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Aiding Democracy in Tension

A study of the relationship between Official Development
Assistance and Quality of Democracy

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Abstract

The aim of this study is to bring further understanding to the contested relationship between development aid and democracy. By introducing *quality of democracy* as an alternate measure to the ones previously used, the ambition is to approach the subject from a new perspective. In this thesis, the following research question will be answered: *To what extent does Official Development Assistance (ODA) affect the quality of democracy in the recipient countries?* In order to enable a more detailed assessment on the relationship, the effects of aid on the three levels of democratic quality will also be investigated. The research question is approached through a quantitative method, utilising data consisting of observations on 53 democratic regimes that has received aid during the time period 1995-2010. The concluding results indicate that, although there is no overall effect of development aid on quality of democracy, ODA does have an impact on the quality of the different levels. As the levels of democratic quality are affected differently, indicating both negative and positive relationships, both sides of previous research gain support. The difference in effect directionality may be explained by variations in recipient priorities and trade-offs between the democratic dimensions.

Key words: Democracy, Democratic quality, Development, Foreign aid, Trade-offs

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Table of contents

1	Introduction.....	1
2	Purpose and research question	2
2.1	Core concepts.....	3
3	Conceptualization	4
3.1	Previously used indicators and limitations	4
3.2	Introducing quality of democracy.....	5
3.2.1	The interplay between democratic dimensions.....	6
3.3	Contributions	8
4	Theoretical framework.....	9
4.1	Aid-efficiency and democratic development.....	9
4.2	Other determinants of democratic development.....	11
4.3	Hypotheses.....	11
5	Methods and material.....	13
5.1	OLS regression	13
5.2	Data.....	14
5.3	Operationalization.....	16
6	Results	20
6.1	Quality of procedure	20
6.2	Quality of content	21
6.3	Quality of results.....	22
6.4	Overall quality of democracy.....	23
7	Discussion	24
7.1	Hypothesis 1: There is a difference in aid effect on the different levels of QoD.....	24
7.2	Hypothesis 2: There is an overall relationship between ODA and quality of democracy.....	26
8	Conclusions.....	28
9	References.....	29
	Appendix 1.....	33
	Appendix 2.....	34

1 Introduction

In the public eye, foreign aid is more than often portrayed as an indispensable tool for assisting development. This point of view is, however, far from uncontested. In connection with the distribution of the Nobel Memorial Prize in Economic Sciences in 2015, the aid debate experienced an upturn. In addition to being awarded for his work on welfare, poverty and consumption, the recipient Angus Deaton received widespread medial attention due to his stance on foreign aid. Deaton (2013) contends that aid will strengthen the positions of inept leaders resulting in undesirable outcomes for democracy – an opinion that was deemed to be very controversial by the public. Nonetheless, the debate that arose reflects the very same tensions that are embedded in the aid-efficiency field. Throughout the last couple of decades, aid researchers have been trying to establish whether aid is offering recipient countries a helping or a heavy hand. While some scholars maintain that aid spurs facilitating factors to democracy, such as economic growth and education, others highlight the dangers of corruption and misappropriation that would result in the demise of stable political institutions.

Despite the vast supply of extensive research within the field, there is a great lack of agreement on aid effects on democratic institutions, as seen above. Why that is, however, is still uncertain. The level of disagreement would nevertheless indicate that there are still theoretical gaps to be filled. One interesting note is that researchers within the field tend to use the same indicators in measuring democracy, such as the Freedom House index and Polity score, though the measures themselves are seldom problematized. Without further discussion, the frequently used measures are in risk of providing a rather unnuanced image of democracy. In order to bring further understanding to the relationship between aid and democracy, an alternate measure of democracy will be introduced.

In the following chapter, the aim and research question of this thesis will be presented. This is followed by a briefing of previously used democracy indicators and an introduction to the term quality of democracy. Subsequently, the theoretical framework will be presented followed by a section on the methodological choices of this thesis. The statistical results will thereafter be reported, followed by a discussion and concluding thoughts.

2 Purpose and research question

As researchers are still to reach a unitary conclusion on the effects of aid on democracy, it might be favourable to take on a new approach. By drafting an alternate measure of democracy the ambition is to enable us to say something more substantial about aid-efficiency than has previously been done. In introducing the concept *quality of democracy*, as presented by Diamond and Morlino, the expectation is to bring further depth to the knowledge on the subject. Not only does the concept have theoretical advantages by offering a more extensive grasp of democratic institutions, it is also offers a framework in which the functioning of democracy can be problematized further. The measure will subsequently be placed in the context of previous research within the aid-efficiency field in order to investigate to what extent previous conclusions can be supported when introducing a new theoretical term. The purpose of this thesis is thereby to see if further clarity can be brought to the field by introducing an alternate conceptualization of democracy. In order to approach the subject, the main research question that will be the basis of this thesis is:

- *To what extent does Official Development Assistance (ODA) affect the quality of democracy in the recipient countries?*

With the intention of enabling a more detailed assessment of aid effects on democratic quality, the following sub-question will also be explored:

- *How are the different levels of quality of democracy affected by aid flows?*¹

The questions will be answered by working with the following hypotheses: 1) There is a relationship between ODA and quality of democracy, 2) There is be a difference in effect directionality between the different levels of quality of democracy; both of which will be derived in more detail further on. Prior to diving into the subject, however, the central concepts of this thesis need to be presented

¹ Quality of democracy is divided into three different levels (quality of procedure, content and results) that all capture different democratic dimensions. These will all be presented further in the following chapter.

2.1 Core concepts

Official Development Assistance (ODA) is defined as “[aid] flows to countries and territories on the DAC² List of ODA Recipients and to multilateral institutions which are provided by official agencies, including state and local governments, or by their executive agencies” with the main purpose of increasing welfare and economic growth in developing countries (OECD). ODA is a comprehensive type of assistance including aid such as technical assistance, dialogues with different political actors and debt relief in addition to the traditional aid supply of capital (Berlin 2005:7). It does not, however, include military or peacekeeping aid unless it is closely connected to actions that promote development (OECD). This type of aid is investigated as it is closely connected with the purpose of developing democratic institutions in the recipient country³.

Democracy is here defined as a political system that is characterized by having free and fair elections with adult suffrage. A democratic system should also allow for, and have, more than one eligible political party. In addition, citizens are also to have access to different sources of information that are not skewed in advantage to the political elite (Diamond & Morlino 2005:x-xi). This definition is chosen as it does not put an excessive amount of pressure on the political system compared to the democracy definition of, for example, Robert Dahl⁴. The broader definition allows for lower quality democracies to be included in the study, providing a more varied sample. The assessment of the actual quality of democracy will be discussed in the following chapter along with the limitations of previously used measures.

² Development Assistance Committee; a forum consisting of the worlds largest aid funders, working within the organizational frames of OECD (OECD).

³ ODA can be investigated on a more detailed level, for example by looking at differences between bilateral and multilateral aid. However, this thesis is delimited to explore the effects of overall ODA, as focus is to be put on the possible contributions of introducing a new term to the field.

⁴ In addition to the factors mentioned above, Robert Dahl (1989) contends that democratic regimes also need to provide its citizens with complete access to the political agenda. The citizens should also have an “enlightened understanding” connected to the policy decisions.

