case studies. Therefore, it lacks a general theoretical framework explaining the variation between all democracy promotion actors tested by a quantitative design. While it is acknowledged that the

EU's approach to democracy promotion lacks clarity due to its member states' heterogeneity, there remains a gap in the literature regarding a detailed comparative analysis of the EU member states' varying conceptions of democracy promotion, particularly in contrast to the approach of the United States.

Foreign aid and democracy aid allocation

The foreign aid allocation literature offers important theoretical insights and methodology to study democracy aid approaches. The literature on foreign aid allocation extensively studies donors' and recipients' factors of aid allocation and delivery. It shows that donors' aid allocation is driven by both developmental goals, such as economic development and democratization, (Meernik et al., 1998; Bräutigam & Knack, 2004; Demirel-Pegg & Moskowitz, 2009; Bermeo, 2017; Bickenbach et al., 2019), and non-developmental goals, such as political, strategic, and economic influence (Alpert & Bernstein, 1974; Alesina & Dollar, 1998; Kuziemko & Werker, 2006; de Mesquita & Smith, 2009; Bueno de Mesquita & Smith, 2016).

According to the foreign aid allocation literature, donors' domestic characteristics, such as donor size and political economy type influence aid allocation amount and delivery (Alesina & Dollar, 1998; Dietrich, 2016, 2021). Dietrich (2016, 2021) argues that the political economy of donors shapes their national perspectives on the state's role in the development process. According to this argument, neoliberal donors, including the United Kingdom, United States, and Sweden, are inclined to respond to corruption and risks of aid capture by bypassing the recipient country. This approach contrasts with traditional public sector donors like France, Germany, and Japan, who tend to engage with the recipient countries.

The democracy aid allocation literature focuses exclusively on the United States (Scott & Steele, 2005; Scott & Carter, 2019, 2020; Kwak, 2021) or use DAC donors aggregated data (Bush, 2015; Dietrich & Wright, 2015). General findings of this literature show that the United States and DAC donors allocate democracy aid according to donors' strategic interests, recipient conditions, and the NGOs' global landscape. More specifically, donors tend to give less democracy aid and more regime-compatible democracy aid to strategically important recipient countries (Bush, 2015; Kwak, 2021; Scott & Carter, 2019, 2020; Scott & Steele, 2005). Moreover, donors are sensitive to recipients' regime type in delivering democracy aid (Dietrich & Wright, 2015; Scott & Carter, 2020). For example, Dietrich and Wright (2015) show that donors use conditionality on general aid to support a transition from authoritarianism to a multi-party regime and use democracy aid to support democracy consolidation.

This literature offers limited quantitative evidence explaining donors and recipient drivers of democracy aid allocation. However, this literature does not offer a theoretical explanation and empirical evidence addressing differences between DAC donors' democracy assistance approaches. Moreover, most of this literature focuses on donors' strategic interest influence on democracy assistance allocation and only limited evidence on democratic recipient characteristics as explaining factors of democracy aid allocation. This paper aims to combine the theoretical insights of the democracy promotion literature and the methodology of the foreign aid allocation literature to explain how donors' political economy and democracy conceptions influence the democracy assistance approach and allocation.

3 Theory and hypotheses

There is an ideological consensus within the DAC donor's community on the superiority and universality of the model of political and economic organization which combines democracy and a liberal market economy (Allan et al., 2018; Börzel & Zürn, 2021; Ikenberry, 2015). DAC donors agree on the liberal market economy model which entails free markets and individual freedom and share the Dahlin conception of liberal democracy (Allan et al., 2018; Bridoux & Kurki, 2015). The "pluralist" conception of democracy combines formal democratic institutions, such as responsive government, check and balance, and elections with civil liberties, such as human rights, freedom of expression, and media (Kurki, 2013). However, despite apparent agreement on the liberal democratic market economy model, DAC donors have different national orientations on how much the state should intervene in the economy and the extent of individual freedoms (Bridoux & Kurki, 2015; Dietrich, 2016). I argue that differences in DAC donors' political economy and its related democratic model influence the democracy promotion approach and democracy aid allocation patterns. More specifically, I argue that neoliberal donors and traditional public sector donors have different orientations on the importance of the state in the development process and thus different democracy promotion approaches.

