UNIVERSITY OF COPENHAGEN

M.Sc. in Political Science

A Tale of Two Aids

Fostering Democracy or Sustained Autocracy After Coups?

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May 31st 2024

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We have produced the entire thesis together. Section responsibilities are as follows
ML (qhs255): 1.1, 1.3, 2.0, 2.1.1, 2.3.1, 2.3.2, 3.2.2, 3.3.1, 3.3.2, 4.1.2, 4.2, 4.2.1, 4.2.3, 4.2.4, 4.3,4.3.2, 4.4, 4.4.2, 4.5, 5.0, 5.1.1, 5.2.2, 5.2.5, 5.3, 5.3.2, 5.4.1, 5.5, 6.1.1, 6.2, 6.2.2, 6.3.1, 6.4, 6.4.1, 6.5, 7.0, 7.1.1, 7.2.3, 7.3, 7.4.1, 8.0
BGH (dft638): 1.2, 1.4, 1.5, 2.1.2, 2.2.1, 2.3.3, 3.1, 3.2.1, 3.3.1, 3.4, 3.5, 4.0, 4.1.1, 4.2.2, 4.2.5, 4.3.1, 4.3.3, 4.4.1, 4.5, 5.1.2, 5.2, 5.2.1, 5.2.3, 5.2.4, 5.3.1, 5.3.3, 5.4, 5.4.2, 5.5, 6.0, 6.1.2, 6.2.1, 6.3.2, 6.4.2, 6.5, 7.1.2, 7.2.1, 7.2.2, 7.4, 8.0
Characters: 274,532 (114 pages)

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Abstract

Although coups have been in decline since the end of the Cold War, democracies still fall victim to them. While some claim that coups can lead to the establishment of democratic rule, more often than not they lead to the establishment of autocracies. Research does, however, suggest that foreign aid can make democratization after a coup more likely.

We identify three gaps in the literature on the relationship between foreign aid and democracy after a coup. First, it remains unclear whether foreign aid can promote components of democracy beyond competitive elections. Second, we lack knowledge about how the democratic recession and the emergence of alternative donors alter the effect of foreign aid on democracy. Third, further research is needed on if donors commit to democratic conditionality and suspend aid when recipients fail to democratize. The purpose of this thesis is to address these gaps in three separate chapters.

We expect that foreign aid and democracy are positively correlated when recipients are dependent on aid and donors are credibly committed to democratic conditionality. To assess this, we conduct a longitudinal OLS analysis with time and unit fixed effects, across approximately 160 regimes brought to power via a coup since 1966. We support these results with descriptive statistics as well as historical and contemporary cases.

In Chapter I, we find that foreign aid can promote components of democracy beyond elections. However, the strongest and most persistent effect found is on competitive elections. This has important implications for the quality of the democracies that foreign aid may promote. If democracies do not evolve beyond elections, they may not last for long.

In Chapter II, we find that aid from traditional donors still appears to promote democratization after a coup. This implies that the democratic recession and emergence of alternative donors do not impair traditional donors' ability to credibly commit to conditionality overall.

However, in Chapter III, we find that traditional donors are more lax with conditionality when alternative donors are also present in recipient countries. This implies that although traditional donors are generally more concerned with promoting democratization, both types of donors seem to use foreign aid as a geostrategic tool for their own benefit.

Contents

1 Introduction

1.1 Democracy, coups, and foreign aid

Democracy is typically used as a "hurrah word" (Huntington, 1989: 129); as a political regime that "lumps all good things together" (Przeworski et al., 2000: 14). But why is democracy often presented as an unequivocal good?

At its core, democracy is about granting people self-determination by constraining an otherwise autocratic leader (Dahl, 1971: 84, 97; Dahl, 2020: 53-4; Tilly, 1975. Anderson (2009: 219) and Dahl (2020: 53-4) both argue that democracy is intrinsically superior to other regimes, as the regime type secures the protection of human rights and gives the population the autonomy to protect their interests. Furthermore, democracy can also be claimed to have a positive instrumental value. Arneson (2003: 122) claims that democracy "produces better outcomes for people than any feasible alternative form of government". First, political philosophers and academic scholars alike argue that democratic societies are more peaceful and less likely to engage in conflict and war (Dahl, 2020: 57-8; Kant, 1999; Maoz, 1998; Russett et al., 1995). Second, democracy has been linked to economic prosperity (Carbone et al., 2016). Third, state repression is generally less common in consolidated democracies compared to autocracies (Derpanopoulos et al., 2016: 6; Poe & Tate, 1994). Although democracies may not always be peaceful, prosperous, and free of repression, we find it reasonable to consider democracy as a good.

Over the past couple of years, we have witnessed several democracies fall victim to coups. For instance, in 2021, the Burmese military deposed State Counsellor Aung San Suu Kyi. Following the coup, the population's civil liberties have been severely restricted, while repression and human rights violations have become part of everyday life (Lilly, 2021: 1). The coup sparked much international concern. For example, the United States, United Kingdom, Australia, and the European Union collectively issued a statement, claiming that the new interim junta government was undoing over a decade's worth of democratization (DOS, 2024b). A more recent example is the Nigerien coup of 2023, where the Presidential Guard effectively ousted democratically elected President Mohammed Bazoum. Once again, the international society was quick to condemn the coup and address the adverse effects that it would have on the Nigerien democracy (Gille, 2023; MEAE, 2023). Although global instances of coups have steadily declined since the end of the Cold War, they still occur and continue to challenge democracy in their wake (Frantz, 2018: 90).

Coups are still the most common method, through which authoritarian[1] regimes are estab-

[1] In this thesis, we use the terms authoritarian and autocratic interchangeably. The same concerns the terms autocrat and dictator.

lished (Geddes et al., 2018: 27). They often inflict damage and cause long-term political instability, by igniting a so-called "coup trap", where one coup leads to the next (Belkin & Schöfer, 2003; Lehoucq & Pérez-Liñán, 2014). Although some (e.g. Albrecht et al., 2021) argue that coups may lead to the establishment of democratic rule, it is not a common occurrence (Derpanopoulos et al., 2016: 3; Marinov & Goemans, 2014: 799-800).

What may then make democratization after a coup more likely? In their seminal article, Marinov & Goemans (2014) find that countries heavily dependent on Western foreign aid are more likely to democratize within five years after the coup. They attribute this to the international pressure applied by donors through conditional foreign aid.

According to the OECD, foreign aid from what we characterize as 'traditional donors[2]', is generally meant to promote development and welfare in the recipient country (OECD, 2024b). Advancing political development and promoting democratic competitive elections through aid has become more prominent after the Cold War (Marinov & Goemans, 2014: 800). In 1989, economist John Williamson coined the term 'the Washington Consensus', denoting the foreign aid doctrine, to which many traditional donors subscribed (Williamson, 2009: 7). Donors following this doctrine sought to include conditionality in aid and promote political liberalization through economic liberalization (Hsu, 2011: 2). In short, after the Cold War, aid from traditional donors began including democratic conditionality (Marinov & Goemans, 2014: 800).

This leads us to the following research question:

How does foreign aid affect the likelihood of democracy after a coup?

We are far from the first to pose this research question. The link between foreign aid and democracy has preoccupied political scientists for several decades (Bermeo, 2017; Cheeseman, 2015; Derpanopoulos et al., 2016; Dijkstra, 2018; Djankov et al., 2008; Dunning, 2004; Gafuri, 2022; Gisselquist et al., 2021; Goldsmith, 2001; Knack, 2004; Marinov & Goemans, 2014; Powell, 2014). However, we identify three gaps in the literature on foreign aid and democracy. From these three gaps, we pose three sub-questions.

1.2 To what extent does foreign aid have an effect on democracy?

The first gap that we identify concerns the extent to which foreign aid affects democracy. What components of democracy can foreign aid help to promote? Existing studies tend to focus exclusively on foreign aid's effect on elections (Djankov et al., 2008; Knack, 2004; Marinov & Goemans, 2014). While we agree that elections are of fundamental importance to democracy, we want to study how foreign aid affects components of democracy beyond elections. More specifically, can foreign aid help promote inclusion, the protection of civil rights, and the rule of law after a coup?

