

3

Foreign Aid and Democratic Development in Africa

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3.1 Introduction

This chapter examines the empirical relationship between foreign aid and democracy in sub-Saharan Africa (SSA). In the wake of the Cold War, many countries in the region adopted multi-party politics. However, while politics has become less personalized and more institutionalized in the past two decades, the shift to multi-party politics has not led to a wave of consolidated democracies (Posner and Young 2007; Cheeseman 2011). Between 1991–2008, incumbent leaders have left power only nine times after losing elections under established multi-party regimes.¹ For many countries in the region, multi-party politics still means that the incumbent remains in office, thus falling short of developments that represent democratic deepening.

To improve our understanding of what accounts for democratic deepening in Africa, we build on the existing literature in two ways. First, we distinguish among the different purposes of aid by analysing economic aid flows alongside aid flows that are earmarked specifically for democracy promotion. The latter category of aid comprises assistance to strengthen institutions of accountability and the civil society sector. To date, most of the empirical work that investigates the link between aid and democracy measures foreign assistance at its highest level of aggregation, grouping all categories of aid together (Goldsmith 2001; Knack 2004; Dunning 2004; Djankov et al. 2008; Wright 2009; Bueno de Mesquita and Smith 2010; Bermeo 2011). More

¹ These include Madagascar 1996, Ghana 2000, Senegal 2000, Guinea-Bissau 2000, Benin 2001, Cape Verde 2001, Kenya 2002, Mali 2002, and Zambia 2011.

Foreign Aid and Democratic Development in Africa

recently, however, scholars have begun narrowing their scope to focus specifically on democracy aid (e.g. Finkel et al. 2007; Scott and Steele 2011).

Second, we look at different stages of the democratic trajectory by presenting empirical analyses that assess the link between aid and transitions to multi-party politics as well as the relationship between aid and democratic consolidation. Much of the existing literature on aid and democracy typically uses broad measures of democracy and regime stability or aggregate indices of ‘democraticness’, such as the Polity scale or the Freedom House index (e.g. Goldsmith 2001; Knack 2004; Dunning 2004; Finkel et al. 2007; Djankov et al. 2008; Morrison 2009; Wright 2009; Bueno de Mesquita and Smith 2010; Bermeo 2011; Ahmed 2012). Instead, we look at different types of democratic political change, ranging from multi-party transitions to incumbent turnover and the violation of executive term limits. This allows us to isolate qualitatively distinct types of political change much better than aggregate measures.

We begin by describing the general pattern of aid flows, both for total aid and democracy and governance assistance (DGA). Figure 3.1 shows the flow of foreign aid to the region from 1990–2008. The total aid sum is the combined aid commitments to all 48 sub-Saharan African countries from Western donors in the Organisation for Economic Co-operation and Development (OECD).² The per capita figure is the average per capita across all 48 countries. As the top panel indicates, foreign assistance to the region declined in the early 1990s, in part because major Western aid donors decreased support for client states after the end of the Cold War. However, this trend had reversed by the end of the decade. Aid per capita in the average SSA country jumped from less than US\$50 per person in 1997 to nearly US\$85 by 2008. Total aid commitments to the region more than doubled, from roughly US\$15 billion in the mid-1990s to over US\$30 billion a decade later.

The pattern of democracy and governance assistance as a separate category of development aid has also changed over time. Over the past two decades donors have steadily increased DGA throughout the world, particularly in SSA. Such resources include support not only for economic governance, including strengthening macroeconomic and public sector management, but also for traditional areas of political governance, such as elections, civil society, and legislatures. The bottom panel of Figure 3.1 shows that total DGA, both bilateral and multi-lateral, nearly quadrupled from 1990 to 2008. Figure 3.2 shows that DGA rose from less 4 per cent of total aid commitments to the region in the early 1990s to roughly 10 per cent of total aid by 2008. Thus both in absolute terms and relative to other categories of foreign aid, democracy assistance increased over the past two decades.

² There are only totals for 47 countries prior to 1993, when Eritrea became an independent state. We only examine foreign aid from Western donors.

Democratic Trajectories in Africa

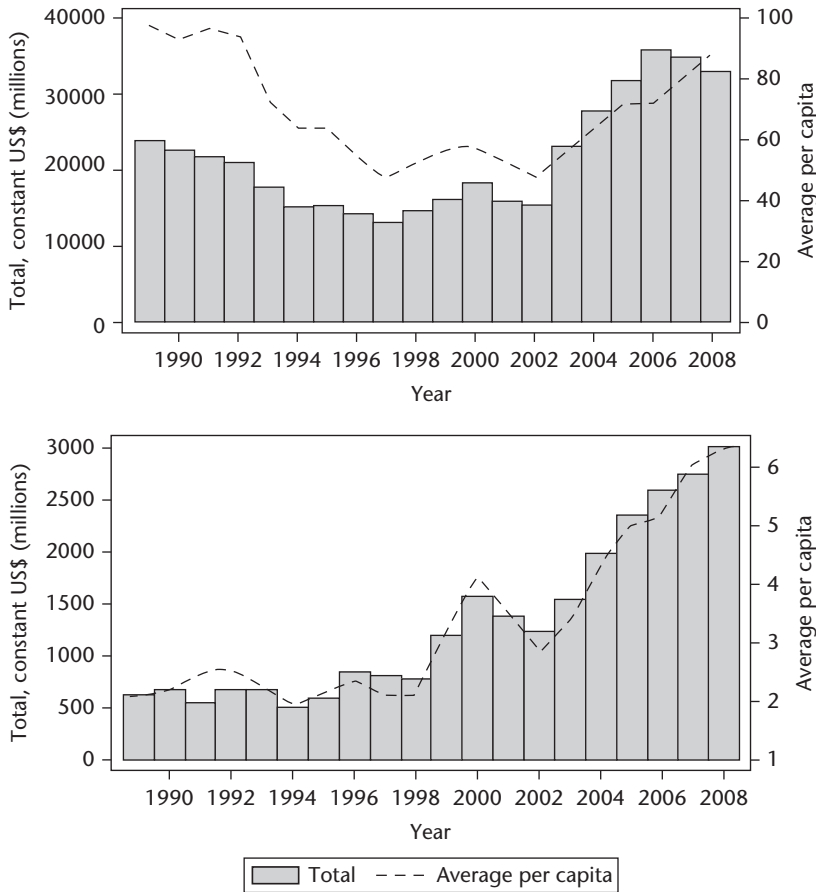


Figure 3.1. Aid commitments to sub-Saharan Africa

Notes: Top panel is aid from all categories; bottom panel is democracy and governance aid (DGA). Total is constant US\$ in millions. Per capita is constant US\$ averaged across 48 countries. Two year moving average ($t, t - 1$).

Sources: AidData.org, World Development Indicators database, and authors' calculation.

This substantial effort to fund democracy and governance programmes, however, obscures the fact that this category of foreign aid remains a relatively small share of overall aid to the region. Figure 3.2 illustrates two other important patterns. First, the United States finances only a small fraction of OECD-funded DGA. As the top panel illustrates, US DGA represents less than 1 per cent of all OECD aid to the region in the past two decades and in most years comprises less than 10 per cent of DGA from all donors. Second, assistance to only the political institutions and actors that promote democratization, rather than to those which also promote economic governance, remains a relatively small share of total DGA. This aid is labelled by AidData as those resources that

Foreign Aid and Democratic Development in Africa

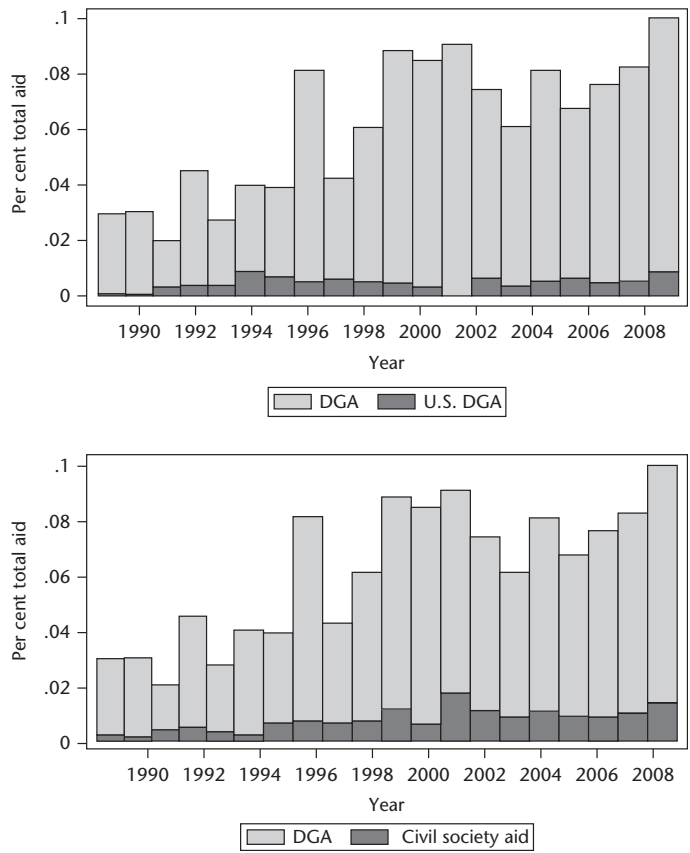


Figure 3.2. Democracy and Governance Aid (DGA), share of total aid by year

Notes: In the top panel, large bars depict democracy and governance assistance (DGA) as a share of all aid while the small, darker bars depict US DGA as a share of all DGA. In the bottom panel, large bars depict DGA as a share of all aid while darker bars depict only democracy aid, or ‘civil society aid,’ as a share of total DGA. Two-year ($t, t - 1$) moving average of yearly shares in constant US\$.

