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

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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. This study argues that donors' political economy ideologies entail different conceptions of democracy and its relationship with economic development, leading to distinct theories of democratization and, consequently, democracy promotion approaches. These ideological underpinnings shape the priority, organization and staff of national aid bureaucracies, which in turn influences patterns of democracy aid allocation. 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 24 DAC donors in 130 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

Foreign aid; Democracy aid; Comparative Politics; International Political Economy; Democracy promotion

1. 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. Following the end of the Cold War, the prioritization of democracy promotion as a key foreign policy objective led DAC donors to significantly increase their democracy assistance allocations. In 1990, democracy aid comprised less than 5% of foreign aid projects aimed at developing countries. By 2020, this proportion had increased to over 10% of total foreign aid allocations. (CRS 2023).

However, DAC donors vary both in their democracy promotion approach and democracy aid allocation. The democracy promotion literature highlights how donors differ in their democracy conceptualization and promotion approach (Barry, 2012; Bridoux & Kurki, 2015; Carothers, 2008; Kopstein, 2006; Magen et al., 2009; Schraeder, 2003). For example, some donors adopt a political approach, viewing economic development and political liberalization as mutually reinforcing, thus enhancing democratic institutions and civil society (Carothers, 2008). Other donors prioritize a developmental approach, emphasizing stable governance, economic aid, and state capacity-building (Carothers, 2008).

In parallel, the foreign aid literature highlights variations in donors' democracy aid allocation strategies, ranging from fostering institution-building to support for civil society (Dietrich & Wright, 2015; Ziaja, 2020). 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 (CRS 2023).

The democracy aid allocation literature shows that donors deliver less democracy aid and more "tamed" and regime-compatible projects to strategic recipient countrie s(Bush, 2015; Kwak, 2021; Scott & Carter, 2019, 2020). Moreover, this literature explains how domestic NGOs' presence shapes donors' democracy aid approach by designing tailored democracy aid projects (Bush, 2015; Petrova, 2014). While, this literature, enables us to understand how strategic interest and NGOs affect democracy aid, it does not explain variation between donors.

Previous research highlights varieties of democracy approaches and democracy aid allocation but does not explain why donors' conception of democracy differs and how it translates to democracy aid allocation. This study argues that donors' political economy ideologies entail different conceptions of democracy and its relationship with economic development. These different conceptions lead to different theories of democratization and thus democracy promotion approach. Donor's political economy ideology and its related democracy promotion approach underpin national aid bureaucratic organization. In turn, how national aid agencies are organized and staffed influences democratic aid allocation patterns. I test the argument by analyzing democracy projects committed by 24 DAC donors between 1990-2021 in more than 130 recipient countries.

This study makes three key contributions to the literature. First, building on foreign aid and democracy promotion literature (Dietrich, 2016, 2021; Kurki, 2013), it provides an argument on how donors' political economy ideology entails different democratic conceptions and thus different theories of democratization. Second, it explains how different democracy promotion approaches translate into democracy aid allocation strategies, providing an empirical test to support the argument. Third, by elucidating differences in democracy aid approaches and allocation patterns, this study informs the growing body of literature on the impact of donor fragmentation and type of democracy aid on democratization prospects (Bermeo, 2016; Lührmann et al., 2017; Ziaja, 2020).

2. Theory

Embedded liberalism and modernization

Donors' political economy ideology varies through time and across donors. In the post-World World II period and during the rise of modern foreign aid assistance, there was an international consensus on what can be qualified as embedded liberalism (Blyth, 2002). According to this political economy ideology, economic liberalism benefits society only if regulated by the state. To have a functioning economy and democracy, the state needs to actively regulate the market's

tendencies to inequalities and concentration of power by taxation and redistribution (Kurki, 2013). Therefore, embedded liberalism ideas emphasize positive individual rights, in which the role of the state consists in designing social and economic policies to fulfill human needs and enhance their potential, which is a precondition for both democratic participation and economic development (Kurki, 2013). Under this political economy paradigm, the foreign community subscribed to the modernization theory, in which recipient states are responsible for economic planning and providing social services, such as education and health (Ekbladh, 2011).

In this perspective, democracy can function only if "balanced by concern with economic equality, stability and well-being and hence democratic regulation of the economy of the state" (Kurki, 2013). The statist political economy thus conceives that state-led socio-economic development and equality are a precondition for economic development and democracy. As stated by the Swedish Prime Minister Torsten Nilsson between 1962-1971 "first, the fundamental needs of human beings must be satisfied; then, one can begin demanding of them the kind of democratic responsibility and respect for the individual person's rights and liberties that has emerged in the more developed and stable societies in the West" (Schaffer, 2021).

The emphasis on state-led socio-economic development coupled with the Cold War strategic competition between the United States and URSS, contributed to little space for democracy promotion. The United States "authoritarian modernization" strategy illustrates how political economy ideology and strategic interests influenced the democracy promotion approach. The US widely supported autocratic countries, such as South Korea, Iran, and Indonesia, in their modernization efforts. Indeed, strong regimes "could maintain stability and mobilize resources to promote the modernization Americans assumed indispensable to their societies."(Ekbladh, 2011).

The statist political ideology underpinned organizations of aid agencies. National aid agencies had the capacity, resources, and expertise to engage directly with the recipient government. The national aid organizations were designed to have sufficient and expert staff "that could directly implement projects and maintain regular contacts and interactions with recipient government officials, civil society leaders, or business, even in remote areas."(Dietrich, 2021). Therefore, the staff of national aid agencies were recruited based on economic and technical expertise. Most of the staff in agencies such as the United States Agency for International Development (USAID) were "calculator-wielding economists, muddy-shoed former Peace Corps localists, or grizzled technical experts on fertilizers, irrigation systems, and rural road-building" (Carothers, 2010). The bureaucracy and staff of national aid agencies were designed with the objective of

state-led socio-economic development and with little priority and organizational space for the objective of democracy promotion (Carothers, 2010).

