Foreign Aid Allocation Tactics and Democratic Change in Africa

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Over the past two decades, donors increasingly link foreign aid to democracy objectives in Africa. This study investigates whether and how foreign aid influences specific outcomes associated with democratic transition and consolidation. Using an instrumental variables approach for the period from 1989 to 2008, we show that economic aid increases the likelihood of transition to multiparty politics, while democracy aid furthers democratic consolidation by reducing the incidence of multiparty failure and electoral misconduct. However, we find little evidence that either economic or democracy aid influences opposition support in multiparty elections. These findings have implications for understanding how donors allocate aid and the political consequences of foreign assistance in Africa.

Since the end of the Cold War, a consensus in the international donor community argues that democracy is an integral part of development efforts.[1] Some foreign aid proponents suggest that without aid "the global democratic revolution cannot be sustained" (Diamond 1992, 45). While a normative approach to democracy promotion emphasizes the importance of civil and political rights for human freedom (Sen 1999), the instrumental perspective promotes democratization based on the premise that democratic institutions incentivize governments to increase spending on welfare outcomes (Harding and Stasavage, n.d.; Huber, Mustillo, and Stevens 2008; Stasavage 2005). In the 1990s and 2000s, donors contributed hundreds of billions of dollars of aid worldwide, with the largest proportion flowing to sub-Saharan Africa. Goldsmith (2001) and Dunning (2004) show that foreign aid positively influences democracy in recipient countries, yet neither study explores the causal mechanisms linking aid and democratic change.[2] Our contribution examines possible causal mechanisms by looking at the same region: Africa.

Sub-Saharan African cases are useful for testing arguments linking aid to democracy because in the past two decades most countries in the region adopted multiparty politics. This not only marked a shift in power in many countries but also provides much of the evidence for the global wave of democratic transitions since the end of the Cold War. From 1989 to 2008, roughly half of all democratic transitions in the world occurred in sub-Saharan Africa; and countries with a variety of autocratic regimes—including personalist rule, military dictatorships, and one-party states—experienced transitions.[3] However, the shift to multiparty politics did not lead to a wave of consolidated democracies (Cheeseman 2011; Posner and Young 2007). Indeed, in the 20 years to 2008 incumbent leaders left power only eight times after losing elections under established multiparty regimes.[4] Thus for many countries in the region, the

2. Other research suggests that aid has pernicious effects on democratic development (Brautigum and Knack 2004; Bueno de Mesquita and Smith 2009; Djankov and Reynal-Querol 2008).

3. Data from Cheibub, Gandhi, and Vreeland (2010) show that 24 of 47 transitions to democracy took place in sub-Saharan.

4. These are: Benin 2001, Cape Verde 2001, Ghana 2000, Guinea-Bissau 2000, Kenya 2002, Madagascar 1996, Mali 2002, and Senegal 2000.

introduction of multiparty politics did not lead to strong democratic institutions. This variation in posttransition democracies spurred a vibrant debate about the determinants of democratic survival and consolidation. This article examines how external assistance influences transition to and consolidation of democracy and in doing so employs multiple measures to capture distinct aspects of consolidation.

We examine two mechanisms through which aid might influence democracy in recipient countries: (1) donors attaching political reform conditions to economic aid and (2) donors directly investing in democracy promotion through activities aimed at strengthening governance institutions and civil society. These mechanisms focus on different categories of aid—economic aid and democracy assistance—and have implications for distinct political outcomes. For example, donor pressure to hold elections may be more likely to push a transition to multiparty regimes but may not influence electoral support for the opposition or electoral misconduct. Investing in civil society organizations, in contrast, is unlikely to operate through economic aid but has implications for whether democracy assistance improves electoral support for opposition parties.

To date, however, most research on foreign aid and political development tests how aid influences broad indices of democracy from sources such as the Polity index or Freedom House. While useful for many purposes, these measures are unable to distinguish particular aspects of democratic transition and consolidation. Further, only a handful of studies look at how the political effect of economic and democracy aid may differ. In this article, we unpack the hypothesized mechanisms linking aid to democracy by examining multiple dimensions of democratic political change—including transitions to and from multipartyism as well as electoral misconduct and electoral support for the opposition—and test how different broad categories of aid influence these outcomes.

We show that donors pursue a strategy of incumbent-led democracy promotion in Africa when dealing with dictators *and* democrats. While donors use aid to propel top-down democratic reforms both prior to and after transitions to multiparty regimes, they do so by pursuing different tactics. When dealing with dictators, donors employ economic development assistance to buy political reform that is largely procedural in nature, such as legalizing opposition parties and holding multiparty elections. While these reforms are sufficient for "formal" transitions to multiparty regimes, they may not necessarily alter the balance of power between the incumbent and opposition groups. Nor do such reforms necessarily require elites to change their political practices. This makes transitions relatively cheap for many dictators.

Donors dealing with democrats in posttransition contexts influence democratic development through targeted investment in democracy-related activities rather than via conditionality attached to economic aid. Further, we show that donors are most successful at influencing democratic consolidation outcomes by investing in governance but find little evidence that democracy aid targeting civil society organizations influences election outcomes or incumbent electoral behavior.

Our findings have implications for democracy promotion and international actors who attempt to influence the process of democratic transition and consolidation. By shedding light on the causal pathways through which foreign aid changes political outcomes in recipient countries, we show both the areas where foreign actors can promote democratic outcomes and the limits of such strategies. We find that while economic aid can buy relatively cheap multiparty transitions, democracy aid can help consolidate multiparty regimes but rarely influences the political balance between incumbents and the opposition in these countries. Our findings illustrate the value of differentiating aid categories and precisely measuring the political outcomes that most closely match the causal story. An emerging literature links foreign aid to many important outcomes such as civil conflict, terrorism, and human rights (Nielsen et al. 2011; Savun and Tirone 2012). Future research in these areas will benefit from examining different categories of foreign aid to pinpoint the mechanisms at work.

FOREIGN AID AND DEMOCRACY

Studies linking aid to democracy provide a mixed picture. Some argue that donors leverage their economic power by attaching political reform conditions to aid packages. Using conditionality to "buy reform" requires that donors can credibly withdraw or redirect aid when recipient government do not comply (Burnell 1997; Dunning 2004). This mechanism is often associated with transitions to multiparty politics, particularly in the 1990s. For example, Resnick (2013) highlights the crucial role of donor leverage in Malawi's first multiparty election in 1993; and Handley argues that donor pressure motivated Ghana's President, Jerry Rawlings, to "consider liberalization of the political regime and a return to constitutionalism"(2008, 3–4). Citing this leverage mechanism, some find a link between aid and democratic transitions only during the post-Cold War period when donors' threat of aid withdrawal was most credible (Bermeo 2011; Dunning 2004; Wright 2009).

Others posit that democracy assistance influences democracy through a direct investment channel, targeting either incumbent governments (by focusing on budgeting

procedures, bureaucratic competence, and judicial and legislative independence) or democratizing agents in civil society (by focusing on particular organizations that typically stand outside the recipient government). Citing the investment mechanism, some studies find that democracy assistance increases the level of democracy, as measured by broad democracy indicators (Finkel, Pérez-Lián, and Seligson 2007; Scott and Steele 2011). Bush (N.d.) explores the nature of civil society assistance and finds that, over time, democracy promotion has become more "tame" as international NGOs increasingly select more regime-compatible projects to guarantee future funding.

We contribute to this debate by presenting an argument that differentiates between mechanisms of democracy promotion (economic and democracy aid) and distinct delivery channels of democracy assistance (donor-to-government and donor-to-civil society). We specify when aid contributes to democratic outcomes and in doing so explain why donors successfully promote horizontal accountability but have fallen short in improving vertical accountability.

DONOR TACTICS AND DEMOCRACY PROMOTION

Transitions to multiparty politics and democratic consolidation represent different stages of democratic development, which trigger different donor tactics. Multiparty transitions require incumbents to focus on a targeted event—elections with opposition parties—while consolidation requires more complex political changes. In the 1990s, donor demands for elections and minimal procedural reforms converged around Election Day. For example, Brown (2011) provides evidence from interviews with donors working in countries as diverse as Rwanda, Kenya, and Malawi that aid recipients heard a consistent reform message emphasizing multiparty elections; while Crawford (2001) notes that donor coordination was crucial for leveraging multiparty elections across the continent.

