NOXIOUS OR DEMOCRATIZING HELP?
FOREIGN AID AND THE ARAB AWAKENING

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Foreign aid is a hotly debated issue in political science. Its normative evaluations range from very positive to strictly negative. Recent studies have shed light on the difference between effects of foreign aid in Cold War and post-Cold War periods, as well as a crucial distinction between democratic and authoritarian aid. This article examines the relationship between foreign aid and democratization in countries affected by the Arab Awakening. Democratic and authoritarian aid flows of 1990-2009 are compared and cluster analysis is performed to group countries according to received aid. Results obtained show that such statistical computation groups countries more or less in accord with the processes of regime change that they have undergone during the Arab Awakening. These findings further support the thesis that effects of foreign aid depend on the type of donor states. If more aid came from democratic sources the country is more likely to experience regime change and if its funding came from authoritarian sources, the regime becomes more entrenched. This research, however, does not fully answer the question, whether aid itself influences the likelihood of transition or democratic countries are more likely to support those countries that already are on the edge of transition. It seems that the former theory is better supported, but further research is needed to solve this problem.

Keywords: foreign aid, transitions, regime dynamics, Arab Awakening, democratization.

INTRODUCTION

After decolonization the question of helping poorer nations has come to be raised more and more often. The guilt of former colonial exploitation and willingness to help those in need have been suggested as primary reasons, when justifying various programs of helping the
developing world. While it seems that at least some aid programs (especially in the NGO sector, such as initiatives by rock singers Bono, Bob Geldof and his famous “Live Aid Concert” or constant work of “Oxfam” and “Caritas” organizations) are primarily about providing honest aid, it has been suggested that governmental aid is often associated with buying specific policies from recipient countries and, therefore, is not genuinely targeted at people in need.

Even though the most discussed question in public debates is whether aid should be provided, there has also been scientific studies analyzing the implications, reasons and processes of providing foreign aid. A good example of such research is the famous analysis on the effects of development aid on the development of impermanent members of the United Nations Security Council, which has shown that rotating members that come into office tend to start receiving more aid (i.e. their policies are being bought by other countries, who are important players in international politics and need support during voting). This is just one, albeit a very interesting and telling example, and there are numerous other studies that analyze aid flows, their distribution and impact.

One of the most important problems remaining to be solved is the relationship between development aid and changes in type of political institutions. This is directly related to the question of how countries distribute their resources allocated to foreign aid among different states. Do donors help entrenched regimes or those countries that already are on the verge of democratization? Does foreign aid prevent democratization? Answering these questions would help to better understand the logic behind donations and their effects on transitions to democracy in authoritarian countries. Therefore, the purpose of this article is to consider foreign aid and its implications for processes of democratization in recipient countries. Current studies are not unanimous and opinions range from those that support the idea that foreign aid increases (at least, under certain circumstances) the likelihood of regime transformations, to those that claim that there foreign aid has no significant impact on regime dynamics, and, finally, to those that claim that foreign aid makes democratization less probable.
THEORETICAL FRAMEWORK

The analysis carried out in this paper considers the relationship between regime change and foreign aid received from two different sources, namely authoritarian and democratic countries. The logic of the argument is based on the selectorate theory put forward by Bruce Bueno de Mesquita, James D. Morrow, Randolph Siverson and Alastair Smith. It argues that political processes should be analyzed from the perspective of political leader’s will to remain in the office. The main premise of this theory is that only those politicians who are primarily interested in their own political survival stay keep their position for significantly long periods of time than those who do not try to maximize their survival function. Therefore, policies of incumbents should be evaluated from the perspective of their impact on the political survival of current government. The most politically important group in any country is the winning coalition (i.e. people whose support is crucial for the incumbent to remain in the office). In democracies winning coalitions tend to be large and include a large proportion of the selectorate, which consists of people that have a right to vote. Therefore, politicians must provide public goods to satisfy their needs. Under authoritarian regimes winning coalitions are usually small and office holders might buy their loyalty by simply providing private goods to key players (e.g. military, oil sector, etc.).