3 Conceptualization

3.1 Previously used indicators and limitations

One of the most frequently used indicators on democracy within aid-efficiency research is seemingly the *Freedom of the World Index* produced by Freedom House (see Islam 2003, Dunning 2004, Knack 2004, Heckelman 2010). The Freedom House index measures several different indicators such as civil liberties, political rights, political pluralism, whether the elected head of government has de facto power and other governmental traits (Freedom House). The vantage of this indicator lies in the wide scope of the measurement. Not only does it capture the freedoms that can be enjoyed by citizens, it also aspires to provide information on institutional traits. However, even though the measure seemingly captures a large part of the relevant aspects of democracy, Freedom House contends that the measure in reality “*assesses the real-world rights and freedoms enjoyed by individuals, rather than governments or government performance per se*” (ibid). The measure thereby only seems to capture the output that a regime produces, and not the actual traits that characterize democratic institutions.

Another commonly used indicator is the combined Polity IV score (see Hoffman 2003, Bermeo 2009, Wright 2009, Scott & Steele 2011). The polity IV score is composed of variables measuring the level of competitiveness, political participation, openness of the electoral process and constraints on political leaders (Marshall et al 2014:14-7). Although this measure is similar to the Freedom House index, it does conversely focus on the actual traits of political institutions, rather than on the output they produce. The same critique as above can thereby be applied to this measure, as it does only capture a segment of democracy as a whole. This might very well be the reason for combining the two, as is also commonly seen (see Al-Momani 2003, Finkel et al 2007, Csórdas & Ludwig 2011, Kangoye 2011).

Although, when combined, the measures above provide a rather comprehensive indicator on democracy, it does not signal whether the implemented policies are coherent with citizen will or not. According to Robert Dahl, discussing factors as such is of utmost importance when talking about democracy, as no regime can be deemed to be truly democratic without being responsive to the will of its citizens (Dahl 1971). In order to construct a truly representative measure, it is essential to include an additional level capturing this aspect of democracy as well. With the aim of addressing the above-mentioned limitations, the concept *quality of democracy* will be introduced.

3.2 Introducing quality of democracy

Quality of democracy (QoD) is a comprehensive term aimed to capture the essence of a well functioning democracy. The term ranges from institutional dimensions to more abstract dimensions concerning citizen opinion on the output generated by the political system. By summarizing and compiling results from different research articles, Diamond and Morlino suggest that QoD can be defined as a system that is composed of eight different dimensions (2005:x). In order to make the phenomenon graspable, the dimensions are categorized into three different types of quality: procedural, substantive and result oriented, which will all be presented below. It is worth to briefly mention that other sources such as International IDEA also have provided an assessment of democratic quality. Their categorization is however presented as a practical guide in measuring democratic quality, rather than as a theoretical framework (see International IDEA 2008:26). For this reason, the assessment by Diamond and Morlino is chosen to make out the baseline of this study.

- Procedural level / Quality of procedure

The procedural level of QoD is focused on the rules and practices within a country and consists of five different dimensions: rule of law, participation, competition, vertical- and horizontal accountability (Diamond & Morlino 2005:xii). The *rule of law* dimension covers the functioning of legal practices and judicial security in society. High quality is attained when citizens are equal before the law and have high access to information on the judicial system. The dimension of *participation* translates into citizen access to political influence. Participation by formality alone is not sufficient as the government also needs to ensure that all citizens have equal possibilities to organize themselves politically, vote in general elections and participate in other political activities. A high quality of *competition* is conditioned by accessibility to the political arena where anyone who wishes to candidate may do so. *Horizontal accountability* infers that incumbents and other civil servants can hold each other responsible for their actions, decreasing the risk of patronage and corruption. *Vertical accountability*, on the other hand, is connected to the relationship between officeholders and the citizens. The citizens should have an insight to the work of their ombudsmen and be able to demand that incumbents are punished for indefensible actions (Diamond & Morlino 2005:xiv-xxv).

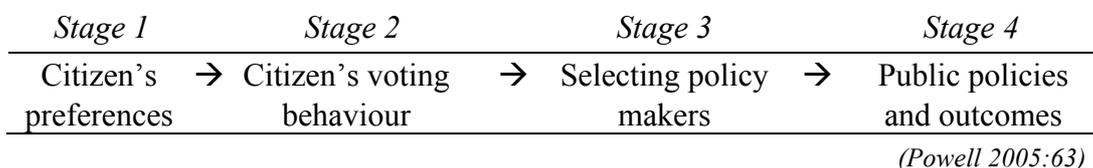
- Substantive level / Quality of content

The substantive level, or quality of content, consists of two dimensions: freedom and equality. The *freedom* dimension aims to capture freedoms within several different categories, mainly political, civil and socio-economic. Political freedom is attained when the government produces politics that allow citizens to express

opinions freely and allow for supporting different political groups without feeling threatened by governmental forces. Civil freedoms concern areas such as personal security, freedom of expression, religion, assembly and organization. The socio-economic freedoms are connected to rights regarding employment conditions and private property. *Equality*, on the other hand, entails that all citizens should have equal possibilities to influence politics whilst also having a tantamount quality of legal protection (Diamond & Morlino 2005:xxv-xxvii). The equality dimension can be divided into three different categories of the political sphere: class, ethnicity and gender; the three most common grounds on which one might be discriminated upon (Rueschemeyer 2005:59).

- Results level / Quality of results

The results level of QoD consists of one single dimension: responsiveness. Democratic *responsiveness* emerges when citizen will is reflected coherently in the choice of government and implementation of policies (Powell 2005:62). By extension, the responsiveness dimension covers how well citizens perceive democracy to function, whether their needs and demands are fulfilled, if their interests are reflected in the politics and if their expectation on the democratic system is met (Diamond & Morlino 2005:xxix). Although this might seem unambiguous, it is a process that is truly difficult to fully capture. In order to make dimension more graspable, G. Bingham Powell Jr. illustrates this process, or chain of responsiveness, as follows:



In short, responsiveness is a process that begins in policy preferences held by citizens. These preferences are to be reflected in the electoral process if there are no disruptions in the chain. When the policy makers have been chosen, they will ideally implement the politics they have been elected on basis of. If the political outcomes are coherent with citizen's preferences, the responsiveness dimension is defined as being of high quality (Powell 2005).

3.2.1 The interplay between democratic dimensions

In order to provide a more intelligible assessment of quality of democracy, the concept needs to be placed in a wider context. This segment will act as an epitome of theories on the functioning of democratic dimensions, providing a fundamental understanding of the interplay between the different levels of QoD.

The most central dimension of quality of democracy is the rule of law. Without a functioning judicial system, none of the other dimensions can function properly

due to threats of retrenchments (O'Donnell 2005:4). A high level of quality within this dimension is disrupted when the laws of a country are enforcing inequalities, resulting in judicial insecurity for certain segments of the population (O'Donnell 2005:10-11). If, however, a high quality rule of law is established, other dimensions of quality of democracy are enabled to prosper. For example, as a consequence of improved judicial security, citizens will be more inclined to participate in the political process. By extension, the accountability dimensions, among others, are favoured. Not only are citizens able to suspend incompetent politicians, bolstering vertical accountability, but by having political leverage, citizens ought to be motivated to secure their own political interests, spurring the responsiveness dimension (Schmitter 2005:23-5).