Sources: AidData.org, WDI (2011), and authors’ calculation.

specifically target ‘civil society strengthening’ but actually includes a wide variety of activities related to democracy promotion, such as: elections, human rights, the free flow of information, women’s equality, participatory planning and decision making procedures and institutions, and supporting civil society as well as co-operatives and grassroots organizations.³

The bottom panel shows that in 2008, for example, democracy assistance or ‘civil society assistance’ constituted roughly 1.4 per cent of overall of foreign aid and 14 per cent of total DGA. As noted above, the remaining majority of

³ See <AidData.org> for their categorization of DGA as well as assistance for civil society strengthening.

Democratic Trajectories in Africa

DGA flows to incumbent governments fund governance programmes such as those aimed at improving government administration, including public sector financial management.

The rise of democracy assistance can be explained in part by a shift in policy thinking about the role of democracy in implementing economic reforms. First made explicit in a 1989 United Nations report on sustainable economic reform in Africa, policy makers started to focus on the political and institutional factors that underpin growth (Lancaster 1993; Crawford 2001). To quote Crawford (2001: 13):

In a shift from previous prevailing wisdom—that authoritarian governments were better placed to implement harsh economic adjustment measures—the view of a positive inter-relationship between democracy and economic liberalization became widespread.

Democracy was no longer an afterthought in development policy discussions, and linking foreign aid to improvements in these areas came into vogue. The new thinking about the role of democracy in economic development also gave a positive rationale for both providing democracy assistance in the first place and conditioning economic aid on political reform.

Under what conditions do economic aid and democracy assistance influence democratic political change in SSA? We address this question through a series of survival models that focus on several distinct measures of democratic consolidation. Before discussing the findings, the next section briefly reviews the literature on aid and democratization. The third section then discusses the concept of democratic consolidation and proposes four measures that capture different dimensions of this phenomenon. The fourth section introduces the foreign aid data and discusses our research design. The fifth section reports the results, and the final section concludes with a discussion of the causal mechanisms that might explain the relationship between different types of aid and democratic development.

3.2 Aid and democratic consolidation in Africa

A central argument in the foreign aid literature suggests that aid may hinder democratic deepening by fostering ‘bad’ institutions (Bauer 1971; Moss et al. 2006; Djankov et al. 2008). This view frequently groups foreign aid together with other types of ‘unearned income’, such as natural resource wealth, to argue that non-tax revenue enables leaders to forgo taxing the citizenry, resulting in a decreased demand for representative democracy and good governance (Levi 1988; North and Weingast 1989; Tilly 1990; Moore 1998). Evidence also exists which suggests that foreign aid may undermine the ability

Foreign Aid and Democratic Development in Africa

of governments to budget appropriately (McGillivray and Morrissey 2001; Bräutigam and Knack 2004) and that foreign aid may help stabilize dictatorships by funding rent payments (Remmer 2004; Djankov et al. 2008; Morrison 2009; Ahmed 2012).

In addition to hurting state capacity and supporting rent-seeking, foreign aid dependency may also have a direct detrimental effect on democratic development (Bräutigam 2000; van de Walle 2005). As Bräutigam (2000) and van de Walle (2005) posit, foreign aid donors might damage the development of effective checks and balances in recipient countries by reinforcing the power of the executive at the expense of legislative constraints. To the extent that democratic consolidation depends on capable states and institutionalized politics, this literature suggests that foreign aid may hinder democratic development. An explanation for a negative relationship between aid and democracy may therefore rest on a number of related mechanisms: foreign aid may subvert democratic development by severing the fiscal link between citizens and the government (taxation); by encouraging rent-seeking behaviour and corruption; by enabling leaders to buy political support without incurring the political costs of taxation; or unduly empowering the president at the expense of legislative institutions.

At the same time, a separate line of inquiry investigates targeted investment in democracy (Finkel et al. 2007; Scott and Steele 2011). This research disaggregates foreign aid flows and directly tests the link between democracy assistance and aggregated democracy scores. These studies posit that democracy aid influences democracy differently than economic aid. For instance, Finkel et al. (2007) show that US democracy aid has a moderate, yet consistently positive effect on aid-recipient countries' movement towards higher levels of democracy, measured using Polity and Freedom House scores. They suggest that US investment in democracy empowers particular agents (e.g. political organizations and social movements) and strengthens state institutions. Scott and Steele (2011) find evidence that US democracy assistance increases democracy but economic aid has a negative effect.

The literature cited thus far presents something of a puzzle because it suggests that aggregate foreign aid, the bulk of which is economic aid rather than democracy assistance, is detrimental to democracy.⁴ However, recent studies of democracy assistance suggest this category of aid may help democracy. As a step towards reconciling these literatures, we examine the foreign aid patterns associated with different types of democratic political change across SSA in the past two decades.

⁴ A dissenting literature argues that Western foreign aid, particularly in SSA, may be associated with democratization in post-Cold War period (Goldsmith 2001; Dunning 2004; Wright 2009; Bermeo 2011).

Democratic Trajectories in Africa

3.2.1 *Democratic political change*

Much of the study of democracy entails examining the correlates of democratic transitions (Przeworski et al. 2000; Boix and Stokes 2003), and we follow this tradition by examining how aid relates to transitions to multi-party regimes. However, the determinants of transition to multi-party politics may differ from the factors that help democracies consolidate and endure. Democratic consolidation, though, is a difficult concept to measure (Munck and Verkuilen 2002). Our measures capture the persistence of multi-party regimes, which incorporates elected legislatures into the definition. We also attempt to measure the fairness of the electoral process, and the propensity of incumbent turnover, defined as a candidate from an opposition party winning an executive election. When analysing each of the various measures of consolidation, we account for time dependence, which is conceptually akin to grouping election events by whether they were the first, second, or third to occur without interruption.

We begin by assessing how foreign aid influences transitions to *multi-partyism*. We define multi-partyism as the existence of an opposition party (not part of the regime front) in an elected legislature. Minimally, this entails universal suffrage,⁵ an elected legislature, legal opposition parties, and at least one party outside the regime front with seats in the legislature.⁶ This definition of multi-partyism excludes regimes that allowed opposition parties but never had an election to place them in a legislature (e.g. former Zaire from 1992–7). It also says nothing about electoral fairness or civil liberties, and thus groups together countries with relatively non-violent and fair elections (Botswana) with countries which sometime have unfair and often violent multi-party elections (Kenya after 1992 and even Equatorial Guinea after 1993). Note that there can be more than one transition to multi-partyism for a particular country within the sample period if an initial multi-party period ended (Congo-Brazzaville 1992–7) and the country restarted multi-partyism at a later date (e.g. Congo-Brazzaville 2002).

For some scholars, multi-partyism is a minimal condition for democratization (Cheibub et al. 2010). Here we note two features of transitions to multi-partyism that are particularly relevant for assessing the influence of foreign aid. First, these transitions are easily observable. Donors can relatively cheaply and objectively identify whether multiple parties compete for and hold positions in an elected legislative body. Second, the introduction of multi-partyism need not pose a direct threat to the incumbent regime. As Posner and

⁵ We added the suffrage rule to allow the start of multi-party politics in Zimbabwe (1980) and South Africa (1994) after the end of restricted suffrage.

⁶ These latter three features are coded from Cheibub et al. (2010) and double checked by the authors.

Foreign Aid and Democratic Development in Africa

Young (2007) note, despite recent advances in the institutionalization of politics, incumbents still rarely lose power in SSA. Below, we examine how democracy aid and economic assistance influence the advent of multi-party transitions in Africa between 1989 and 2008, beginning with Benin's National Conference in 1990.

Our second measure of consolidation is the breakdown of a multi-party system, or *multi-party failure*. After a country has transitioned to a multi-party regime, it then becomes at risk of reversal.

We define *multi-party failure* as any one of the following occurring:⁷

- (a) government change via a coup or replacement of the leader/party during a violent civil conflict;
- (b) institutional change that excludes the opposition, such that opposition parties are illegal or no party outside the regime front is seated in the legislature;
- (c) opposition withdraw so that there is no party outside the regime front seated in the legislature.

An example of (a) occurred in the Central African Republic during the March 2003 in which the former Army Chief of Staff, François Bozizé, ousted Félix Patassé. After the coup, Bozizé suspended the constitution and abolished the legislature. Previously though, the Central African Republic had been a multi-party state since the first multi-party election in September 1993. An example of (b) occurred when Charles Taylor's government in Liberia banned all opposition parties in April 2002 and never held the next elections scheduled for 2003, marking the end of multi-partyism. Events in the Comoros represent an example of (c). Specifically, all the main opposition parties in the island state, including the Movement for Democratic Progress (MDP-NGDC) and the former authoritarian party UDZIMA, boycotted the December 1996 legislative elections. The only other party to win legislative seats was allied with the ruling National Rally for Development. Table 3. 1 lists the multi-party sample. This is an expansive group of countries defined by observable indicators of multi-party representation in the legislature. It assumes a transition to multi-partyism has already occurred and does not define the group of countries that can consolidate by how long multi-partyism has been in place. We therefore include observations from multi-party systems that failed to reach a second multi-party election.