But what implications does this have on processes of democratization under foreign aid? In order to satisfy one’s key supporters, the incumbent of a donor country might ask the government of the recipient country to adopt certain policies. According to the logic of the selectorate theory, political decisions and actions are easier to buy in authoritarian regimes, because there development aid received might be used to bribe members of the winning coalition directly and policy selling is primarily in the interest of the governing and not the governed, i.e. the opinion of common people is not important. The thesis that foreign aid is used to buy policies has been supported by scientific research. On the side of the spectrum, large winning coalitions do
include too many people to buy their loyalty directly and, therefore, their opinion must be taken into account if the incumbent wishes to remain in office.

As has been noted, non-democratic regimes tend to survive because incumbents are able to provide private goods to their small winning coalitions and thus ensure their loyalty. Therefore, as long as there are enough usable resources, political leader in office will be able to keep his position. Foreign aid here exists as one of the sources of financial revenue that might be used to buy the loyalty of the winning coalition and thus hinder the democratization of the country by further entrenching current regime. An Egyptian example provided by B. Bueno de Mesquita and A. Smith might prove illustrative. In 1979, amount of foreign aid provided to this country by the USA reached its peak. It should not be surprising, as it is also the year when Camp David treaty between Egypt and Israel was signed, which was of great importance to the donor country. Scientists also notice that revolution in 2011 and peaceful resignation of Hosni Mubarak (and, for that matter, neutral stance of the army) coincided with constantly lowering amounts of foreign aid, which could mean that ex-ruler of Egypt simply did not have enough resources to keep his winning coalition loyal.10 B. Bueno de Mesquita, A. Smith, J. D. Morrow and R. Siverson11 have also analyzed the absorption and use of foreign aid provided and have found out that differences between country’s revenue and expenditure are directly related to amount of foreign aid received. I.e. the more there are financial flows from abroad, the more the regime becomes kleptocratic.

A number of recent studies, however, has shown that there are differences of aid when one compares Cold War and post-Cold War periods.12 For example, Sarah Blodgett Bermeo has found that there is a positive relationship between aid provided by democratic donors and the likelihood of transitions to democracy if one analyses time period after 1990.13 Yet, as the scientist herself states, there are at least two possible explanations of this phenomenon:

a) democratic aid causes transition to democracy;
b) democratic countries provide aid to those countries that are more likely to undergo a transition.

The important thing, however, is that even though according to the described logic donor countries should be more likely to favor small winning-coalition regimes, as their policies are easier to buy, some of these countries do democratize successfully. How and why does this happen? Although at first glance it might seem as if it contradicts the theory of policy buying, such an impression is superficial, and they actually are not in conflict. It might well be in the interest of a democratic donor to help another country become democratic and so portray oneself as a prophet of democracy, or simply to ensure support of the population before the next election. Therefore, democratic aid may be used simply to buy policies that would move the recipient country towards democracy and that would at the same time suit the government of the donor country. As follows, such a situation is not an anomaly that cannot be explained by the selectorate theory and its emphasis on policy buying. One could, therefore, put forward the following proposition, when discussing the post-Cold War period.

*Proposition 1. If a donor country is democratic, then a recipient country will be more likely to undergo a regime change.*

Such a definition of historical period is a crucial one, as during the Cold War political action in the West was often directly targeted against the Eastern bloc. Democratization was not the main goal, but the stopping of the spread of Communist ideas and influence of the USSR was. In the later post-Cold War period, one can already find more differences between effects of foreign aid provided by democratic donors and authoritarian ones. Such thinking is connected to the idea of policy buying. As has been mentioned, it is just that democratic countries will be more likely to demand policies that would make environment suitable for democratic processes. In other words, the most important role is still played by self-interested policy purchasing. On the other hand, when it comes to authoritarian regimes, one can formulate the following proposition.
Proposition 2. Regimes will become more entrenched in those countries that receive aid from authoritarian donors.