Other than being favoured by an improved quality of participation, responsiveness is conditioned by other dimensions such as freedom, equality and accountability (O'Donnell 2005:4). When enjoying a certain degree of rights and freedoms, citizens are able to elect honest politicians that are truthfully committed to implementing requested policies. Competitiveness between elected parties will also have positive effects on responsiveness due to an increase in political pluralism where the will of several groups in society may be represented⁵ (Powell 2005:63). Factors that would hinder the chain of responsiveness, and thereby have a negative effect on the quality of results, are for example corruption, political choice limitations and restrictions on the flow of information (Powell 2005:69). These subversions can be avoided by, inter alia, educating citizens, ensuring freedom of media, promoting inclusiveness in policy making, encouraging party competition, improving the bureaucratic quality, horizontal and partisan accountability; thereby also strengthening the chain of responsiveness (Powell 2005:68).

As elucidated in the text above, the dimensions are strongly co-varying and their effects on democratic quality is at times difficult to single out. Empirically, separating the dimensions is not entirely necessary although it does facilitate a theoretical discussion on the complex coagency between the different dimensions (Beetham 2005:42). The intricacy of this interplay is illuminated by Diamond and Morlino who argue that even though the dimensions overlap and often strengthen one another, there may also be contradistinctions, or trade-offs, where positive effects on one dimension might have negative effects on another. Ultimately, this makes it close to impossible to attain an immensely high level of quality on all of the levels at once, leaving it up to the regimes to “*make an inherently value-laden choice about what kind of democracy it wishes to be*” (Diamond & Morlino 2004:20-1).

⁵ Note that there is a slight difference between this type of competition and the competitiveness dimension in the procedural level, as this aspect is specifically connected to party competition (see Powell 2005).

3.3 Contributions

By integrating quality of democracy into the context of aid-efficiency, the aim is to contribute to previous research on two main grounds. Firstly, by introducing QoD, the ambition is to bring a new perspective from which one may discuss democratic development. A more comprehensive concept is provided as a new aspect, the level of responsiveness, is incorporated into the measure. Secondly, the conceptual framework of QoD provides a more detailed account of democracy by categorizing the building blocks of democracy on the basis of their divergent essence. This opens up for possibilities of bringing a more nuanced view on the relationship between development aid and democracy. By enabling observations on different levels of democracy and democratic quality, it might even be possible to arrive at a conclusion that would explain why previous research have come to widely differing conclusions.

In addition to contributing to the theoretical aspects of the field, a study on this subject is also likely to be of practical use. By establishing the determinants of effective aid supply, one should be able to provide valuable inputs to on-going efforts to enhance the positive impacts of foreign aid, which is of utmost relevance (Berlin 2005:5).

Following this chapter the theoretical framework, enlaced with previous research, will be presented.

4 Theoretical framework

Discrepancies in previous literature obstruct the possibilities to isolate a single unitary theoretical foundation that explains aid effects on democratic institutions in the recipient countries. A wide array of different causal mechanisms, that allegedly explain the different outcomes of aid projects, has been presented. None, however, seems to have used QoD as a conceptual framework, making it difficult to find theories capturing the whole spectrum of this particular phenomenon. Diamond & Morlino argue that, in theory, a high quality of democracy is rooted in an effective and sustainable development of law-based rule. In order to provide effective aid, they thereby suggest that democratic development needs to befall gradually, building up the independence, capacity and authority of law courts. The existence of a strong civil society, that has the power of action to de-legitimize and remove corrupt leaders from their position, increases the chances for positive outcomes from aid (2005:23). However, in order to acquire additional substance to the theoretical framework, this short recommendation will not suffice. Therefore, a set of theories connected to different dimensions of the term will be congregated and presented below in order to map explanations for different outcomes. As the literature on the subject has uncovered both negative and positive effects of aid, the subject is highly empirical (Kersting & Kilby 2014:125). Thereby, this chapter will have strong connections to, and to some extent also act as a previous research review.

4.1 Aid-efficiency and democratic development

In assessing aid effects on democracy, the main assumption is that there is in fact a relationship between the two. Institutions are said to be shaped through political processes driven by both internal and external factors. Development aid is here categorised as an external factor that has the power to reinforce existing institutions. This is due to aid in itself being considered to be a political process as aid flows are consciously allocated to specific recipients and areas of improvement (Askarov & Doucouliagos 2015:56-7). If aid can give rise to new institutions is however uncertain. Based on statements made by inter alia International IDEA, it is unlikely. They contend that “[d]emocracy cannot be imported, or exported, but supported” (International IDEA 2005:12). Below, theories supporting both sides of the aid debate will be presented.

Positive outcomes from aid may be expected when it is provided through channels such as education and wealth advancement. Following from an increase in the level of education and economic capital, citizens are given additional instruments

that facilitate political participation. Economic incitements through aid are also suggested to make incumbents in the recipient countries more susceptible to societal reforms (Askarov & Doucouliagos 2015:603). In addition, an increase in susceptibility to change may also be explained by the influence of external powers, such as aid agencies, that pressure the political elite to offer its citizens greater political rights. Instead of weakening the regime, this may enable the government to stay in power due to an increased level of legitimacy (Gibson et al 2015). Regarding aid-effects on the substantive dimensions of QoD, positive outcomes can be expected when aid is consciously aimed at improving the level of equality in the recipient country. In the context of, for example gender equality, aid is often expended on improving women's health and increasing school access for women (Dreher et al 2015). In summation, most theories concluding that aid will have positive effects on democracy stress that aid projects need to have a specific purpose of improving certain aspects of society. It is suggested by, inter alia, Yener Altunbas and John Thornton that the supposed positive effects of aid on democracy could be strengthened if aid was exclusively aimed at improving additional institutions in society; such as quality of governance (2014:3927). Clearly defined goals for aid projects thereby seem to be key to allocate aid successfully.

Aid pessimists, on the other hand, argue that aid is strongly connected to risks of misappropriation and aid dependency. Effectively, aid is supposed to have negative effects on the power relationship between state and citizen due to the state growing less dependent of tax incomes. Not only would this result in a greater distance between implemented politics and actual citizen will; it would also facilitate patronage and rent seeking (Knack 2001). An increase in government revenues by aid is expected to result in a decreased supply of public goods, also due to a diminished tax dependency (Svensson 2000). Though foreign aid has been appointed negative effects, a group of researchers within the field agree that aid itself might not be detrimental. Nevertheless, it is working in unfavourable environments (see Askarov & Doucouliagos 2013, Dollar & Pritchett 1998). Based on this assumption, it has been argued that aid will only induce positive outcomes in environments that have already established good policies. Aid should thereby be channelled primarily to relatively stable and experienced societies (Burnside & Dollar 2000). For instance, newly established democracies might have difficulties to prevent obstacles such as rent-seeking and corruption due to plain inexperience. This in combination with frequently occurring democratic flaws, such as insufficient checks and balances and flawed transparency in the political system, might result in the aid being used for other purposes than initially intended (Askarov & Doucouliagos 2013:623-4). In order for aid to be truly successful, it should be aimed at directly assisting reformers in their political work and not only act as a financial input; thereby avoiding the risk of aid dependency. Yet again, it is emphasized that aid should exhort education and be based on long-term goals in order to be effective (Dollar & Pritchett 1998:115-8).