[2]We define traditional donors as donors, who organize their aid through the Organisation of Economic Cooperation and Development (OECD), and use the OECD's objective of aid as a guide. See more in section 4.2.2

We examine this by replicating Marinov & Goemans (2014)'s study. However, our analysis is distinct from theirs in three ways. First, whereas Marinov & Goemans (2014) only examine the effect of aid on elections, we also study the effect on other components of democracy. Second, we use more recent data, to see if their findings still hold true today. Third, we employ a more conservative method, by conducting OLS on panel data.

Our theoretical expectations build on assumptions from Rational Choice (RC) theory and the game-theoretical term 'credible commitment'. From these, we derive that foreign aid will only have an effect on democracy in the period after the Cold War (Dunning, 2004; Marinov & Goemans, 2014). During the Cold War, the donors' geostrategic considerations took precedence over the promotion of democratic reform (ibid.). As argued by Dunning (2004), traditional donors were not able to credibly commit to conditionality, as they were more intent on not losing the aid-recipient country as an ally to their USSR rival. As a result, they would not enforce political conditionality (ibid.). Since they did not enforce democratic conditionality, foreign aid should have no effect on democracy (ibid.). Contrarily, after the fall of the Soviet Union and the establishment of a Western-led world order, traditional donors no longer feared losing the recipients to the USSR. They were therefore able to insist on democratic conditionality (ibid.; Marinov & Goemans, 2014: 800). Furthermore, we do not expect foreign aid to have a substantial effect on components of democracy beyond elections. Our theoretical explanation is that the incumbents, who recently seized power via a coup, want to relinquish as little of it as possible.

Our analysis produces two findings. First, we find that countries more dependent on foreign aid are more likely to democratize after the Cold War. This corroborates findings in existing studies by Marinov & Goemans (2014) and Dunning (2004). Our second finding shows that foreign aid also has a positive effect on components concerning civil liberties and the rule of law. This is a contribution to the previous literature, which only finds an effect on elections. Although foreign aid's effect extends beyond elections, we find the strongest effect on elections.

This finding gives rise to a discussion of how to best conceptualize democracy. We argue that measuring democracy exclusively as competitive elections is defensible, as elections make up the core of democracy (Møller & Skaaning, 2013: 145). However, we also argue that donors must be mindful that the democracies supported by foreign aid are not very comprehensive nor fortified (Matlosa, 2023: 349; Frantz, 2018: 102). If democracies do not evolve beyond elections, they may fall prey to democracy fatigue and autocratization (Van de Walle, 2016).

1.3 Does the effect of foreign aid persist during the democratic recession and the emergence of new donors?

A second gap is that existing studies do not address how recent political developments may impact the effect of foreign aid on democracy. To our knowledge, the last study on the link between foreign aid and democracy after coups was conducted in 2014. The landscape of foreign aid has,

however, changed drastically since then. We identify two notable developments.

First, the world is currently undergoing a wave of autocratization. In 1989, Francis Fukuyama declared the end of history, today scholars are declaring the end of democracy (Lührmann & Lindberg, 2019: 1095). Lührmann & Lindberg (2019: 1097) find that established democracies are experiencing a democratic recession, with democratically elected incumbents slowly chipping away at democratic institutions. Gora & De Wilde (2022) have also detected a democratic recession in many EU member states. Long before this current wave of autocratization, Uvin (1993: 69) claimed that the promotion of democracy is obstructed, if donors themselves do not uphold democratic values. As argued by Crawford (1997), if donors themselves are less committed to democracy, they are also less likely to effectively demand democracy through aid. Since traditional donors, such as EU member states, are among the groups experiencing democratic recession, how may this impact the link between foreign aid and democracy? We argue that democratic recession in traditional donor countries may impair their commitment to conditionality, which may in turn render foreign aid inefficient in promoting democracy.

Second, the (re)emergence of China and Russia as major donors may challenge the effect of aid on democracy. At the 2006 G8 summit, Russia announced its return as a foreign aid donor (De Cordier, 2016: 21; Larionova et al., 2016: 63). China has also emerged and gone from being a recipient of aid to one of the most prominent donors (Chin & Quadir, 2012; Dreher et al., 2011, 2012, 2015, 2021; Fuchs & Rudyak, 2019; Regilme & Hodzi, 2021; Woods, 2008). One of the main differences between the new and traditional donors is that the former supply less conditional aid and interfere less with local governance in the recipient country (Dreher et al., 2011: 1951). These donors offer an alternative type of aid that does not entail democratic conditionality (ibid.). We therefore name them 'alternative donors'.

The rise of new powers and alternative donors may challenge Western dominance and undermine the foreign aid landscape previously dominated by traditional donors (Layne, 2018; Woods, 2008). Traditional donors may become more preoccupied with countering the influence of alternative donors than promoting democracy through aid. We argue that the emergence of alternative donors may give rise to a foreign aid dynamic similar to that of the Cold War, where traditional donors do not commit to democratic conditionality (Dunning, 2004). Furthermore, since alternative donors do not supply democratically conditional aid (Dreher et al., 2021: 137; Dreher et al., 2011), we do not expect this type of aid to have any effect on democracy. To our knowledge, no existing study addresses how these two developments may alter the effect of aid on democracy after a coup.

To our surprise, we do not find that the effect of aid from traditional donors on democracy has decreased following these developments. On the contrary, dependence on foreign aid from traditional donors continues to be positively correlated with democracy.

We find two possible explanations for why this may be. One possible explanation for this is that the democratic recession in donor countries has been exaggerated (Little & Meng, 2024). Following this logic, traditional donors are still able to commit to democratic conditionality, as

they still uphold core democratic values. Another possible explanation could be that we fail to validly capture the rise and presence of alternative donors due to data limitations. As a result, we are not able to fully comprehend whether the rise of new donors does in fact impair the ability of traditional donors to commit to conditionality. We address this issue when answering our third sub-question presented below.

1.4 When do donors credibly commit to conditionality in practice?

The third gap we identify concerns if traditional donors do in fact commit to democratic conditionality and suspend aid when the incumbents of the recipient country fail to democratize. As stated above, we do not manage to aptly capture the presence of alternative donors. When answering this sub-question we, therefore, broaden our conception of when alternative donors can be said to have an aiding *presence*. Furthermore, we focus on specific cases, where alternative donors are present and may impair traditional donors' commitment to conditionality.

There are existing studies that examine the bounds of conditionality and factor in geopolitical competition with alternative donors (Swedlund, 2017; Zelicovich & Yamin, 2024). However, these studies do not investigate whether traditional donors tolerate transgressions against democratic conditionality. By filling this gap, we also address the potential endogeneity problems inherent in foreign aid. Foreign aid is infamous for being endogenous, as it is difficult to ascertain whether aid and democracy correlate, because (1) aid encourages democratization, or (2) donors allocate more aid to countries that are already democratizing (Hermes & Lensink, 2001: 9).

As was the case with the second sub-question, we expect that the mere presence of alternative donors may impair the ability of traditional donors to credibly commit to democratic conditionality, as geostrategic interest may take precedence (Dunning, 2004: 411). In such instances, we do not expect donors to suspend aid - even when democratic conditions are not met.

Using descriptive statistics and both historical and contemporary cases, we find that traditional donors are more lenient and tolerate transgressions when alternative donors also have an aiding presence in the given country. This finding contributes to the literature on foreign aid and democratization in several ways. First, our results show that traditional donors are more lax with conditionality when alternative donors are present in a given country. This suggests that the rise of alternative donors does affect whether traditional donors commit to conditionality. Second, our findings challenge the claim that the intentions of aid from traditional and alternative donors are completely disparate. Although traditional donors are more intent on promoting democracy in the recipient country, we find that both types of donors use foreign aid as a geostrategic tool to protect and promote their own interests (Dreher & Fuchs, 2015). This challenges the claim that aid from traditional donors is exclusively altruistic and that aid from alternative donors is purely rogue. Thus, donors may not be so different after all; perhaps it is not a tale of *two* aids.

1.5 Roadmap

In order to answer our research question and three accompanying sub-questions, we structure our thesis as follows. We begin by reviewing the existing literature, which led us to the three gaps mentioned above. Following the literature review, we present our overarching theoretical framework and mechanism, which we use to explain why and how aid can incentivize the incumbents of the recipient country to democratize.