Neoliberal donors, such as the United States, Sweden, and the United Kingdom, have a national orientation towards the importance of the market for providing goods and services (Dietrich, 2016). In this perspective, the role of the state in the economy is to ensure a regulatory framework that guarantees economic freedom and competition. I argue that this political economy conception is related to a classical or neoliberal conception of democracy emphasizing

the importance of free and fair elections where political parties engage in open competition (Carothers, 2008). The role of the state is to provide for the formal institutional setting and to guarantee political liberties, such as freedom of expression, association, and assembly (Bridoux & Kurki, 2015).

This democracy conception is translated into a political approach to democracy promotion. According to this conception, democratization is seen as a political struggle between democratic and non-democratic actors. Therefore, the role of donors in this conception is to help the recipient states meet the minimum institutional requirement to hold free and fair elections and to support democratic actors that are required for a functioning democracy. More specifically the political approach emphasizes the need to support civil society, media, and all the civil liberties which are considered fundamental aspects of a healthy democracy (Carothers, 2008). The prioritization of civil liberties and civil society actors in the democratization process is visible in the discourse of neoliberal donor agencies. For example, the Swedish International Development Agency (SIDA) articulates its primary objective in democracy promotion as safeguarding people's rights and civil liberties. This includes supporting 'civil society, independent media, and freedom of expression,' as well as protecting 'people fighting for democracy (SIDA 2023).

In contrast to the neoliberal donors, traditional public sector donors like Japan, Germany, and France, emphasize the role of the state as a primary provider of goods and services to its citizens. In these countries, the state's leadership and capacity are regarded as crucial factors for economic growth, particularly during the developmental process (Dietrich, 2016). The political economy of traditional public sector donors is aligned with a reform liberal “understanding of democracy where active defenses are placed ‘democratically’ over liberal freedom so as to ensure that autonomy of decision-making of individuals is protected against the accumulation of power of economic and political elites” (Bridoux & Kurki, 2015). Therefore, in this democracy conception, the state needs to ensure socio-economic rights such as equality, welfare, and justice as well as guaranteeing individual freedom (Carothers, 2008).

This democratic conception is translated into a developmental approach to democracy promotion. According to this approach, democratization is seen as an iterative process between socio-economic development and democratic governance. More specifically, democratization requires a stable and effective government able to provide minimal socio-economic rights, which is a precondition of inclusive participation (Carothers, 2008). The developmental approach to democracy promotion thus focuses on fostering socio-economic development in

recipient countries while bolstering capacity-building and good governance (Carothers, 2008). This emphasis on effective governance is evident in the discourse of traditional public sector agencies. For instance, the Japan International Cooperation Agency (JICA) defines its governance mission as supporting the "development and operation of legal systems, the improvement of public broadcasting functions, and the implementation of appropriate administrative services" (JICA 2023).

Table 1. Political economy and democracy promotion

	DAC Donors	
Political Economy	Neoliberal donors	Traditional sector donors
Democracy conception	Classic liberal democracy	Reform liberal
Democracy promotion approach	Political	Developmental
Democratization	Elections + rights	Socio-economic + good governance

Table one synthetizes how neoliberal and traditional public sector donors differ in the relationship between political economy, democracy conceptions, and democracy promotion approach.