The third measure addresses the fairness of the electoral political system as measured by the Freedom House political rights (PR) scale. We begin with the

⁷ Assassination of a leader does not end multi-partyism unless this results in an opposition executive taking power or the closing of the legislature.

Democratic Trajectories in Africa

Table 3.1. Multi-partyism

Country	Begin	End	Country	Begin	End
Angola	1993	censored	Lesotho	1999	censored
Benin	1992	censored	Liberia	1998	2002
Botswana	1966	censored	Liberia	2006	censored
Burkina Faso	1993	censored	Madagascar	1994	censored
Burundi	1994	1994	Malawi	1995	censored
Burundi	2006	censored	Mali	1993	censored
Cameroon	1993	censored	Mauritania	1993	2005
Cape Verde	1992	censored	Mauritania	2007	2008
Central African Republic	1994	2003	Mauritius†	1968	censored
Central African Republic	2006	censored	Mozambique	1995	censored
Chad	1998	censored	Namibia	1995	censored
Comoros	1993	1996	Niger	1994	1996
Comoros	2005	censored	Niger	1997	1999
Congo Br.	1993	1997	Niger	2000	censored
Congo Br.	2003	censored	Nigeria	2000	censored
Côte d'Ivoire	1991	1999	Rwanda	2004	censored
Côte d'Ivoire	2001	censored	São Tome	1992	censored
DRC	2007	censored	Senegal†	1979	censored
Equatorial Guinea	1994	censored	Seychelles	1994	censored
Ethiopia	1996	censored	Sierra Leone	1997	1997
Gabon	1991	censored	Sierra Leone	2003	censored
Gambia	1967	1994	South Africa*	1995	censored
Gambia	1998	censored	Tanzania	1996	censored
Ghana	1997	censored	Togo	1995	censored
Guinea	1996	censored	Uganda	2007	censored
Guinea-Bissau	1995	2003	Zambia	1992	censored
Guinea-Bissau	2005	censored	Zimbabwe*†	1981	censored
Kenya	1993	censored			

Notes: * indicates start coded from universal suffrage; † indicates left-censored at 1991; censored = right-censored in 2008. Start year coded for first year (1 January) when multi-partyism is observed; this is typically the year *after* the first multi-party election.

Source: Cheibub et al. (2010) and authors' calculations.

sample of multi-party observations and exclude all observation years for which PR is greater than 4 on a scale of 1 (most political rights) to 7 (least). Therefore, the sample of countries at risk of failure are multi-party regimes with a 4 or less on the PR scale. Failure events are coded as either a multi-party failure (discussed earlier in the chapter) or a change in PR from 4 or below to 5, 6, or 7. We call this variable *fairness failure*. This coding procedure excludes regimes that hold multi-party elections that are unambiguously unfair—such as those in Equatorial Guinea, Côte d'Ivoire, and Guinea—from the sample of fair multi-party regimes. It marks failure when the political system under a previously fair multi-party regime turns unfair, even if it does not end the multi-party regime. For example, prior to the 2006 presidential election in the Gambia, President Jammeh's government arrested three leading opposition members and passed new legislation that made libel against the government an offense punishable with imprisonment for six months. When multi-partyism ends and the multi-party regime was also coded as fair, then a *fairness*

Foreign Aid and Democratic Development in Africa

Table 3.2. Fairness failure

Country	Begin	End	Country	Begin	End
Benin	1992	Censor	Madagascar	1994	Censor
Botswana	1991	Censor	Malawi	1995	Censor
Burkina Faso	2000	2004	Mali	1993	Censor
Burundi	2006	Censor	Mauritania	2008	2008
Cape Verde	1992	Censor	Mauritius	1991	Censor
Central African Republic	1994	2001	Mozambique	1995	Censor
Comoros	1993	1996	Namibia	1995	Censor
Comoros	2005	Censor	Niger	1994	1996
Gabon	1991	1993	Niger	2001	Censor
Gambia	1991	1994	Nigeria	2000	2008
Gambia	2003	2005	São Tomé	1992	Censor
Ghana	1997	Censor	Senegal	1991	Censor
Guinea-Bissau	1995	2003	Seychelles	1994	Censor
Guinea-Bissau	2005	Censor	Sierra Leone	1997	1997
Kenya	1993	1993	Sierra Leone	2003	Censor
Kenya	2003	Censor	South Africa	1995	Censor
Lesotho	1999	Censor	Tanzania	2000	Censor
Liberia	1998	2000	Zambia	1992	1996
Liberia	2006	Censor	Zambia	2003	Censor

Notes: * indicates start coded from universal suffrage; † indicates left-censored at 1990; censored ≡ right-censored in 2008. Start year coded for first year (1 January) when multi-partyism is observed; this is typically the year *after* the first multi-party election.

Source: Authors' calculations using Cheibub et al. (2010) and Freedom House (2010). See text for details.

failure occurs (e.g. 1996 coup in Niger). Table 3.2 lists the fairness failure sample.

The previous two measures of consolidation (multi-partyism and electoral fairness) are closely related concepts. Many of the events coded as multi-party failure are also coded as fairness failure. The main difference between these two measures is in how the sample is defined and not the key failure event that we model empirically. While the events that typically mark the end of these regimes are threatening to incumbents (e.g. a military coup or rebels chasing the incumbent from power), the persistence of either of these states is not. We point this out because measuring consolidation as the survival of multi-partyism (or electoral fairness) is often not threatening to incumbents, particularly those who are well placed to win multi-party elections.

By contrast, the next two measures of consolidation, incumbent turnover and respect for term limits, are inherently threatening to incumbents. Specifically, our fourth measure of consolidation is *incumbent turnover* via an election when the country was a multi-party regime in the prior year.⁸ This measure excludes electoral incumbent turnover that occurs in the same

⁸ Note that this is a positive conceptualization of 'consolidation', where the incumbent who leaves power was an executive in a multi-party regime.

Democratic Trajectories in Africa

Table 3.3. Incumbent turnover sample

Country	Year	Country	Year	Country	Year	Country	Year
Benin	1996	Equatorial Guinea	2002	Malawi	2004	Nigeria	2007
Benin	2001	Gabon	1993	Mali	1997	Senegal	1993
Burkina Faso	1998	Gabon	1998	Mali	2002	Senegal	2000
Burkina Faso	2005	Gabon	2005	Mauritania	1997	Sierra Leone	2007
Cameroon	1997	Gambia	1992	Mauritania	2003	Tanzania	2000
Cape Verde	1996	Gambia	2001	Mauritania	2007	Tanzania	2005
Cape Verde	2001	Gambia	2006	Mozambique	1999	Togo	1998
Central African Rep	1999	Ghana	2000	Mozambique	2004	Togo	2005
Chad	2001	Guinea	1998	Namibia	1999	Zambia	1996
Chad	2006	Guinea	2003	Namibia	2004	Zambia	2001
Comoros	1996	Guinea-Bissau	2000	Niger	1996	Zambia	2006
Comoros	2006	Kenya	1997	Niger	1999	Zimbabwe	1996
Congo-Br	2006	Kenya	2002	Niger	2004	Zimbabwe	2002
Côte d'Ivoire	1995	Madagascar	1996	Nigeria	2003	Zimbabwe	2008
Equatorial Guinea	1996	Malawi	1999				

Note: Direct executive elections under incumbent multi-party regime without prior executive turnover, 1991–2008.

Source: Authors' coding using Cheibub et al. (2010) and African Elections Database (2011).

election in which the country transitions to multi-partyism.⁹ This dependent variable is coded '1' for years in which an elected incumbent executive leaves power and a candidate from an opposition party is voted into power. There are eight instances of incumbent turnover in the data set: Madagascar 1996, Ghana 2000, Guinea-Bissau 2000, Senegal 2000, Benin 2001, Cape Verde 2001, Kenya 2002, and Mali 2002.¹⁰ The variable is coded '0' for all other years of multi-partyism. In the empirical analysis, we only examine executive election years because these are the only years when an incumbent is truly at risk of losing power via an election.¹¹ Table 3.3 provides the data for incumbent turnover.

Our final measure is *term-limit violation*. The base sample begins with executive terms under multi-partyism.¹² Failure is coded '1' when the number of terms was changed (Djibouti 2010), the limit was abolished (Cameroon 2008, Niger 2009), or the incumbent leader did not hold an election before the end

⁹ For example, Banda losing the 1994 election in Malawi is coded as a transition to multi-partyism but not considered an incumbent turnover under an established multi-party regime.

¹⁰ Nigeria 1993 and Côte d'Ivoire 2000 are not counted because these elections were annulled. São Tomé & Príncipe 1996 is not counted as turnover because even though ADI did not control the legislature, the winning candidate, Travoada, was the sitting incumbent. Malawi 2009 is not coded incumbent turnover because although the incumbent (Mutharika) switched parties (UDF to DPP), he still won re-election. The 2011 ouster of the MMD by the PF in Zambia occurred outside the time period of analysis.