Following this, we begin answering each of our sub-questions. Each question is studied and answered in a stand-alone chapter, each consisting of four parts. The chapters begin with a section on theory, where we elaborate on our mechanism presented previously. This is followed by a methods section, where we introduce our research design and central methodological choices. The third section is our analysis, where we present our results and interpret how these align with our expectations. Each chapter ends with a discussion of our methodological limitations and theoretical implications of relevance to the given chapter.

Following these three chapters, we discuss the methodological and theoretical limitations and implications of our entire thesis. These limitations relate to all three chapters. Finally, we conclude our thesis by summarizing our findings and contribution to the existing literature, as well as addressing what further research is needed on the subject (Halperin & Heath, 2020: 105).

2 Literature Review

In order to answer our research question, we first outline the scholarly literature on foreign aid, coups, democracy, and the relationship between these concepts. Since we are studying the likelihood of democratization after a coup, we begin by reviewing the literature on coups to understand what they are and how they can act as windows for democratization. We then address what foreign aid is and how it affects democratization. By reviewing the existing literature, we identify gaps that serve as the backdrop for our thesis (Halperin & Heath, 2020: 114).

We identify three gaps in the literature. First, it remains unclear if foreign aid after a coup can promote dimensions of democracy that go beyond elections. Second, we are missing knowledge on how democratic recession and the emergence of alternative donors may alter foreign aid's effect on democratization after a coup. Finally, further research is needed to understand when donors effectively make a credible commitment to conditionality and suspend aid when conditions are not met.

2.1 Coups

2.1.1 What are coups and how have they been studied?

Most scholars who study autocratic regimes agree that the ruling autocrat faces two major threats to his[3] rule (Svolik, 2012: 2; Gerschewski, 2013: 18; Greitens, 2016: 18). Svolik (2012) argues that the autocrat is faced first with the threat from the masses who are denied political influence and are subject to repression. The masses can therefore be expected to oppose the ruling autocrat through mass mobilization (Svolik, 2012). Second, the autocrat fears regime insiders whose support he needs to eliminate the former threat but who can - by virtue of their position and resources - usurp political power and oust him through a coup d'état (Svolik, 2012: 4–6). The coup d'état or simply the coup is generally considered the greatest threat to an autocratic ruler (Svolik, 2012: 5). Similarly, both Frantz (2018: 86) and Geddes et al. (2018: 28) find that coups are the most frequent way through which would-be autocrats come to power.

A coup has traditionally been defined as an unconstitutional seizure of power in which members of the state apparatus (the actors) overthrow the incumbent chief executive (the target) unconstitutionally by force (the method) and replace him with their preferred ruler (Marsteintredet & Malamud, 2020; Geddes et al., 2018: 27; Chin et al., 2021: 1041; Powell & Thyne, 2011: 252). Since coups involve force, they are usually carried out by members of the military or security

[3]Since all autocrats in known modern history have been men, we use the male pronouns he/him/his.

forces but may also include or in some cases consist entirely of civilian members of the government (Mcmahon & Slantchev, 2015; Powell & Thyne, 2011: 250).

Some scholars, however, employ different and at times broader conceptions of coups (Marinov & Goemans, 2014: 801). For example, the term 'autogolpe' describes an event in which the chief executive targets and suspends the judicial and/or legislative branches of the government (Cameron, 1998: 125). Given our research interest in how coups can constitute a window of opportunity for democratization when the chief executive is replaced, we do not consider autogolpes as instances of coups. Another definition is that of a soft coup, where either members of parliament or the courts target the chief executive (Diamond, 2015). These events are not necessarily unconstitutional nor do they include force. As a result, they are likely to be conflated with other political phenomena such as perfectly constitutional impeachments (Marsteintredet & Malamud, 2020: 1027–9). Similarly, civil society coups, which are unconstitutional seizures of executive power by actors outside of government, may be conflated with revolutions which are not the object of our study (Encarnación, 2002; Marsteintredet & Malamud, 2020: 1027–9). As we are occupied with the unconstitutional seizures of executive power, which replace the chief executive, we use a more classical conception of the coup as applied by Svolik (2012), Frantz (2018), and Geddes et al. (2018) among others.

Most studies of coups concern the factors that contribute to the likelihood of a coup (e.g Wiking, 1983: 110, Powell, 2012: 1021, Belkin & Schöfer, 2003, Londregan & Poole, 1990: 177-8, Singh, 2014, Mcmahon & Slantchev, 2015: 298, De Bruin, 2018, Casey, 2020. Singh (2014: 18–20) distinguishes between two factors that can increase the likelihood of a coup: (1) security forces are more likely to execute coups when their organizational interests are at stake, and (2) coups are more likely when the population is dissatisfied with the incumbents due to poor government performance. This body of literature does not address the consequences of coups, which is the primary focus of our research.

2.1.2 Consequences of coups

The literature studying the aftermath of a coup can be divided into two main branches. Scholars belonging to the first branch emphasize the negative consequences of a coup. They consider coups to be violent events detrimental to political stability Lehoucq & Pérez-Liñán, 2014: 1106, Putnam, 1967,Przeworski et al., 2000: 177-8. In their widely influential article, Londregan & Poole (1990: 177-85) find that coups can inflict long-term political damage and instability. In short, they find evidence of a so-called 'coup-trap'; where a recent coup increases the likelihood of another. Building on this, Lehoucq & Pérez-Liñán (2014: 1106) argue that successful coups increase the risk of future coups because they nourish the belief that the armed forces can tackle incumbents successfully. Belkin & Schöfer (2003: 604) also shed light on the negative consequences of coups and use past coups as an indicator of structural coup risk. Przeworski et al. (2000: 48) demonstrate that even if a coup is followed by democratic elections, the newly established democracy is likely

to be overturned by another coup. Thus, coups can perpetuate political instability.

Scholars belonging to the second branch argue that coups can also bring about positive political development. In general, the share of states that undergo democratization following a coup is relatively low (Derpanopoulos et al., 2016: 3). However, unconstitutional takeovers of power can put an end to the authoritarian government (Geddes et al., 2018: 31). Singh (2014: 15–17) argues that coups can be regarded as a vote of no confidence in an unpopular and autocratic incumbent, and can thus be welcomed by the public. Frantz (2018: 11) asserts that armed forces also execute coups to bring an end to unstable authoritarian regimes and restore order after which they intend to hand over executive authority. Lehoucq & Pérez-Liñán (2014) also argue that coups can be followed by open political competition and lead to political stability. Furthermore, some findings even suggest that coups can be conducive to democratization.

Scholars point to a range of domestic factors which may increase the likelihood of democratization after a coup. For instance, Albrecht et al. (2021) conclude that coups carried out by low-ranking officers who have an interest in changing the status quo are more likely to lead to democratization than coups carried out by high-ranking officers. Another domestic factor is what type of regime the country was prior to the coup. Derpanopoulos et al. Derpanopoulos et al. (2016: 3) find that countries that were democracies before the coup are also more likely to return to democratic governance. Contrarily, Thyne & Powell (2014) and Powell (2014) find that the probability of democratization is more likely if the regime was extremely authoritarian prior to the coup.

Although the literature above is important as it addresses how domestic conditions may influence the likelihood of democratization after a coup, our research questions how external factors affect democratization. An external factor that has been found to increase the likelihood of democratization after a coup is foreign aid. In the following, we will present a review of the literature on the relationship between foreign aid and democratization.

2.2 Foreign Aid

Before presenting scholarly findings on the relationship between foreign aid and democratization, we briefly introduce the purpose of foreign aid and how it has changed over time.

2.2.1 Purpose and Evolution of Foreign Aid

Foreign aid is defined as the transfer of funds or other goods and services to countries for developmental purposes (Tarp, 2006: 13). The Organisation for Economic Co-operation and Development (OECD), which is the main forum traditional donors use to register their aid commitments, defines aid or 'Official Development Assistance' (ODA) as transfers from state agencies that target and seek to promote economic development and welfare in developing countries (ibid.; OECD, 2024b). The definitions of foreign aid provided above are very broad as they cover numerous different

purposes for aid. The OECD alone has listed around 50 purpose codes(OECD, 2024c).