4.2 Other determinants of democratic development

In all probability, aid cannot account for the entire process of democratic development. In order to get a complete apprehension of the process, it is important to present additional determinants of the phenomenon. Further on in the thesis, these will act as controls that will enable us to, with more certainty, draw reliable conclusions. Though there are many possible factors that would explain democratic development, this segment will revolve around five commonly mentioned factors from earlier democracy research: wealth, institutional legacy, natural resource dependence, ethnic fractionalization and social unrest. Other factors have been utilized, however, they are not consistently reoccurring in the research on aid-efficiency, and are thereby excluded from this study in particular.

The main factor that is said to affect democratic development is the economic state of a country. From an increase in wealth and income levels follows improvements in the welfare system, acting as a spurring factor to democracy (Barro 1999:158, Tavares 2003). Whether a developing country has been colonized or not would also affect the stability of its democratic institutions (Barro 1999:174). Though it is not completely confirmed whether a colonial past would result in positive or negative outcomes, it will affect the development of democracy as some institutional legacies are bound to remain (Gisselquist 2014:17). In addition, the level of resource dependence, often reflected in oil trade, is an important factor contributing to the level of democracy (Tavares 2003). A high level of oil dependence is expected to obstruct democratic development, as the capital generated by the resources will decrease the incitements to generate incomes based on human capital (Barro 1999:158, 164). Furthermore, democracy is supposed to be affected by the domestic level of ethno-linguistic fractionalization. The theories conclude that a wide variety in ethnic groups within a society makes it difficult to agree on a certain set of policies. This is due to difficulties satisfying many wills and an increase in inequality (Barro 1999:172). Lastly, there is the effect of social unrest within a country. The presence of social unrest will act as a fuel for reform as the incumbents are forced to comply with the will of the people in order to stabilize the political state in society (Acemoglu & Robinson 2000:684).

Now that the main theoretical framework has been provided, the hypotheses of this thesis will be presented.

4.3 Hypotheses

Though it is not possible to draw a definite conclusion from the selection of research products that the previous segment is based on, it might be possible to visualize a slight trend in the material (see Appendix 1). Studies on aid-effects on dimensions appertained to the procedural level seem to mostly uncover positive

relationships, with the exception of studies investigating factors closely connected to accountability. Based on this observation, an overall positive effect from aid is expected on the quality of procedure. The relationship between aid and the substantive level democracy is, however, poorly explored. The main deduction seems to indicate that there will be a positive relationship between the two, though it is not fully conclusive. A positive or no relationship is thereby expected. Lastly, aid effect on the results dimension is far from conclusive yet it indicates a slight negative trend (ibid). Therefore, the expected effect on this level ranges from a negative, to no relationship.

	Procedure	Content	Results
<i>Expected effects from aid on democracy</i>	+	+/0	0/-

The expected effects illustrated above would indicate that the levels of QoD are to be affected differently by development aid. Although it is possible that some of these levels will show no correlation with aid, an overall relationship between development aid and quality of democracy is still expected. This due to previous research indicating that there is a *de facto* relationship. From this eduction, the following hypotheses are derived:

- *H1: There is a difference in effect directionality between the different levels of QoD.*
- *H2: There is a relationship between ODA and overall quality of democracy*

Prior to testing the tenability of the hypotheses, the methodological choices of this study will be presented.

5 Methods and material

5.1 OLS regression

In order to approach the research questions, an extensive research design will be used. With the intention of investigating if there is a relationship between development aid and democratic quality, a set of OLS regressions will be performed. Regression analysis allows for the uncovering of relationships between several variables whilst also estimating the strength and reliability of the results. This is advantageous as it enables the researcher to draw conclusions with a specific certainty considering a known set of premises (Teorell & Svensson 2007:165-6, 199). In this particular study, this method will enable us to estimate amount of aid that is needed in order to have a certain effect on democratic quality; a possibility that an intensive research design could not provide. However, when executing regression analysis there is always a risk of uncovering false relationships. Therefore the results need to be controlled thoroughly and interpreted with caution. The four main problems with regression analysis that need to be accounted for are:

- *Faulty model assumptions*; if some relevant variables are excluded from the main model, there is a risk of drawing faulty, or spurious, conclusions about the relationship between the independent and dependent variable. This problem is avoided by introducing control variables that could offer an alternative explanation to the effects on the dependent variable. If the relationship dissipates when introducing these controls, the relationship might be spurious (Teorell & Svensson 2007:61, 185).
- *Heteroskedasticity*; in short meaning that the residuals of the variable are unevenly distributed in relation to the estimated regression line. If the variables are heavily heteroskedastic, there is a risk of under- or overestimating the relationship effect. By introducing robust standard errors, this risk can be decreased (White 1980).
- *Multicollinearity*; occurs when two or more of the independent variables are highly correlated. This makes it difficult to properly separate the effects that different variables bring to the model. Multicollinearity can be controlled for by simply diagnosing the level of collinearity in statistics software. A common measure is VIF (Variance Inflation Factor) where it is recommended that VIF should not exceed the value of 4, though there are no universal thresholds (Sundell 2010 (1)).

- *Endogeneity*; is a problem that can occur in multiple regressions resulting in difficulties interpreting the result correctly. There are several different reasons for endogeneity, but the most common one is faulty conclusions on the direction of causality (Menaldo 2011). By lagging⁶ the independent variables in the model, problems with endogeneity can be reduced (Duncan et al 2004:67).

In order to produce as robust results as possible, all of the above suggested measures in avoiding drawing faulty conclusions have been taken. A number of control variables have been included in the models along with robust standard errors. Collinearity tests have been performed and none of the variables exceeded the value of 4. Lastly, a time lag of 1 year has been added to account for endogeneity.

Furthermore, one of the general assumptions of OLS regression is also that all of the observations in the sample are independent of one another. As the same countries over a fifteen-year period are observed, this demand is not fully met. Commonly, this may be solved by introducing a fixed-effects model, including dummy variables for every single country; thereby excluding country-specific variance (Torres-Reyna 2007). However, this method has received critique as it eliminates *all* of the variation between the cases with a high risk of eradicating important information (Beck and Katz 1996). In order to retain some of the necessary information, but still check for case-specific variation, a mild form of fixed-effects is here introduced, where dummies for geographical regions will be utilised instead.

5.2 Data

The material in this study consists of cross-sectional time-series data, covering 53 countries with democratic rule that has received aid during the time period 1995-2010. For those years that the included countries are categorized to be autocratic, the observations are excluded. The dataset mainly consists of variables provided by the Quality of Governance (QoG) institute. However, some additional variables have been collected from other databases due to lack of equivalent information in the original dataset. The sources for the different variables will be presented in the following sub-chapter.

A common problem with research methodology is missing data, and this study is not an exception. Initially, the time-span of the study was intended to be more extensive but due to missing data on some of the included variables, the time period had to be delimited. This is however not posing an immediate threat to the study as a time period of ten to fifteen years will be sufficient in order to observe

⁶ Lagging a variable in time-series data infers adding a time delay to the observations.

enough variation in the material, enabling the possibility to draw clear conclusions from the material (Berlin 2005:11). In order to fill smaller gaps in the material, a few variables⁷ have been linearly interpolated. Linear interpolation is the process of imputing additional data by fitting a linear line between the known values (Meijering 2002). One variable, *Voice and Accountability*, has also been extrapolated, which is similar interpolation but it also estimates values exceeding the known timeframe (Merriam-Webster). However, this imputation was only executed for one year in order to minimize the risks of systematic errors in the material. These imputations are not expected to affect the results in any great extent as they only make out a small fragment of the total data. Of course, a more complete set of data is preferred but in order to being able to perform the analysis, the available data had to be modified slightly.