After transitions, however, there is less donor consensus on the specific goals of democracy promotion. Not all donors agree on how to advance democratic consolidation, especially when donors face trade-offs among consolidation, development, and stability in recipient countries (Brown 2011). While the pursuit of each of these policy goals may be desirable, they are not always compatible. Since the mid-1990s, donor governments have emphasized improving service delivery and development, as is evident in the Millennium Development Goals. Donors fear that withholding foreign aid in response to lackluster progress in democratic consolidation may lead to far worse outcomes, such as instability and conflict (Resnick 2013). What is more, key principles of the international aid architecture, such

as country-ownership, create donor ambivalence about criticizing recipients' commitment to democratic consolidation.

In light of these tensions, donors should be less forceful in promoting democratic consolidation efforts than transitions to multipartyism. Instead of relying on threats to withdraw economic assistance, as was often the case prior to multiparty transitions, donors increasingly pursue more targeted tactics by earmarking aid for specific democracy promotion activities. The top panel of Figure 1 shows that while economic aid to sub-Saharan African countries dipped in the 1990s, democracy aid increased throughout the past two decades with largest bump after 1998.

Further, once countries transitioned to multiparty regimes, donors substantially increased democracy aid—both to the government and to civil society groups—with no corresponding economic aid dividend. The left panel of Figure 1b shows that democracy aid increased by nearly 20% in the three years after a multiparty transition relative to the pretransition period. The right panel shows that the collapse of multiparty regimes also yields large increases in democracy assistance. Economic aid, on the other hand, remains at very similar levels pre- and posttransition but drops considerably once a multiparty regime collapses.

When dealing with dictators prior to multiparty transitions, donors prioritize economic development assistance as a tool to extract political reform concessions. The political conditions attached to economic aid are often relatively minimal in scope and procedural in nature, consisting of items such as introducing executive term limits, legalizing opposition parties, and holding elections. While such reforms are often sufficient for "formal" transitions to democracy, they may not necessarily alter the political balance in the country in significant ways or require elites to change their political practices. For instance, Tanzania's shift to multipartyism in the 1990s represented a formal break from the past. Yet, the incumbent Chama Chama Mapinduzi (CCM) managed the transition and posttransition environments to its advantage, resulting in uninterrupted dominance over opposition parties (Tripp 2012). During the transition to democracy in Ghana, the ruling National Democratic Congress (NDC) stacked transition bodies with pro-NDC members and kept the election timetable "closely guarded," while the opposition dismissed the introduction of multiparty politics as "transitions without change" (Gyimah-Boadi and Yakah 2013, 1–2). In both cases, donors primarily focused their demands on the holding of elections. Even though the advent of multipartyism may not substantially alter politics in aid recipient countries, as these case illustrations suggest, there is nonetheless a clear

(a) Foreign Aid Trends over Time

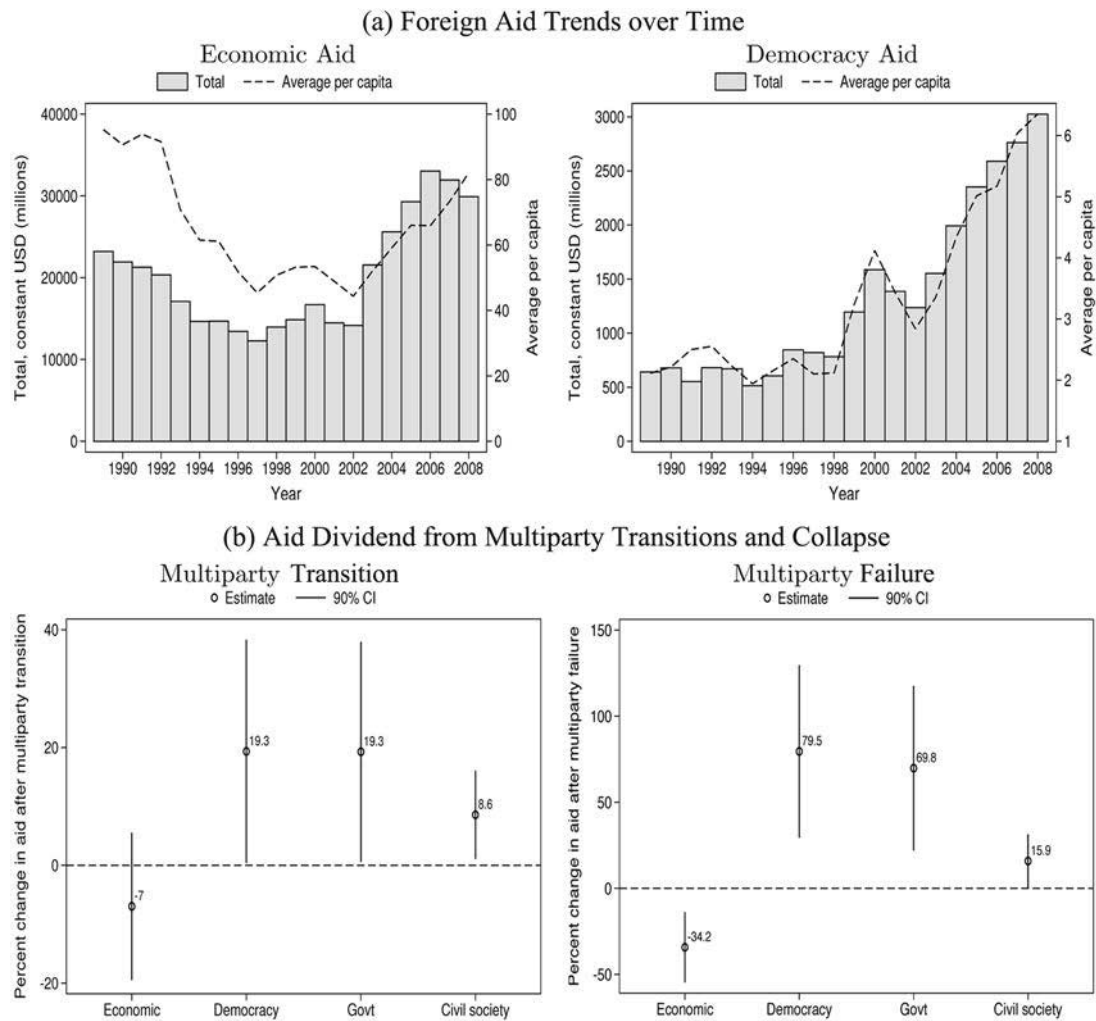## (b) Aid Dividend from Multiparty Transitions and Collapse

Figure 1. Foreign aid in sub-Saharan Africa. The Top panel shows economic aid and democracy and governance aid (DGA). Total is constant USD in millions. Per capita is constant USD averaged across 48 countries. Two-year moving average (t, t-1). Bottom panel shows the percent change in aid in the three years after multiparty transition (failure) relative to three years prior to transition (failure). Each panel shows the average change for economic aid, democracy aid, and two categories of democracy aid (civil society and government). Estimates in bottom panel obtained from a country fixed-effects regression with controls for civil war, 1989–2008. *Sources*: AidData.org and authors' calculation.

empirical expectation that follows from the leverage argument: *economic aid should increase the likelihood of multiparty transitions in recipient countries*.

Once countries transition to multiparty regimes, democracy promotion initiatives aim to consolidate democratic rule by strengthening both horizontal and vertical accountability. Donor investments in judicial independence, legislative effectiveness, and anticorruption commissions, for example, may check abuses by government officials, while donor aid targeting civil society groups and political party development may improve vertical accountability. In a post-transition context, donors are more apt to focus on influencing democracy through targeted investment in horizontal accountability. These investments emphasize strengthening

state capacity, which is direclty compatible with economic development goals.

Further, whereas the leverage argument focuses on the relationship between donors and recipient governments, investments in democracy aid target two types of actors in recipient countries: the incumbent government and civil society groups, with the latter sometimes including opposition political parties. The strategies donors choose in attempts to influence recipient country politics have implications for how and to whom donors deliver aid. For example, Dietrich shows that donors increasingly bypass the government and give aid directly to nonstate actors in poorly governed countries to prevent the capture of aid through corrupt officials or inefficient state institutions

Dietrich (2013, n.d.). Further, by strategically targeting sectors where recipient compliance with aid project goals is relatively easy, donors can provide recipient governments with a stronger incentive to comply and thereby improve aid effectiveness Dietrich (2011).