The intentions and purposes of foreign aid from traditional donors have evolved over time. In the 1970s and 1980s, economic aid meant to foster productive economic investments or infrastructure investments constituted a significant portion of foreign aid (Bjørnskov, 2014: 13–16). However, following the end of the Cold War, traditional donors began using aid to promote free and fair elections around the world (Marinov & Goemans, 2014: 800). Several decades after the fall of the Soviet Union, the United Nations agreed on a new set of objectives called the Sustainable Development Goals (SDGs) which currently serve as guiding principles for foreign aid. One of the goals (SDG16) concerns the establishment of institutions based on democratic principles such as inclusivity and accountability (UN, 2024). Similarly, several of the OECD purpose codes pertain to the promotion of democratic elections and democratic participation (OECD, 2024c). The OECD only labels foreign aid as ODA if it falls under one of these purpose codes found in the Creditor Reporting System (CRS). Some scholars distinguish between developmental aid, which contributes to democratization indirectly by improving socio-economic conditions conducive to democratization, and democracy aid, which directly targets and promotes democracy through electoral, legislative, executive, and judicial institutions (Gafuri, 2022: 780; Gisselquist et al., 2021: 7)

There has, however, been a long-standing discussion about what donors' intentions behind aid truly are. Berthélemy (2006) finds that donors of foreign aid can be driven by altruistic and selfish intentions. Some argue that the surge in foreign aid after World War II was a means for the former colonial powers to support development in the newly established states (Niang, 2020: 103). Others claim that aid served as a vessel through which former colonial power could maintain their influence in the newly independent countries by interfering with local governance (ibid.); Alesina & Dollar, 2000: 38; Cullen et al., 2022: 721). In other words, foreign aid was not only beneficial for the recipients but also for the donors.

This is especially believed to have been the case during the Cold War. In this time period, the primary donors were the U.S. and USSR. Both nations engaged in foreign aid programs to advance their geopolitical interests; where the USSR sought to spread communism, the U.S. worked to curb the communist ideology and promote capitalist ideals (Tarp, 2006: 26; Ali & Zeb, 2016: 114-5; Igwe, 2018: 105).

Over the last decades, there has been a shift in the balance of power towards Russia and China who have increased their influence and foreign aid programs Larionova et al. (2016) and Woods (2008). This raises questions about the substance and intention of this aid. So far, these 'new' alternative donors appear less insistent upon democratization as they themselves do not adhere to those political ideals (Dreher et al., 2011: 1951). China has profiled its foreign aid as an alternative to aid from traditional donors which interferes with local governance (ibid.; Zhao, 2014: 1038).

Although aid from these alternative donors may interfere less with local governance in the recipient country, there has been concern about the true intentions of their aid. Scholars have

labeled Chinese aid as 'rogue' implying that aid is driven by self-interest (Dreher et al., 2022; Cheng & Taggart, 2023: 1; Dreher & Fuchs, 2015: 988). This stands in stark contrast to aid from more traditional donors which targets political liberalization in the recipient countries (Marinov & Goemans, 2014: 800). In this thesis, we address how aid from traditional versus alternative donors may affect democracy differently.

2.3 Foreign Aid and Democracy

2.3.1 Is foreign aid good or bad for democracy?

The link between foreign aid and democratization has given rise to two main strands of research. Scholars belonging to the first strand argue that foreign aid has no effect on democracy. On the contrary, they argue that aid can hinder democratization by creating a moral hazard for the new incumbents who can use resources from foreign aid to repress rather than democratize (Goldsmith, 2001: 123). This so-called perversity thesis is supported by early research such as Knack (2004) which finds no effect of aid on democracy, and Djankov et al. (2008) who find that foreign aid is a hindrance to democracy. They argue that incumbents who receive large amounts of foreign aid are less dependent on tax revenue and therefore less likely to democratize as a concession for taxation[4].

The second strand of scholars argues that foreign aid facilitates democratization. In their literature review, Gisselquist et al. (2021) conclude that aid is typically positively correlated with democracy. Similarly, Resnick (2018) also finds that aid can promote democratization. In the following, we delve further into this branch of the literature to understand if and when foreign aid may have an effect on democratization.

2.3.2 When does aid affect democratization?

Previous research has claimed that foreign aid has an effect on democracy through conditionality. If donors make aid conditional on democratic reform, the incumbents of the recipient country are incentivized to democratize in order to receive the aid committed by the donors (Knack, 2004: 251). In the following, we present existing arguments for why conditionality should lead to democratization and when it can be expected to work.

Why does aid foster democratization? Conditionality as Leverage

Levitsky & Way (2010) introduce the term leverage which denotes a power imbalance where an external actor has the power to influence local governance in another country. External actors can use economic measures to create pressure for democratization (ibid.). Several studies including Powell et al. (2016), Gartzke & Li (2003), Souaré (2014), and Thyne (2010) find that external and

[4]Several scholars argue that taxation was a necessary step towards representation in parliaments and democratization in Western Europe (Bates, 1991; North & Weingast, 1989; Tilly, 1975)

multilateral actors can use economic measures not only to reduce the likelihood of coups but also encourage democratic efforts. These studies are germane to our paper as we study how external actors can influence democratic trajectories in countries that have recently experienced coups. These scholars study how trade and sanctions from external actors can pressure governments to democratize, which is not the object of our study. Foreign aid is, however, also an economic measure that can be used to pressure governments toward democratization.

Foreign aid from traditional donors is typically conditional, meaning that the recipient only receives the resources granted by the donor if the recipient meets the conditions of aid (Marinov & Goemans, 2014: 806). Conditionality therefore entails that the donors suspend aid if the recipient does not live up to the conditions of aid (Cheeseman et al., 2024: 1; Dunning, 2004: 411). Consequently, since donors of foreign aid can suspend resources from the recipient country, they possess leverage that can be used to pressure democratization. But when do donors manage to exercise this leverage effectively? In other words, when does conditional foreign aid promote democratization?

When does aid foster democratization? Historical contingencies

The impact of aid appears to be historically contingent (Dunning, 2004; Dijkstra, 2018;Bermeo, 2017;Gafuri, 2022: 778;Derpanopoulos et al., 2016). During the Cold War, the primary Western donor—the United States—was not concerned with democratic conditionality (Marinov & Goemans, 2014: 800). The reason for this was that there were more pressing matters at stake as both the U.S. and their geopolitical rival - the Soviet Union - vied for influence around the world (Dunning, 2004: 411). This meant that if the United States demanded democratization when granting foreign aid, it risked losing the recipient countries' allegiance to their rival who did not pose the same demands. In other words, during the Cold War, the recipients of foreign aid could play out the donors against each other undermining democratic conditionality.

The end of the Cold War marked a pivotal moment for the effect of foreign aid (ibid., Dijkstra, 2018, Bermeo, 2017,Gafuri, 2022: 778, Derpanopoulos et al., 2016). This period famously coined by Francis Fukuyama as "the end of history" saw the emergence of a unipolar world order with the United States at the helm. During this period, democratic conditionality in foreign aid became more prominent (Marinov & Goemans, 2014: 800). Traditional Western donors began utilizing foreign aid as a means of promoting good governance, the rule of law, respect for human rights, and democratization (ibid.; Ali & Zeb, 2016: 117). Both Marinov & Goemans (2014) and Dunning (2004) argue that foreign aid has had a positive effect on democracy after the Cold War as traditional donors no longer risked losing the recipient country to the USSR. As a result, they could commit to the conditionality of aid and suspend it if conditions were not met (ibid.). Although these studies give us an indication of when foreign aid may be thought to have an effect on democracy, they do not address how recent developments may alter the relationship between foreign aid and democracy.

A Gap in the Literature: Does foreign still have an effect today?

Recent political developments call into question whether foreign aid from traditional donors still has an effect on democracy. We identify two notable changes that may alter the effect of aid on democracy.

First, in contrast to the extensive democratization observed after the Cold War, the world is currently experiencing a wave of autocratization. Many scholars point to the fact that even consolidated democracies are undergoing a democratic recession (Diamond, 2002; Lührmann & Lindberg, 2019; Waldner & Lust, 2018). This recession also extends to traditional donor economies such as EU member states and the United States (Gora & De Wilde, 2022; Mickey et al., 2017). To our knowledge, no existing studies address whether decreased commitment to democratic ideals in donor countries has had a negative impact on the effectiveness of aid on democracy.