Democracy aid allocation

The approach to democracy promotion adopted by DAC donors significantly shapes their patterns of democracy aid allocation. Within this theoretical framework, DAC donors differ not only in their reliance on democracy assistance as part of their overall strategy for promoting democracy but also in the specific content of this assistance. As previously noted, democracy assistance encompasses all aid projects aimed at strengthening the recipient country's democratic elements, including governance and civil liberties. The literature typically categorizes democracy aid either based on the targeted democratic characteristics (Lührmann et al., 2020; Petrova, 2014; Scott & Carter, 2020) or its compatibility with the recipient's political regime (Bush, 2015; Kwak, 2021). This paper uses the classification that distinguishes between the top-down approach, focusing on institution-building and governance, and the bottom-up approach, which focuses on enhancing civil society participation and inclusion in the democratic process.

Neoliberal donors conceive the democratization process as a political battle between democratic actors and non-democratic actors. The political approach thus considers that delivering sufficient resources to democrat actors and supporting individual freedom and formal democratic institutions can lead to democratization. In this respect, we expect neoliberal donors to see democracy assistance as a useful tool to promote democratization across all recipient countries' characteristics. According to this democracy promotion approach, I expect neoliberal donors to deliver democracy aid projects to support elections and participation of civil society in the democratic process. I therefore expect these donors to rely extensively on bottom-up type of democracy aid.

In contrast, traditional sector donors conceive the democratization process as an interplay between basic socio-economic development and democratic governance. The developmental approach consists of helping the recipient states deliver basic socio-economic needs and increasing the effectiveness and accountability of the recipient government institutions. In this respect, we expect traditional public sector donors to prefer general aid for achieving both the goals of development and democratization. Dietrich (2016) shows that traditional public sector donors tend to engage the recipient government with general aid projects even in recipient countries that are corrupted. Moreover, I expect traditional public sector donors to deliver democracy aid to enhance capacity building and governance in recipient countries. I, therefore, expect traditional public sector donors to rely extensively on top-down type of democracy aid.

Hypothesis 1: Neoliberal donors deliver more democracy aid to recipient countries than traditional public sector donors.

Hypothesis 2: Neoliberal donors deliver more bottom-up democracy aid to recipient countries than traditional public sector donors.

4 Data & Methods

I test the hypothesis at the donor-recipient dyad-year level. I explain the variation in democracy aid allocation across all twenty-nine DAC donors[1], which delivered at least one democracy aid project between 1990-2021. During that period, 157 recipient countries received democracy

[1] Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom, United States

aid. The data on democracy aid projects is drawn on the Credit Reported System (CRS) of the Organisation for Economic Co-operation and Development (OCDE).

Dependent variables

To measure democracy assistance amount and type I use the purpose code of the CRS dataset (OECD DAC 2022). Consistently with de literature on democracy aid allocation, I code each project that falls in the "Government & Civil Society" category as democracy assistance and I remove all projects of the subcategory "Conflict, Peace & Security" (Bush, 2015; Kwak, 2021; Scott & Carter, 2019, 2020). The "Government & Civil Society" category is further divided into more specific purposes that enable more accurate operationalization. More specifically, democracy assistance includes projects which aim to support democratic participation and civil society, public sector policy and administrative management, public finance management, women's rights organizations and movements, human rights, legal and judicial development, elections, media, and free flow of information, decentralisation and support to subnational government and legislatures and political parties (OECD DAC 2022). The first dependent variable is the logarithm of the amount of democracy aid in constant US dollars committed by a donor country in a given year and recipient country.