Who receives democracy aid, in turn, has implications for its political consequences. Democracy aid projects aimed at increasing state capacity target recipient governments and may therefore increase incumbent strength. For example, an aid project such as Canada's $17 million investment in Mali's Justice Development Project in 2010 attempts to strengthen the credibility, effectiveness, and accessibility of the national justice system to citizens. The recipient government—in this case the Ministry of Justice—was the direct recipient of democracy aid and implemented the program. Democracy aid that targets recipient governments may strengthen the incumbent regime by improving state capacity in predictable ways and thus increasing the regime's legitimacy vis-à-vis citizens. A case study of donor involvement in Mali by Van de Walle (2013) highlights this point and goes even further by suggesting that the focus of aid resources on the central governments provided a clear incumbency advantage vis-à-vis civil society and political parties. Evidence from Malawi (Resnick 2013) and Zambia (Rakner 2013) suggests a similar dynamic where donors contributed to improving electoral management and electoral fairness, but executive dominance remained largely unchallenged. Recipient governments therefore have an incentive to implement democracy aid projects, but only when donor goals such as improving state capacity or service delivery do not threaten the ability of the incumbent to retain power.

In contrast, aid efforts that directly target civil society and opposition forces largely bypass the incumbent regime.[5] These projects should strengthen opposition groups and thus weaken incumbent leaders. For instance, Denmark's $4 million support for grass-roots mobilization efforts in Karamoja, Uganda bypassed the incumbent government entirely and instead was implemented by a local nongovernmental organization, Uganda Action for Social Change. By providing organizational and material resources to opposition groups, this bottom-up democracy aid can help level the playing field between incumbents and the opposition. Case study evidence from Benin (Gazibo 2013) and Ghana (Gyimah-Boadi and Yakah 2013) show that donor funding of civil society and opposition groups can significantly bolster nonstate actors' capacity to increase voter-turn out thus

directly affecting the electoral playing field in a series of successive, competitive elections. In these types of democracy-promotion projects, donors select either the government or groups outside the government as primary recipients of aid. This selection, in turn, has implications for both the causal mechanism linking aid to democratic consolidation outcomes and the direction of the expected relationship: *democracy aid to the government strengthens the incumbent while democracy aid to civil society weakens incumbent power.*

Further, some outcomes associated with democratic consolidation, such as the duration of multiparty regimes, do not necessarily threaten the incumbent's hold on power, as the Tanzanian case illustrates. In contrast, other outcomes, such as stronger electoral support for the opposition, directly threaten government survival. Standard measures of democracy derived from Polity or Freedom House, however, cannot distinguish between these. We therefore use measures of democratic consolidation that may entail both threats to incumbents and those that do not. This discussion suggests three expectations:

- Transition Hypothesis: Economic aid increases the likelihood of multiparty transition
- Consolidation Hypothesis (a): Democracy aid to recipient governments furthers democratic consolidation that does *not* threaten incumbents
- Consolidation Hypothesis (b): Democracy aid to civil society furthers democratic consolidation that may threaten incumbents.

RESEARCH DESIGN
Democratic Transition and Consolidation

We define *multipartyism* as the existence of an opposition party in an elected legislature. Minimally, this entails universal suffrage,[6] an elected legislature, legal opposition parties, and at least one party outside the regime front with seats in the legislature. This definition of multipartyism excludes regimes that allowed opposition parties but never held an election to place them in a legislature (e.g., the former Zaire from 1992 to 1997). It also says nothing about electoral fairness or civil liberties, and thus groups together countries with relatively nonviolent and free elections (e.g., Botswana 1999 and 2004) with countries which sometimes have unfair and violent multiparty elections (e.g., Kenya 1997 and 2007).

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5. In some contexts, however, incumbent governments may infiltrate NGOs.

6. The suffrage rule allows the start of multiparty politics in South Africa (1994) and Zimbabwe (1980) after the end of restricted suffrage rule.

While multipartyism may be a minimal condition for democracy (Cheibub, Gandhi, and Vreeland 2010), two features of multiparty transitions are relevant for assessing the influence of foreign aid. First, donors can relatively cheaply and objectively identify whether multiple parties compete for and hold positions in an elected legislative body. Second, the introduction of multipartyism need not pose a direct threat to the incumbent regime. We examine how democracy assistance and economic aid influence the advent of 49 multiparty transitions between 1989 and 2008.

Our second measure is the breakdown of a multiparty system. After a country has transitioned to a multiparty regime, it then becomes at risk of reversal. We define *multipartyism failure* as any one of the following occurring: (1) government change via a coup or replacement of a leader/party during a civil conflict;[7] (2) institutional change that excludes the opposition, such that opposition parties are illegal or no party outside the regime front is seated in the legislature; or (3) opposition withdrawal so that there is no party outside the regime front seated in the legislature.

The March 2003 coup in the Central African Republic, in which the former Army Chief of Staff—François Bozizé—ousted Félix Patassé, is an example of (1). After the coup, Bozizé suspended the constitution and abolished the legislature. Charles Taylor's government in Liberia banned all opposition parties in April 2002, marking the end of multipartyism (2). He had won the prior election (1997) by a large margin while the opposition UP (Johnson-Sirleaf's party) secured only seven seats, marking the start of multipartyism. The next scheduled election (2003) never took place. Finally, all the main opposition parties in Comoros, 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. This election boycott ended multipartyism (2).[8]

While transitions to and from multipartyism are central to understanding democratic consolidation, neither capture an essential feature of democratic politics: incumbent leaders or parties losing power in elections. Even though the introduction of multiparty politics in the 1990s entailed dislodging many longtime rulers, newly elected leaders only rarely lost at the ballot box, with only eight such instances

in the two decades from 1989 to 2008. With so few data points, it is difficult to directly test how aid influences the prospects of incumbent turnover during this period.

To capture other aspects of democratic consolidation, we use measures of electoral misconduct and opposition vote-share. Electoral misconduct gauges observed incumbent behavior during election years, using an indicator constructed from variables in the NELDA data set: opposition harassment, preventing opposition parties from participating, and violence during elections periods (Hyde and Marinov 2012). We treat unclear cases as "no evidence" of misconduct. This codes 30% of election years with violence; incumbents prevented opposition participation in 12%; and incumbents harassed the opposition in 29%.[9] The dependent variable is coded 1 if any of these types of misconduct occur during an election year; and 0 otherwise. We examine 170 multiparty election years from 1989 to 2008 in 40 countries; 47% are coded as misconduct.

While we do not directly test how aid influences electoral turnover under multipartyism, this outcome requires that opposition parties become more competitive in elections vis-à-vis the incumbent. We therefore examine electoral support for opposition parties. If democracy assistance provides resources for democratizing agents to mobilize support for political parties and increase voter turnout,[10] then we should find evidence linking this category of aid to electoral support for opposition candidates and parties. One criticism foreign leaders level at donors—particularly US democracy assistance programs—points to the possibility that democracy aid hurts incumbents by mobilizing political opponents. In Russia and Venezuela, for example, incumbent leaders accused donors of directly funding opposition parties (Cole 2007; Herszenhorn and Barry 2012). Alternatively, aid critics often argue that economic aid helps rulers remain in power by providing non-tax revenues with which they can buy acquiescence if not outright support. This latter argument implies that aid should bolster electoral support for incumbents.

We measure opposition electoral support as the percentage vote for the largest opposition party (or candidate) as a share of the two-party vote: $\frac{O}{O+I}$, where O is the vote share for the largest opposition party, and I is the vote share for the incumbent. This operationalization circumvents issues related to electoral rules and the fragmentation of party systems by focusing on a continuous measure of how close

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

8. Table A1 lists the multiparty sample; Table A2 lists the multiparty transition and failure events.

9. Some election years were marred by more than one type of misconduct.

10. NGOs may aid protesters when electoral institutions perform poorly (Boulding 2010).

the largest opposition party is to defeating the incumbent at the polls. We concentrate on first-round executive elections *after* a transition to multiparty politics because these contests pit the incumbent party against opposition candidates.[11]

Foreign Aid

We use foreign aid commitment data from AidData 2.0. We aggregate aid commitments at the recipient country-year level and distinguish between economic aid and democracy aid sectors. Economic aid subsumes several sectors, including social, democracy, economic infrastructure and services, domestic production, environment, commodity aid, debt relief, budget support, and emergency relief. Democracy assistance has different purposes and distinct delivery modalities. For instance, democracy and governance aid (DGA) includes projects that directly target policy planning in areas such as fiscal and monetary policy, institutional capacity building, and structural reform. DGA also finances tax assessment procedures, legal and judicial development, and constitutional development. Donors use DGA to support government administration by helping finance civil service reform and government infrastructure. In addition to financing governance-related activities, DGA also flows to non-state-development actors including civil society groups and political parties to support community participation, strengthen political accountability, and development.[12]

The top panel of Figure 1 shows that OECD economic aid to sub-Saharan Africa declined in the 1990s but increased in the 2000s, returning to levels that outpaced aid flows at the end of the Cold War. While donors give aid for a variety of reasons, the distribution of aid across different sectors reflects the relative priority donors attach to them. In the past two decades, donors have substantially increased aid earmarked for democracy promotion; and by 2008, we observe a fivefold increase in democracy assistance to Africa. The left panel of Figure 2 shows that the majority of DGA to Africa is direct investment in strengthening state institutions: while DGA rises from 3% of total aid in 1990 to over 10% in 2008, only a small fraction of democracy promotion activities targets civil society groups. Further, the right panel of Figure 2 shows that the US share of total DGA—which is the focus of studies such as Finkel, Pérez-Lián, and Seligson (2007) and Scott and Steele (2011)—remains only a small part of democracy assistance from all donors, particularly after 2000.