As the term quality of democracy consists of a wide array of different dimensions, several variables will be used in measuring the phenomenon. In order to make the material graspable, the variables will be compiled into four different indexes; one for each of the three different levels of democracy and one aiming to capture the full spectrum of the phenomenon. Indexation opens up for using several different indicators with the intention of measuring one single phenomenon. By doing this, one is also able to exclude random variation between the variables, lowering the risk for spurious interpretations of the results (Sundell 2012). An additive method will be used in constructing the indexes. A suchlike index is created by summing the variable values. For example, if the index is to consist of four different variables ranging from 1-4, the additive index will take on the values 4-16 (Sundell 2010 (2)).

Prior to constructing the indexes, small adjustments had to be made to the data. Firstly, some variables had to be reverse coded in order for them to vary in the same direction: from low quality to high. This is important as low values on the separate variables all need to indicate a low quality of democracy. In addition, the variables also needed to be standardized⁸ in order to have the same weights⁹ in the index. This needs to be done if the variables are to have the same effect on the index variation (ibid). An exception has however been made for two variables, *Voice & Accountability* and *Government Efficiency*, as they are capturing several theoretical indicators of QoD. This will all become clearer in the operationalization that follows.

⁷ The interpolated variables are: Average education; male and female (+25) and GINI-index.

⁸ Standardization is the process of recoding a variable to range between the values of 0 to 1, independent of how many categories the variable initially consisted of.

⁹ Statistical weight here denotes the proportion of the total index variation that is made out by a single variable. If a variable has the weight value +2, this infers that the variable weighs twice as much as a variable that has the weight value +1.

5.3 Operationalization

The main independent variable in the model, *Official Development Assistance*, is collected from the World DataBank and measures the level of received net ODA (World Bank). This variable has been divided by the level of GDP in order to make it comparable between countries. All of the control variables are collected from the QoG-database and are the following: 1) *GDP per Capita*, acting as an indicator on the economic prosperity of a country, 2) *Colonial Origin*¹⁰, stating whether the recipient country has ever been colonized, 3) *Ethnic Fractionalization*, measuring the level of ethnic heterogeneity in society, 4) *Oil Net Export*, acting as an indicator on level of resource dependence, 5) *Political Stability*, used as an indicator on social unrest as it measures the propensity of governmental change through violent means (Dahlberg et al 2015). These are all derived from previous democracy research, as can be seen on page 11.

Below, all of the different levels of QoD will be appointed a set of variables. The variables will be presented in tables in order to make the presentation more synoptic. Due to space restrictions, focus will be aimed at discussing the operationalization of the most elusive variables.

- QUALITY OF PROCEDURE

<i>Variable</i>	<i>Theoretical dimension(s)</i>	<i>Measuring...</i>	<i>Weight</i>
Rule of Law ^a	Rule of law	The level of predictability in the judicial system that is effectively upheld by the state, resulting in a stable and secure society.	+1
Participation ^a	Participation	The percentage of voter turnout in non-rigged elections.	+1
Competition ^a	Competition	The electoral success of smaller parties in general elections.	+1
Checks and Balances ^a	Vertical accountability	The transparency and separation between executive and judicial power	+1

¹⁰ The variable *Colonial Origin* has been recoded into a dummy-variable where 0 = never colonized by a western power and 1 = colonized by a western power. Initially, the variable contained information on which colonial powers that had annexed the area - information that is irrelevant for the purpose of this thesis.

ICRG indicator of Quality of Governance ^a	Horizontal accountability	Corruption, bureaucratic quality, enforcement of law and order and the absence of political pressure on bureaucratic institutions.	+1
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Sources: ^a = QoG-institute, ^b = WorldBank, ^c = Gapminder

Most of the variables above seem to be strongly connected to their respective theoretical dimension. The difficulties lie in operationalizing the accountability dimensions. According to Schmitter, a well functioning judicial system is most likely to contain a high level of checks and balances. This is a spurring factor to the vertical accountability as different branches of power will be able to hold one another accountable for certain actions and, by extension, avoid misuse of power (2005:24). Thereby, *Checks and Balances* seem to be a well-suited variable in measuring vertical accountability.

Utilising *Quality of Governance* as an indicator on horizontal accountability might not be as straightforward due the connection being more indirect. When bureaucratic institutions are not free from political pressure, and the quality of governance is low, there is a risk of closing strong ties between politicians and businessmen (Dahlberg et al 2015:69). In connection with the previously presented theories, closer ties between the government and businessmen might decrease tax dependence, simultaneously decreasing the political leverage held by citizens (see pp. 10). As a result from this, the horizontal accountability is expected to be affected negatively.

- QUALITY OF CONTENT

<i>Variable</i>	<i>Theoretical dimension(s)</i>	<i>Measuring...</i>	<i>Weight</i>
Civil Liberties ^a	Freedom (civil)	The degree of personal freedom from interference by the state, e.g. freedom of expression, belief and organizational rights.	+1
Political Rights ^a	Freedom (political)	Citizen access the political process in society, e.g. the right to vote, candidate in elections and join political parties.	+1
Economic Freedom of the World ^a	Freedom (economic)	Citizen e.g. property rights, freedom of trade and access to money.	+1
GINI-index ^c	Equality (class)	Income distribution, from perfect equality to perfect inequality.	+1

Ratio Between Female and Male Labour ^b	Equality (gender)	How many women per man that are enrolled in paid labour.	+1
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Sources: ^a = QoG-institute, ^b = World Bank, ^c = Gapminder

When operationalizing the substantive level of QoD, the main difficulties lay in measuring the full spectrum of the equality dimension. Using the ratio between male and female labour as an indicator for gender equality is far from ideal but due to a massive loss in data for variables such as GII (Gender Inequality Index), this was the most defensible choice in the trade-off between maintaining validity and coping with missing data. Difficulties in finding data have also resulted in the absence of a variable measuring inequality between ethnic groups. However, as several variables are used to measure the quality of content, some of the effects posed by the absent variables are expected to be captured by the other indicators in the index (see Sundell 2012).

- QUALITY OF RESULTS

Measuring quality of results has been proven to be the most difficult. Powell suggests two different methods in approaching this level of democratic quality. One is to cover citizen attitudes and perceptions of how contented they are with the functioning of the democratic system they live in. The other is to attempt to measure the components of the actual chain of responsiveness. In practice, this may be done by compiling different factors that would strengthen the chain¹¹ (Powell 2005:72-3). The latter has here been chosen for two reasons. Firstly, citizen attitudes by themselves are a very unstable measure. Very few, even well educated, will have a clear apprehension of the implications of responsiveness (Diamond & Morlino 2005:xxix-xxxi). Secondly, by looking at indicators of a well functioning chain of responsiveness, all of the data in this study is kept on a macro level, enabling a final merge of all the variables creating the overall QoD index. The operationalization of the dimensions is as follows:

<i>Variable</i>	<i>Strengthening factors</i>	<i>Measuring...</i>	<i>Weight</i>
Average Schooling Years, Female and Male (+25) ^a	Education	Average years of education undertaken by men and women over the age of 25.	+1
Legislative Electoral Competition ^a	Party competition	The level of competition between government parties. Ranges from unelected government (no competition) to a parliament where the largest party has got less than 75% of the seats.	+1

¹¹ These factors were mentioned briefly on page 7.