¹¹ Election years taken from the Database of Political Institutions (Beck et al. 2001).

¹² We exclude Lesotho and Mauritius because they are parliamentary systems. Ethiopia is a nominal parliamentary system as well but is not part of the sample because it is not coded as a multi-party regime.

Foreign Aid and Democratic Development in Africa

of the initial term-spell (Angola 2002).¹³ Country-term-spells constitute consecutive terms permitted before the limit is reached.¹⁴ Term-spells are treated as right-censored for multi-party regimes that end before the term limit is reached¹⁵ or when end of the term-spell is later than 2010.¹⁶ We collected information on all leaders who: ended their constitutional term; did not successfully change their original term mandate; or were not right-censored. We treat term-spell as the unit of analysis (not country-year), which leaves us with 34 term-spells from 1991–2010 that are not right censored. Of these, 11 are coded term-limit violations. Table 3.4 provides the data for limited terms, including the consecutive term-spell number (first, second, or third), whether the term-spell is censored and whether it was violated.

3.3 Research design, data, and measures

We examine how aid influences political development in Africa at two stages of democratization. The first analysis explains transitions to multi-party regimes on a sample of 42 countries. The second analysis examines four different measures of democratic consolidation with varying sample sizes. These include *multi-party failure* (43 countries), *fairness failure* (30 countries), *incumbent turnover* (38 countries), and *term-limit failure* (28 countries). The temporal domain for the analysis is 1989 to 2008 for the first measure and 1991 to 2008 for the latter four.

3.3.1 Foreign aid

For data on aid flows we consult the AidData project, which provides information about aid transactions at the project-level. We use commitment amounts for our analysis.¹⁷ Second, we aggregate the project information to obtain data on sector aid flows where one row of the data corresponds to the total amount of assistance committed by all donors to a specific sector of an

¹³ This variable does not include information on *unsuccessful* challenges to change or remove executive term limits.

¹⁴ For example, in Tanzania, terms are five years but the term-limit spell is ten (two terms times five years).

¹⁵ There are only two cases that fall into this category: Burundi 1993 and Liberia 1997. The events that ended multi-partyism in these cases occur well in advance of any likely attempts to change the term-limit rules. For example, in Burundi the term spell was due to end in 2003 but multi-partyism ended in 1994.

¹⁶ The vast majority of right-censored term-spells fall into this category. For example, the current term-spell in Tanzania lasts until 2015.

¹⁷ Information on disbursements is much less complete than data on commitments. In PLAID 1.9.2 the commitment field is populated 99.2 per cent of the time, while the disbursement field is populated only 48.6 per cent of the time.

Table 3.4. Term-limit observations

Country	Term-spell	Years	Violation	Censor	Country	Term-spell	Years	Violation	Censor
Angola	1	1992–2002	1	0	Madagascar	2	2002–9	0	1
Burundi	1	1993–2003	0	1	Malawi	1	1994–2004	0	0
Burundi	1	2005–15	0	1	Malawi	2	2004–14	0	1
Benin	1	1991–2001	0	0	Mali	1	1992–2002	0	0
Benin	2	2001–11	0	1	Mali	2	2002–12	0	1
Botswana	1	1989–99	0	0	Mozambique	1	1994–2004	0	0
Botswana	2	1999–2009	0	0	Mozambique	2	2004–14	0	1
Botswana	3	2009–19	0	1	Namibia	1	1992–8*	1	0
Cameroon	1	1997–2008*	1	0	Niger	1	1999–2009*	1	0
Cape Verde	1	1996–2001	0	0	Nigeria	1	1999–2007	0	0
Cape Verde	2	2001–11	0	1	Nigeria	2	2007–17	0	1
CAR	1	1999–2011	0	1	Rwanda	1	2003–17	0	1
CAR	1	2005–27	0	1	São Tomé	1	1991–2001	0	0
Chad	1	1996–2005*	1	0	São Tomé	2	2001–11	0	1
Comoros	1	2002–6	0	0	Senegal	1	1983–1993	1	0
Comoros	2	2006–10	0	0	Senegal	1	1993–2000	0	0
Comoros	3	2010–15	0	1	Senegal	2	2000–14	0	1
Congo Br.	1	2002–16	0	1	Seychelles	1	1993–2006	0	0
DRC	1	2006–16	0	1	Seychelles	2	2006–21	0	1
Djibouti	1	1993–9	0	0	Sierra Leone	1	1996–2007	0	0
Djibouti	2	1999–2010*	1	0	Sierra Leone	2	2007–17	0	1
Gabon	1	1993–2003	1	0	South Africa	1	1999–2008	0	0
Ghana	1	1996–2000	0	0	South Africa	2	2009–18	0	1
Ghana	2	2000–8	0	0	Togo	1	1992–2002*	1	0
Ghana	3	2008–16	0	1	Tanzania	1	1995–2005	0	0
Guinea	1	1993–2001*	1	0	Tanzania	2	2005–15	0	1
Kenya	1	1992–2002	0	0	Uganda	1	1995–2005*	1	0
Kenya	2	2002–12	0	1	Zambia	1	1991–2001	0	0
Liberia	1	1997–2009	0	1	Zambia	2	2001–8	0	0
Liberia	1	2005–17	0	1	Zambia	3	2008–18	0	1
Madagascar	1	1992–2002	0	0					

Notes: End year is the date of changed rule (*) or end of term limit when term-limit failure occurs. 1991–2010.

Source: VonDoepp (2005); Posner and Young (2007); Baturo (2010); International Foundation for Electoral Systems (IFES) (2011); Electoral Institute of Southern Africa (EISA) (2012).

Foreign Aid and Democratic Development in Africa

aid-receiving country in a given year. We distinguish between the democracy aid and economic sectors. In the following analysis, we restrict the measure of democracy assistance to aid which donors direct towards democracy promotion and strengthening civil society and leave the larger share of governance aid, which aims to enhance aspects of economic management and administration, for future research.

In the empirical analysis, we operationalize the aid data using logged per capita lagged across a four-year moving average.¹⁸ The time series for smaller categories of aid, such as democracy aid, show large variation from year to year. The purpose of using a four-year moving average is to smooth these trends and better capture aid inflows over the prior period. We lag this variable to ensure the direction of causation runs from aid to consolidation. Finally, the log helps ensure that large outliers are not responsible for the main findings.

3.3.2 Estimation

To model the dependent variables, we adopt a survival approach that accounts for time dependence in the data. This method models the probability that a particular event—such as multi-party failure or incumbent turnover—occurs in a given year while accounting for the fact that the time since the event previously occurred varies by year. For example, the risk of multi-party failure may be lower if multi-partyism has survived for 15 years as opposed to having survived only three years for a particular country-year observation. That is, the failure risk may be greater for Malawi in 1997 than in 2007 simply because multi-partyism is ‘younger’ in 1997 than a decade later.

We employ a random-effects probit model to address unit heterogeneity (Wilson and Butler 2007). This method helps account for factors that we do not measure but that are different for each country. Nonetheless, this approach predominantly models cross-country differences in aid flows, and thus the empirical results are most appropriately interpreted as conditional correlations not as causal relationships.

The main control variables in the analysis are: GDP per capita (log), population (log), level of urbanization, an indicator variable for civil war in the past three years, a variable measuring participation in an IMF adjustment programme in the past two years, ethnic fractionalization, oil and gas rents, and a quadratic time trend.¹⁹ To model transitions to multi-partyism, we also

¹⁸ Precisely, the aid variable is: $\ln((A_{t-1} + A_{t-2} + A_{t-3} + A_{t-4})/4)$, where A is aid per capita in constant dollars.

¹⁹ Economic and population data are from the Penn World Tables (version 7.0); data for urbanization comes from the World Development Indicators (2010); data for civil war is from Gleditsch et al. (2002); and data on oil and gas rents (lagged, logged per capita) is from Ross (2012).

Democratic Trajectories in Africa

include control variables for economic growth (lagged two-year moving average) and neighbour democracy.²⁰ For the analysis of multi-partyism and fairness, we also include a control for election year. The sample for incumbent turnover is defined by election year. The models for turnover and term limits includes controls for: duration of multi-party regime and opposition strength in the legislature.²¹

3.4 Results

3.4.1 *Multi-party transitions*

Table 3.5 presents the results for multi-party transitions. The base model in column (1) includes both types of foreign aid and a minimum of control variables (GDP, population, time trend, and duration dependence). Both economic aid and democracy assistance are associated with an increased risk of multi-party transition, though only the correlation between economic aid and transitions is statistically significant. Including additional control variables in column (2) does not change the result for economic aid, but strengthens the statistical relationship between democracy aid and transition risk. We cannot directly compare the size of the coefficients for the different categories of aid because the range of values for economic aid is much larger; as Figure 3.2 illustrates, democracy assistance or ‘civil society aid’ is typically less than 2 per cent of total aid. Thus Figure 3.3 plots the substantive effect of the statistical correlations for the model reported in column (1). Transitions to multi-partyism are a relatively high probability event in this sample, occurring in 15 per cent of the observations. The top panel shows that an increase in economic aid from a low level (20th percentile, or 3.2 log units) to a high level (80th percentile, or 4.5 log units) increases the predicted risk of transition from roughly 16 per cent to 34 per cent. A similar relative increase in

Data on ethnic fractionalization are from Fearon and Laitin (2003), who do not provide values for small population countries such as Cape Verde, Comoros, Equatorial Guinea, São Tomé and Príncipe, and Seychelles. The IMF variable, taken from Dreher (2006), is a lagged two-year moving average for the sum of two binary indicators of IMF programme participation (Structural Adjustment Facility Arrangement and Poverty Reduction and Growth Facility Arrangement) for at least five months in a given year.

