

## DOES FOREIGN AID PROMOTE DEMOCRACY?

*In late 2011, at the conclusion of the Fourth High Level Forum of Aid Effectiveness in Busan, the international donor community issued a declaration stating that 'promoting human rights, democracy, and good governance are an integral part of our development efforts.' Has the donor community achieved these objectives and specifically promoted democracy in developing countries? As part of its contribution to the Research and Communication on Foreign Aid (ReCom) programme, the United Nations University World Institute for Development Economics Research (UNU-WIDER) addressed this question on 10 May 2012 during a public seminar titled 'Democracy and Fragility' hosted at the Swedish International Development Cooperation Agency (Sida)<sup>1</sup>. With a predominant focus on sub-Saharan Africa, this brief summarizes the key findings and policy implications presented at the seminar.*

### Unpacking Foreign Aid

Thus far, research on the impact of aid on democracy has failed to differentiate among various types of foreign aid as well as the multi-faceted nature of the democratization process. Consequently, this seminar focused on looking two types of foreign aid, namely 'democracy assistance,' which aims to support actors and institutions who promote political liberalization, as well as 'development aid,' which is more directly concerned with improving economic and social well-being. Modalities such as general budget support and sector-wide approaches (SWAs) also fall under the latter category. While many donors provide both types of aid, they are associated with different communities of practice that typically aim to influence democracy through different channels. For instance, development aid focuses more on achieving democracy through social and economic structural transformation in the medium- to long-term, while democracy aid focuses on domestic agents to foster change in the short- to medium-term. Moreover, democracy aid to Africa is only about four percent of total overseas development assistance and is not associated with conditionalities; therefore it has less leverage over recipient governments than development aid.

### Democratic Transitions

The seminar participants further emphasized that democracy can be viewed as a series of processes. A transition from a one-party to multi-party regime represents the beginning of the democratic process. Results from a ReCom research project shows that development aid had an influence on the transition process in a number of African countries during the early 1990s, predominantly by precipitating domestic discontent through economic conditionalities or directly influencing reforms through political conditionalities<sup>2</sup>. Yet, this process was limited to countries that were 1) highly aid-dependent and lacked alternative resources; 2) faced an economic crisis; 3) were not under the control of a military junta; and 4) where donors adopted a coordinated approach.

1. ReCom - Research and Communication on Foreign Aid is a collaborative programme jointly supported by Danida (Ministry of Foreign Affairs of Denmark International Development Cooperation) and Sida (Swedish International Development Cooperation Agency).

2. More detailed research from this project can be found at:

[http://www.wider.unu.edu/recom/research\\_by\\_theme/theme-2/en\\_GB/Aid-Democracy-Africa\\_1/](http://www.wider.unu.edu/recom/research_by_theme/theme-2/en_GB/Aid-Democracy-Africa_1/)

## Democratic Consolidation

However, democracy depends not only on multiparty elections but also on the broader consolidation process. Consolidation involves maintaining, deepening, and reinforcing democratic gains. The seminar participants demonstrated how democracy assistance and development aid often have different levers of influence over various components of consolidation:

### i) *Avoiding Democratic Breakdown and Erosion of Democratic Gains*

The breakdown of a democracy is often driven by underlying factors that more broadly contribute to state fragility. Mali, which experienced a coup in March 2012 after 20 years of multi-party democracy, is a prime example. The immediate catalyst for the coup was military dissatisfaction with the government's handling of the Tuareg rebellion in the north of the country. Yet, Tuareg grievances and the government's lack of control over the north have been longstanding problems, along with gaping socioeconomic and linguistic inequalities between the capital of Bamako and the rest of the country. Development aid could have reduced these inequalities by, for example, finally building a road from Bamako to the northern city of Kidal or ensuring that all the provisions of four previous peace negotiations between the government and the Tuaregs were actually implemented. The Malian case is instructive for highlighting that development aid in fragile states needs to target the structural impediments to democratic consolidation and alter long-standing patterns that undermine political stability and national unity.

In terms of preventing democratic erosion, development aid has been somewhat effective by using leverage in countries that are not just heavily dependent on aid but particularly on the modality of general budget support. Threats, or actual suspensions of aid, have reversed decisions by elites to marginalize a new political party from parliament in Mozambique, or to violate presidential term limits in Malawi. However, donors tend to use leverage much more frequently to respond to corruption and electoral violations than to human rights abuses. This reflects not only variations in donor commitment to human rights issues, but also the degree to which donors believe that certain human rights issues are too culturally-sensitive to address. One alternative is to create positive incentives by rewarding aid disbursements to governments that have invested considerable effort into improving their human rights records.

### ii) *Strengthening Vertical Accountability: A Favourite Area of Intervention*

Vertical accountability refers to the ability of citizens to monitor and influence the performance of elected officials. Two key mechanisms for vertical accountability are elections and civil society. The seminar highlighted that without democracy aid, many elections in Africa would be significantly less free and fair. Democracy aid has been a critical input for civic and voter education, election monitoring, the provision of ballot papers, cleaning the voter roll, and the creation of biometric voter lists. But, elections are still viewed as an event rather than a process, meaning that resources typically are invested right before elections rather than throughout the electoral cycle. This often prevents long-term capacity-building for electoral commissions, which are the institutions responsible for managing elections. Moreover, the lack of electoral commission autonomy remains one of the weakest elements of elections in Africa but one which donors have found difficult to address.