Voice and Accountability ^a	Media access, Inclusive policymaking, Horizontal accountability	The level of inclusiveness in the process of government elections and the independence of media, which serves a facilitating role in monitoring of authority.	+3
Government Effectiveness ^a	Bureaucratic capacity, Partisan accountability	The quality of public service provision, bureaucracy, the competence of civil servants, the independence of the civil service from political pressures and the credibility of government commitment to policies.	+2

Sources: ^a = QoG-institute, ^b = World Bank, ^c = Gapminder

The measure on quality of results differs slightly from the other measures as it, rather than measuring the dimension *responsiveness* directly, measures factors that act in strengthening the chain of responsiveness. It is also the only index where variables have been given additional weight, as they capture more than one spurring factor. These variables are *Voice and Accountability* and *Government Effectiveness*, as can be deduced from the table above. It is here worth to mention that the *Voice and Accountability* variable was not used in measuring horizontal accountability on the procedural level as it captures indicators exceeding the theoretical grasp of the dimensions included in that level.

Though *Government Effectiveness* captures several indicators, they can only be assigned to two theoretical strengthening factors. Here, the quality of public service provision, quality of bureaucracy and competence of civil servants are considered to be decent indicators on the bureaucratic capacity of a government. Furthermore, the independence of civil service from political pressures and the credibility of government commitment to policies are supposed to indicate the level of partisan accountability in society

Lastly, all of the variables making up the separate level indexes were added into one single index aiming to capture the whole phenomenon.

6 Results

To begin with, the relationship between ODA and the different levels of democratic quality will be explored, ultimately, building up to the effect on overall QoD. Three different model specifications will be used in order to ensure robust results and to see how the data behaves under different circumstances. The results produced in the third, and last, model will be considered to be most reliable as it contains the most demanding robustness checks¹². In order to make the presentation of the results more lucid, the regional dummies have been left out from the tables presented below. They are however reported in Appendix 2. The results are only to be followed by a brief explanation, as they will be discussed more thoroughly in the following chapter.

6.1 Quality of procedure

Table 1. *Regression analysis. Dependent variable: Quality of procedure. Robust standard errors are specified within the parentheses.*

	(1)	(2)	(3)
Aid/GDP (%)	-0,433*** (0,082)	-0,166** (0,065)	0,116* (0,067)
GDP/capita		0,014*** (0,001)	0,015*** (0,001)
Colonial past		-0,022** (0,009)	0,171*** (0,033)
Ethnic fractionalization		-0,068*** (0,019)	0,108*** (0,026)
Oil export		-0,082*** (0,028)	-0,057** (0,027)
Social unrest		0,031*** (0,007)	0,082*** (0,007)
R²	0,081	0,484	0,641
N	826	573	475

***=p<0,01, **=p<0,05, *=p<0,1
 N = number of observations, R²= the percentage of variation in y that can be explained by x.

¹² It is in the third model that regional fixed-effects and time-lag is introduced as final robustness checks.

From the univariate model (1) in the table above, one can deduce a significantly negative relationship between development aid and quality of procedure. This implies that the more aid a country receives, the less procedural quality it can enjoy. When adding the control variables to the model, significance is maintained though indicating a slightly weaker effect. When additionally lagging the model and controlling for regional effects, significance is maintained though the directionality of the relationship is reversed. With the robust model specifications, the test indicates that for every 1% of ODA in proportion GDP, quality of procedure will increase by 0,12%. Though the effect is small, the results go in line with our initial expectations.

6.2 Quality of content

Table 2. Regression analysis. Dependent variable: Quality of content. Robust standard errors are specified within the parentheses.

	(1)	(2)	(3)
Aid/GDP (%)	-0,310** (0,139)	-0,137 (0,124)	-0,367** (0,175)
GDP/capita		0,009*** (0,002)	0,016*** (0,003)
Colonial past		-0,014 (0,014)	0,144*** (0,040)
Ethnic fractionalization		0,156*** (0,033)	0,162*** (0,036)
Oil export		-0,154*** (0,023)	-0,202*** (0,029)
Social unrest		0,154*** (0,010)	0,137*** (0,011)
R²	0,009	0,605	0,745
N	502	376	323

***=p<0,01, **=p<0,05, *=p<0,1

N = number of observations, R²= the percentage of variation in y that can be explained by x.

Regarding the relationship between ODA and substantive quality, the first model shows a significantly negative relationship between the two. This would imply that an increase in aid would result in a decrease in substantive quality. However, the relationship dissipates when introducing control variables into the model. Notwithstanding, the results regain significance when additional robustness checks are executed, still indicating a negative relationship between the two main variables. The results show that a 1% increase in aid in proportion to GDP would result in a 0,37% decrease in quality of content. The explanations for the re-

emergence of the relationship can be many. One could be that the relationship is highly dependent on regional factors, as the success rate of aid might differ greatly between different geographical regions. This is highlighted by Diamond and Morlino as they content that “*there is no sequence of reforms to improve the quality of democracy that would be right for all countries due to too much variation among the cases*” (2005:xxxix). Altogether, the produced results are in conflict with the expected effects.

6.3 Quality of results

Table 3. Regression analysis. Dependent variable: Quality of results. Robust standard errors are specified within the parentheses.

	(1)	(2)	(3)
Aid/GDP (%)	-0,685*** (0,127)	-0,360*** (0,037)	-0,272*** (0,050)
GDP/capita		0,012*** (0,001)	0,012*** (0,001)
Colonial past		0,017** (0,007)	0,116*** (0,020)
Ethnic fractionalization		-0,032** (0,015)	-0,001 (0,020)
Oil export		-0,123*** (0,017)	-0,115*** (0,019)
Social unrest		0,057*** (0,004)	0,071*** (0,005)
R²	0,191	0,769	0,791
N	639	439	407

***=p<0,01, **=p<0,05, *=p<0,1

N = number of observations, R²= the percentage of variation in y that can be explained by x.

Initially, the test on the univariate model demonstrates a significant negative relationship between aid and quality of results. This relationship is maintained throughout the more demanding model specifications, indicating highly robust results. The last and most demanding model shows that a 1% increase in aid in proportion to GDP would result in a 0,27% decrease in quality of results. As in the tests above, the impact of aid seems to be small. However, the results are very significant, and support the initial expectations.

6.4 Overall quality of democracy

Table 4. Regression analysis. Dependent variable: *Quality of democracy*. Robust standard errors are specified within the parentheses.

	(1)	(2)	(3)
Aid/GDP (%)	-0,663*** (0,134)	-0,138 (0,089)	-0,215 (0,139)
GDP/capita		0,020*** (0,002)	0,023*** (0,002)
Colonial past		0,024** (0,010)	0,254*** (0,029)
Ethnic fractionalization		0,061** (0,030)	0,117*** (0,032)
Oil export		-0,203*** (0,025)	-0,178*** (0,036)
Social unrest		0,104*** (0,009)	0,122*** (0,010)
R²	0,059	0,744	0,820
N	309	256	239

***=p<0,01, **=p<0,05, *=p<0,1

N = number of observations, R²= the percentage of variation in y that can be explained by x.