Critical juncture and the neoliberal turn

From the end of the 1970s and during the 1980s, a couple of trends contributed to a paradigmatic shift of donors' political economy ideology and emphasis on recipient countries' political regimes. Donor countries faced domestic economic crises, with rising inflation, unemployment, slower growth, and financial volatility. Domestic economic problems coupled with a series of debt crises in developing countries and persistent underdevelopment issues despite decades of foreign aid. The struggle of existing political economy ideologies and institutions to address these issues led to a period of uncertainty opening the place to new ideas and coalitions (Blyth, 2002). In parallel, the near end of the Cold War diminished strategic pressure in dealing with developing countries. The diminished threat of communism allowed donors' countries to address recipient countries' political regimes issues, such as mismanagement of resources, clientelism and rampant corruption (Mirowski & Plehwe, 2009; Santiso, s. d.; Scott & Carter, 2019).

As a result of this critical juncture, donors' countries policymakers, and epistemic communities shifted the political economy paradigm by embracing neoliberal ideas (Blyth, 2002, 2013; Hall, 1993). The neoliberal doctrine focuses on government retrenchment, market liberalization and emphasizes individual over collective action. In this perspective, the state is no longer responsible for socio-economic development by controlling the excess of the market but is perceived as a threat to economic and political freedom and thus incompatible with economic and democratic development (Kurki, 2013). As illustrated by the quotes of Ronal Raegan's address to the Westminister upon the creation of the National Endowment for Democracy: "history teaches the dangers of government that overreaches: political control taking precedence over free economic growth, secret police, mindless bureaucracy- all combining to stifle individual excellence and personal freedom (National Endowment for Democracy 2024).

In contrast with a state-centered perspective, the neoliberal political economy ideology places economic and political freedom as the precondition of both democratization and economic development. The role of the state is to provide for an institutional framework that guarantees economic and political competition, such as rules of law and elections, while guaranteeing for individual freedom, such as private property, freedom of expression, association, and assembly (Bridoux & Kurki, 2015; Kurki, 2013). In this perspective, donors promote democracy by

supporting free and fair elections and democratic actors that are required for a functioning democracy. More specifically this bottom-up democracy promotion 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). Grassroots democratization of recipient countries in turn favours economic freedom and thus economic development. As illustrated by the Minister of Development Aid Alf Svensson's statement in 1991: “democracy and human rights as not only ends in themselves, but also preconditions for development”. The interplay between political and economic freedom as a precondition of economic development is also visible in the Ronald Raegan discourse in the opening conference of the NED: “Democracies respect individual liberties and human rights. They respect freedom of expression, political participation, and peaceful cooperation. Governments which serve their citizens encourage spiritual and economic vitality” (National Endowment for Democracy 2024).

The government embracing the neoliberal doctrines reformed the bureaucratic organizations of national aid agencies. Neoliberal donors’ government drastically reduced the size of aid agencies' bureaucracy, by cutting staff and embracing outsourcing of project implementation to private and non-profit organizations. Neoliberal donor reform, in parallel with the downsizing of bureaucratic organizations, also introduced democratization as a priority within aid agency organizations. With a heterogenous process, neoliberal donors introduced the new priority of democracy promotion through the creation of new agencies or reorienting the framework of aid agency priority, accompanied by the recruitment of democracy promotion staff, distinct from the development profile (Carothers, 2010).

For example, the Raegan administration created the NED, a separate agency from USAID, to directly achieve the new priority of democracy promotion. The NED operates with “a bottom-up approach to grant-making that empowers the most effective grassroots activists and is responsive to local needs’” and adopts “a global perspective that enables it to show solidarity with all those defending democratic values and freedom” (Kurki, 2013). NED’s mission is directly tied with promotion of economic freedom, which is illustrated by the incorporation of the Center For International Private Enterprise (CIPE) which mission is based “on the principle that economic freedom and political freedom are linked. A strong private sector needs a flourishing democracy to work – and vice-versa.” The CIPE “work centers on building strong democratic institutions to create an enabling environment for business and entrepreneurship to flourish” (Center for International Private Enterprise 2024). The profile of NED’s democracy promoters substantially differs from USAID technical and economist experts, “they were

political types—party activists, political consultants, legislative staffers, civic organizers, or lawyers" (Carothers, 2010).

Similarly, due to Sweden's neoliberal trajectories in 1990, successive coalitions undertook to reform the Swedish International Development Agency (SIDA). The main reform did not entail drastic staff cuts but focused on reorganizing the agency's main priorities (Dietrich, 2021). The reform in 1993, led by the center-right coalition, "launched a major reorientation of development aid policy toward a considerably stronger support for democracy and market economy" (Schaffer, 2021). In 1995, the government founded the Institute for Democracy and Electoral Assistance (IDEA), an intergovernmental organization devoted to furthering democracy across the world. The liberal perspective on democratization was further cemented by the reform in 2014 that confirmed the importance of democracy and human rights as a precondition for development. In this perspective, "respect for civil and political rights and the rule of law are decisive for building democracy and reducing poverty and oppression" (Schaffer, 2021).

In sum, the shift from a statist to a neoliberal political ideology in the context of the end of the Cold War influenced a new conception of democracy promotion which emphasizes political and economic freedom as preconditions for economic development. This new democracy promotion approach thus integrates the priority of bottom-up democratization as inherent to economic development. This ideational change materialized in major reforms of aid agencies, that, aside from downsizing and rationalizing, prioritize democratization both in existing agencies and by creating separate institutes. The organizational shift is also seen in the increase in recruitment of democracy promoters, with different profiles of economic and technical backgrounds persistent in the development community (Carothers, 2010).

Varieties of democracy promotion

Even though the neoliberal doctrine gained international attraction during the 1980 and 1990, it translated differently in donor countries. The extensive literature on comparative politics highlighted a variation in neoliberal trajectories. While Anglo-Saxon countries and later and to a lesser extent Nordic countries, embraced the neoliberal doctrines and introduced major domestic reforms, continental donors, such as France, and Germany, and Asian donors, such as Korea and Japan did not significantly alter their statist ideology and institutions (Blyth, 2002, 2013; Dietrich, 2021; Hall, 1993; Thelen, 2012). Therefore, a sizeable part of donors' countries did not embrace the neoliberal emphasis on state retrenchment and the importance of economic

and political freedom. This group of donors is more in continuity with a statist doctrine that emphasizes state-centered socio-economic development. Moreover, continental and Asian donors did not significantly alter their aid agencies' staff, structure, and objectives during that period. For example, neither Germany nor France made major and sustained personnel cuts and major streamlining reforms (Dietrich, 2021).