²⁰ Neighbour democracy is the share of countries with capital cities within 4,000 km of the target country capital city that are democracies. Binary democracy indicator is from Cheibub et al. (2010).

²¹ Opposition strength is measured as the ratio of seats for the largest opposition party relative to the seats for the incumbent party. These data are from Beck et al. (2001), with missing values filled in with information on São Tomé and Príncipe and Seychelles from African Elections Database (2011).

Foreign Aid and Democratic Development in Africa

Table 3.5. Transitions to multi-partyism

	(1)	(2)	(3)	(4)
Economic aid (log)	0.431** (0.20)	0.392* (0.22)	-1.251 (0.88)	0.378* (0.22)
Democracy aid (log)	0.958 (0.66)	1.596** (0.66)	1.492** (0.67)	3.141 (2.35)
Economic aid × Ethnic Fractionalization			2.064* (1.08)	
Democracy aid × Ethnic Fractionalization				-2.085 (3.07)
GDP per capita (log)	0.057 (0.19)	-0.324 (0.22)	-0.370* (0.22)	-0.321 (0.22)
Population (log)	0.128 (0.11)	0.075 (0.14)	0.099 (0.14)	0.075 (0.14)
Urbanization		-0.005 (0.01)	0.003 (0.01)	-0.004 (0.01)
Civil war		-0.294 (0.25)	-0.394 (0.27)	-0.283 (0.25)
IMF programme		0.068 (0.29)	0.132 (0.30)	0.082 (0.30)
Ethnic fractionalization.		0.498 (0.71)	-7.596* (4.25)	0.759 (0.82)
Oil rents		0.201** (0.07)	0.176** (0.07)	0.193** (0.07)
Neighbour democracy		3.635** (1.26)	3.920** (1.29)	3.649** (1.26)
Growth		0.016 (0.01)	0.015 (0.01)	0.016 (0.01)
Log likelihood	(0.71)	(0.39)	(0.43)	(0.39)
N × T	-130.2 332	-101.6 295	-99.9 295	-101.3 295

Notes: + p<0.10; * p<0.05; ** p<0.01. Dependent variable is transition to multi-party regime. Random effects probit with standard errors in parentheses. Duration dependence, calendar time trend, and constant included but not reported. Forty-two countries. Years: 1989–2008.

Source: Authors' calculations.

democracy aid is associated with an increase in the predicted risk of transition from 22 per cent to 27 per cent—a difference that is not statistically significant at conventional levels.

The final two columns of Table 3.5 report specifications that include an interaction between each category of aid and the ethnic fractionalization variable. The results suggest that the positive association between economic aid and transition is concentrated among countries with relatively higher ethnic fractionalization, such as Ghana, Kenya, Mozambique, and Zambia. The result in column (4) suggests the opposite. If there is any positive correlation between democracy aid and transition, it is concentrated among low ethnic fractionalization countries such as Burundi, Lesotho, and Rwanda.

Democratic Trajectories in Africa

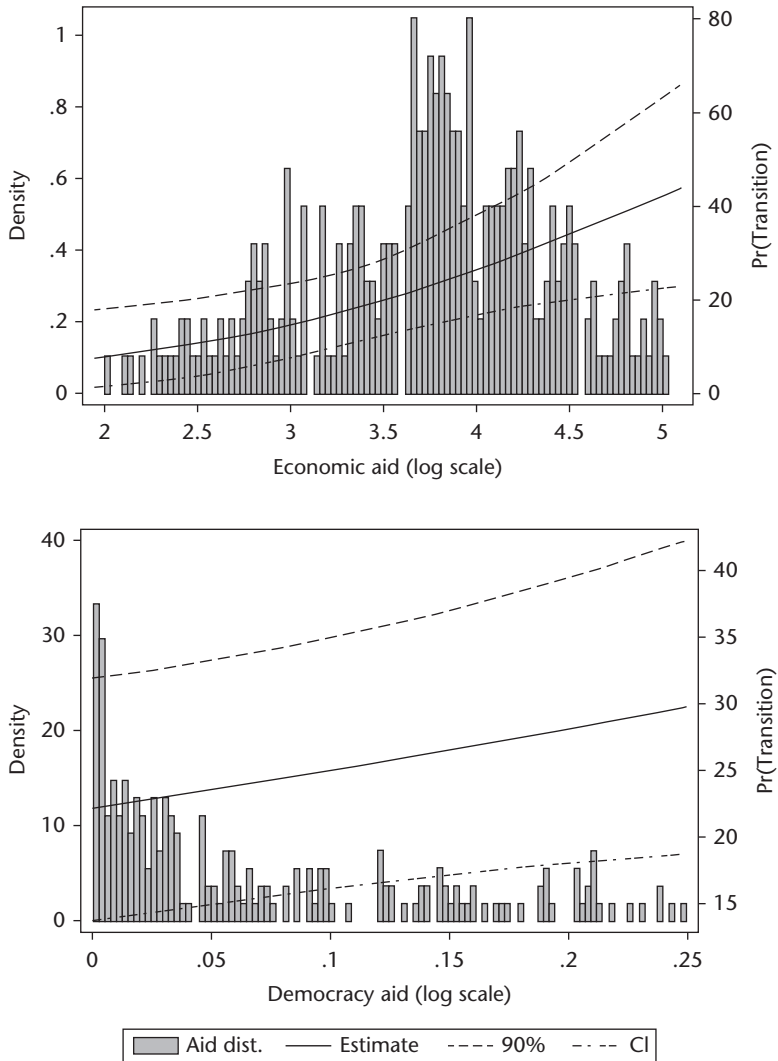


Figure 3.3. Foreign aid and transitions to multi-partyism

Notes: Right vertical axes depict the predicted risk of transition; horizontal axes depict the range of aid values (log scale). Shaded area depicts the distribution of aid within the sample.

Sources: Simulations use estimates from column (1), Table 1. All control variables set at mean.

3.4.2 Multi-party and electoral fairness failures

Table 3.6 reports models that examine multi-party regime failure. Recall that to be at risk of failure, a country must have previously transitioned to a multi-party regime. The first column reports a baseline specification with minimal control variables. While both categories of aid are associated with a lower risk of multi-party failure, neither estimate is statistically significant at

Foreign Aid and Democratic Development in Africa

Table 3.6. Multi-party failure

	(1)	(2)	(3)	(4)
Economic aid (log)	-0.218 (0.25)	-0.194 (0.38)	0.901 (1.58)	-0.230 (0.38)
Democracy aid (log)	-1.144 (0.82)	-1.025 (0.88)	-0.976 (0.90)	-3.819 (4.35)
Economic aid × Ethnic fractionalization			-1.471 (2.05)	
Democracy aid × Ethnic fractionalization				3.739 (5.49)
GDP per capita (log)	-0.468** (0.20)	-0.735** (0.35)	-0.748** (0.35)	-0.726** (0.35)
Population (log)	-0.251** (0.12)	-0.655** (0.22)	-0.679** (0.23)	-0.662** (0.22)
Urbanization		-0.005 (0.02)	-0.009 (0.02)	-0.006 (0.02)
Civil war		0.430 (0.44)	0.409 (0.44)	0.390 (0.45)
IMF programme		0.510 (0.40)	0.502 (0.40)	0.501 (0.40)
Oil rents		0.166* (0.10)	0.188* (0.10)	0.176* (0.10)
Ethnic fractionalization		-0.182 (1.10)	5.458 (8.04)	-0.840 (1.39)
Election year		-0.234 (0.36)	-0.225 (0.36)	-0.230 (0.37)
Log likelihood	-55.1	-45.5	-45.2	-45.2
N × T	569	497	497	497

Notes: + $p < 0.10$; * $p < 0.05$; ** $p < 0.01$. Dependent variable is multi-party failure. Random effects probit with standard errors in parentheses. Duration dependence, calendar time trend, and constant included but not reported. Forty-three countries. Years: 1991–2008.

Source: Authors' calculations.

conventional levels. Including additional control variables does not change these estimates.²² Figure 3.4 plots these relatively weak statistical relationships. These political events are rarer than multi-party transitions during the sample period, occurring in roughly 2 per cent of observations. Thus the scale of failure risk for the estimated relationships is much smaller than in Figure 3.3. The top panel of Figure 3.4 shows that increasing economic aid from the 20th to the 80th percentile (3.4 to 4.6 log units) is associated a decrease in the failure risk from 2.0 per cent to 1.2 per cent—a relatively small difference that is not statistically different from zero.

The final two columns of Table 3.6 report specifications that include interactions between the aid variables and ethnic fractionalization. While the

²² The additional controls include an indicator variable for election year because election years may be periods of heightened risk for multi-party regime failure, and democracy aid may increase prior to elections.