These two propositions are perfectly combinable and describe theory applicable to the post-1990 era. The remainder of this paper is dedicated to the analysis of the relationship between authoritarian and democratic aid with main focus on its impact on prospects of democratization in recipient countries. In order to test the claims the case of Arab Awakening was chosen, as it provides new, still relatively little discussed cases and is also important, as the events in the region still unfold and research might provide new insights about current happenings in the Middle East and North Africa.

DATA

To test the proposed theory countries in North Africa, the Near and the Middle East have been chosen. Such choice might be justified by current events usually referred to as the Arab Spring or Arab Awakening, which led to manifestations and open resistance to regimes and governments in the region with varying degrees of intensity, e.g. minor protests in some countries, comparatively non-violent regime change in others, and civil wars in yet other countries. To control for external factors that are related to outside income, countries that are oil-rich are not included (i.e. countries that are members of the OPEC). It is so, because oil is another non-taxed source of revenue and has a huge positive impact on the survival of authoritarian regimes.16 Iraq is also not considered acceptable for the sample because of the direct influence that Western countries have there. Syria is not taken into account because of its close ties with a non-democratic Russia and financial data for transactions between these two states is not included in the dataset used for analysis. Thus, a list of chosen countries include: Bahrain, Egypt, Jordan, Lebanon, Mauritania, Morocco, Oman, Sudan, Tunisia and Yemen. A time-span of twenty years after the collapse of the Berlin Wall has been chosen. For one, it is the symbolic turning point towards a quick and peaceful end of the Cold War. Secondly, the theory that has been presented is suitable for the post-Cold War era.
only, as before that there should be no difference of impact between authoritarian and democratic aid. Therefore, the sample includes time period between the years 1990 and 2009. Due to the lack of data for 2010 and 2011 these years have not been taken into account, even though they are of great importance. The sample here is not large, but the purpose of the analysis carried out here is to update research made by other political scientists, not to rewrite it. Furthermore, the sample that is related solely to the Arab Awakening is also extremely relevant, as such analysis as described, might shed new light on current issues in this politically and economically important region.

Here a definition of what may cause democracy would prove useful. From the perspective of the selectorate theory, the minimal definition of democracy is the most useful. Following this electoralist approach, put forward by Joseph Schumpeter\(^\text{17}\) and currently used by prominent political scientists such as, for example, Adam Przeworski\(^\text{18}\) regime is considered democratic if only two conditions are satisfied:

a) free elections must be held;

b) change in political leadership must be ensured.

For the purposes of this article democratization (under minimal definition) is the most extreme positive outcome that might be influenced by democratic aid. Yet, softening of restrictions on citizens enforced by the regime (which is important for democratization) may also turn into a premature revolution that would bring another authoritarian government to power. For the purposes of this article, such regime change is also considered as conditioned by democratic aid.

For the analysis undertaken in this article the short version of dataset of the updated “AidData v2.0” is used.\(^\text{19}\) It is an extremely useful tool for a political scientist and is the most comprehensive dataset that deals with foreign aid. Its use is even greater because it also allows an in-depth look at different types of donors that provide aid, i.e. democratic and authoritarian. As mentioned, for the purposes of this article, only those recipient countries that were affected by the Arab Awakening were chosen for the sample, and then again, those that belong to OPEC or have close ties with authoritarian countries which are not included in the “AidData” dataset, were not considered.
To the authoritarian group of donors the following states belong: Kuwait, Saudi Arabia and United Arab Emirates. Qatar is not taken into consideration as it only provided some aid to the USA. As for international bodies that are considered authoritarian, an approach proposed by S. B. Bermeo is followed. The Arab Fund for Economic and Social Development, Organization of Petroleum Exporting Countries, Arab Bank for Economic Development in Africa, as well as Islamic Development Bank (here this analysis diverges from S. B. Bermeo’s approach) are considered authoritarian, as significant proportion of their most influential members are authoritarian states. All other donors are considered being democratic.