Second, there has been a shift in the distribution of power towards China and Russia who have (re)emerged as prominent donors of foreign aid. These new alternative donors are less concerned with promoting democracy as they themselves are not proponents of democratic governance and offer aid programs without democratization as a political condition (Dreher et al., 2011: 1951; Bakalova & Spanger, 2013: I; Dreher et al., 2019). The lack of democratic conditionality and interference with local governance is thought to undermine the traditional foreign aid architecture (Woods, 2008). Studies have examined how China's emergence as a donor alters the effect of traditional foreign aid on economic growth (e.g. Dreher et al. (2021)). However, we do not know of any study that investigates whether the emergence of alternative donors decreases the effect on democracy. This is one of the sub-questions of our thesis.

As addressed above, the emergence of new donors may impede traditional donors' ability to credibly commit to conditionality as their geopolitical interests outweigh the promotion of democracy. It is therefore of great interest to study whether the political developments outlined above affect conditionality and whether traditional donors now tolerate transgressions against democratic conditionality. A relevant study by Swedlund (2017) indicates that donors' tendency to commit to conditionality and suspend aid in response to transgressions is influenced by geostrategic considerations. However, to our knowledge, there are no studies that investigate whether the emergence of alternative donors influences this tendency. Zelicovich & Yamin (2024) find that the U.S. supplies more foreign aid to democratic countries, where China is also present as an alternative donor. They do, however, not study, whether donors also tolerate transgressions against democracy when alternative donors are present.

2.3.3 Another gap: what about democracy beyond elections?

Most of the studies above research the link between foreign aid and democracy, where the latter is conceptualized as a one-dimensional phenomenon. More specifically, democracy is equated to the holding of competitive elections (Marinov & Goemans, 2014; Djankov et al., 2008; Shannon et al., 2015; Grewal & Kureshi, 2019; Gisselquist et al., 2021; Møller & Skaaning, 2011: 143).

According to Levitsky & Way (2010: 42), by focusing exclusively on elections, conditional foreign aid is likely to overlook other dimensions of democracy, resulting in a narrow and minimal democratization that only centers around elections. Similarly, Tansey (2016) finds that although many countries that experienced a coup after 1991 hold elections within five years, they rarely democratize further. As a result, they do not develop into more fortified democracies. On the contrary, these regimes may evolve into a form of authoritarian rule where nominally democratic institutions such as elections are used to consolidate authoritarian rule (ibid., Brancati, 2014, Gandhi & Lust-Okar, 2009. Cheeseman (2015: 93) also claims that holding elections is only one part of democratization and that few African countries democratize beyond this point. Powell (2014) has addressed this issue, but few scholars actually use more comprehensive measures of democracy when examining the effects of foreign aid. To fully comprehend the effect of foreign aid on democracy, we find it necessary to include other dimensions of democracy such as inclusion, civil liberties, and the rule of law.

To summarize, we have identified three gaps in the literature on how foreign aid can foster democratization after a coup. First, it remains unclear how foreign aid can promote dimensions of democracy beyond democratic elections. Second, we are missing knowledge on how democratic recession and the emergence of alternative donors may alter the effect of foreign aid on democratization after a coup. Finally, further research is needed to understand when donors actually credibly commit to conditionality and suspend aid when recipients fail to meet the conditions.

3 Theoretical Framework

In the following, we present the overall theoretical framework of our thesis. This section presents the foundational assumptions and expectations that will be used in all chapters. We begin by outlining what we want to be able to explain as these interests guide our choice of theory (Halperin & Heath, 2020: 114). From there, we present our theoretical framework and mechanism. The main claim of our mechanism is that countries very dependent on aid are more likely to democratize than countries less dependent on aid. Furthermore, we argue that this is only the case when donors of aid appear credibly committed to democratic conditionality. Finally, we point to a central characteristic of our theory which has important implications for our study.

3.1 What do we want to study?

As our research question suggests, we want to research how foreign aid affects whether recipient countries democratize. More specifically, we want to research those questions that the existing literature has left unanswered (Section 2.3.2, 2.3.3).

Although the gaps we identified cover a wide range of issues, they share a common denominator: incentives. Incentive structures are central to many of the studies presented above (e.g. Marinov & Goemans (2014), Dunning (2004), Swedlund (2017), Cheeseman et al. (2024)). In Chapters I and II, we examine when recipient countries are incentivized to democratize. In Chapter III, we turn our attention to the donors and their incentive to either supply or suspend aid. Our theoretical mechanism below covers the interaction and incentives of both donors and recipients and how the incentives of one actor factor into the decision-making of the other. In order to study this interaction, we need a theoretical framework that provides an explanation of how such incentives work.

3.2 How can we study this?

3.2.1 Rational Choice Theory: Incentives in contexts with high stakes and secrecy

We use Rational Choice (RC) theory to study the incentives of the recipients and donors of aid. RC theory is a prominent approach in political science known for its distinct and simplistic way of modeling human behavior (Scott, 2000: 126). RC theory models political behavior to show how actors pursue their own interests, and how macro-level political phenomena are an aggregate

of human behavior at the micro-level (Coleman, 1990). In terms of our thesis, democratization (macro-level) can be explained by the behavior and incentives of donors and recipients of foreign aid (micro-level). There are two assumptions in RC theory relevant to our thesis.

First, RC belongs to the school of methodological individualism and treats the behavior of the individual person as the object of study (Dahl, 1947: 7;Scott, 2000: 136). However, the theory also permits the study of collectives as long they can be treated as unitary actors (Berg-Sørensen et al., 2016: 53). This assumption aligns well with our thesis as we study the actions of a group of actors, namely the new incumbents, who have recently ousted their predecessor through a coup and face the decision of democratization.

Second, human behavior is assumed to be rational where each decision is the result of a cost-benefit analysis designed to maximize self-interest (Olson, 1965: 27). Since the chosen strategy is based on rational considerations, the benefits of the given choice must outweigh the costs (Downs, 1957: 137). We argue that this assumption is appropriate for the subject of our study as carrying out a coup and acting as the incumbents of an authoritarian regime involves high-stakes (Singh, 2014: 21–2; Frantz, 2018: 78-9). A wrong move could lead to a complete loss of political power and even death (ibid.). Due to these high stakes, we expect that the new incumbents carefully weigh the potential costs and benefits of each strategy.

As RC became more prominent, scholars began to question its assumptions. Most notable is Herbert Simon's critique of RC in which he suggests that actors do not possess complete rationality due to cognitive constraints (Simon, 2014: 158). Simon also argues that uncertainty and incomplete information hinder the actor's ability to make fully informed rational decisions (ibid., 88). This is especially true in autocratic regimes which are notoriously known to be information-poor environments (Bueno de Mesquita & Smith, 2011). Due to the constraints on the actors in autocracies, we do not apply classical RC theory, which assumes complete information. However, we argue that the approach's cost-benefit analysis is still useful in modeling the actions of the coup plotters. This is in line with most contemporary studies on the subject of authoritarian regimes (e.g. Mcmahon & Slantchev, 2015; Singh, 2014; Svolik, 2012; Greitens, 2016; Woldense, 2022; King et al., 2013).

3.2.2 Games and Credible Commitments

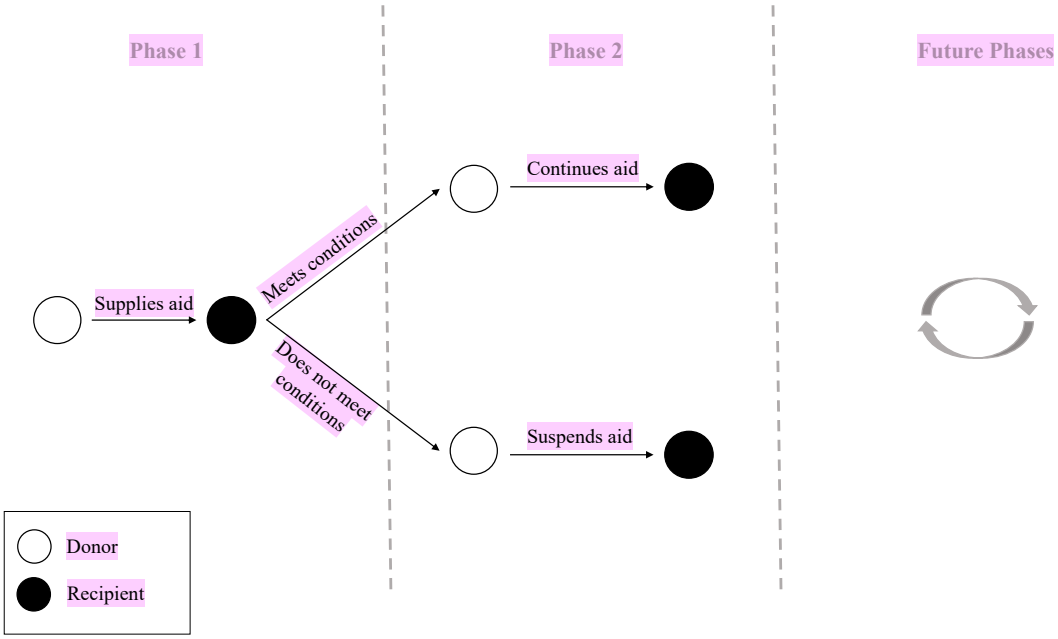
In addition to RC theory, we also include elements from game theory. While RC theory provides us with useful assumptions about behavior in high-stakes situations, game theory models the behavior of rational actors who interact with one another. A game theoretical model is relevant to our research as we study the interactions between the donors and recipients of aid.