Democratic Trajectories in Africa

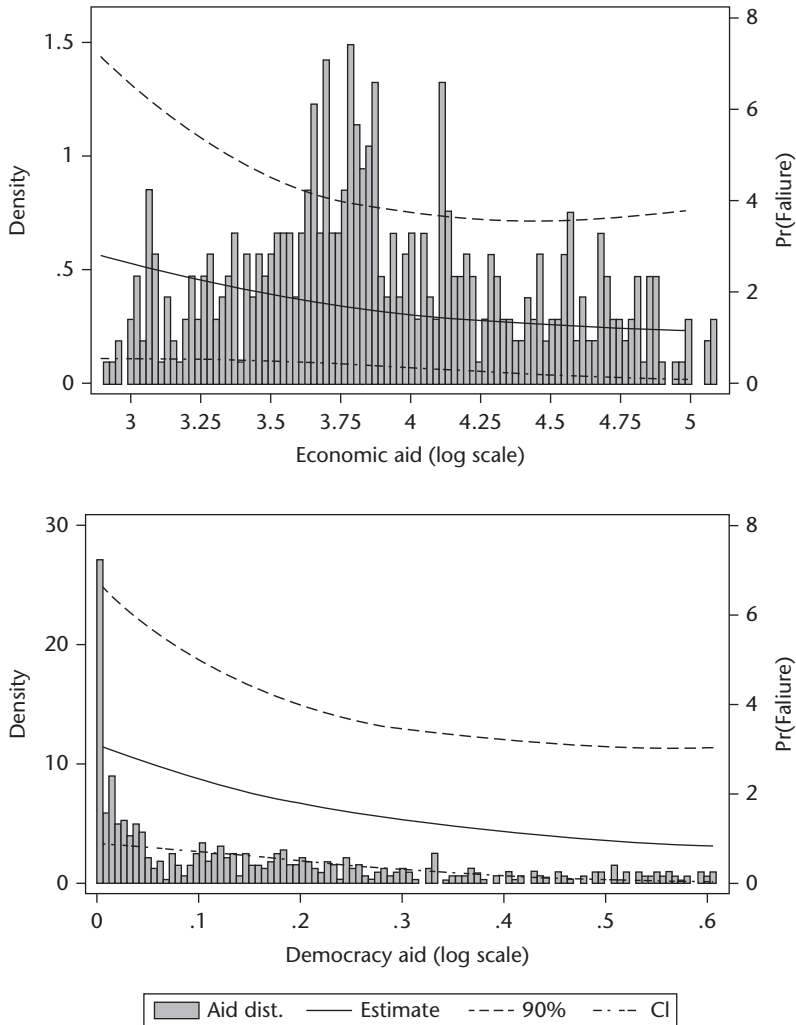


Figure 3.4. Foreign aid and multi-party failure

Notes: Right vertical axes depict the predicted risk of failure; horizontal axes depict the range of aid values (log scale). Shaded area depicts the distribution of aid within the sample.

Sources: Simulations use estimates from column (1), Table 3.6. All control variables set at mean values.

interaction terms are not statistically significant at conventional levels, they suggest a similar pattern to that observed in Table 3.5. To the extent that economic aid is associated with a lower risk of multi-party failure, this effect is concentrated among countries with high levels of ethnic fractionalization, at least as measured by Fearon and Laitin (2003). Conversely, to the extent that democracy aid is associated with a lower risk of failure, this is

Foreign Aid and Democratic Development in Africa

concentrated among countries with lower levels of ethnic fractionalization. Thus, while there are few substantively meaningful statistical correlations in the models of multi-party failure, the interactions with ethnic fractionalization suggest that any positive effects of economic aid may be concentrated in ethnically fractionalized societies—similar to the positive effects of economic aid in the multi-party transition models in Table 3.5. Any positive effects of democracy aid, however, are most likely in countries with low fractionalization, again similar to any positive effects of democracy aid in the transitions models.

One concern that arises in the analysis of multi-party failure is the inclusion of nominally multi-party electoral regimes where political competition and participation is severely circumscribed, as is the case with Guinea under Conte's rule and Uganda during Museveni's time in power. We thus examine the failure of multi-partyism and political fairness, as measured by the combined Freedom House scores. Many of the same events that are coded as failure in the previous analysis are again coded as failure here, such as military coups. In addition, failure in this analysis can comprise a marked decrease in electoral fairness, short of ending multi-party politics. For example, Zambia 1996 is coded as fairness failure, but multi-partyism continues, so it is not coded as failure in the analysis of multi-party regime survival.

Table 3.7 reports models that examine the failure of fair electoral systems in SSA. This group of countries is a subset of the countries examined in the multi-party failure models because it excludes countries that have multi-party elections that are patently unfair to the opposition. This table presents specifications that mirror those in Table 3.6, with little difference to the coefficient estimates in the first two columns. This suggests that even once we exclude unfair multi-party systems, economic aid and democracy assistance appear to have little association with fairness failure. While the estimates for the interaction terms in columns (3) and (4) are slightly different than those reported in Table 3.6, neither of the conditional effects are statistically different from zero.²³

3.4.3 *Incumbent turnover and term-limit violations*

So far, the analysis suggests that higher levels of economic aid to SSA countries in the past two decades is associated with a higher risk of transitioning to multi-party politics. We find little strong evidence, however, linking democracy assistance—at least as measured by the categorization provided by

²³ Further, the coefficient estimate for the interaction between democracy aid and ethnic fractionalization in column (4) is the opposite sign as the estimate for the same coefficient in Table (2), suggesting inconsistent results for democracy aid.

Democratic Trajectories in Africa

Table 3.7. Fairness failure

	(1)	(2)	(3)	(4)
Economic aid (log)	-0.140 (0.26)	0.224 (0.37)	0.287 (2.33)	0.230 (0.37)
Democracy aid (log)	-0.992 (0.66)	-1.018 (0.69)	-1.018 (0.69)	2.367 (3.61)
Economic × Ethnic fractionalization			-0.080 (2.91)	
Democracy × Ethnic fractionalization				-4.295 (4.65)
GDP per capita (log)	-0.242 (0.18)	-0.405 (0.31)	-0.405 (0.31)	-0.452 (0.33)
Population (log)	-0.070 (0.12)	-0.190 (0.17)	-0.191 (0.17)	-0.176 (0.17)
Urbanization		0.010 (0.02)	0.010 (0.02)	0.012 (0.02)
Civil war		0.971 (0.92)	0.972 (0.92)	1.126 (0.96)
IMF programme		-0.118 (0.38)	-0.118 (0.38)	-0.124 (0.38)
Oil rents		0.102 (0.10)	0.103 (0.10)	0.098 (0.10)
Ethnic fractionalization		1.256 (1.54)	1.569 (11.49)	2.364 (2.10)
Election year		0.052 (0.35)	0.052 (0.36)	0.053 (0.35)
Log likelihood	-51.6	-44.1	-44.1	-43.7
N × T	337	280	280	280

Notes: + p<0.10; * p<0.05; ** p<0.01. Dependent variable is fairness failure. Random effects probit with standard errors in parentheses. Duration dependence, calendar time trend, and constant included but not reported. Thirty countries. Years: 1991–2008.

Source: Authors' calculations.

AidData—with either transitions to multi-partyism or to the survival of multi-party regimes. Both of these measures of democratic political change may not entail direct threats to incumbents, particularly long-dominant parties with the capacity to win relatively free multi-party elections. Thus, this section examines two more measures of consolidation: incumbent turnover and term-limits violations. By definition, incumbent turnover constitutes a threat to incumbent rule because it entails a loss of power for the incumbent party. Abstaining from altering term limits may also constitute a threat to the incumbent because this means the incumbent executive cannot rule indefinitely. However, even this latter measure may not present an electoral threat to incumbent elites in countries where dominant parties have institutionalized leadership rotation atop the ruling party, such as Tanzania, and continue to win relatively free, if not always fair, multi-party elections.

To analyse these events, we start with the group of countries that have already transitioned to multi-party politics. The turnover analysis examines whether incumbents in multi-party regimes lose an election. We include the

Foreign Aid and Democratic Development in Africa

Table 3.8. Incumbent turnover

	(1)	(2)	(3)	(4)
Economic aid	-0.102 (0.47)	-0.138 (0.67)	-2.411** (1.16)	-0.227 (0.85)
Democracy aid	0.315 (1.18)	0.051 (1.68)	0.602 (1.80)	2.188 (1.50)
Economic × Opposition strength			8.142** (2.97)	
Democracy × Opposition strength				-17.966** (6.81)
Opposition strength	-0.794 (0.79)	-1.386 (1.17)	-32.864** (12.01)	1.450 (1.48)
GDP per capita (log)	-0.076 (0.28)	-0.065 (0.73)	-0.214 (0.93)	0.193 (0.68)
Population (log)		0.174 (0.30)	0.386 (0.39)	0.323 (0.36)
Urbanization		0.019 (0.03)	0.041 (0.04)	0.028 (0.04)
IMF programme		-0.739 (0.81)	-0.791 (0.98)	-1.407 (0.95)
Oil rents		-0.156 (0.21)	-0.072 (0.24)	-0.386 (0.27)
Log likelihood	-17.1	-16.2	-13.2	-14.0

Notes: + $p < 0.10$; * $p < 0.05$; ** $p < 0.01$. Dependent variable is incumbent turnover. Probit with clustered errors in parentheses. Duration dependence, calendar time trend, and constant included but not reported. Fifty-eight observations in 30 countries. Years: 1991–2008.