Figure 1: Democracy aid projects by donor

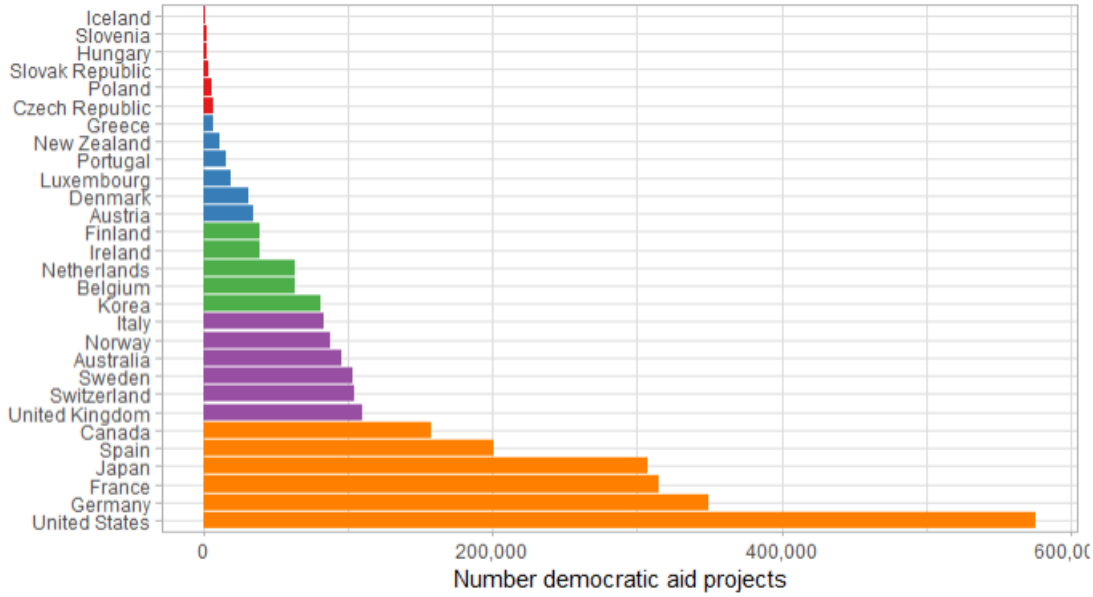

Figure 1 shows the number of democracy aid projects funded by donors from 1990-2021; it shows that the United States is the largest democracy aid provider and that there is an important variation among DAC donors.

The second dependent variable is the share of democracy aid allocated to the bottom-up approach within the total amount of democracy aid committed by a donor in a given year and recipient country. Democracy aid projects aimed at enhancing civil liberties and inclusive participation are categorized as bottom-up approach, whereas those focused on institution building and governance are classified as top-down democracy aid. Specifically, the bottom-up type of aid encompasses projects in categories such as participation and civil society, legislatures and political parties, media and free flow of information, elections, human rights, and women's rights organizations and movements. Conversely, the top-down approach includes projects categorized under public sector policy and administrative management, public finance management, decentralisation and subnational government, and legal and judicial development.