Knowing that there is an important difference between Cold War and post-Cold War periods, and that only years after the fall of Berlin Wall are taken into consideration, i.e. after year 1989. Even though data for time period of 2010-2012 is of crucial importance for the events of the Arab Awakening. “AidData” dataset provides information on financial aid flows only for a very limited number of cases. Therefore, these years are dismissed. Nonetheless, previous aid is also important for changes in country policies, and strengthening or weakening of authoritarian regimes. Thus, the analysis is still valid. As for the GDP data, a dataset by United Nations has been used and adjusted for inflation, so that it would be in 2009 currency and could be used together with the “AidData v2.0” dataset.

**ANALYSIS**

To test the hypothesis that relationship between authoritarian and democratic aid plays important role in the likelihood of regime change and transitions to democracy several economic values have been calculated. First of all, in order to make budgetary values proportional, absolute values of aid flows have been compared to the accumulated GDP of a country. Otherwise, it would be difficult to compare countries of different size economies. This allows a direct comparison between influence of foreign aid between countries that have very different GDP values (see Table 1).
Table 1. **Relationship between GDP and Foreign Aid**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Aid</th>
<th>Total GDP</th>
<th>Authoritarian aid</th>
<th>Democratic aid</th>
<th>Authoritarian aid / GDP</th>
<th>Democratic aid / GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>3452507740.11194</td>
<td>182750833946.083</td>
<td>3443809487.12267</td>
<td>8698252.98926972</td>
<td>0.018844289</td>
<td>0.000047596</td>
</tr>
<tr>
<td>Egypt</td>
<td>78966402446.9361</td>
<td>1728738060555.4</td>
<td>10066136513.9011</td>
<td>68900265933.0351</td>
<td>0.005822823</td>
<td>0.039855816</td>
</tr>
<tr>
<td>Jordan</td>
<td>24574765276.2301</td>
<td>201522904926.468</td>
<td>3411340090.54317</td>
<td>17752085095.1438</td>
<td>0.016927803</td>
<td>0.088089665</td>
</tr>
<tr>
<td>Lebanon</td>
<td>14210059825.8414</td>
<td>336063934905.411</td>
<td>4886446493.938</td>
<td>9323613331.90344</td>
<td>0.014540229</td>
<td>0.02774357</td>
</tr>
<tr>
<td>Mauritania</td>
<td>7710033220.80843</td>
<td>36038537364.7469</td>
<td>1752665587.04233</td>
<td>5957367633.7661</td>
<td>0.048633094</td>
<td>0.165305478</td>
</tr>
<tr>
<td>Morocco</td>
<td>47677230628.4083</td>
<td>924166381524.588</td>
<td>9909371454.75669</td>
<td>37767859173.6516</td>
<td>0.010722497</td>
<td>0.040866948</td>
</tr>
<tr>
<td>Oman</td>
<td>4744904378.57358</td>
<td>458729465349.905</td>
<td>3072231633.21949</td>
<td>1672672745.35409</td>
<td>0.006697262</td>
<td>0.003646316</td>
</tr>
<tr>
<td>Tunisia</td>
<td>30133281008.1473</td>
<td>493528625959.569</td>
<td>4638774847.944</td>
<td>25494506160.2033</td>
<td>0.009399201</td>
<td>0.051657604</td>
</tr>
</tbody>
</table>
Secondly, the two obtained variables were plotted on $x$ and $y$ axises. The $x$ axis represents ratio of authoritarian aid and GDP of the country, whereas the $y$ axis represents ratio of democratic aid and GDP of the country. Coefficient of determination $r$-squared for the two variables equals 0.6739472, which would suggest that there is strong correlation between authoritarian and democratic aid. Yet, the test cannot be considered statistically significant, as Pearson’s test shows that $p = 0.4366$. It might be due to the small size of the sample, but the specific question considered in the article does not allow for a bigger sample and, therefore, one must stick to the nine chosen cases.