Therefore, the ideological and institutional continuity of statist donors framed differently the new environment characterized by the end of the Cold War and the underdevelopment and debt crisis. Donors with statist political economy framed the issue of underdevelopment and debt crisis, similarly to IFIs, by encouraging and accompanying recipient countries towards the principle of good governance. “Whether under the label of “state-building,” “institution-building,” or “promoting good governance,” development-aid organizations began helping developing countries to build the capacity of their main governing institutions”(Carothers, 2010). Moreover, questions of recipient countries' governance have been incorporated into unchanged aid agency organizations and staff, which influenced a more gradual incorporation of the new paradigm of democratization. Integrating new governance goals and democratization in developmental aid agencies and bureaucracies fosters a “developmental coloring of parts of the democracy-aid realm” (Carothers, 2010).

Therefore, this study argues that the political economy ideology influences the democracy promotion approach and thus democracy aid allocation. After the end of the Cold War, and as a reaction to the persistent underdevelopment of recipient countries, neoliberal donors viewed bottom-up democratization alongside market liberalization as important preconditions for economic development. The neoliberal political ideology has been translated into successive political reforms started in 1980s. National aid agencies of neoliberal donors have been downsized and rationalized which led to outsourcing and reliance on the technical expertise of NGOs or private sectors (Bush, 2015). Reform of national agencies leads to reprioritizing toward the objective of democratization. The rationalization, and reprioritization, accompanied by the creation of the new institutions centered on the goal of democracy promotion, led to the recruitment of “democracy promoters” staff, more “political” and with the specific goal of democratization. The new emphasis on bottom-up democratization served as a blueprint for aid agencies. For example, 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). Therefore, I expect neoliberal donors to deliver large amounts of

democracy aid to recipient countries and focus on bottom-up democracy aid, which are projects that enhance formal democratic institutions, such as elections and political parties while empowering civil society participation and fostering civil and political rights.

In contrast, statist donor countries reacted to the end of the Cold War and the recipient countries' debt crisis, incorporating the issue of good governance into the broader socio-economic development objective. While socio-economic development is seen as an important step for democratization, statist donor countries integrated support for state capacity and governance as important conditions for development. Statist donors did not radically reform or rationalize aid agencies, which continued to have the expertise and capacity to deliver foreign aid directly to the recipient government. Therefore, the objective of democratization has been integrated into aid agencies staffed with economic and technical expert profiles that framed political issues with the importance of good governance. 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). Therefore, I expect statist donors to deliver small amounts of democracy aid and focus on top-down democracy aid which supports institution-building and fostering existing state- capacity.

This leads to the following hypothesis:

Hypothesis 1: Neoliberal donors deliver more democracy aid to recipient countries than statist donors.

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

3. Data & Methods

I test the hypothesis at the donor-recipient dyad-year level. I explain the variation in democracy aid allocation across twenty-four DAC donors[1], between 1990-2021. During that period, 157 recipient countries received democracy aid. Panel data comprises 145’000 observations that comprise all dyad-years. 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 the amount and type of democracy assistance, I use the purpose code from the CRS dataset (OECD DAC, 2022). In alignment with the existing literature on democracy aid allocation, I classify each project under the 'Government & Civil Society' category as democracy assistance while excluding projects within the 'Conflict, Peace & Security' subcategory (Bush, 2015; Kwak, 2021; Scott & Carter, 2019, 2020). The 'Government & Civil Society' category encompasses projects that 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 information flow, decentralization, and support for subnational governments, legislatures, and political parties (OECD DAC, 2022). The primary dependent variable is the logarithm of the amount of democracy aid, in constant US dollars, that a donor country commits to a recipient country within a given year.

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

Figure 1: Share of democracy aid on total foreign aid

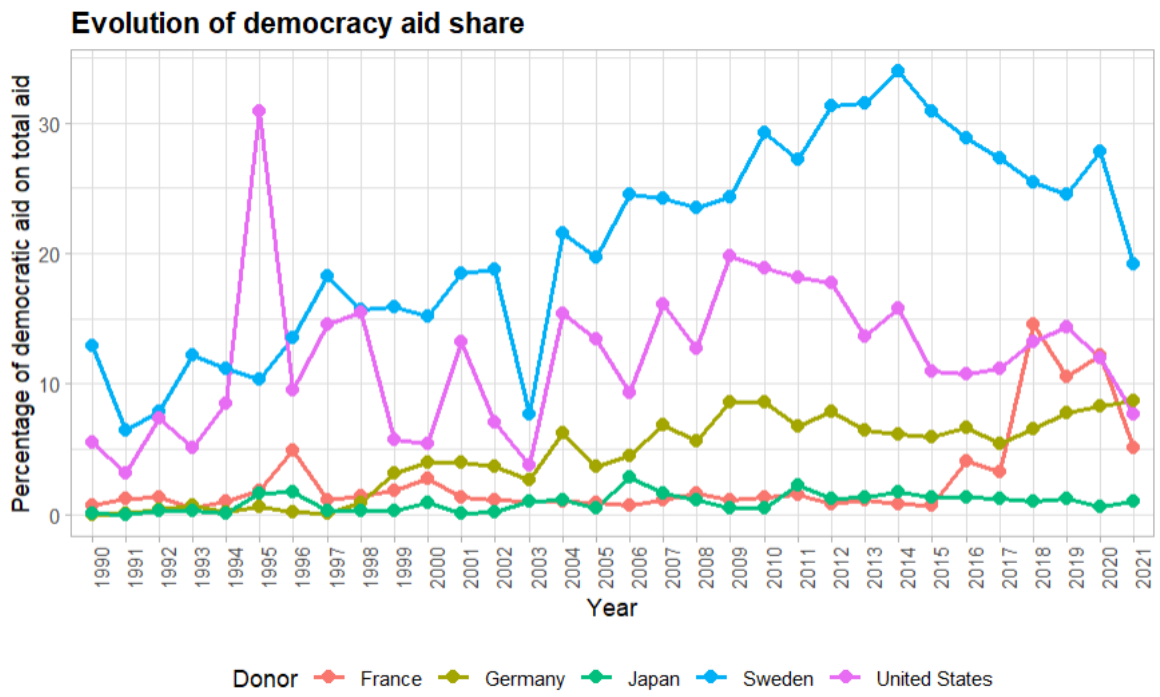


Figure 1 presents the share of democracy aid in total foreign aid committed by selected donors from 1990 to 2021, highlighting variations in the use of democracy aid over the last three decades. After 1990, Sweden and the United States significantly increased their democracy aid efforts, often exceeding 20% and reaching up to 30% after 2010. In contrast, France, Japan and Germany maintained a more conservative approach throughout this period, consistently dedicating less than 10% of their foreign aid to democracy-related projects. This visual comparison demonstrates how Sweden and the United States prioritized democracy aid projects to a greater extent, while France, Germany and Japan took a more reserved stance.