Source: Authors' calculations.

legislative strength of the opposition parties as a proxy for the overall political strength of the opposition, which may signal the viability of the opposition to contest against the incumbent. Thus, instead of interacting the aid variables with ethnic fractionalization, the final specifications include interactions between aid and opposition strength.

Table 3.8 reports the results. The first column contains the model with minimal control variables and the results suggest only a weak statistical association between the different categories of aid and the risk of incumbent turnover. Including additional control variables in column (2) does not alter this mostly null finding.²⁴ Figure 3.5 depicts the estimated relationship between aid and turnover risk. Overall, turnover in this sample is a relatively high frequency event—occurring in 14 per cent of observations—because we restrict the analysis to election years in countries that have already transitioned to multi-party politics. The solid line illustrates the average predicted risk of turnover across a range of values for aid. Each point represents the predicted risk of turnover for each observation in the sample, with the observed instances of turnover marked by name and with a hollow dot. In

²⁴ Civil war perfectly predicts the outcome and is not included as a control variable.

Democratic Trajectories in Africa

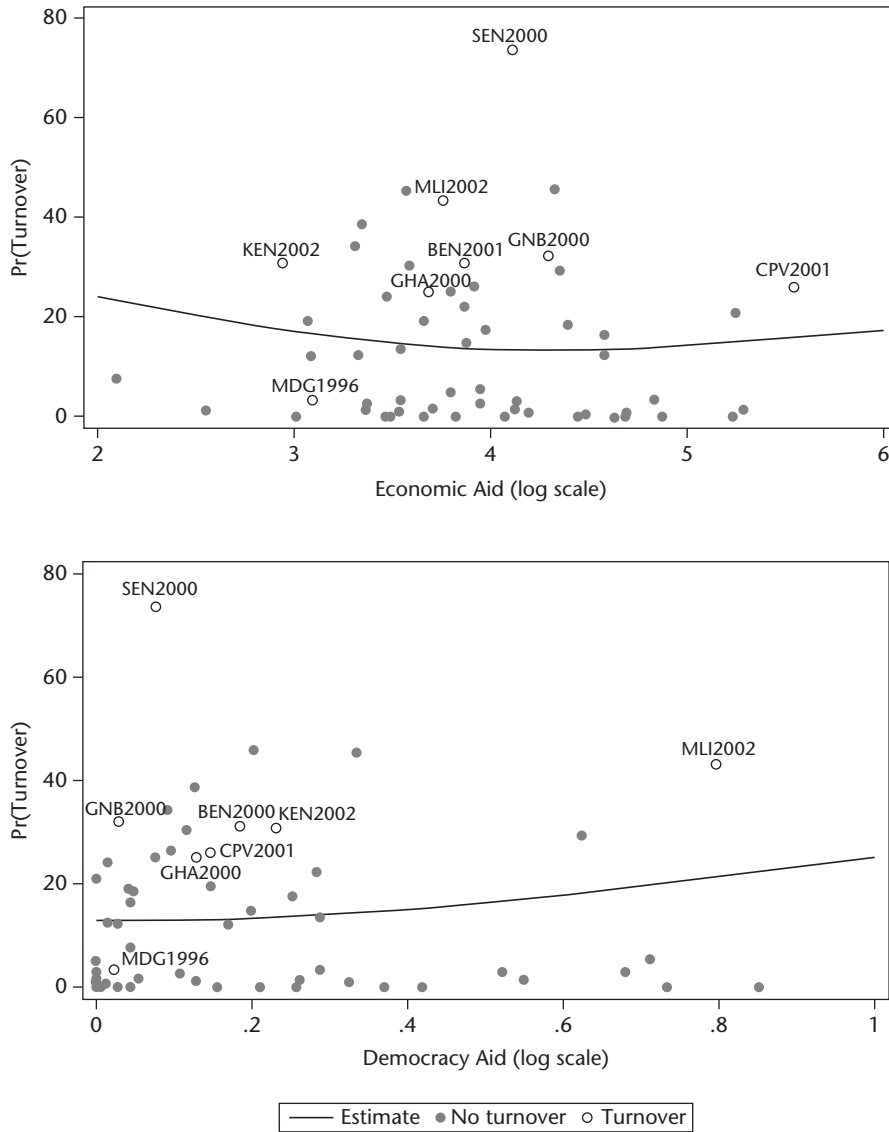


Figure 3.5. Foreign aid and incumbent turnover

Notes: Left vertical axes depict the predicted risk of turnover; horizontal axes depict the range of aid values (log scale). Data points depict the observed value of aid and the predicted risk of turnover from the empirical model.

Sources: Simulations use estimates from column (1), Table 3.8. All control variables set at mean values.

Foreign Aid and Democratic Development in Africa

the top panel, for example, Senegal 2000 has the highest predicted risk of turnover in the sample but only a middle value of economic aid. Overall, there is no strong average relationship between either category of aid and turnover risk.

Turning to the interaction specifications reported in the final two columns of Table 3.8, we find both appear to be substantively and statistically significant. However, we are reluctant to interpret the aid effect at high levels of opposition strength because there are so few observations at high opposition strength in an already small sample. On the other hand, the interpretation of the aid effect at low levels of opposition strength suggests that economic aid is associated with lower risk of incumbent turnover while democracy aid has little influence. Thus to the extent that there is any finding for foreign aid and incumbent turnover during multi-party elections, we find some suggestive evidence that economic aid is correlated with lower risk of turnover when the opposition is relatively weak. This finding would be consistent with critics of aid who contend that foreign aid—the majority of which is economic development assistance—helps incumbents in electoral regimes stay in power.

The final analysis examines term-limit violations, which are defined as instances when an incumbent changes the number of terms, abolishes the term limit or fails to hold an election under the term-limit rule. During the period from 1991 to 2008, there are only 34 instances where the incumbent could have potentially violated term-limit rules, 11 of which entail observed violations. Therefore, results from this analysis should be interpreted with even more caution given the limited sample size.

Table 3.9 reports the results, with the base sample including only two control variables: opposition strength and GDP per capita. The additional control variables in column (2) include urbanization, civil war, and time trend. Neither model suggests a strong relationship between either category of aid or term-limit violation, a finding confirmed in Figure 3.6, though the substantive association is slightly more negative for economic aid. The interaction terms in the final two columns do not yield strong findings either. Overall, there appears to be little evidence in these data patterns to suggest a strong link between foreign aid and term-limit violations. However, the models provide consistent evidence that these violations are more likely to occur during civil war and less likely to occur when the opposition has substantial representation in the legislature.

3.4.4 *Considering potential endogeneity*

Empirical work on aid and political change faces concerns of possible endogeneity bias because donors may send aid to countries that are more likely to experience political change. For example, a donor strategy of increasing aid to recipient governments they believe are mostly likely to hold multi-party

Democratic Trajectories in Africa

Table 3.9. Term-limit violation

	(1)	(2)	(3)	(4)
Economic aid (log)	-0.288 (0.38)	-0.503 (0.56)	0.383 (1.14)	-0.474 (0.58)
Democracy aid (log)	-0.829 (0.79)	-0.084 (0.95)	-0.362 (1.11)	-0.610 (1.64)
Economic × Opposition strength			-3.393 (3.54)	
Democracy × Opposition strength				1.452 (2.80)
Opposition strength	-2.943** (0.94)	-2.936** (1.35)	9.603 (13.46)	-3.437* (2.02)
GDP per capita (log)	-0.033 (0.28)	0.171 (0.34)	0.387 (0.45)	0.192 (0.35)
Urbanization		0.011 (0.02)	-0.007 (0.03)	0.008 (0.02)
Time		-0.020 (0.08)	-0.014 (0.08)	-0.015 (0.08)
Civil war		4.729** (2.12)	4.802** (2.18)	4.679** (2.11)
Log likelihood	-16.9	-14.4	-13.9	-14.3

Notes: + $p < 0.10$; * $p < 0.05$; ** $p < 0.01$. Dependent variable is term-limit violation. Probit with clustered errors in parentheses. Constant included but not reported. Thirty-four observations in 28 countries. Years: 1991–2010.

Source: Authors' calculations.

elections or those they believe to be least likely to undermine the fairness of elections would mean that an empirical pattern linking aid to democracy is simply the result of strategic selection and not the product of investing in democratic capacity or buying political reform. That said, it is important to note that a 'democracy dividend'—where donors reward recipients after observing positive political developments—cannot be taken as prima facie evidence for endogeneity bias because the 'aid reward' occurs after the observed political change. Rather, a democracy dividend could be consistent with a causal story linking aid to democracy via political conditionality: the democracy dividend might be evidence of donors buying political reform in recipient countries.