Figure 2: Democracy aid type of Sweden and Japan

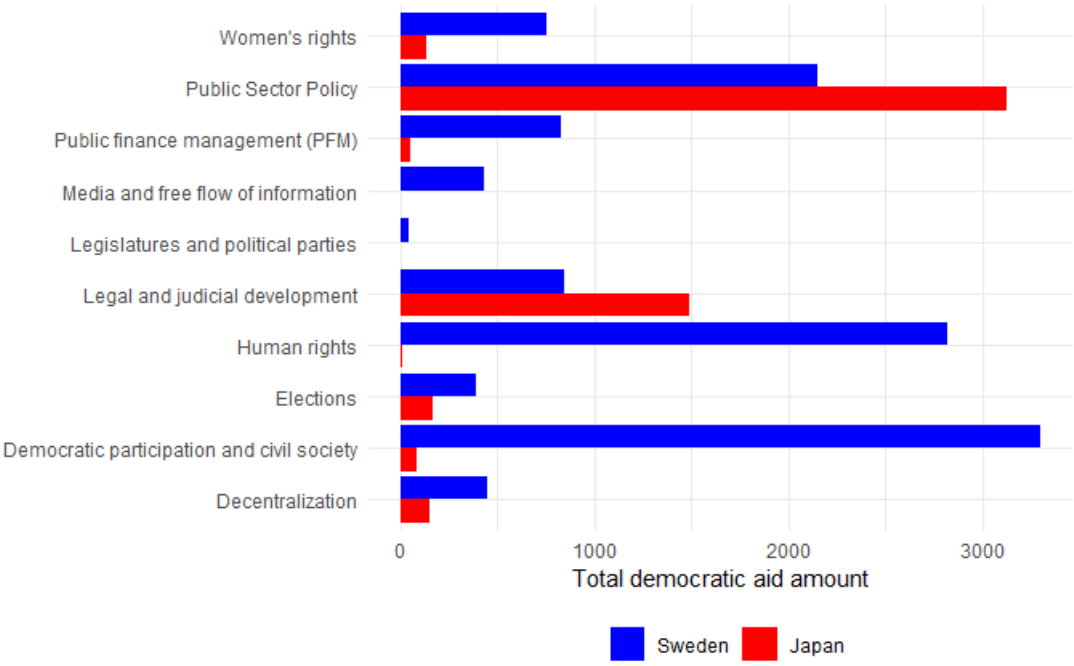

Figure 2 shows Japan and Sweden's democracy aid distribution. It shows that Sweden commits more democracy aid to support democratic participation, civil society, and human rights and that Japan supports public sector policy and legal and judicial development.

4.2 Independent variable

To measure the political economy of DAC donors I draw into the Varieties of Capitalism (VOC) literature. Consistently with Dietrich (2016) operationalization, I group DAC donors into three categories: Linear Market Economy (LME), Coordinated Market Economy (CME), and MME

(Mixed Market Economy). I remove from the analysis DAC donors which are not classified in the VoC literature. [2]

My second independent variable measures DAC donors' domestic democratic model. DAC donors differ in their conception of democracy, based on the national orientations on the state's relations with individual freedom. Classical liberal democracy donors emphasize the importance of civil liberties, whereas reform liberal democracy emphasizes the importance of the state to provide for social and economic rights. To operationalize DAC donors' democracy conception of democracy I use the Liberal Index of the V-Dem institute (Coppedge et al. 2023) which measures "the importance of protecting individual and minority rights against the tyranny of the state and the tyranny of the majority. The liberal model takes a "negative" view of political power insofar as it judges the quality of democracy by the limits placed on the government." (Coppedge et al. 2023: 50). The index is centered and ranging from -2 to 2. As expected, there is a correlation between the political economy and the democratic conception.

4.3 Control variables

In the analytical models, I incorporate a set of control variables identified as relevant in the literature on foreign and democracy aid allocation. Firstly, I account for characteristics of donors that may impact the allocation of democracy aid. Existing studies highlight qualitative distinctions between major and minor donors in their approach to foreign aid allocation. Major donors are mainly driven by economic and security interests, while smaller donors typically prioritize developmental objectives, including democratization (Alesina & Dollar, 1998; Dietrich & Murdie, 2017). I therefore expect small donors to deliver more democracy aid than major donors. Second, I control for dyadic characteristics. DAC donors allocate aid according to foreign policy interests such as ideological proximity (U.N Affinity) (Voeten et al. 2009), economic interests (Trade) (IMF 2023), and historical relations (Colony) (Alesina & Dollar, 1998; Adhikari, 2019; de Mesquita & Smith, 2009; Bermeo, 2017). I expect donors to give more democracy aid and less bottom-up democracy aid to strategic recipient countries. Third, I control for recipient characteristics. I expect donors to align democracy aid amounts to the recipient economy size (GDP) (World Bank 2023). Moreover, I expect donors to give more democracy aid and less bottom-up democracy aid to natural resources-rich countries (Natural Resources) (World Bank 2023). According to the literature, DAC donors should give more

[2] According to this classification, LME countries are the following: Australia, Canada, Denmark, Finland, Ireland, New Zealand, Norway, Sweden, United Kingdom and the United States. CME countries: "Austria, Belgium, France, Germany, Japan, Korea, Netherlands, Switzerland". And MME: "Greece, Italy, Portugal, Spain".

bottom-up democracy aid to corrupted countries to mitigate aid capture risk (Corruption)(Dietrich, 2016, 2021) (World Bank 2023). Concerning the level of democracy, I expect DAC donors to give more democracy aid to more democratic countries (Polyarchy Index) (Bush, 2015; Dietrich & Wright, 2015; Scott & Carter, 2020)(Coppedge et al. 2023). Finally, I include in the two models the amount of general aid delivered to the recipient countries in a given year to control for the donor activity and interest (General Aid) (OCDE 2023).