The second dependent variable captures the type of democracy aid projects. Aligned with the literature, I distinguish between democracy aid projects focused on enhancing state-building (top-down approach) and those related to individual rights and civil society participation (bottom-up approach). The first category encompasses democracy aid projects that aim to improve institutional governance and horizontal accountability, including projects categorized under the following purposes in the CRS data: public sector policy and administrative management, public finance management, decentralization and subnational government, and legal and judicial development. The second category includes projects aiming to increase vertical and diagonal accountability by promoting political liberties and inclusive participation,

including projects categorized under the following purposes in the CRS data: legislatures and political parties, media and the free flow of information, elections, human rights, and women's rights organizations and movements. The second dependent variable is the logarithm of the amount of bottom-up democracy aid in constant US dollars committed by a donor country to a recipient country in a given year.

Figure 2: Democracy aid type of Sweden and Japan

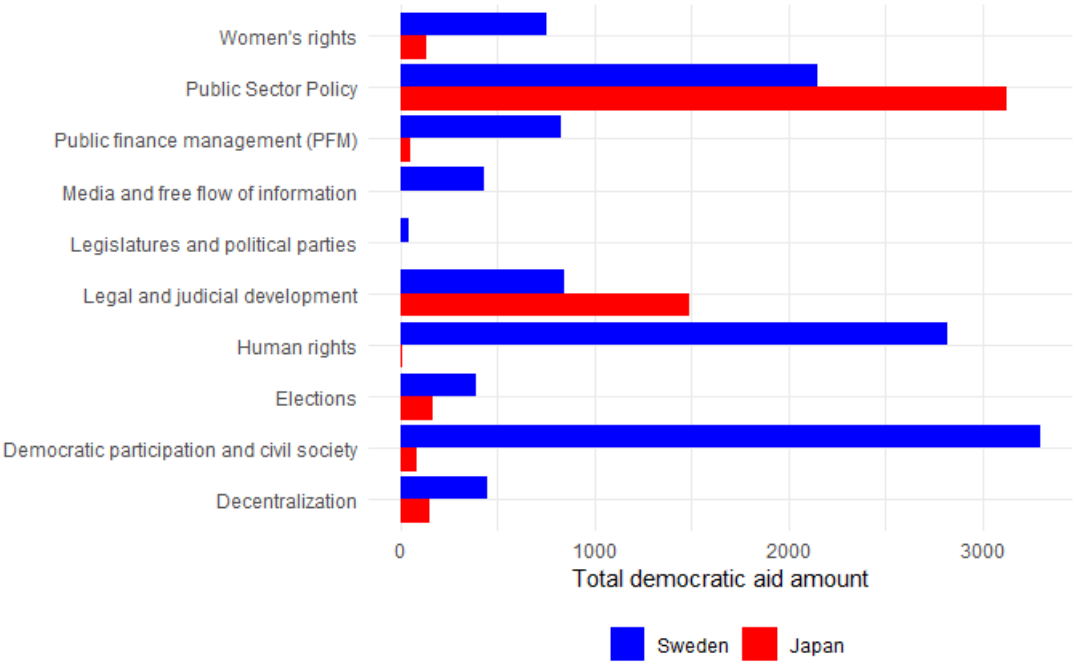


Figure 2 presents the distribution of democracy aid projects funded by Japan and Sweden across different categories. The chart demonstrates that Sweden allocates a greater share of aid to democratic participation, civil society, and human rights (bottom-up approach). In contrast, Japan emphasizes public sector policy, and legal and judicial development (top-down approach).

Independent variable

In this study, I argue that donors' political economy ideologies and corresponding democracy promotion approaches shape national aid agency priorities, bureaucratic organization, and staff, which in turn affect democratic aid allocation patterns. During the period from 1980 to 1990, donors varied in their adoption of neoliberal doctrine, leading to differences in their political economy ideologies and institutional reforms. While measuring donors' political ideologies, the extent to which they adhere to neoliberal doctrines could be a valuable starting point, it is

challenging and unnecessary because their impact on democracy aid allocation is a consequence of national aid agencies' institutional reforms.

To capture the variation among donors, I adopt an existing typology that measures the extent to which donor countries engaged in neoliberal reforms of public administration and national aid agencies. I use the typology developed by Dietrich (2021) based on the Varieties of Capitalism (VoC) and New Public Management (NPM) literature. Consistent with Dietrich's (2021) operationalization, I classify DAC donors into two categories: neoliberal donors, who extensively incorporated neoliberal political economy ideologies into state agency reforms, and statist donors, who maintained traditional political economy ideologies and institutions. Neoliberal donors include the United States, the United Kingdom, Ireland, Australia, New Zealand, Canada, Denmark, Finland, Norway, and Sweden. Statist donors include Germany, France, Japan, South Korea, Austria, the Netherlands, Switzerland, Italy, Belgium, Luxembourg, Spain, Portugal, and Greece.

The comparative politics literature remains divided regarding the extent to which Nordic donors have adopted neoliberal ideologies and institutions. Nordic donors maintained existing welfare states and a high degree of equality while engaging in economic liberalization (Blyth, 2002; Thelen, 2012). However, in response to the economic crises of the 1990s, Nordic countries significantly increased their emphasis on individual economic and political freedoms, implementing liberalization reforms that profoundly impacted SIDA's priorities and bureaucratic organization. This 1990s critical juncture marked a shift in political economy ideology that led to comprehensive reforms of national aid agencies (Blyth, 2002; Dietrich, 2021; Schaffer, 2021). Therefore, I included Nordic countries within the neoliberal category. However, the exclusion of Nordic countries from this category does not significantly affect the results in the subsequent models.