We leverage this disaggregated project-level information on aid-delivery channels to buttress the microfoundations of our argument: donors pursue different goals of democracy promotion by relying on government-led delivery mechanisms. We measure aid as the logged value of the lagged three-year moving average of aid per capita.[13] The time series for smaller categories of aid, such as democracy and governance aid, show large variation from year to year, so a moving average smooths these trends to better capture inflows over the prior period.

Empirical Approach

We test the influence of aid at two stages of democratic development: transition and consolidation. The first examines transitions to multiparty regimes; the sample contains 49 transitions in 44 sub-Saharan African countries. The second examines how aid influences the persistence of multiparty regimes in 44 countries, 16 of which fail. Subsequently, we also examine the effect of aid on two additional measures of consolidation: electoral misconduct and opposition vote share. For the analysis of transitions to and the persistence of multiparty regimes, we adopt a survival approach that accounts for time dependence in the data and include a cubic polynomial of regime duration (Carter and Signorino 2010).[14] The control variables are: GDP per capita (log), population (log), and an indicator variable for civil war in the past two years.[15] While GDP per capita and

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11. We examine 84 elections in 34 countries (listed in Table A4 of the online appendix), a smaller number than in the last section because the former included legislative elections and first multiparty elections. When there are no direct elections for President, we include parliamentary elections. We exclude elections where the second round was never held (e.g., Angola 1992); where the results were annulled (e.g., Nigeria 1993); and where no incumbent contests (e.g., Liberia 2005). Table B4 of the online appendix shows that results are similar if we employ the *total* opposition vote share (instead of largest opposition vote as share of two-party vote) as the dependent variable.

12. The data groups all nonstate actors, including NGOs and political parties, in the same category. Table A5 lists the distinct purposes for democracy and governance aid as coded by AidData (2010).

13. Aid is: $ln\,((A_{t-1} + A_{t-2} + A_{t-3})/3)$ where A is constant dollar aid commitments per capita.

14. The duration variables are correlated with the number of prior elections; thus we account for the possibility that repeated holding of elections promotes democratic norms (Lindberg 2006).

15. Economic and population data are from the Penn World Tables (version 7.0) and data for civil war is from Gleditsch 2002. In the appendix, we examine the robustness of these results with additional control variables, such as economic growth, participation in an IMF adjustment program, oil rents, and ethnic fractionalization.
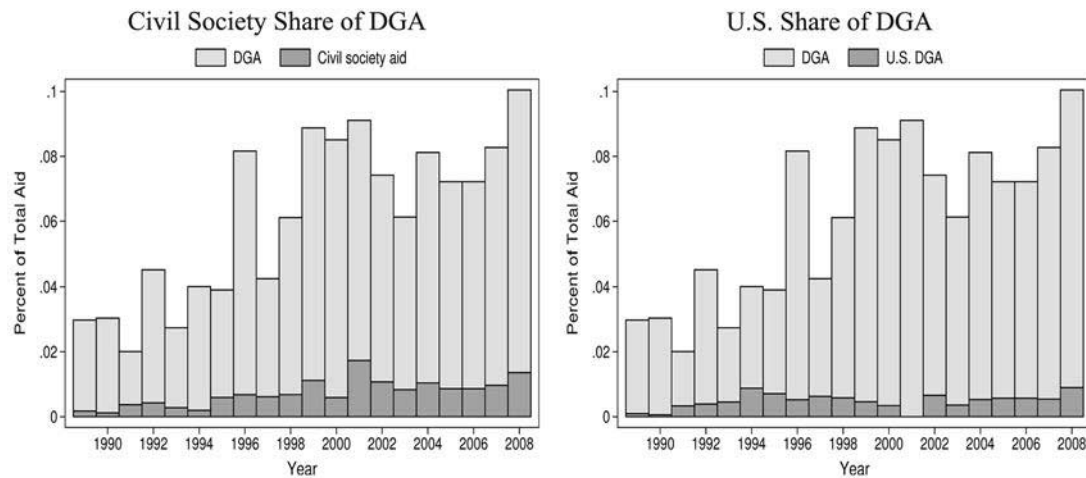
Figure 2. Democracy and Governance Aid (DGA), share of Total Aid by year. Left panel: large bars depict $\frac{DGA}{AllAid}$; small, darker bars depict $\frac{CivilSocietyAid}{TotalDGA}$. Right panel: large bars depict $\frac{DGA}{AllAid}$; small, darker bars depict $\frac{U.S.DGA}{TotalDGA}$. Two-year (t, t-1) moving average of yearly shares in constant dollars. *Sources*: AidData.org, WDI (2010), and authors' calculation.

population are standard controls in models of aid and political outcomes, civil war in recipient countries can cause donors to reduce aid, particularly democracy assistance, and aid often increases substantially after civil wars end. Further, conflict may directly cause political leaders to lose power because many multiparty failure events occur when rebels oust the incumbent.

To address the possibility that donors give more aid to recipient countries they expect to be more democratic, we first examine "placebo" tests to examine whether there is evidence of a reverse causal pathway, from political change to aid disbursement. The left panel of Figure 1b shows that on average OECD donors reward multiparty transitions with more democracy aid but not with more economic aid. This suggests that a naive estimate of the influence of democracy aid on transitions may be biased upwards, but this would not necessarily be the case for economic aid. The right panel shows that donors both cut economic assistance and increase democracy aid after a multiparty failure event. These tests suggest the possibility that, even though we use a three-year lagged moving average for aid, naive estimates may be upwardly biased estimates from reverse causation, particularly for democracy aid.

Addressing endogeneity through exogenous and model-based instruments. Our identification strategy is threefold. First, we employ instruments that exploit information from donor countries to capture the exogenous flows of aid to recipient countries. Second, we probe the exclusion restriction by (1) testing for alternative channels through which aid may affect democratic change in aid-receiving and (2) re-

laxing the exogeneity assumption to assess how doing so influences the estimates of interest. Third, we employ "internal" model-based instruments to identify the endogenous regressor through first-stage heteroskedasticity following Lewbel (2012).

We construct the exogenous instrument by leveraging information on two donor country characteristics—domestic inflation and the share of women in parliament—which correlate with aid flows but are unlikely to directly influence political outcomes in recipient countries. For example, inflation is associated with higher government spending, which also influences aid spending; and women in parliament is likely to be correlated with aid because as women increase their representation, aid policy often becomes more oriented toward social equality. Recent studies find that female legislators are more likely to support nonmilitary aid as well as social equity in foreign economic policy (Breuning 2001). These theoretical considerations do not offer clear-cut expectations about how these factors relate to different types of aid, so we select instruments based on how strongly they correlate with different types of aid to identify the most parsimonious model.

While it is impossible to establish statistical exogeneity, we begin by assuming that these factors shape budgetary decisions in donor countries, including the allocation of aid, but do not directly influence political change in recipient countries. Next, we probe the exclusion restriction by testing the association between the excluded instruments and alternative channels of influence; as well as by relaxing this exclusion restriction and treating the instruments as "plausibly exogenous."

Data on donor inflation (*Inflation*) is from the WDI (2010) and data on female legislators (or women in parliament, *WiP*) is from the Inter-Parliamentary Union (2012). To construct the excluded instruments, we weight the donor characteristic *Z* (either *Inflation* or *WiP*) by the distance between donor and recipient country.[16] We then sum across all donors for each recipient in each year. Because donors vary by recipient and donor characteristics change over time, the excluded instruments vary across both time and recipient country.