The initial relationship between development aid and overall quality of democracy is significantly negative, indicating that an increase in aid in proportion to GDP would result in a decrease in QoD. The significance is, however, not maintained when exposing the relationship to additional pressure. Based on these results, it is assumed that there is no relationship between overall quality of democracy and development aid. Though the results defy the initial expectations, they are indeed very interesting, as the different levels of QoD were all significant on their own. In an attempt to bring the results further depth, and to provide explanations for the observed outcomes, the results will be discussed further in the chapter that follows.

7 Discussion

Lastly, the results presented above need to be connected to the initial hypotheses. In order to answer the question whether Official Development Assistance has any effect on QoD and its different levels, the following hypotheses were tested:

H1: There is a difference in effect directionality between the different levels of QoD.

H2: There is an overall relationship between ODA and quality of democracy.

Below, the results of this study will be connected to the theoretical framework, along with an attempt to seek an explanation for the results that has been produced.

7.1 Hypothesis 1: There is a difference in aid effect on the different levels of QoD

The table below visualizes the initial expectations of this thesis, followed by the actual results produced. Overall, the expectations seem to have been met. The result regarding the relationship between ODA and quality of content was the only one to deviate. This was however not entirely unexpected as research on the relationship between aid and the level of freedom and equality is relatively inconclusive, thereby causing the expectations to be based on a small set of studies.

	Procedure	Content	Results
<i>Expected effects from aid on democracy</i>	+	+/0	0/-
<i>Test results</i>	+	-	-

Bringing support to aid-optimists within the field, the results indicate that there is a positive relationship between development aid and quality of procedure. The results are not uncanny, and the relationship has been attributed several explanations. A common denominator, however, seems to be that when the conditions under which aid is provided limits recipient power, thereby avoiding misappropriation of the funding, positive outcomes may be expected (Tavares 2003). This is not, however, solely applicable to the procedural dimension of QoD, and should produce positive effects throughout all of the dimensions if implemented accordingly. Although this would explain why aid might produce positive outcomes, it does not explain why the different QoD-levels are affected

differently. However, Kersting and Kilby have presented an explanatory model for the differing effects from aid on different democratic institutions. They contend that positive effects from aid are easier to obtain on palpable institutions and processes than, for example, improving governance, as this level is seemingly more accessible to aid donators. It is for instance possible, during the preparatory work for an election, to support dimensions such as competition and accountability by funding opposition parties, supporting independent media and introducing poll observers (2014:126). This way, aid can be aimed directly at a specific area of improvement, which is the main requirement in providing successful aid (see pp. 10-11). As the other levels of quality of democracy might be harder to access, positive outcomes might be more difficult to achieve.

Kersting and Kilby's assessment gains additional strength when applied to the results regarding the substantive level of QoD. As a large part of development aid is being directly aimed at improving equality and freedoms in society, the relationship should, by all logic, be positive (see pp. 10). Nevertheless, our results indicate that the relationship is reversed. This could very well be because the substantive level might be harder to access as aiding, for example, equality might be a more intricate mission than strengthening the electoral process. Another possible explanation is that perhaps the effects are working in more complex ways than previously declared. It is possible that aid aimed at improving the substantive level will have seemingly positive outcomes, but simultaneously activating a chain effect affecting other democratic dimensions, ultimately resulting in a negative net effect. Such trade-offs, as Diamond and Morlino describe them, have been mentioned previously in this paper, and will be discussed in more detail in the following sub-chapter. Due to the lack of previous research on this particular subject, it is difficult to provide steadfast conclusions about the mechanisms producing the observed results. We are thereby left at mere speculations regarding the applicability of the theories on the subject. In conclusion, the relationship between development aid and the substantive level of QoD is in need of further exploration.

Lastly, the regression analysis shows a negative relationship between ODA and the results dimension, supporting the aid-pessimists in the matter. Turning to the theoretical framework, an appropriate explanation for the relationship between aid and the results level may possibly be found in the research of Stephen Knack. Aid is here said to skew the power balance between the state and the citizens by providing alternate state revenue to tax. This effectively makes the state less dependent of tax incomes resulting in an increased rift between the government and its population (2001:312-3). Parallels may here be drawn to the responsiveness dimension. When tax dependence decreases, the citizens lose their main leverage by which they can influence the politics. Ultimately, this might result in a rift between citizen's policy preferences, and the de facto implemented politics. As a result, the results level of QoD is to be affected negatively.

The results of this study support the first hypotheses, concluding that the different levels of democratic quality are in fact affected differently by aid flows. This is very interesting indeed, as it brings support to both sides of the aid debate. By

extension, this would imply that research within the field needs to be problematized further in order to being able to reach a unitary conclusion about the true effects and mechanisms behind the relationship between aid and democracy.

7.2 Hypothesis 2: There is an overall relationship between ODA and quality of democracy

The last test indicates that there is no significant relationship between Official Development Assistance and overall quality of democracy, which is surprising. Evidently, development aid does have an effect on the different components of QoD, but somehow the effect dissipates when they are compiled. The explanation might be found in the differing directionalities of the relationships between ODA and the separate levels of democratic quality. As positive effects from aid are seen on the procedural dimensions, the reversed effect is observed on the remaining dimensions. When compiled, it is thereby possible that the differing effects cancel each other out, similar to a zero-sum game, where no net effect is left to be seen. This is however not completely unexpected as these interplays, or trade-offs, are discussed by Diamond and Morlino. Though the interplay between the dimensions of QoD has merely been featured briefly, it might very well be the explanation for the results. The phenomenon will thereby be approached in more depth in this segment.

Although trade-offs are considered to be central to the term quality of democracy, even Diamond and Morlino lack in their assessment of the phenomenon. While theories on trade-offs are scarce, some examples are provided. One example that is highlighted is the trade-off between the level of content and results. By listening to the preferences of the majority, a government may very well be responsive to the general will and implement the requested policies without any particular remarks. However, when actively choosing to satisfy the will of one group, the government is in risk of neglecting the needs of other groups in society. Effectively, this would have negative consequences on the substantive level of QoD, as inequalities indicate a low quality of content (Diamond & Morlino 2004:20-1, 30). Similar trade-offs has been seen between the procedural and substantive level of QoD during the democratization of India. By allowing an additional set of minority groups to access the electoral process, the government of India momentarily experienced impairments in the rule of law, making them unable to protect political rights and personal security (Diamond & Morlino 2005:xxxix-xl). As a result, Diamond and Morlino contend that a high quality of democracy cannot be achieved by maximising the quality on all of the levels. Quality of democracy is rather about choosing which democratic levels that are to be prioritised (Diamond & Morlino 2004:21). By extension, these priorities will most likely reflect on the implementation of aid as both donors and recipients will have an apprehension of where aid allocations are the most needed. This is elucidated by Askarov and Doucouliagos who state the following:

“Aid recipients might place different priorities on the various dimensions of institutions. Their priorities will depend upon their history, their level of development, their aspirations and the elites’ willingness to preserve the status quo. For example, countries might prefer to place greater emphasis on developing electoral participation, a free press and an independent judiciary and relatively less emphasis on improving governance and fighting corruption” (Askarov & Doucouliagos 2015:58).

Here it is emphasized that, in addition to varying levels of accessibility, the aim of priorities are central in determining the outcomes of aid. When one prioritizes the improvement of a certain institution, the action might be successful. Simultaneously, however, the allocation might have unforeseen trade-offs that will affect the outcomes on other aspects of democracy, as could be the case for the effects on the substantive level. This could very well explain why the overall effect on QoD is cancelled out altogether.