Lastly, I excluded the Czech Republic, Hungary, Iceland, Poland, the Slovak Republic, and Slovenia from the analysis. These new Eastern European donors contribute relatively small amounts of foreign aid and allocate limited resources to democracy aid. Moreover, new donors' democracy promotion strategies can be attributed to factors stemming from their recent democratization processes (Petrova, 2014; Pospieszna, 2014). The exclusion of new Eastern European donors does not significantly influence the results.

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. I coded France, Germany, Japan, the United States and the United Kingdom as 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), historical relations (Colony), and geographical distance (Distance)(Alesina & Dollar, 1998; Adhikari, 2019; de Mesquita & Smith, 2009; Bermeo, 2017). Democracy aid threatens recipient governments in autocracies and thus jeopardizes donor-recipient relations. Previous studies showed that donor countries tend to give more "tamed" or regime-compatible democracy aid to strategically important recipient countries (Bush, 2015; Kwak, 2021). Therefore I expect donor countries to deliver less 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's economic development (log GDP per capita) and population (log Population) (World Bank 2023). Indeed, empirical findings show that foreign aid amounts are adjusted to recipients' economic size measured by the level of development and population. I expect donor countries to give more democracy aid to more developed and populous countries. Aligned with donors' strategic interests, I expect donors to give less democracy aid and less bottom-up democracy aid to natural resources-rich countries (Natural Resources) (World Bank 2023). Concerning the level of democracy, I expect DAC donors to give more democratic aid to more democratic countries (Polyarchy Index). Indeed, autocratic recipient countries gatekeep aid projects and then to divert resources and prevent implementation if contrary to their survival interest. (Bush, 2015; Coppedge et al., 2011; Dietrich & Wright, 2015; Scott & Carter, 2020).

4. Results

Analysis and Results

To test the first hypothesis of the relationship between political economy type and logged democracy aid amount, I estimate a linear ordinary least square model (OLS). The main models include year and recipient fixed effects to control for unobserved factors across countries and time. Standard errors are clustered at the dyad level to mitigate issues related to heteroskedasticity. Model 1, presents the influence of political economy-type on democracy aid amount, controlling for foreign aid delivered. As democracy aid is a subset of foreign aid, the model uses the logarithm of foreign aid minus democracy aid as a control variable. This allows us to determine whether neoliberal donors allocate more democracy aid than statist donors, independent of overall foreign aid distribution. Model 2 distinguishes Nordic donors[2] as a separate category to provide a robustness check on the influence of political economy type. To address the potential bias introduced by the substantial number of zero values in the dependent variable, I also estimated a Tobit model as a robustness check. The results, which are consistent with the main findings, are presented in the appendix.

	Dependent variable:	
	Log Democracy aid amount $	
	(1)	(2)
Neoliberal donors	0.237^{***}	
(including Nordic donors)	(0.017)	
Nordic donors		0.249^{***}
		(0.019)
Neoliberal donors		0.224^{***}
		(0.021)
Minor donors	0.159^{***}	0.162^{***}
	(0.017)	(0.018)
UN-distance	0.142^{***}	0.138^{***}
	(0.017)	(0.017)

[2] Nordic donors : Denmark, Finland, Norway, Sweden.

Colony	0.216***	0.214***
	(0.054)	(0.054)
Log Trade US	-0.002***	-0.003***
	(0.001)	(0.001)
Log GDP per capita	0.048**	0.048**
	(0.022)	(0.022)
Log General aid	0.305***	0.305***
	(0.012)	(0.012)
Natural resources export%	0.017	0.017
	(0.018)	(0.018)
Log population	0.049	0.049
	(0.069)	(0.068)
Log distance	-0.082***	-0.087***
	(0.017)	(0.018)
Democracy index	0.317***	0.315***
	(0.099)	(0.099)
Observations	88,610	88,610
Recipient-Year Fixed effect	Yes	Yes
Adjusted R^2	0.407	0.407
F Statistic	5,424.244*** (df = 11; 84648)	4,975.000*** (df = 12; 84647)
Note:		*p**p***p<0.01

Model 1 and Model 2 show a significant relationship between the political economy of donor countries and the amount of democracy aid provided. In Model 1, the coefficient shows that, all else being equal, neoliberal donors allocate on average 26.8% more democracy aid than statist donors to a given recipient country in a given year. Model 2, which distinguishes Nordic donors as a separate category, shows that both neoliberal and Nordic donors allocate significantly more democracy aid than statist donors. These findings reinforce the hypothesis

that donor political economy shapes democracy aid allocation, revealing consistent patterns of aid-giving behavior driven by political economy.

Control variables show the expected explanatory power. Consistent with earlier studies, smaller donors allocate 17.3% more democracy aid than larger donors. Additionally, DAC donors give 21.9% more democracy aid to former colonies but allocate less to trade partners. Regarding recipient country characteristics, DAC donors give more democracy aid to more democratic countries. Furthermore, DAC donors allocate more democracy aid to more developed countries. The adjusted R-squared value of 0.407 suggests that both models have satisfactory predictive power in determining democracy aid allocation.

To evaluate the second hypothesis, which examines the relationship between donors' political economy type and the amount 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 factors that may vary across countries and over time. Standard errors are clustered at the dyad level to mitigate issues related to heteroskedasticity. In Model 1, I control for 'democracy aid minus bottom-up aid' to analyze bottom-up democracy aid as a proportion of total democracy aid. By holding the overall level of democracy aid constant, this approach reveals whether donors with certain political economy types allocate more bottom-up democracy aid, providing a clearer understanding of the relationship between donor type and bottom-up democracy aid. Model 2 controls for the share of bypass democracy aid to address the counterargument that neoliberal donors provide more bottom-up democracy aid not out of ideological preference, but due to limited bureaucratic capacity, which leads to outsourcing projects to civil society and private companies (Dietrich, 2021). This control helps clarify whether the increase in bottom-up democracy aid is a result of a general tendency to outsource because of constrained capacity, or if it reflects an ideological commitment to bottom-up democracy approach. Model 3 examines the influence of donor political economy type on the proportion of bottom-up democracy aid compared to total democracy aid. This model focuses specifically on dyad-year pairs where democracy aid transactions have occurred, allowing us to assess how donor type influences the share of democracy aid in a given recipient country.