Probing the exclusion restriction. An additional concern arises because the factors we identify as statistically related to aid (*Z*) but causally *unrelated* to political change in recipient countries may still be correlated with alternative channels that influence the outcome variables. The existence of such variables means the exclusion restriction may be violated. Our approach to probing the exclusion restriction has two components.

We first show that the excluded instruments are generally uncorrelated with alternative channels through which they might influence the outcome variables. Figure C-3 in the online appendix provides the partial correlation plots for each of the excluded outside instruments, *Inflation* and *WiP*, and an array of potential confounders that represent different areas of foreign policy: trade; membership in international government organizations; partnerships with international nongovernmental organizations abroad; the stock of recipient-country migrants in donor countries; and security alliances between donor and recipient countries.[17] If the outside instruments are correlated with these factors, which might be causally related to the outcome variable, then the exclusion assumption is weaker. The partial correlation plots demonstrate that, with the exception of membership in international organizations (*WiP*) and migrant stock (*Inflation*), there is little empirical connection between the outside instruments and these alternative channels. Appendix B also shows that the reported results are robust to including these variables as controls.

We then relax the exogeneity assumption to assess how doing so influences the estimate of interest. In the spirit of treating the outside instruments as "plausibly exogenous," we show that even if these variables (*Z*) are weakly related to the outcome, inference from the reported tests is still valid. We employ a conservative approach, which Conley,

Hansen, and Rossi (2012) call the "unified confidence interval," that allows *Z* to be correlated (to some extent) with the errors in the outcome equation. As the assumed partial correlation between *Z* and the outcome varies, the estimate for *Economic aid* is still valid for the widest plausible range of this correlation. The estimate for *Democracy aid* is valid for a smaller range of this correlation, implying that the exogeneity assumption about the outside instrument (*WiP*) must be stronger for valid inference.[18]

Because it is difficult to find appropriate instruments that satisfy the exclusion restriction, we complement the "outside" instruments with information from "internal" instruments using an approach that exploits the fact that covariance between the "first-stage" errors and the exogenous variables (*X*) is not necessarily zero but rather heteroskedastic Lewbel (2012, 67).[19] Consider the following two-equation model:

$$Y_1 = \beta_1 X + \gamma_1 Aid + \epsilon_1,$$
$$Aid = \beta_2 X + \gamma_2 Z + \epsilon_2.$$

The main outcome variable of interest (Y_1) is a function of covariates (*X*) and *Aid*, which is endogenous (mismeasured). If *Z* is correlated with aid but unrelated to Y_1, then *Z* may be used as an "outside" excluded instrument to generate predicted values of *Aid*. If, however, the $cov(X, \epsilon_2^2) \neq 0$, the "first stage" residuals can be exploited as an "inside" excluded instrument. Because the heteroskedasticity arises from the "first stage," this does not threaten inference about Y_1. The construction of an "internal" excluded instrument is the following: (1) calculate the residual from a "first-stage" regression ($\epsilon_{i,t}$); (2) calculate the in-sample deviation from the mean for each independent variable in the first-stage regression ($X_{i,t} - \mu_X$); and finally (3) multiply the two: $I = \epsilon_{i,t} \times (X_{i,t} - \mu_X)$. We choose *Z* based on maximizing the "first-stage" explanatory power and employ *I* for each of the variables in *X* (GDP pc, Population, and duration polynomials)

What is more, by employing "Lewbel" instruments, which are constructed to be orthogonal to the outcome error process, we can use standard diagnostic tests to assess the extent to which the excluded "outside" instruments (*Z*) are orthogonal to the outcome errors. For each specification, we report the *p*-value of the C-statistic, which under the null indicates whether the suspect instruments are valid.

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16. We thank an anonymous reviewer for this suggestion. Appendix C lists details about how the instruments were constructed.

17. Appendix C lists details about the data sources of the alternative channel measures.

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18. Appendix C includes a detailed description of our "plausibly exogenous" approach. Figure C3 reports the relevant coefficient estimates.

19. See Appendix C for discussion of this method in our application and Finkel, Pérez-Lián, and Seligson (2007) for a similar application in the aid literature. Table C1 in the online appendix reports Breusch-Pagan tests for the presence of heteroskedasticity in the first-stage equations.

Thus *p*-values larger than conventional cut-points (e.g., 0.10) indicate the exclusion restriction is satisfied. We find no evidence that, conditional on the assumption that the Lewbel instruments are valid, the outside instruments are correlated with the outcome errors.

RESULTS

Table 1 reports tests for transitions to multiparty rule. The first three columns examine economic aid. Column 1 reports the ordinary least squares (OLS) estimate while column 2 reports the IV estimate; *Economic aid* is positive and significant in both. The third column reports an IV probit model to ensure that the result does not depend on the linear link function. In the first stage, *Inflation* is positively correlated with economic aid, as expected. The F-statistic for the excluded instruments exceeds the 5% threshold for the Stock and Yogo (2005) weak ID test, indicating an excluded instrument set that is strongly correlated with economic aid. Further, the C-statistic indicates that *Inflation* meets the exclusion restriction, conditional on the assumption that the other excluded instruments are valid.

The IV estimate for *Economic aid* is larger than the OLS estimate. This difference would be consistent with donors providing aid to countries that are *less* likely to transition to electoral multipartyism, especially in the late 1980s and early 1990s. For example, in June 1989, US President Bush welcomed Zairian President Mobutu as the first visiting African head of State during his presidency, declaring him a close friend and staunch ally who deserved substantial financial support. By 1993, however, after the Clinton administration cut aid to Zaire, Mobutu declared "I am the latest victim of the cold war, no longer needed by the U.S." (Zagorin 1993). One way to gain leverage on this conjecture is to exclude the first years of the sample to see if the coefficients converge. Indeed, when we exclude the first four years of the sample (with lagged aid measured from 1986 to 1991) the respective linear coefficients are 0.075 (OLS) and 0.089 (IV), while the probit coefficients are 0.302 (probit) and 0.310 (IV-probit).

The next three columns report corresponding models for democracy aid. Consistent with the placebo tests in the bottom left panel of Figure 1b, the estimate for *Democracy aid* is slightly smaller but not statistically significant in the two-stage models. The "Lewbel" instruments in this sample for this measure of aid do not contribute much explanatory power in the first stage (as shown by the relatively small F-statistic for *I* only) because the errors from the first stage equation do not have substantial heteroegeneity.[20]

To test the robustness of the *Economic aid* finding, we estimate specifications that: (1) include additional controls variables; (2) employ only the "Lewbel" instruments and not *Inflation*; (3) add two-way (time period and country) fixed effects; and (4) drop small island countries. Second, we estimated the IV probit model when excluding one country at a time (Figure B1). Third, we estimated "naive" fixed-effects linear probability models with: (1) a quadratic time trend; and (2) country-specific time trends (B3). The result for *Economic aid* remains in each of these tests.

Table 2 presents results for multiparty failure, with a similar set of specifications. Because the dependent variable is multiparty *failure*, a negative coefficient estimate reflects a factor that increases the likelihood of multiparty survival. The estimates for *Economic aid* suggest a null finding; if anything the two-stage estimate indicates that this type of aid increases the chances of multiparty failure (but it is not statistically different from zero). And while the F-statistic is below the standard cut-points for weak ID tests, this results from the fact that the Lewbel instruments add little explanatory power in the first stage (the F-statistic for *I* only is quite low). We obtain a similar negative but insignificant estimate without the "Lewbel" instruments.

Turning to the estimates for *Democracy aid*, we find a consistent negative relationship with multiparty failure. Both with and without the "Lewbel" instruments, the F-statistic is greater than the thresholds indicating a weak instrument. Further, the C-statistic indicates that *WiP* meets the exclusion restriction, conditional on the "Lewbel" instruments being valid.

To test the robustness of the *Democracy aid* finding, we estimate specifications that: (1) include more control variables and no controls beyond duration; (2) employ only the "Lewbel" instruments based on duration time; (3) add two-way (time period and country) fixed effects; and (4) drop small island countries. Second, we estimate the IV probit model when excluding one country at a time (Figure B1). Third, we estimate "naive" fixed-effects linear models with: a quadratic time trend; and country-specific time trends (B3). The result for *Democracy aid* remains.

The top panel of Figure 3 depicts a substantive interpretation of the findings for multipartyism. The left panel of Figure 3a uses the estimates from Table 1, model 3, to simulate the risk of multiparty transition across values of economic aid. In this sample, the outcome of interest occurs in 13% of observation years. Increasing economic aid from the 25th percentile to the 75th percentile is associated with

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20. This causes the F-statistic for all excluded instruments (*Z* and *I*) to decrease. In Appendix C, we report tests of heterogeneity in the first-stage

to explore the extent to which the "Lewbel" instruments boost efficiency. In Table C2, we report a similar null result for *Democracy aid* when using only *WiP* as an excluded instrument, with a large F-statistic.