The first step we have taken to mitigate against possible endogeneity bias is simply to measure aid with a lag over the prior four years. A second approach to addressing endogeneity is to use a two-stage model which attempts to capture variation in aid that is unlikely to be caused by political change. Some instrument approaches in the aid literature employ information on the strategic nature of the relationship between the donor and the recipient country, such as arms imports, colonial ties, or rotating membership in an international organization (e.g. UN Security Council or European Commission). If these instruments capture strategic aid, however, they may simply be picking up the type of foreign assistance that is least likely to foster democracy because donors will be reluctant to use aid to apply pressure for political

Foreign Aid and Democratic Development in Africa

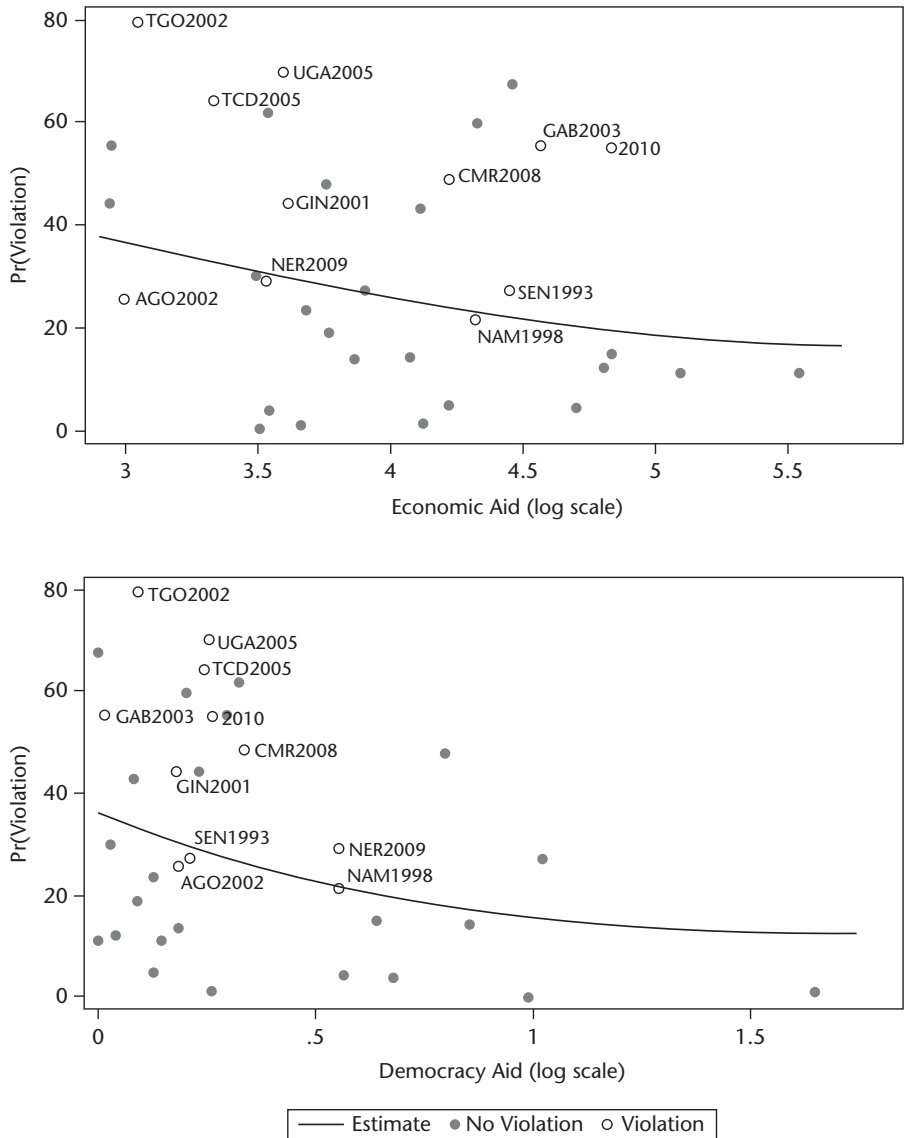


Figure 3.6. Foreign aid and term-limit violations

Notes: Right vertical axes depict the predicted risk of violation; horizontal axes depict the range of aid values (log scale). Data points depict the observed value of aid and the predicted risk of violation from the empirical model.

Sources: Simulations use estimates from column (1), Table 3.9. All control variables set at mean values.

Democratic Trajectories in Africa

reform in areas of strategic concern (Bearce and Tirone 2010; Wright and Winters 2010). Others have used variation in oil prices and geography to capture changing aid commitments from Middle Eastern oil producing countries, but these mostly autocratic regimes are unlikely to be interested in promoting democracy.²⁵

In a related paper (Dietrich and Wright 2012), we employ information on economic outcomes in donor countries to capture variation in aid. This approach relies on the fact that difficult economic conditions in donor countries lead to lower aid commitments, while better economic times are associated with increased commitments (Ahmed et al. 2011). To meet the exclusion restriction, we assume that after accounting for global time trends in democracy and economic growth, factors such as domestic inflation, unemployment, and debt in donor countries are unlikely to influence political outcomes in recipient countries except through changes in foreign aid. Using information that does not rely on the strategic security or colonial relationships between donor and recipient countries, we find that, consistent with the evidence in this chapter, economic aid increases the likelihood of democratic transition but has little influence on the survival of multi-party regimes. We also find that total democracy and governance aid is not related to transitions but increases the survival prospects of multi-party democracies.

Cross-national empirical tests of rarer events, such as incumbent turnover under established multi-party regimes and term-limit violations, face additional difficulties because of the small sample sizes. Alternative approaches to studying these phenomena may be more fruitful. For example, some of the case studies in this volume provide evidence that donors pressure legislatures in recipient countries to resist attempts by the executive to circumvent term-limit constraints. While we find that stronger opposition presence in the legislature is correlated with a lower incidence of term-limit violation, the size of aid commitments appears to have little bearing on the success of such efforts. Country studies that leverage sub-national data on aid disbursements may also prove helpful in understanding how economic aid and democracy assistance influence incumbent electoral turnover. For example, Jablonski (2012) shows that multi-lateral aid projects in Kenya in the past two decades are more likely to be allocated to areas dominated by the ethnic and partisan partners of the executive in power, providing evidence that development aid may help buy electoral support for incumbents in a multi-party regime.

Finally, the approach in this chapter will inevitably miss the micro evidence demonstrating how, for example, donor pressure or withdrawals of budget

²⁵ Bermeo (2011) shows that aid from democratic donors is positively correlated with democratic transition in the post-1990 period but that aid from non-democracies has the opposite effect.

Foreign Aid and Democratic Development in Africa

support can influence political outcomes. For instance, the 2009 donor strike in Mozambique illustrates the potential for donors to apply pressure for specific political reforms (see Chapter 6 of this volume), which is a mechanism that is consistent with the evidence from this chapter and suggests that dependence on economic aid may have helped persuade incumbent regimes to pursue multi-party political reform in the 1990s. The lack of budget transparency in Tanzania, on the other hand, demonstrates how incumbent parties may use development funds to bolster their electoral dominance. Indeed, even though multi-party competition is firmly entrenched in Tanzania and the most recent election in Zanzibar was less violent than prior contests, the ruling party has increased its electoral hold over the legislature since the mid-1990s (see Chapter 7 of this volume). Thus, while multi-partyism survives, there appears to be little evidence that the incumbent party will lose power any time soon.

3.5 Conclusions

This chapter examined the empirical patterns that might link foreign aid to democracy in SSA. The analysis disaggregates foreign aid into two components: economic aid and democracy assistance. Rather than relying upon off-the-shelf data on aggregate democracy scores, we examined a number of different types of political change that capture distinct aspects of democratic development: transitions to multi-partyism, the survival of multi-party regimes and fair electoral regimes, incumbent turnover, and term-limit violations.

The findings in this chapter provide some evidence consistent with the proposition that economic aid increases the prospects of multi-party transitions in SSA in the past two decades. However, we find little support for the contention that democracy assistance is correlated with other aspects of democratic development. An alternative interpretation, however, might emphasize that we also find little evidence that economic aid or democracy assistance unambiguously harms democratic development. For example, while most of the statistical relationships are quite weak, they almost always point in the direction of furthering democratic change rather than harming it. The one exception may be economic aid and incumbent turnover in countries with weak legislative opposition parties. In these regimes, we find a strong negative correlation between economic aid and the risk of electoral turnover—a finding that is consistent with aid critics who contend that these revenues help keep incumbents in power by funding private goods to key supporters.

One possibility for the relatively weak findings in this chapter may be due to the fact that we restrict our analysis to assistance directed towards democracy or ‘civil society strengthening’, which constitutes only a small share of overall

Democratic Trajectories in Africa

governance aid. We have not examined the larger share of governance aid that supports public sector reform or macroeconomic management. To help us better understand the causal mechanisms linking aid to democracy, future research will benefit from examining both aid to democracy as well as aid to support economic governance and which typically flows directly to incumbent governments. Strong evidence linking civil society aid to democratic outcomes, for example, would lend support to theories which posit the positive benefits of bottom-up democracy aid programmes that help build capable civil society organizations, foster democratic norms, or strengthen opposition parties. Alternatively, empirical patterns linking governance aid to democratizing political change would provide evidence for a top-down approach to democratization that seeks to 'level the playing field' by building better and more transparent state bureaucracies. By reducing the benefits of holding the top position of power, these types of reforms could, for example, lower the stakes of winning elections and provide incumbents with an incentive to step down in the face of electoral defeat.

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