Civil society receives more support than any other area of democracy assistance in Africa, and these resources have been instrumental for sustaining a variety of non-governmental organizations (NGOs), as well as for promoting the independent media. In part due to democracy aid, civil society is vibrant and vocal in countries as diverse as Benin, Mali, and Zambia. Yet, many NGOs supported by donors tend to be urban-based and led by professional elites with few clear ties to the broader populace. However, trade and labour unions, which have stronger grassroots representation, sit uncomfortably with donors: the democracy assistance community sees unions as potentially too political while the development community fears their demands for higher wages or better working conditions could undermine macroeconomic stability.

iii) *Enhancing Horizontal Accountability: Contradictory Donor Objectives and Outcomes*

Horizontal accountability relates to the ability of state institutions to provide oversight of, and possibly level sanctions against, other state institutions and actors. One key institution for horizontal accountability, parliament, is often targeted by democracy aid through parliamentary training programs, the creation of independent budget offices, the expansion of constituency offices, and radio transmissions of parliamentary proceedings. Yet, support for parliamentary capacity is often undermined by the tendency of donors to discount the role of parliament in the larger political system. For instance, general budget support has been found to further marginalize parliaments because agreements are negotiated between donors, the executive branch, and ministries of finance. Parliamentarians frequently learn of donor interventions only during the limited time they receive to review the annual budget. In order to improve the linkages between parliamentary strengthening and socioeconomic issues, donors should focus on improving parliamentarians' oversight and policymaking capacities on specific issues that are on the national agenda, such as food security or education.

Anti-corruption initiatives constitute another means of promoting accountability across government institutions. These initiatives have evolved considerably over the last decade, ranging from more technical approaches that focused on anti-corruption commissions and audit authorities to international efforts to target rents from natural resources that can fuel corruption. While some of these efforts have yielded gains, like Zambia's anti-corruption commission, the standard of evidence on corruption interventions is relatively low. The main impediment to fighting corruption remains that it is essentially a political phenomenon and donors find it difficult to both understand and address political incentives in recipient countries.

iv) *Promoting Political Parties: Still the Weakest Link*

Support for political parties has long been considered the 'weakest link' of the democracy assistance community. This is unfortunate since political parties are essential for a viable and competitive democracy. Moreover, ReCom research finds that higher levels of democracy aid are positively and significantly associated with a higher probability that an opposition party will be able to oust an incumbent. Indeed, examples from the African context reveal that democracy assistance can help opposition parties run to an election campaign in the face of overwhelming incumbent advantages or to engage in inter-party dialogue to reduce the likelihood of electoral violence.

By contrast, development aid was found to be associated with a lower likelihood of party turnover and to generally reinforce incumbent advantages. The main reasons for this are that ruling governments can use donor-funded development projects to bolster their legitimacy among their populations right before elections. This dynamic is most problematic in countries that have been controlled by the same party since independence, such as Mozambique and Tanzania, because the boundaries between party and state have become increasingly blurred.

## Main Conclusions and Policy Implications

The ReCom seminar therefore highlighted the following key points about foreign aid's ability to promote democracy in developing countries:

- Foreign aid is not a monolithic resource. Democracy assistance and development aid have different means of influencing democratic transitions and consolidation.
- Democracy assistance appears not to have done any harm and, in many ways, has contributed to a more vibrant and diverse political culture in Africa. But, the level, sustainability, and focus of democracy assistance programs could be substantially improved.
- Development aid has had more of a direct impact on democratic transitions than on the consolidation process. By targeting long-term structural inequalities and weaknesses, even if they are not identified as priorities by a recipient government, development aid could be more effective in preventing democratic breakdown.
- Despite a growing emphasis on 'rights-based approaches' to development, human rights issues remain divisive for the donor community. Withholding aid may be useful for preventing democratic erosion but it undermines the prevailing rhetoric on 'country ownership' and is only effective if a majority of key donors participate. Incentive-based approaches to reward governments for efforts to promote human rights might be an alternative.
- General budget support has many advantages, particularly in terms of increasing donor coordination and leverage. But, it has tended to further strengthen African executives while marginalizing important institutions of horizontal accountability. Greater efforts toward integrating disbursement criteria that require parliamentary engagement in the budget process would be an important step towards addressing this weakness.
- Ultimately, addressing impediments to greater democratic consolidation requires a much stronger recognition of the distribution of power and politics in specific country contexts, and less reliance on technical templates, than currently exists in either the democracy or development communities.

*For more information, the presentations from the 10 May 2012 seminar on Democracy and Fragility are available at: [www.wider.unu.edu/recomresults](http://www.wider.unu.edu/recomresults)*