5 Results

To test the first hypothesis of the relationship between political economy type and logged and lagged democracy aid amount, I estimate a lineal ordinary least square model (OLS). The main models include year and recipient fixed effects to control for unobserved confounders across countries and time. Model 1 shows how LME and MME differ in the democracy aid allocation compared to CME. Model 2 shows the influence of the Liberal Index, measuring the liberal conception of democracy on democracy aid allocation.

Model 1

	Dependent variable:	
	Log Democracy aid US$	
	(1)	(2)
LME	0.315***	
	(0.007)	
MME	0.028***	
	(0.008)	
Liberal Component Index		0.125***
		(0.003)
Minor Donors	0.159***	0.136***
	(0.007)	(0.007)
U.N. affinity	0.00000***	0.00000***
	(0.00000)	(0.00000)
Colony	0.151***	0.184***
	(0.013)	(0.013)
Log Trade	0.041***	0.016***
	(0.002)	(0.002)
Log GDP per capita	-0.022**	-0.014
	(0.010)	(0.010)
Log General Aid	0.325***	0.322***
	(0.002)	(0.002)
Natural Resources	-0.001	-0.0002
	(0.001)	(0.001)
Corruption	0.055***	0.066***
	(0.013)	(0.013)
Polyarchy index	0.385***	0.435***
	(0.035)	(0.034)
Observations	57,596	59,388
Fixed Effect	Yes	Yes
R^2	0.437	0.429
Adjusted R^2	0.436	0.428
F Statistic	4,053.815*** (df = 11; 57439)	4,452.955*** (df = 10; 59232)
Note:		*p**p***p<0.01

Model 1 reveals a significant correlation between the type of donor political economy and the amount of democracy aid provided. Specifically, the model's coefficient suggests that Liberal Market Economy (LME) donors allocate, on average, 31.5% more democracy aid than Coordinated Market Economy (CME) donors to a given recipient country in a specific year, after controlling for other factors. Furthermore, the disparity in democracy aid allocation between CME donors and Mixed Market Economy (MME) donors is less marked. More specifically, MME donors give 2.8% more democracy aid than CME donors, again controlling for other variables in the model. These findings support the hypothesis that the political economy of DAC donors is a significant determinant in the allocation of democracy aid. Specifically, they indicate that neoliberal donors, represented by LME countries, tend to give more democracy aid compared to traditional public sector donors and MME countries, which exhibit mixed characteristics in their political economy.

Control variables have the expected explanatory powers. Consistently to previous findings, small donors give 16% more democracy aid than major donors. Moreover, DAC donors give 15% more democracy aid to previous colonies and give more democracy aid to trade partners. Concerning recipient countries' characteristics, results show that DAC donors give more democracy aid to more democratic countries, partially corroborating the descriptive findings of (Dietrich & Wright, 2015). However, contrary to the expectations, DAC donors give more democracy aid to less developed countries. The model's adjusted R-squared value of 0.435 suggests that it has satisfactory predictive power in determining democracy aid allocation

Model 2 indicates a significant relationship between the Liberal Component Index score and the amount of democracy aid allocated to a recipient country within a given year. The coefficient from the model implies that DAC donors with higher scores on the liberal democracy index allocate, on average, 12% more democracy aid compared to those scoring one point lower on the index. These results also corroborate the hypothesis that DAC donors' domestic liberal definition of democracy influences democracy aid allocation amount.