Based on the discussion above, there are problems with compiling all of the dimensions of democratic quality into one single measure, as a high level of detail in the information is lost. According to Schmitter, this is a commonly committed error in empirical research on democratization as there is an “*urge to collapse a sizeable range of data into a single number or name*” (2005:26). This critique could be aimed at previously used measures as well. For example, the Freedom House index compiles indicators on substantial dimensions, such as civil and political rights, with procedural dimensions, such as participation and competitiveness (Freedom House). Of course, the adequacy of the measure should not be rejected as its popularity, with most certainty, can be derived from a set of well-balanced methodological choices. The problem is, however, that the measure does not allow for observing effects on the different democratic dimensions, diminishing the complexity of the relationship. Thereby, by using similar measures, one is at risk of providing a too simplified account of aid effects on democratic development. Though QoD suffers from imperfections as well, it does capture additional aspects of democracy whilst contributing with an important framework in which it is possible to discuss the interplay between different democratic dimensions.

If we are to reach a more conclusive answer on aid effectiveness in relation to democracy, it is in most likelihood not done by repeating frailties in previous research. Based on the results above, the interplay between different democratic dimensions, and how aid affects these connections, is in need of further investigation. The recommendation for future research is to use a similar conceptual framework to the one that has been used here in exploring other angles of the field. As ODA is a very extensive form of aid, it is suggested to use more detailed indicators in investigating whether different types of aid might have different effects on democratic quality. Exploring differences between geographical regions is also recommended, as aid-effectiveness seems to be highly dependant of regional variance (see pp. 22 and Appendix 2).

8 Conclusions

The focus of this study has been to examine the impact of development aid on democratic quality. By availing a quantitative method, the relationship Official Development Aid and quality of democracy has been investigated in order to answer the main research question: *To what extent does Official Development Assistance (ODA) affect the quality of democracy in the recipient countries?* In order to provide more detailed results, the following sub-question was also introduced: *How are the different levels of quality of democracy affected by aid flows?* From previous research, two hypotheses were derived, stipulating the expectations that 1) there is an overall effect of aid on quality of democracy (QoD), and 2) the effect of aid will differ between the different levels QoD.

Based on the results of this study, there is no robust relationship to be found between ODA and quality of democracy. This would imply that aid does not affect the quality of democracy in the recipient countries in any known manner. Nevertheless, when attempting to answer the sub-question, the true answer seems to be much more complex. The results show that all of the different levels of QoD are significantly affected by aid flows, though the effect directionality differs. While quality of procedure seems to be affected positively by development aid, the other levels indicate a negative relationship. This might infer that there in fact a relationship between ODA and the quality of democracy. However, the interplay between the different democratic dimensions might cause the net effect to dissipate. In addition, factors such as recipient priorities and institutional access are expected to affect the outcomes of aid.

Although QoD as a crude measure is not necessarily proven to be vastly better than previously used measures, it has contributed with a critical viewpoint on previous research. The conceptual framework of the term has enabled a discussion of aid effects on counterweights in democracy, highlighting the complexity of the subject. This implies that in order to reach a conclusive answer regarding the true relationship between foreign aid and democracy, a change in perspectives might be needed.

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Appendix 1

Author(s)	Procedure	Content	Result	Effect	Mechanisms
Askarov (1)	Participation, rule of law, accountability, transparency			+	Technical assistance, strengthening legislatures and judiciaries that check the executive power. Aid makes it easier for elites to accept reform. Aid works indirectly through income and education
Tiwari		Economic freedom		+	N/A
Dreher, Gehring, Klasen		Gender equality		+	Especially strong when aimed at improving equality, important goal for ODA. Focus on opportunities to study, improving reproductive health and family planning.
Gibson, Hoffman, Jablonski	Patronage (?)		Political concession, patronage	+	Technical assistance -->To stay in power, autocrats granted opponents political rights, increasing competition.
Tavares	Corruption		Corruption	+	Aid associated with conditions that limit recipient power, increased salaries for public employees --> lower risks of corruption
Altunbas, Thorton	Competitiveness, transparency, participation			(+)	N/A, Effect would increase if aid was aimed to improve QoG.
Charron	Corruption, QoG		Corruption	0	N/A, no effect
Knack (2004) 1		Political freedom / Civil liberties		0	N/A, some aid projects may have some effect that is taken away by ineffective aid provision
Knack (2004) 2	Accountability		Selection of executives	0	N/A, some aid projects may have some effect that is taken away by ineffective aid provision
Askarov (2)	QoG			0/-	Young democracies: Lag in abolishment of corruption, insufficient checks and balances, lack of transparency, lack of anti-rent-seeking measures
Svensson			Seizure of power, manipulations of bureaucrats, redistribution skew	(-)	Increase in government revenues may lower provision of public goods, increase rent dissipation,
Knack (2001)	QoG			-	Retarding the development of a healthy civil society, reducing tax dependence, facilitating patronage and rent-seeking
Djankov, Montalvo, Reynal-Querol			Party competitiveness	-	N/A

Appendix 2

	Procedure	Content	Results	QoD
Aid/GDP (%)	0,116* (0,067)	-0,367** (0,175)	-0,272*** (0,050)	-0,215 (0,139)
GDP/capita	0,015*** (0,001)	0,016*** (0,003)	0,012*** (0,001)	0,023*** (0,002)
Colonial past	0,171*** (0,033)	0,144*** (0,040)	0,116*** (0,020)	0,254*** (0,029)
Ethnic fractionalization	0,108*** (0,026)	0,162*** (0,036)	-0,001 (0,020)	0,117*** (0,032)
Oil netexport	-0,057** (0,027)	-0,202*** (0,029)	-0,115*** (0,019)	-0,178*** (0,036)
Social unrest	0,082*** (0,007)	0,137*** (0,011)	0,071*** (0,005)	0,122*** (0,010)
<i>Eastern Europe</i>	0,253*** (0,037)	0,103* (0,057)	-0,047** (0,022)	0,256*** (0,051)
<i>Latin America</i>	0,081*** (0,012)	-0,096*** (0,036)	-0,145*** (0,030)	0,004 (0,039)
<i>North Africa & the Middle East</i>	0,400*** (0,042)	-0,111* (0,066)	-	0,211*** (0,054)
<i>Sub-Saharan Africa</i>	-0,032* (0,018)	-	-0,174*** (0,033)	-
<i>Western Europe and North America</i>	-	-	-	-
<i>East Asia</i>	0,237*** (0,039)	0,283*** (0,058)	-0,057** (0,026)	0,326*** (0,053)
<i>South-East Asia</i>	0,194*** (0,025)	0,046 (0,040)	-0,076*** (0,024)	0,155*** (0,045)
<i>South Asia</i>	0,261*** (0,029)	-0,030 (0,049)	-0,107*** (0,029)	0,149*** (0,045)
<i>The Pacific</i>	-	-	-	-
<i>The Caribbean</i>	-	0,031 (0,037)	-0,124*** (0,035)	0,075* (0,041)
R²	0,641	0,745	0,791	0,820
N	475	323	407	239

***=p<0,01, **=p<0,05, *=p<0,1

N = number of observations, R²= the percentage of variation in y that can be explained by x.