Table 1. Foreign Aid and Transitions to Multipartyism

	OLS	IV OLS	IV probit	OLS	IV OLS	IV probit
	(1)	(2)	(3)	(4)	(5)	(6)
Economic aid	0.058*	0.108*	0.473*			
	(0.02)	(0.04)	(0.25)			
Democracy aid				0.073*	0.067	0.428
				(0.03)	(0.07)	(0.54)
Log GDP pc	0.002	0.004	0.006	0.001	0.001	0.005
	(0.02)	(0.02)	(0.11)	(0.03)	(0.03)	(0.12)
Log population	0.021	0.041*	0.169	0.010	0.009	0.060
	(0.01)	(0.02)	(0.11)	(0.01)	(0.01)	(0.10)
Civil war	−0.114*	−0.109*	−0.654*	−0.123*	−0.123*	−0.714*
	(0.04)	(0.04)	(0.29)	(0.04)	(0.04)	(0.28)
(Intercept)	−0.135	−0.452	−3.568*	0.085	0.098	−1.568
	(0.25)	(0.31)	(1.71)	(0.22)	(0.24)	(1.44)

	Economic aid		Democracy aid
Inflation	0.161*		
	(0.05)		
WiP			0.042*
			(0.01)
Log GDP pc	0.111		0.025
	(0.10)		(0.06)
Log population	−0.328*		−0.198*
	(0.05)		(0.04)
Civil war	−0.174		−0.022
	(0.13)		(0.14)
I_{GDP}	0.172		−0.072
	(0.15)		(0.16)
I_{pop}	0.182*		−0.096
	(0.10)		(0.10)
I_{civwar}	−0.273		0.206
	(0.33)		(0.33)
I_{d1}	−0.027		0.193*
	(0.09)		(0.09)
I_{d2}	−0.001		−0.009*
	(0.00)		(0.00)
I_{d3}	0		0.000*
	(0.00)		(0.00)
(Intercept)	4.475*		1.268*
	(0.76)		(0.58)
F-statistic (Z)	9.5		19.2
F-statistic (I)	23.4		3.9
F-statistic (Z & I)	22.6		7.2
5% maximal IV relative bias	19.9		19.8
10% maximal IV relative bias	11.3		11.3
p-value (C-statistic)	0.25		0.31

Note—Duration polynomials (3) not reported. F-statistic is the Kleibergen-Paaprk Wald F statistic. N × T = 370 observations in 44 countries from 1989 to 2008. First-stage F-statstic based on 43 degrees of freedom.
* $p < 0.10$.

Table 2. Foreign Aid and Multiparty Failure

	OLS	IV OLS	IV probit	OLS	IV OLS	IV probit
	(1)	(2)	(3)	(4)	(5)	(6)
Economic aid	−0.015	0.043	0.533			
	(0.01)	(0.04)	(0.37)			
Democracy aid				−0.030*	−0.043*	−0.637*
				(0.01)	(0.03)	(0.39)
Log GDP pc	−0.012	−0.012	−0.222*	−0.017*	−0.020*	−0.381*
	(0.01)	(0.01)	(0.12)	(0.01)	(0.01)	(0.18)
Log population	−0.011	0.008	0.096	−0.011*	−0.013*	−0.190*
	(0.01)	(0.01)	(0.15)	(0.01)	(0.01)	(0.10)
Civil war	0.059	0.070	0.588	0.057	0.054	0.471
	(0.06)	(0.06)	(0.40)	(0.06)	(0.06)	(0.41)
(Intercept)	−0.708*	−1.092*	−2.767	−0.692*	−0.642*	3.361*
	(0.14)	(0.26)	(2.75)	(0.11)	(0.15)	(2.03)

	Economic aid	Democracy aid
Inflation	0.276*	
	(0.05)	
WiP		5.556*
		(0.01)
Log GDP pc	0.020	−0.094
	(0.07)	(0.06)
Log population	−0.314*	−0.204*
	(0.04)	(0.04)
Civil war	−0.152	−0.191*
	(0.14)	(0.12)
I_{GDP}	0.137	−0.030
	(0.16)	(0.13)
I_{pop}	0.001	−0.205*
	(0.10)	(0.07)
I_{civwar}	−0.354	−0.248
	(0.62)	(0.56)
I_{d1}	−0.354	−0.114*
	(0.08)	(0.06)
I_{d2}	−0.002	0.007
	(0.01)	(0.00)
I_{d3}	0.000	−0.000
	(0.00)	(0.00)
(Intercept)	5.556*	2.257*
	(0.72)	(0.67)

F-statistic (Z)	28.7	47.7
F-statistic (I)	0.9	3.7
F-statistic (Z & I)	7.6	23.7
5% maximal IV relative bias	19.9	19.8
10% maximal IV relative bias	11.3	11.3
p-value (C-statistic)	0.48	0.73

Note—Duration polynomials (3) not reported. F-statistic is the Kleibergen-Paap Wald F statistic. N × T = 583 observations in 44 countries from 1989 to 2008.
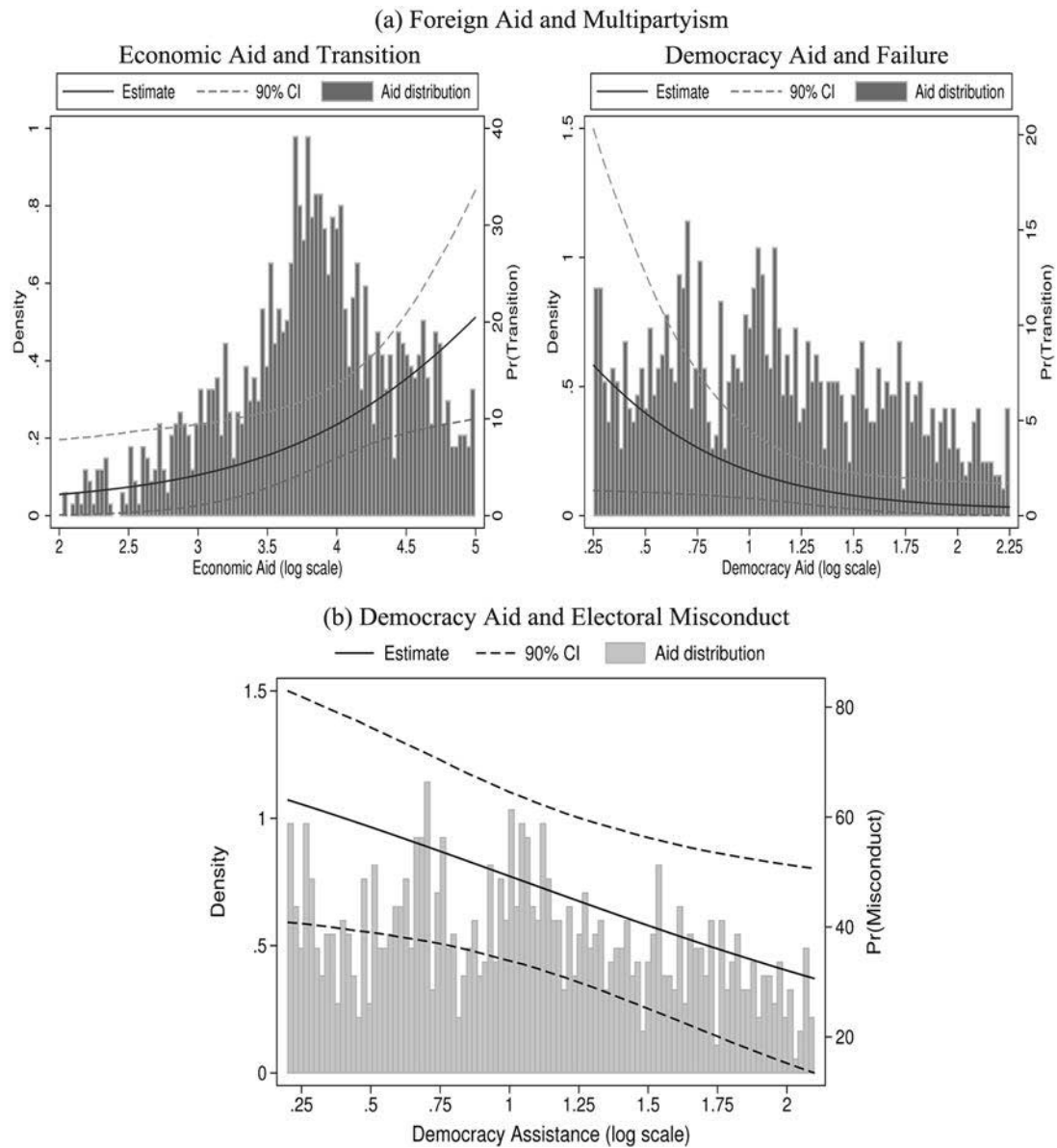* $p < 0.10$.