	Dependent variable:		
	Log bottom-up democracy aid		Share bottom-up
	(1)	(2)	(3)
Neoliberal donors	0.138***	0.074***	20.090***
(including Nordic donors)	(0.014)	(0.009)	(0.992)
Log democracy aid bypass		0.668***	
		(0.018)	
Minor Donors	0.003	-0.018***	15.361***
	(0.010)	(0.006)	(0.948)
UN distance	0.050***	0.015**	5.229***
	(0.009)	(0.006)	(0.796)
Colony	0.003	0.053***	-1.513
	(0.035)	(0.020)	(1.858)
Log Trade	0.001	0.001***	-0.425***
	(0.001)	(0.0003)	(0.144)
Log GDP per capita	0.006	-0.014	-2.264
	(0.025)	(0.011)	(2.005)
Log other democracy aid	0.446***	0.102***	-17.875***
	(0.016)	(0.017)	(0.649)
Natural Resources	0.0002	-0.0001	0.051
	(0.001)	(0.0003)	(0.067)
Log Population	0.023	0.041*	2.904
	(0.060)	(0.022)	(5.284)
Log Distance	-0.036***	-0.020***	-6.342***
	(0.009)	(0.006)	(1.392)

Democracy Index	0.015	0.036	-0.506
	(0.053)	(0.026)	(4.600)
Observations	88,610	88,610	31,055
Recipient-Year Fixed effect	Yes	Yes	Yes
Adjusted R^2	0.342	0.635	0.269
F Statistic	4,097.156*** (df = 11; 84648)	12,190.360*** (df = 12; 84647)	1,045.906*** (df = 11; 29695)
Note:			*p**p***p<0.01

Model 1 shows that donor political economy type is significantly related to the amount of bottom-up democracy aid. More specifically, the coefficient indicates that all else being equal, neoliberal donors allocate, on average, 14.8% more bottom-up democracy aid amount than statist donors to a given recipient country in a given year. Model 2 shows that the relationship between political economy type and bottom-up democracy aid holds when controlling for the amount of bypass democracy aid. While the coefficient magnitude decreases, the positive and significant relationship means that the different approach of democracy aid is not only driven by DAC donors' national orientation towards outsourcing. Model 3 shows, that when donors deliver democracy aid to a given recipient country, their democracy aid package, is composed of 20.1% more bottom-up democracy aid than statist' democracy aid. These results corroborated the hypothesis that DAC donors' political economy ideology matters in the democracy aid approach. More precisely it shows that neoliberal donors give more democracy aid devolved to the bottom-up approach than statist donors.

Control variables have the expected influence on democracy aid type. Small donors' bottom-up democracy aid share is 15.4% higher than major donors. Moreover, DAC donors tend to give less bottom-up democracy aid to former colonies. Moreover, DAC donors give more bottom-up democracy aid to recipient countries whose vote are not aligned with donor countries (Adhikari, 2019). However, the other strategic variables, such as trade and natural resources have no significant relationship with the democracy aid approach.

Testing the mechanism

This study argues that donors' political economy ideologies entail different conceptions of democracy and thus theories of democratization. Statist donors view socio-economic development as a precondition for democratization. Statist national aid agencies are staffed primarily by technical and economic experts, giving them the capacity to implement development projects with recipient governments. As a result of this perspective and agency organization, statist donors' priority in low-developed countries is to help recipient states deliver basic economic and social services. In contrast, neoliberal donors believe that political and economic freedom are prerequisites for economic development. Neoliberal national aid agencies prioritize democratization and are partially staffed by democracy advocates, who tend to rely on outsourcing project implementation to NGOs and private firms. As a result, their priority in low-developed countries is to promote democratization while encouraging economic reforms.

I expect that differences in democracy promotion approaches between neoliberal and statist donors will affect foreign aid sectoral allocation based on recipient countries' development levels. This section provides an additional test to evaluate how donor political ideology influences democracy aid in recipient countries, given varying levels of economic development. Specifically, I hypothesize that neoliberal donors will deliver more democracy aid, bottom-up democracy aid and less economic aid to low-developed countries than statist donors.

To test these hypotheses, I employ a linear ordinary least squares (OLS) model that examines the interaction between donors' political economy type and recipient countries' development levels in explaining democracy aid, bottom-up democracy aid, and economic aid allocations. For simplicity, I use a binary typology (median of log GDP per capita) to categorize low-income and middle-income countries, but the model remains robust when using log GDP per capita as a continuous variable. The models include year and recipient fixed effects to control for unobserved confounders varying across countries and time. Standard errors are clustered at the dyad level to address heteroskedasticity. In all three models, the primary independent variable is the interaction between level of development and political economy type which directly tests the empirical implications of my argument. This interaction suggests that donors systematically differ in their aid allocation approach based on recipient development levels. Model 1 assesses how the interaction of development level, and donor political economy type impacts the amount of democracy aid allocated. Model 2 investigates the influence of this interaction on bottom-up democracy aid allocation. Model 3 evaluates the effect of the interaction between recipient

development level and donor political economy type on economic aid allocation. Aligned with the literature, I use the CRS's purpose code to create the economic aid variable[3] (Bermeo, 2017; Dietrich, 2021). For robustness checks, presented in the annex, I also conducted a logistic regression to see if the findings hold when considering the decision to allocate democracy aid to recipient countries or not. This ensures the consistency of the observed effects across different operationalizations of the dependent variable.

	Dependent variable:		
	Democracy aid	Bottom-up aid	Economic Aid
	(1)	(2)	(3)
Middle/High income	-0.003	-0.005	-0.062
	(0.022)	(0.018)	(0.045)
Neoliberal donors	0.280***	0.169***	-0.195***
(including Nordic donors)	(0.018)	(0.017)	(0.019)
Middle/High income X Neoliberal Donors	-0.152***	-0.111***	0.140***
	(0.026)	(0.022)	(0.028)
Minor Donors	0.160***	0.004	-0.411***
	(0.017)	(0.010)	(0.038)
UN Distance	0.145***	0.052***	-0.227***
	(0.016)	(0.009)	(0.024)
Colony	0.216***	0.003	-0.018
	(0.054)	(0.035)	(0.065)
Log Trade	-0.002**	0.001	0.006***
	(0.001)	(0.001)	(0.001)
Log Other Foreign Aid	0.303***		

[3] Economic aid comprises the following categories: transportation, communications, energy, agriculture, forestry, fishing, industry, mining, and construction.