Graph 1. Relationship between Democratic and Authoritarian Aid

However, it is possible to widen the sample by carrying out a regression analysis for yearly aid. Here annual ratio of aid has been calculated and plotted (see Graph 2, where $x$ axis represents authoritarian aid and $y$ axis represents democratic aid). This, of course, cannot fully reflect the relationship between democratic and authoritarian aid, due to the possible disproportionate distribution of agreements signed in any two adjacent years and their continuity over prolonged periods
of time. This test shows a 0.02389672 r-squared value of correlation coefficient. The significance of this test is $p = 0.03881$. The correlation here is very weak and statistical significance of the test is high, therefore, even knowing annual yearly fluctuations in aid provided to any single country, data seems to support the thesis that there is no strict relationship between amounts of aid provided by democratic and authoritarian donors. This is further supported by the fact, that there are more than few strong outliers in the sample considered. It also becomes apparent, that there is no strong positive relationship between two types of aid flows to a recipient country. I.e. it is not necessary that both democratic and authoritarian donors will support a developing country proportionally.

Graph 2. Annual Relationship between Democratic and Authoritarian Aid

Having found out that there is no strict relationship between two types of aid provided, one may analyze the sample not only by amount of aid received, but also by different proportions of authoritarian and democratic aid. Therefore, in order to test the idea
that disproportionally huge amounts of authoritarian aid will lead to entrenchment of authoritarian regimes, whereas democratic aid will pave the way for regime change, can be tested by applying cluster analysis, which would allow to group countries in accordance to those two criteria of ratio between authoritarian aid and GDP of the recipient country and democratic aid and GDP of the recipient country. If the hypothesis proposed is not falsified, countries that get more authoritarian aid will have lesser chance of democratizing and this should be clearly shown by the cluster analysis, which should group countries according to types of aid provided, and at the same time reflect changes that countries have undergone during the Arab Awakening. I.e. countries that have experienced changes in regime (or, at least, governments of which have adjusted political system according to some of the requirements put forward by protesters) and countries that have so far resisted protests successfully, should be put in different parts of the dendrogram (see Graph 3).

Graph 3. Cluster Dendrogram Grouping Countries by Democratic/Authoritarian Aid Ratio

Analysis was carried out using Ward method for hierarchical clustering. The results obtained can be seen in Graph 3. It is clear
that three main groups of countries may be distinguished. To the first
belongs a single state, Mauritania. Which, even though it did receive
proportionally more democratic aid than authoritarian, remains au-
thoritarian. It is also a country which received the most aid from both
democratic and authoritarian donors. Yet weakening of the current
regime might be shown not only by the complete democratization
(at least, according to criteria for the minimal concept of democ-
ropy). Indeed, during the last two decades there were several coups
eutat, which could explain its deviation from both of other groups
of countries.

The second group consists of Bahrain and Oman, both of which
are absolute monarchies that have not undergone regime changes.
Outcomes in those countries have been rather similar. Both of them
have been and still remain authoritarian absolute monarchies. This
does support the claim that authoritarian aid correlates well with re-
gime entrenchment.