Figure 3. Foreign aid and democratic consolidation. Top panel shows the substantive effect of foreign aid on *multiparty transition and failure*. Horizontal axes measure aid and vertical axes represent the simulated risk of transition or failure. Shaded histograms are the distribution of aid in the sample. All control variables set at within-sample means or medians. Bottom panel shows substantive relationship between democracy aid and *electoral misconduct*. Years: 1989–2008.

an increase in the simulated transition risk from roughly 6% to 11%. The right panel of Figure 3a shows the simulations for democracy aid and multiparty failure from column 6, Table 2. In this sample, multiparty failure occurs in just over 2% of observations. Increasing democracy aid from the 25th pcentile to the 75th percentile reduces the simulated risk of breakdown by over two-thirds, from 3.5% to 0.8%.[21]

Foreign Aid and African Elections

In this section, we examine how foreign aid influences elections in sub-Saharan Africa. Thus far, we have shown that economic aid increases the chances of transition to multiparty politics but has little influence on the survival of multiparty politics. Democracy assistance, on the other hand, has little influence on the introduction of multiparty

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21. While the simulations indicate that the aid estimates reported in Tables 1 and 2 are substantively important, the simulation estimates should

not be interpreted literally because the absolute size of the estimates reflects the observed incidence of the dependent variable in each of the samples.

politics but helps multipartyism persist. However, this analysis does not capture democratic consolidation outcomes that might threaten the incumbent. One outcome that represents a potential threat to the incumbent's ability to retain power is electoral misconduct. A second outcome, which more directly threatens incumbents in multiparty regimes, is stronger electoral support of opposition parties.

Electoral misconduct. We look first at observed incumbent behavior during multiparty election years, using an indicator of electoral malfeasance by the incumbent constructed from variables in the NELDA data set: opposition harassment, preventing opposition parties from participating, and violence involving civilian deaths (Hyde and Marinov 2012). These concepts capture aspects of electoral misconduct using information from election observer reports. The dependent variable is coded 1 if any of these types of misconduct occur during an election year; and 0 otherwise. Just under one-half of multiparty election years are coded as incumbent misconduct.

The explanatory variables include foreign aid, GDP per capita (log), population (log), IMF program participation, whether election monitors were present, and whether the election was the first multiparty election.[22] IMF program participation and the presence of election monitors may shape aid allocation; and as Hyde and O'Mahony (2010) show, these factors also influence whether the incumbent government attempts to win elections by focusing more on preelectoral fiscal manipulation or direct manipulation such as vote stealing, intimidation, and harassing the opposition. Again we use a two-stage linear probability model and check results with an IV-probit.

The first three columns of Table 3 examine economic aid. While the estimates for *Economic aid* are negative, they are not statistically different from zero; and the IV estimate is lower in absolute size than the OLS estimate. The F-statistic indicates an instrument set that is strongly correlated with economic aid; and the C-statistic suggests that *Inflation* is a valid instrument, conditional on the assumption that the "Lewbel" instruments are valid.

The estimates for *Democracy aid* show no result in the OLS model but yield negative and significant estimates in the IV models. This suggests that the naive estimates may reflect donors giving more governance aid prior to multiparty contests in low state-capacity countries where electoral misconduct is likely, precisely because it is more difficult for the government to conduct an election in these countries.[23] This scenario would be consistent, for example, with donors financing roughly 90% of the costs associated with the 2006 election in the DRC, which was marred by violence (Kadima, Leonard, and Schmidt 2009, 24). Figure 3 plots the simulated effect of democracy aid on the probability of observing electoral misconduct, from estimates in last column of Table 3. An increase in democracy aid from the 25th percentile to the 75th percentile lowers the simulated probability of misconduct from over 55% to 38%.

These findings are consistent with the results for multiparty breakdown: democracy assistance is associated with a more democratic outcome, in this case a lower likelihood of electoral misconduct. Economic aid, on the other hand, appears to have little consistent influence on electoral misconduct. The result for democracy aid is robust to additional control variables and when dropping small island countries or civil-war years from the sample.

Electoral support for the opposition. Does democracy aid increase the strength of opposition parties? Our measure of opposition electoral support is the percentage vote for the largest opposition party (or candidate) as a share of the two-party vote: $\frac{O}{O+I}$, where O is the vote share for the largest opposition party, and I is the vote share for the incumbent. This operationalization circumvents issues related to the fragmentation of party systems by focusing on a continuous measure of how close the largest opposition party is to defeating the incumbent at the polls. We concentrate on first-round executive elections *after* a transition to multiparty politics because these contests pit the incumbent party against opposition candidates and capture support for the largest opposition party. We fit a linear model with a log-transformed dependent variable to account for the proportional nature of the vote-share data.

Table 4 reports the results. Given the small number of observations, we use a minimum of control variables: GDP per capita, population, economic growth, and IMF program

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22. The NELDA data include measures of whether the election was the first multiparty contest and whether monitors are present. In robustness tests, we show the results hold when adding further control variables: economic growth, civil conflict, ethnic fractionalization, trade, IGOs, NGOs, membership in IOs, migrant stock, and ally. Further controls from NELDA are indicators of whether the incumbent expected to win the election and whether there was an opposition boycott.

23. Using the "Lewbel" instruments in this sample for democracy aid lowers the overall F-stat ($Z + I$) to about 10 because the F-stat for these "internal" instrument (I) is small: 1.8. Reestimating the models with only Z and not I as an excluded instrument increases the F-stat such that it easily passes weak instrument tests. Further, the C-statistic indicates that WiP is a valid instrument, conditional on the others being valid.

Table 3. Foreign Aid and Electoral Misconduct

	OLS	IV OLS	IV probit	OLS	IV OLS	IV probit
	(1)	(2)	(3)	(4)	(5)	(6)
Economic aid	−0.099	−0.068	−0.193			
	(0.08)	(0.08)	(0.29)			
Democracy aid				−0.035	−0.175*	−0.466*
				(0.06)	(0.10)	(0.27)
Log GDP pc	−0.019	−0.025	−0.066	−0.041	−0.046	−0.117
	(0.07)	(0.07)	(0.19)	(0.06)	(0.06)	(0.16)
Log population	0.023	0.031	0.075	0.042	0.023	0.052
	(0.06)	(0.06)	(0.17)	(0.05)	(0.05)	(0.12)
IMF program	0.011	−0.006	−0.004	−0.031	0.010	0.035
	(0.14)	(0.15)	(0.41)	(0.13)	(0.13)	(0.31)
First election	0.130	0.116	0.306	0.082	0.068	0.163
	(0.12)	(0.12)	(0.34)	(0.12)	(0.11)	(0.29)
Monitor	−0.060	−0.053	−0.140	−0.043	−0.055	−0.148
	(0.14)	(0.13)	(0.35)	(0.14)	(0.13)	(0.35)
(Intercept)	0.810	0.676	0.562	0.474	0.837	0.940
	(0.68)	(0.70)	(1.98)	(0.59)	(0.65)	(1.62)

	Economic aid		Democracy aid	
Inflation	0.090*			
	(0.04)			
WiP			0.083*	
			(0.01)	
Log GDP pc	0.258*		−0.004	
	(0.05)		(0.06)	
Log population	−0.171*		−0.185*	
	(0.05)		(0.05)	
IMF program	0.481*		0.225	
	(0.10)		(0.15)	
First election	0.293*		0.315*	
	(0.13)		(0.12)	
Monitor	−0.089		−0.262*	
	(0.11)		(0.11)	
I_{GDP}	0.141		−0.231*	
	(0.12)		(0.12)	
I_{Pop}	0.122*		−0.238*	
	(0.06)		(0.10)	
I_{IMF}	−1.016*		−0.201	
	(0.17)		(0.19)	
I_{First}	−0.447		−0.008	
	(0.42)		(0.21)	
$I_{Monitor}$	0.090		−0.131	
	(0.30)		(032)	
(Intercept)	3.083*		1.245*	
	(0.61)		(0.68	

	Economic aid		Democracy aid	
F-statistic (Z)	4.8		42.7	
F-statistic (I)	27.1		1.8	
F-statistic (Z & I)	27.4		10.5	
5% maximal IV relative bias	19.3		19.3	
10% maximal IV relative bias	11.1		11.1	
p-value (C-statistic)	0.15		0.21	

Note—F-statistic is the Kleibergen-Paap Wald F statistic. One hundred and seventy election years in 40 countries from 1989 to 2008.
* $p < 0.10$.