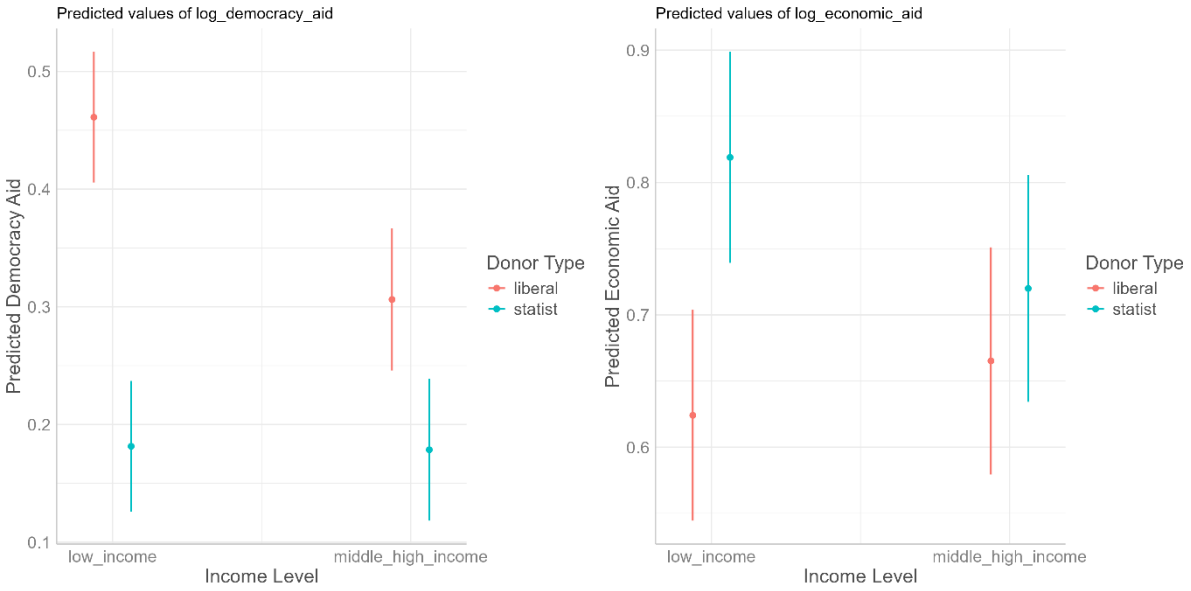
	(0.012)		
Log Other Democracy Aid		0.455***	
		(0.016)	
Log Other Foreign Aid			0.516***
			(0.017)
Log Distance	-0.081***	-0.035***	0.037*
	(0.017)	(0.009)	(0.019)
Log Population	-0.018	-0.009	0.022
	(0.064)	(0.057)	(0.080)
Natural Resources	-0.001	-0.0001	0.0001
	(0.001)	(0.001)	(0.002)
Democracy Levels	0.320***	0.012	0.016
	(0.096)	(0.052)	(0.125)
Observations	88,610	88,610	88,610
Recipient Year Fixed Effect	Yes	Yes	Yes
Adjusted R^2	0.410	0.344	0.478
F Statistic	5,136.992***	3,889.314***	6,781.327***
Note:		*p**p***p<0.01	

The three models show that, as predicted, neoliberal donors tend to provide more democracy aid, more bottom-up democracy aid, and less economic aid than statist donors. Furthermore, they reveal that neoliberal and statist donors differ significantly in how they allocate foreign aid based on the recipient countries' development levels.

In Model 1, the negative coefficient of the interaction term (-0.152***) indicates that, for middle/high-income recipient countries, neoliberal donors tend to allocate less democracy aid compared to statist donors. Similarly, in Model 2, the negative sign on the interaction term (-0.111***) suggests that for middle/high-income recipient countries, neoliberal donors provide

less bottom-up democracy aid compared to statist donors and low-income countries. In contrast, Model 3's positive coefficient of the interaction term (0.140***) demonstrates that for middle/high-income recipient countries, neoliberal donors tend to allocate more economic aid compared to statist donors and low-income countries.

Figure 3: The predicted value of economic and democracy aid by donor and income type



The left panel of Figure 3 illustrates the interaction effect of Model 1. In low-income recipient countries, neoliberal donors allocate more than twice the amount of democracy aid compared to statist donors. In middle-income countries, the disparity between neoliberal and statist donors is less marked. This panel demonstrates that neoliberal donors primarily target low-income countries for democracy aid, whereas the allocation by statist donors remains consistent regardless of development levels. The right panel of Figure 3 depicts the interaction effect of Model 3. It indicates that in low-income recipient countries, statist donors provide significantly more economic aid than neoliberal donors. However, in middle-income countries, there is no significant difference between the two types of donors. This panel reveals that statist donors focus their economic aid on low-income countries, while neoliberal donors' economic aid distribution is not influenced by the development level of recipient countries.

These findings tend to confirm that donors' political economy ideologies reflect different theories of democratization, leading to different approaches in democracy aid allocation. Neoliberal donors' ideological emphasis on economic and political freedom as a precondition

of economic development translates into substantive allocation of democracy aid in low-developed countries. In contrast, statist donors' emphasis on socio-economic development as a precondition of economic development and democratization translates into substantive allocation of economic aid in low-developed recipient countries.

5. Conclusion

This study provides a new argument explaining how donors' political economy ideologies entail different conceptions of democracy, democratization theories, and thus different democracy promotion approaches, that translate, through difference in the organization of national aid agencies, to different democracy aid allocation strategies. Neoliberal donors conceive economic and political freedom as preconditions for economic development. Neoliberal aid agencies prioritize democracy promotion, rely on outsourcing to NGOs and private firms, and are partially staffed by "democracy promoters". As a result, empirical evidence shows that neoliberal donors give more democracy and bottom-up democracy aid than statist donors, especially in low-income countries. In contrast, statist donors consider socio-economic development as a precondition for democratization. Statist donors' national agencies, have the in-house capacity to implement developmental projects with recipient governments, are staffed by economists and technical experts, and frame recipient political issues with the concept of good governance and capacity building. As a result, statist donors give less democracy aid and bottom-up democracy aid. In low-income countries, statist donors give more economic aid than neoliberal donors.