In game theory, a game is understood as an interaction between actors who seek to maximize their self-interest in a rational manner by weighing the costs and benefits of different strategies at their disposal (Osborne, 2000: 1, 4). A static game is one type of rational game where two actors each choose a strategy simultaneously and base their decision on what they expect the other actor

will do (Basar, 2010: 4). Another type of rational game are continuous and dynamic games where the actors have information about each other's strategies (ibid.). Here the actions of an actor in one phase can influence the behavior of another actor at a later phase (ibid.). In both games, the actor's chosen strategy is based on what strategy they expect the other actor to choose (Osborne, 2000: 19). A crucial difference between these games is that the actors in a dynamic game can communicate to each other what strategy they commit themselves to in the future (Myerson, 2009: 1119). Such communications can influence the strategy of the other actor (ibid.).

We believe that foreign aid is best understood as a dynamic and continuous game. It is dynamic since donors communicate to recipients that they will only receive the committed aid if they meet the conditions. It is continuous as the interaction between games can take place over multiple phases where the donor's actions may influence the actions taken by the recipient, which in turn may affect the donor's next action and so on (Basar, 2010: 4). Figure 1 illustrates this continuous game. In the first phase, donors commit aid to the recipient who can decide to either meet the conditions of aid or not. In the second phase, the donors respond to the recipient's strategy; if the recipient meets the conditions of aid, donors will continue supplying it and if the conditions are not met, the donor may suspend the aid. The game is continuous as this interaction potentially can be repeated endlessly.

Figure 1. The continuous game of foreign aid



Note: The figure shows the interactions between the recipient and donor of aid. The game is continuous and the strategies chosen across Phase 1 and 2 can therefore repeat endlessly.

In dynamic and continuous games, actors can make commitments about how they will act in the future. For instance, in the game above we assume that the recipient would meet the conditions

of aid (Phase 1) because they believe that the donor will suspend aid if they do not (Phase 2). Here the donors' commitment influences the recipient's decision.

But do commitments by one actor always influence the decision-making of others? This can be explained by the game-theoretical term 'credible commitment'. As the name suggests, credible commitments are promises considered believable by other actors (Myerson, 2009: 1119). Since there is no coordinating authority to ensure that actors stick to their commitments, actors will defect if it is the more beneficial strategy (Axelrod, 1980: 4). An actor might make a promise ex-ante to elicit the desired response from the other actor - only to defect ex-post when the other actor has already chosen the strategy that the first actor desired (Myerson, 2009: 1119). The other actor is therefore unlikely to be convinced by words alone and will only be convinced if the commitment is the rational choice for the other actor (ibid.). In sum, commitments can only affect the decisions of others if they are credible.

3.3 The mechanism: Aid incentivizes democratization when donors can credibly commit to democratic conditionality

In the following, we draw on the concepts and assumptions above as we present our theoretical mechanism. The mechanism serves to explain how actors will behave in the dynamic game that is foreign aid. Both Marinov and Goemans (2014) and Dunning (2004) use the term credible commitment to explain how foreign aid can affect democratization. We follow their approach but delve further into why this may be the case. Our theoretical mechanism is therefore an elaboration of the arguments put forward in previous research. Before presenting our mechanism, we briefly outline our assumptions about the incumbents of recipient countries as we argue that the decision to democratize lies in their hands.

3.3.1 Who are the new incumbents and what do they want?

Following a successful coup, the new incumbents who ousted their predecessors have come to power.

First, we assume that the incumbents are autocratic rulers. Some coup plotters may seize power as a way to establish a new autocratic regime with themselves at the helm (Frantz, 2018: 11). Other coup plotters may carry out a coup to rid the country of an autocratic ruler, establish order, and surrender power to the people (i.e., democratize) (ibid.). However, regardless of their intentions, the coup plotters have ousted their predecessors through an unconstitutional act (Geddes et al., 2018: 27; Chin et al., 2021: 2; Powell & Thyne, 2011: 252). Since these new incumbents have not been elected, their position of power holds no democratic legitimacy. Thus from the onset of their tenure, they are autocrats (Marinov & Goemans, 2014: 802).

Second, we assume that the incumbents are motivated by maintaining and protecting their position in power (Gerschewski, 2013). From this assumption follows that they are reluctant to

make decisions that might jeopardize their grip on power, and only ease their grip on power when absolutely necessary. We find empirical support for this assumption as autocratic incumbents appear to use tools such as co-optation and repression to maximize their grip on power (Gerschewski, 2013: 22). The former tool is typically used to eliminate the threat from fellow elites, as co-opting elites gives them a stake in the autocrat's survival (ibid.; Scharpf & Gläßel, 2022; Gandhi & Przeworski, 2007). The latter tool is typically targeted towards the population to punish those who protest and deter others from mobilizing (Berman, 2021: 733-5; Davenport, 2007: 2,8; Kalyvas, 2019: 8; Truex, 2019: 2). Both tools are typically employed in autocracies, which supports our assumption that autocrats are preoccupied with prolonging their position in power (Gerschewski, 2013: 14).

Since we assume that the autocratic incumbents want to hold onto power, we do not expect them to want to democratize. Democratization implies that the incumbents relinquish power as they become accountable to the broader population (Treisman, 2020). This leaves us with the question of why incumbents would ever decide to democratize.

3.3.2 When do the incumbents democratize?

When do the incumbents democratize?

Following a coup, the autocratic incumbents are faced with the decision of what regime they want to establish. They can establish an autocratic regime and maximize their hold on power (section 3.3.1). This decision is not unlikely as coups are the most common way, through which new autocracies are established (Geddes et al., 2018: 28).

The incumbents can however also choose to democratize. Democracy entails that the incumbents hold elections and risk losing all power if not elected (Frantz, 2018: 6). Since we assume that the incumbents are interested in retaining power, it seems unlikely that they would willingly surrender power by establishing a democracy. However, scholars still argue that coups can serve as windows of opportunity for democratization (Geddes et al., 2018: 31; Lehoucq & Pérez-Liñán, 2014). This begs the question of when incumbents may choose the path of democratization.

We argue that countries dependent on conditional foreign aid are more susceptible to being pressured to democratize. When a country receives a significant amount of foreign aid, foreign donors control a substantial amount of the country's access to resources (Marinov & Goemans, 2014: 806).