Table 4. Foreign Aid and Opposition Vote Share

	OLS	IV	IV	OLS	IV	IV
	(1)	(2)	(3)	(4)	(5)	(6)
Economic aid	0.262	−0.361	−0.273			
	(0.32)	(0.29)	(0.21)			
Democracy aid				0.578*	1.002*	0.146
				(0.26)	(0.44)	(0.25)
Log GDP pc	−0.193	−0.113	−0.210*	−0.088	−0.036	−0.213*
	(0.13)	(0.14)	(0.09)	(0.15)	(0.16)	(0.10)
Log population	0.011	−0.185	−0.227*	0.018	0.083	−0.108
	(0.19)	(0.18)	(0.08)	(0.13)	(0.15)	(0.08)
Growth	−0.021	−0.027	−0.004	−0.032	−0.038*	−0.007
	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)
IMF program	−0.096	0.136	0.250	−0.197	−0.343	0.080
	(0.33)	(0.31)	(0.22)	(0.32)	(0.37)	(0.25)
(Intercept)	−0.587	2.897	3.905*	−0.994	−2.367	1.720
	(3.06)	(2.98)	(1.35)	(2.14)	(2.45)	(1.49)
		Economic aid			Democracy aid	
Inflation		0.178*	0.164*			
		(0.05)	(0.05)			
WiP					0.073*	0.081*
					(0.02)	(0.03)
Log GDP pc		0.204*	0.200*		0.009	−0.027
		(0.07)	(0.06)		(0.09)	(0.10)
Log population		−0.289*	−0.322*		−0.200*	−0.211*
		(0.05)	(0.04)		(0.06)	(0.06)
Growth		−0.000	0.003		−0.006	−0.006
		(0.01)	(0.01)		(0.01)	(0.01)
IMF program		0.428*	0.502*		0.507*	0.487*
		(0.13)	(0.13)		(0.16)	(0.18)
I_{GDP}		−0.057	−0.055		−0.116	−0.098
		(0.16)	(0.14)		(0.15)	(0.17)
I_{Pop}		−0.021	0.013		−0.242*	−0.240*
		(0.12)	(0.10)		(0.06)	(0.09)
I_{Growth}		0.026*	0.040*		−0.042*	−0.035*
		(0.01)	(0.01)		(0.02)	(0.02)
I_{IMF}		−0.889*	−1.076*		−0.094	−0.267
		(0.23)	(0.20)		(0.30)	(0.35)
(Intercept)		4.383*	4.707*		1.155	1.384
		(0.87)	(0.77)		(0.97)	(1.13)
F-statistic (Z)		15.3	9.4		10.8	7.6
F-statistic (I)		13.7	13.4		12.8	7.3
F-statistic (Z & I)		22.5	15.5		19.1	12.8
5% maximal IV relative bias		18.4	18.4		18.4	18.4
10% maximal IV relative bias		10.8	10.8		10.8	10.8
p-value (C-statistic)		0.19	0.51		0.20	0.22

Note—F-statistic is the Kleibergen-Paap Wald F statistic. Eighty-four elections in columns 1–2; 45–70 elections in columns 3 and 6. 31 contries from 1989 to 2008. Clustered standard errors reported.
* $p < 0.10$.

participation. The first three columns examine economic aid, the latter three democracy aid. For each, we report a naive model, an IV model, and one with the sample restricted to elections in which the incumbent wins less than 90% of the vote, as was the case in Equatorial Guinea in 1996 and 2002.[24]

The estimate for *Economic aid* is positive in the naive model but becomes negative in the IV model, though neither estimate is different from zero. We find a consistent negative estimate for economic aid in various alternative IV specifications reported in the appendix, but none of the estimates are statistically different from zero. Despite the lack of statstical significane, this suggests that once we account for endogeneity, economic aid might *hurt* electoral competitiveness. For democracy aid, the naive and the IV estimate on the full sample yield positive estimates, but these findings hinge entirely on including elections where the incumbent wins handily, as illustrated by the null finding in column 6. Democracy aid has little influence on opposition support in elections that are minimally competitive. The F- and C-statistics indicate valid instruments.

An Aid Curse?

Several studies posit that aid inhibits democracy by reducing political accountability for recipient governments (Moss, Petterson, and van de Walle 2008; Remmer 2004). Nontax revenue such as aid relieves the state of taxing citizens, which may reduce citizens' incentive to demand accountability (Djankov and Reynal-Querol 2008, 172). Recent studies, however, find that aid does not hurt tax effort (Carter 2013; Morrissey, n.d.) and has few deleterious effects on democracy post-1989 (Bermeo 2011, 2013). While our findings suggest that economic aid helped purchase multiparty transitions in Africa—a finding consistent with aid curse dissenters (Bermeo 2011; Dunning 2004; Wright 2009)—this form of aid is nonetheless associated with an increased risk of multiparty failure and lower opposition vote shares (though neither of these results are statistically significant). That said, the aid-curse literature focuses on economic, not democracy, assistance. We find that though democracy assistance is associated with more stable multiparty systems and fair elections, there is little evidence that it helps the electoral opposition. Thus, once we examine different types of foreign aid and distinct aspects of democratic politics, the findings do not fit neatly

with "aid curse" or "aid blessing" labels. Rather, the picture is more complicated because we account for donor strategies and the possibility that some forms of political change—such as multiparty transitions and fair elections—are not necessarily threatening to incumbents.

CONCLUSION

The findings suggest several insights into the relationship between foreign aid, democratic transition, and consolidation in Africa. While economic aid is a catalyst for transitions to multiparty party regimes, democracy aid stabilizes multiparty regimes and decreases the incidence of electoral misconduct, which we interpret as increasing horizontal accountability. Importantly, neither of these outcomes may necessarily threaten incumbent governments in institutionalized multiparty regimes. However, we find little evidence that either economic or democracy aid increases the competitiveness of the opposition, which is a necessary condition for incumbent turnover. This sugggests that the primary channel through which democracy promotion occurs is government-led political reform. In short, we find evidence consistent with both the leverage mechanism linking economic aid to multiparty transitions as well as the investment mechanism linking democracy aid to consolidation outcomes—but only those that do not necessarily threaten incumbents.

Despite the rhetoric about strengthening civil society, we show that donors largely pursue democracy promotion through governance aid, with predictable effects on maintaining a stable multiparty electoral system. If the goal of democracy promotion is to increase opposition strength and, more broadly, consolidate democracy through channels that improve vertical accountability, we would expect donors to directly invest in opposition parties and civil society groups. This, in turn, should promote vertical accountability by increasing the electoral strength of opposition parties. If, on the other hand, democracy aid largely targets governance programs and is implemented by incumbent parties, it is less likely that external democracy promotion yields reform outcomes that put incumbents at risk of losing power. Instead democracy aid may perpetuate a multiparty system in which incumbents retain power. Thus our finding for multiparty transitions and failure dovetails with Crawford Young's claim that "semi-democracy is probably sufficient to deflect international system pressures for more complete political opening, particularly if macroeconomic management earns external approbation" (1999, 35).

While our results are robust to excluding post-civil conflict periods from the tests of multiparty stability, more can

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24. Of the 84 elections in the sample, the largest opposition party takes at least 10% of the vote in 70 cases but fails to reach this threshold in 14 cases. These 14 cases receive roughly half the democracy aid (on average) than the other 70 cases: $2.3 per capita vs. $4.0.

be done to account conflict's consequences on processes of democratic change. As Flores and Nooruddin (2009) and Flores and Nooruddin (2012) show, aid flows often spike during postconflict periods. Future research should further investigate the political consequences of post-conflict-induced aid.

Finally, even though we find little evidence that democracy assistance strengthens opposition parties in elections, we cannot rule out the possibility that democracy promotion efforts that improve other consolidation outcomes—such as maintaining a stable multiparty regime and improving the conduct of elections—will bolster opposition parties at the polls in the future. A more level playing field may induce further domestic investment in opposition groups down the road.

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