To evaluate the second hypothesis, which examines the association between the political economy type and the proportion of bottom-up democracy aid, I employ a linear ordinary least squares (OLS) model. The models incorporate year and recipient fixed effects to account for potential unobserved confounders that may vary across countries and over time. Model 1 examines the variations in the type of democracy aid between LME and MME as compared to CME. Model 2 assesses the impact of the Liberal Index, which measures the liberal democratic conception, on the type of democracy aid allocated

Model 2

	Dependent variable:	
	Share Bottum-Up Democracy aid	
	(1)	(2)
LME	17.056***	
	(0.612)	
MME	5.706***	
	(0.929)	
Liberal Component Index		9.551***
		(0.302)
Minor Donors	22.361***	22.106***
	(0.661)	(0.607)
U.N. affinity	0.00001	0.0001***
	(0.00001)	(0.00001)
Colony	-6.074***	-3.515***
	(0.946)	(0.926)
Log Trade	-0.164	-1.442***
	(0.200)	(0.171)
Log GDP per capita	-3.670***	-3.011***
	(1.014)	(1.004)
Log General Aid	-1.822***	-2.286***
	(0.166)	(0.165)
Natural Resources	-0.011	0.032
	(0.055)	(0.055)
Corruption	-2.215*	-1.534
	(1.318)	(1.306)
Polyarchy index	-6.053*	-2.856
	(3.288)	(3.251)
Observations	27,178	27,533
Fixed Effects	Yes	Yes
R^2	0.166	0.175
Adjusted R^2	0.161	0.170
F Statistic	488.921*** (df = 11; 27021)	581.326*** (df = 10; 27377)
Note:		*p**p***p<0.01

Model 2 demonstrates that donor political economy type is significantly related to the share of democracy aid devolved to the bottom-up approach. More specifically, the coefficient indicates

that LME donors' bottom-up democracy aid share is 17.5% higher than CME donors. As with the previous model, results show that the difference between CME donors and MME donors is less pronounced. More specifically, MME donors' bottom-up democracy aid share is 5.7% higher than CME donors, when controlling for other variables in the model. These results corroborated the hypothesis that DAC donors' political economy matters in the democracy aid approach. More precisely it shows that neoliberal donors give more democracy aid devolved to the bottom-up approach than traditional public sector donors and MME countries which have mixed characteristics of political economy.

Control variables have the expected influence on democracy aid type. Small donors' bottom-up democracy aid share is 22% higher than major donors. Moreover, DAC donors tends to give less bottom-up democracy aid to former colonies. However, the other strategic variables, such as trade, natural resources, and U.N affinity have no significant relationship with the democracy aid approach. These results are inconsistent with previous findings on the relationship between strategic interests and democracy aid type (Adhikari, 2019; Bush, 2015). Interestingly, DAC donors give less bottom-up democracy aid to corrupted countries which is partially contrary to the bypass hypothesis (Dietrich, 2016, 2021). Finally, DAC donors tend to give more bottom-up democracy aid to less developed recipient countries.

Model 2 demonstrated that the Liberal component index is significantly related to the democracy aid type. The coefficient indicates that DAC donors who have a high score on the liberal democracy index give 9% more bottom-up democracy aid than DAC donors who score 1 point less in the liberal component index. These results also corroborate the hypothesis that DAC donors' domestic liberal definition of democracy influences democracy aid type.

6 Conclusion:

This paper argues that the political economy of DAC donors, along with their respective conceptions of democracy, significantly shapes their democracy promotion strategies and, consequently, patterns of democracy aid allocation. It argues that neoliberal donors follow a political approach to democracy promotion, emphasizing the support of civil society actors as a crucial element in the democratization process. Conversely, it argues that traditional public sector donors follow a developmental approach, focusing on aiding the development and governance of recipient countries. The empirical results corroborate these hypotheses, demonstrating that neoliberal donors provide more democracy aid and allocate a higher proportion of bottom-up democracy aid to recipient countries compared to CME and MME.

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