We expect that the incumbents in the recipient country want to secure the resources they need to govern the country and uphold government performance. Government performance is typically associated with democratic regimes where politicians improve performance in order to get reelected (Dahl, 1971). There has however been an increased focus on government performance in autocracies. Although autocrats typically are not elected through elections, poor performance could reduce the population's confidence in and support for the government (Lueders, 2022: 1). This is not in the interest of the incumbents as decreased popular support makes dissidence and

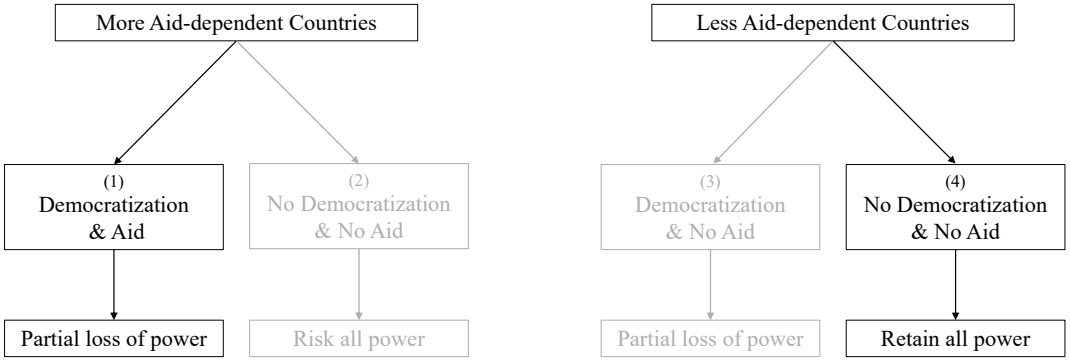
coups more likely (ibid.; Singh, 2014: 19-20). Poor government performance can therefore amplify the threats from both the population as well as from fellow elites. Because we assume that the incumbents want to protect their power, the costs of not receiving aid can be vast.

However, incumbents cannot simply receive aid on demand. Foreign aid is typically conditional, meaning that the recipient only receives the resources committed by the donor when they meet the conditions of aid (Marinov & Goemans, 2014: 806). This also implies that donors withdraw aid if the conditions are not met. Scholars agree that since the end of the Cold War, aid from traditional donors often contains an implicit demand for democratization (ibid, Dunning, 2004: 411).

Countries dependent on aid democratize more

We expect that countries heavily dependent on foreign aid with democratic conditionality are more likely to democratize. As illustrated in Figure 2, if a regime is dependent on foreign aid with democratic conditionality, the incumbents of that country can either choose to democratize or not. The cost of choosing the former strategy (1) is that they relinquish some of their power as they become accountable to the people through elections. The benefit of this strategy is that they receive foreign aid. This equips them with the necessary resources to improve their government performance, which can boost popular support and increase the likelihood of being elected (Lueders, 2022). If they instead choose the other strategy (2), they do not democratize. The advantage of this strategy is that they retain autocratic power which is a central priority of the incumbents. However, by failing to meet the conditions of aid, traditional donors are likely to suspend foreign aid. This could come at the expense of government performance which in turn may weaken popular support for the regime and increase the risk of a popular uprising as well as a coup (ibid.,Singh, 2014: 19-20). Although the incumbents relinquish some power in the first strategy, they risk losing all of their power in the second strategy. Since we assume that they want to hold on to as much power as possible, we expect that they will choose the first strategy.

Figure 2. Aid-dependent Countries are more likely to democratize



Countries less dependent on aid democratize less

Contrarily, we expect incumbents of countries less dependent on foreign aid to be less susceptible to international pressure to democratize. In contrast to the situation above, incumbents of more independent countries already possess the resources necessary to maintain and improve government performance. In other words, they do not need to meet the conditions of foreign aid and democratize to improve performance and protect themselves from the population and fellow elites. We therefore expect that countries less dependent on foreign aid will democratize less.

As was the case with the former strategies, incumbents of less aid-dependent countries can also choose to either (3) partially relinquish power and democratize or (4) retain autocratic power and not democratize. As before, the cost of democratization is that the incumbents risk losing all their power if not elected. Whereas the benefit of this strategy for countries dependent on aid is that they have secured the resources needed to improve government performance - thereby increasing the likelihood of being elected - countries that are not dependent on foreign aid do not gain this benefit. They already possess the resources needed to govern. In other words, they do not have to relinquish power in order to maintain or improve government performance. Democratizing would be more costly than advantageous for incumbents who want to hold on to as much power as possible.

The benefit of strategy (4), where the incumbents do not democratize, is that they hold on to more power. By choosing the second strategy, countries less dependent on aid can therefore retain power and use their resources to protect themselves from the population or fellow elites

- no matter how they choose to do so (Gerschewski, 2013). The benefits of not democratizing therefore outweigh the costs of not democratizing as well as the benefits of democratizing.

To summarize, we expect that countries more dependent on foreign aid are more likely to democratize than countries less dependent on foreign aid. The reason is that countries dependent on aid are more susceptible to international pressure to democratize as not democratizing bears higher costs than it does for countries less dependent on aid (Figure 2).

Are donors credibly committed to conditionality?

The mechanism above assumes that donors are credibly committed to conditionality. Game theory and the literature on credible commitment suggest that an actor's decisions are only influenced by the commitments of others when those commitments are perceived as credible (Myerson, 2009: 1119). The mechanism above suggests that the incumbents are convinced that the donors are credibly committed to suspending aid if the conditions of aid are not met.

However, if the recipients of aid do not believe that donors will suspend aid, they have less reason to democratize (Cheeseman et al., 2024; Crawford & Kacarska, 2019; Swedlund, 2017). Donor countries may be less credibly committed to conditionality if suspending aid comes at the cost of their alliance with and influence in the recipient country (Cheeseman et al., 2024: 3). There may therefore be cases, in which the incumbents of the recipient country suspect that donors are more concerned with geopolitics than democratization, and therefore doubt that the donors will in fact enforce conditionality. In cases where the recipients of foreign aid believe that donors will continue to supply aid, even if democratic conditions of aid are not met, it is more beneficial for the incumbents not to democratize. Thus, they do not have to relinquish power and become accountable to the population through elections, and can simultaneously receive the resources needed to carry out government functions. In conclusion, aid-dependence only promotes democratization, when donors can credibly commit to democratic conditionality.

3.4 Characteristics of theory

There are two aspects of our theory that merit further discussion. First, as shown in Figure 1, we are dealing with a cyclical mechanism in which donors supplying foreign aid with democratic conditionality may lead to democratization which in turn may lead to donors continuing to supply aid, which again may lead to democratization and so on. In our theory, it is, therefore, difficult to disentangle foreign aid's effect on democratization from democratization's effect on aid. Either way, we would expect higher levels of aid dependence to correlate with higher levels of democracy. Because there are multiple directions of causality, there is a risk of endogeneity in our analyses (Antonakis et al., 2024: 47). We address this in section 4.2.4.

Second, following RC's assumption of methodological individualism, we treat the actors in the game of foreign aid as unitary actors (Berg-Sørensen et al., 2016: 53). This implies that the

incumbents are representatives of the entire recipient country and that the decision to democratize rests exclusively with them. In other words, incumbents operate in a vacuum. Since we do not include other possibly relevant actors in the recipient countries, we are unable to understand how other domestic actors can influence which strategy the incumbents choose.

3.5 Theory moving forward

In this section, we have presented the general theoretical framework for our thesis. In the following chapters, we apply the framework to the gaps we have identified in the literature review above. We build on the framework by incorporating more empirics and elaborating on the specific mechanism we wish to research. From this, we derive our testable hypothesis which we use to answer our research question of what effect foreign aid has on democratization.

Chapter I

4 To what extent does foreign aid have an effect on democracy?

In this first chapter, we study whether foreign aid from traditional donors has an effect on democracy. This study is not entirely novel, as several scholars have examined the relationship between these two concepts, and find that aid has an effect after the Cold War.

Our contributions to these studies are twofold and stem from the gaps in the literature identified above (see Section 2.3.2 2.3.3). First, we build on existing findings by incorporating more recent data to examine whether the relationship still holds true today. Second, we research whether foreign aid affects dimensions of democracy that go beyond elections. The majority of studies on the relationship between foreign aid and democracy tend to focus on the electoral components of democracy (Djankov et al., 2008; Gisselquist et al., 2021; Grewal & Kureshi, 2019; Marinov & Goemans, 2014; Møller & Skaaning, 2013; Shannon et al., 2015). We also include more comprehensive measures of democracy, covering democratic institutions such as inclusion, civil liberties, and the rule of law. This allows us to understand if foreign aid helps promote more comprehensive democracies in the recipient countries.

The chapter is organized as follows. First, we apply our theoretical framework to address the gaps in the literature and present our theoretically founded hypotheses. We then present our methodological considerations and the variables relevant to our hypotheses. The results of our regressions are presented in the ensuing section. The chapter concludes with a summary and discussion of the limitations of our approach.

4.1 Hypotheses

4.1.1 Foreign aid only has an effect after the Cold War

In alignment with previous studies, we expect that countries more dependent on aid are more likely to democratize (Dunning, 2004; Marinov & Goemans, 2014). However, we do not expect this effect to be consistent over time (ibid.). More specifically, we do not expect foreign aid to significantly affect democracy during the Cold War.