The third group is less homogeneous, looking from the perspec-
tive of the democratization during the Arab Awakening. Here one
finds the following countries: Yemen, Morocco, Egypt, Tunisia, Leba-
non and, a bit further away, Jordan. This is not surprising at all. Egypt
and Tunisia, which are close to each other in the dendrogram, have
undergone regime change. According to “Freedom House” reports
“Freedom in the World”, Lebanon even before the Arab Awaken-
ing has been more democratic than most other analysed countries.
Jordan, for that matter has moved slightly towards democracy in the
first decade of the 21st century, but has recently reverted to a stricter
form of authoritarianism. This could explain why this country does
not fall so neatly into the third group and lies between this one and
the entrenched one. Morocco has undergone constitutional changes
and, even though leader remains in office, constitution was changed.
Constitutional amendments are also expected in Yemen, where leader
was removed from office, but political power remained within his re-
gime. As one can see, dendrogram classification based on democratic
and authoritarian aid reflects democratic processes in sample coun-
tries quite well.
The question that remains open is, whether democratic countries are more likely to support those states that are already on the edge of democratization, or is it the aid that provides impetus for regime change. Although to get a satisfying answer, one would require a more thorough analysis targeted at this single issue, it is possible to provide a simple solution (even if not sophisticated) to this problem. One has to take into consideration rankings provided by “Freedom House” before the Arab Awakening and compare two groups – those, that received more authoritarian aid, and those, that received more democratic aid. Average results for years 2002-2010 are provided in Table 2.

Table 2. Freedom Ratings of Analysed Countries. Average for 2002-2010

<table>
<thead>
<tr>
<th>Country</th>
<th>Average Freedom Rating</th>
<th>Country</th>
<th>Average Freedom Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>5.11</td>
<td>Morocco</td>
<td>4.67</td>
</tr>
<tr>
<td>Egypt</td>
<td>5.67</td>
<td>Oman</td>
<td>5.5</td>
</tr>
<tr>
<td>Jordan</td>
<td>4.89</td>
<td>Tunisia</td>
<td>5.67</td>
</tr>
<tr>
<td>Lebanon</td>
<td>4.89</td>
<td>Yemen</td>
<td>5.22</td>
</tr>
</tbody>
</table>

As one can clearly see, it does not matter if countries were already more free or less, democratic aid may be transferred to more authoritarian countries and vice versa. This seems to provide additional support for the theory stating that democratic aid pushes forward democratization, and that it is not so important if a country is considered to be more or less free. It is the aid that leads to policy buying, which, consequently, leads to partial or full democratization. Of course, this evidence is not conclusive and only full-scale research could solve this primacy problem.

CONCLUSIONS

All in all, it might be concluded that a case study of countries affected by the Arab Awakening has shown, that there is a relationship between types of donors of developmental aid and the likelihood of democratization (or, at least weakening of the current regime, for that matter, as
shown by many attempted coups d'état in Mauritania). If most of the aid is provided by democratic countries or institutions, the recipient country is more likely to adopt policies that would bring them a step closer to democratization. If, on the other hand, a country receives most of the aid from authoritarian donors, it will most likely not meet dangerous obstacles that would threaten the survival of the government and the regime. While it is not entirely clear, whether democratic donors support countries that are more likely to democratize or the actual aid gives impetus to processes of expansion of political freedom, some evidence seem to suggest, that the latter case is closer to the truth. This paper sheds more light on the effects of foreign aid, yet, more research is still needed if one wants to reach more generally applicable conclusions.

NOTES AND REFERENCES

1 Even if consequences of such aid are not necessarily positive. See, for example, Rief, D. Did Live Aid Do More Harm than Good? // The Guardian. Mode of Access: http://www.guardian.co.uk/world/2005/jun/24/g8.debtrelief. Date of Access: 12 01 2013.
8 Ibid.


14 Theory of democratic peace could explain the wish to spread democracy. Also, voters in a donor country may favor a leader who stands for their ideas.


22 For all the calculations and graphs free R programming software has been used with an additional “Calibrate” package.


SANTRAUKA

ŽALA AR PAGALBA DEMOKRATIZACIJAI?
UŽSIENIO PARAMA IR „ARABŲ PAVASARIS“

Reikšminiai žodžiai: užsienio parama, perėinamas laikotarpis, režimo dinamika, „Arabų pavasaris“, demokratizacija.

Užsienio parama, teikiama besivystančioms valstybėms, politikos moksluose dažnai yra vertinama prieštarągai. Vieni ją žvelgia teigiamai, kiti – neigiamai,