This study provides more clarity and empirical evidence, to explain the ideological origin of varieties of democracy promotion and its implication in democracy assistance strategies and debate of its effectiveness. As donors differ in their conception of democracy and the democratization process, they differ in their targets and objectives. For example, statist donors may conceive poverty reduction and reducing inequalities as democratic development, while neoliberal will consider improvement in women's rights and economic liberalism fostering democracy. The literature on democracy aid effectiveness mostly aligns with a classical liberal conception of democracy focusing on election, and civil and political liberties, which is reflected by the measurement of democratization with indexes such as V-Dem, Polity IV, and Freedom House, produced in the United States and Sweden (Gisselquist et al., 2021; Lührmann et al., 2017). While this literature proves insightful in measuring the effectiveness of democracy aid projects for neoliberal donors that have a similar democracy conception, it may be conceptually insufficient to measure statist donors' efforts in their conception of

democratization. Incorporating plural conceptions of democracy in the study of foreign and democracy aid effectiveness may also help understand the influence of new democracy promoters. For example, East and Southeast Asia democracies adopted democratic institutions while rejecting "liberal values such as individualism, equality, freedom, and limited government" emphasizing strong government responsibility in providing social cohesion and harmony by prioritizing economic development and citizen's economic welfare (Rosyidin, 2020).

A more inclusive understanding of the varieties of democracy promotion approaches may also inform the role of donor coordination and fragmentation in recipient countries. While donors' foreign aid coordination and standardization is an important objective of the DAC and linked to more aid effectiveness for the recipient's economic development, it may not be the case for democratization. Recent empirical evidence suggests that an increased number of donors may increase democratization prospects. Donors' plurality of democracy promotion could lead to a diverse "marketplace" of ideas in which local actors can draw in developing and home-grown democracy conception and strategy (Ziaja, 2020). Further research could explore how the interaction of neoliberal and statist donors in recipient countries affects donors' democratization prospects.

Finally, understanding the varieties of donors' democracy promotion and aid allocation strategies enables a more fine-grained expectation of how donors react to the rise of autocratic donors and its' influence on the third wave of autocratization (Lührmann & Lindberg, 2019). The literature provides some evidence of the detrimental effects of autocratic donors on recipient governance, corruption, horizontal accountability, and democratization prospects (Bader, 2015a, 2015b; Dreher et al., 2022; Ping et al., 2022). However, neoliberal and statist donors' different democracy conceptions may alter the extent to which autocratic presence in recipient countries is perceived as a threat. Further studies could investigate the interaction, competition, and compatibility between different DAC and autocratic donors.

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7. Annex

Tobit

To address the potential bias introduced by the substantial number of zero values in the dependent variable, I also estimated a Tobit model as a robustness check. The results, which are consistent with the main findings, are presented below.

OLS and tobit model

	Dependent variable:	
	Democracy aid	
	panel linear	*censored regression*
	(1)	(2)
Neoliberal donors (including Nordic donors)	0.237***	0.641***
	(0.004)	(0.010)
donors_sizeminor_donor	0.159***	0.226***
Minor Donors	(0.006)	(0.012)
	0.142***	-0.026***
UN distance	(0.004)	(0.007)
	0.216***	0.266***
Colony	(0.011)	(0.021)
	-0.002***	0.028***
Log Trade	(0.0005)	(0.001)
	0.048***	-0.007
Log GDP per capita	(0.006)	(0.004)
	0.305***	0.605***
Log other democracy aid	(0.002)	(0.003)
Natural Resources	0.017***	-0.001

	(0.006)	(0.005)
Log Population	0.049***	0.043***
	(0.017)	(0.003)
Log Distance	-0.082***	-0.129***
	(0.004)	(0.008)
Democracy Index	0.317***	0.398***
	(0.022)	(0.023)
logSigma		0.003
		(0.004)
Constant		-1.804***
		(0.085)
Observations	88,610	88,610
Recipient Year Fixed Effect	Yes	No
Adjusted R^2	0.407	
Log Likelihood		-62,174.810
Akaike Inf. Crit.		124,375.600
Bayesian Inf. Crit.		124,497.700
F Statistic	5,548.977*** (df = 11; 88436)	
Note:		*p**p***p<0.01

The Tobit model confirms the significant positive relationship between neoliberal donors and democracy aid, and the positive relationship for minor donors. Former colonies receive significantly more democracy aid in both models, while trade shows a positive association only in the Tobit model. The positive influence of GDP per capita and democracy index on aid is confirmed across both models. These consistent results across different model specifications underscore the robustness of the main findings.

Logistic regression

For robustness checks, presented in the annex, I also conducted a logistic regression to see if the findings hold when considering the decision to allocate democracy aid to recipient countries or not.

This ensures the consistency of the observed effects across different operationalizations of the dependent variable.

Logistic regression

	Dependent variable:
	Selected for democracy aid
Middle/High income	0.210***
	(0.048)
Neoliberal donors	1.112***
(including Nordic donors)	(0.026)
Middle/High income X Neoliberal Donors	-0.386***
	(0.045)
Minor Donors	0.096***
	(0.034)
UN Distance	0.250***
	(0.028)
Colony	0.673***
	(0.063)
Log Trade	0.065***
	(0.004)
Log Other Foreign Aid	1.033***
	(0.011)
Log Distance	-0.569***
	(0.025)
Log Population	0.232*
	(0.131)
Natural Resources	0.005**
	(0.002)
Democracy Levels	0.446***
	(0.129)
Constant	-6.112***
	(2.230)
Observations	88,610
Log Likelihood	-30,449.530
Akaike Inf. Crit.	61,249.060
Note:	*p**p***p<0.01

The logistic regression results demonstrate that neoliberal donors are significantly more likely to select recipient countries for democracy aid compared to statist donors. The interaction term between middle/high income and neoliberal donors is negative, suggesting that neoliberal donors are less likely to give democracy aid to more developed recipient countries compared to less developed ones. Other significant factors influencing the selection for democracy aid include the donor's minor status, UN distance, colonial ties, trade, other forms of foreign aid, geographic distance, population size, natural resources, and existing levels of democracy.