During the Cold War, traditional donors were primarily concerned with reducing the global influence of their geopolitical rival, the Soviet Union (ibid.). For instance, the U.S. was preoccupied with fending off communism in its sphere of influence (Brown, 2014; Griffin, 1996; Lanati, 2019; Lee, 2022; Lundborg, 1998; Mott, 2001). The intention of the U.S. as a foreign power was to build

effective and autonomous militaries that could keep communism at bay even at the expense of stability in those countries (Casey, 2020: 423; Zelicovich & Yamin, 2024: 2). Very notably this was the case in Latin America, which was coined 'America's Backyard' (ibid.).

What implications does this dynamic have for the donors' ability to credibly commit to democratic conditionality? First, as stated above, traditional donors were not concerned with promoting democracy during this time, since geopolitical considerations took first priority (Marinov & Goemans, 2014: 800). Second, even if donors did attempt to commit to democratic conditionality during this time, this would likely not be effective. Following our theoretical mechanism, we anticipate that such a commitment would not be credible, since the incumbents of the recipient country would expect donors to compromise conditionality in order to preserve their influence in the recipient country (Dunning, 2004: 410). Enforcing democratic conditionality and suspending aid would be too costly for the donors, as they would risk losing the recipient country as an ally to their geopolitical rival (Cheeseman et al., 2024: 3).

When the incumbents of the recipient countries do not consider the donors' commitment to conditionality to be credible, we do not expect them to democratize (section 3.3.2). In such instances, it would be more beneficial for the incumbents to avoid democratizing, as they can keep foreign aid and avoid relinquishing power altogether (3.3.2). Thus, when donors prioritize geostrategic considerations above the promotion of democracy, credible commitment to conditionality and democracy is less likely.

In contrast, hereto, traditional donors began credibly committing to democratic conditionality after the Cold War. After the fall of the USSR, traditional donors no longer risked losing the allegiance of the recipient country to their rival. Therefore, recipients of foreign aid could no longer "shop around" between donors and play them out against each other (Marinov & Goemans, 2014: 800). In the terminology of our theoretical mechanism, donors could now credibly commit to democratic conditionality and suspend aid if the recipient did not adopt democratic reform (ibid.).

When donors are credibly committed, it is more beneficial for the incumbents of the recipient country to democratize. If aid-dependent countries did not democratize, traditional donors would likely suspend foreign aid (Figure 1). As a result, the incumbents would lack key resources needed to govern. This would be at the expense of government performance, which could exacerbate the threat from both the population and fellow elites (Lueders, 2022: 1; Singh, 2014: 19-20). This jeopardizes the incumbents' position in power, as an increased threat from these groups may lead to the incumbents being ousted. According to our theoretical mechanism, it would be less costly for the incumbents to cede some power through democracy, while receiving conditional foreign aid, and use these resources to improve their chances of being elected in a democratic election (Figure 2). From these theoretical expectations, we derive the following hypothesis:

Hypothesis 1a: Dependence on traditional foreign aid only fosters democracy after the Cold War.

4.1.2 The incumbents democratize as little as possible

Furthermore, we aim to investigate whether foreign aid can promote dimensions of democracy beyond elections. We expect the effect of foreign aid to be more pronounced on less extensive conceptualizations of democracy. As previously noted in the literature review, most scholars, who study foreign aid's effect on democracy, conceptualize democracy as elections. Democracy is, however, a multifaceted phenomenon captured by many different conceptualizations - some more comprehensive than others.

Democracy is inherently a constraint on the incumbents' power (Tilly, 1975). A less comprehensive conceptualization of democracy is the Schumpetrian definition where regimes that hold competitive elections for political power qualify as democracies (Schumpeter, 1942). In this definition, the primary constraint on the incumbents is that they are held accountable to the population through competitive elections. Other scholars also demand that competitive elections are inclusive, where a majority of the adult population have the right to vote (Møller & Skaaning, 2013). This places further constraints on the incumbents, as their access to power lies at the hands of a bigger electorate. Dahl (1971) presents an even more comprehensive conceptualization of democracy called Polyarchy, which demands both inclusive elections and the protection of civil rights such as the freedom of assembly and expression. When incumbents are constrained exclusively by elections, they can only be held accountable once every four years. However, Polyarchy places constraints on the incumbents all year round, as they can no longer arbitrarily infringe upon civil liberties. Finally, scholars such as O'Donnell (2004) argue that democracy is characterized by inclusive elections, protection of civil rights as well as the rule of law. This definition of democracy is even more comprehensive, as incumbents are not only restricted by the aforementioned constraints but are also additionally held accountable to the law equally to any other member of society (Møller & Skaaning, 2013; Przeworski & Maravall, 2003: 144).

How many constraints of power are the incumbents of aid-dependent countries willing to accept in order to receive foreign aid? Since democratic conditionality usually remains implicit, we expect there to be some uncertainty about how many constraints the incumbents are expected to implement in order to receive aid Szent-Iványi, 2015: 594; Cheeseman et al., 2024: 1). Given that the incumbents are assumed to want to retain as much power as possible, we expect that they do not democratize to a greater extent than they deem absolutely necessary. In other words, why would the incumbents grant civil liberties, if they can secure aid by just holding democratic elections? We expect that in an attempt to retain power, incumbents will do the bare minimum to receive aid. This presumption is captured by the following hypothesis:

Hypothesis 1b: The effect of foreign aid is less pronounced on more comprehensive conceptualizations of democracy.

4.2 Methods

In the following section, we present our research design, which serves as the blueprint for how we answer the hypotheses presented above (Halperin & Heath, 2020: 159). After presenting our general methodological approach, we conceptualize and operationalize the central variables in our analysis, to ensure that we accurately measure the phenomena we wish to study (Halperin & Heath, 2020: 185). Next, we introduce the models used to test our hypothesis above and discuss whether they meet the criteria of the best linear unbiased estimator (Egerod, 2016; Stubager & Sønderskov, 2011). We do so to ensure that our models properly estimate the relationship between foreign aid and democracy. Finally, we describe our data.

4.2.1 Research design

The reasons for a country to adopt democracy are numerous and have been studied extensively in the field of political science. Among these reasons, foreign aid emerges as one of several factors that could potentially increase the likelihood of democracy. Consequently, we conduct an 'effect of cause' study, as we do not anticipate that foreign aid is a necessary condition for democracy. Rather, we posit that it may serve as one factor that increases the likelihood of democracy (Hariri, 2012: 187; Andersen et al., 2012: 73).

To assess this relationship, we conduct an OLS panel data analysis with time and unit fixed effects. In doing so, we diverge from previous studies, which do not estimate the relationship using panel data (Derpanopoulos et al., 2016; Dunning, 2004; Marinov & Goemans, 2014; Powell & Chacha, 2016; Thyne & Powell, 2014). Because we want to examine democracy within a single regime over time, we find this method of using longitudinal data to be the most appropriate (Stock & Watson, 2003: 369-419).

Cases and Time Frame

We include all coups in authoritarian regimes since the Cold War until the present (1966-2022).[5]. We do not include regimes that were democratic prior to the coup, as Derpanopoulos et al. (2016: 3) find that these often return to their path of democracy rather quickly. To ensure that our findings are not driven by this tendency, we exclude cases in which democracies that experience coups simply stay on their current democratic path.

As stated in section 2.1.2, some scholars consider coups to be a window of opportunity for democracy. In order to ascertain whether foreign aid can foster democracy after a coup, we must first define what is meant by this 'post-coup' period. We define the post-coup period as a maximum of five years following the coup. We use this as a cut-off point, as most democratic elections take place every four or five years (Marinov & Goemans, 2014: 800). Because a coup can occur on the final day of the year, as was the case with the Nigerian coup on December 31st 1983, we begin

[5]The Cold War began after World War II, but due to data limitations, our final time frame is 1966-2022.

counting the window of opportunity from the year after the coup. If the new incumbents have not held elections within these five years after a coup, we claim that this indicates that foreign aid has not incentivized democracy after a coup. If democracy takes place 20 or even 40 years after a coup, we would not argue that this development can be attributed to the coup. In such instances, democracy may be due to other factors outside the scope of our analysis. Our final dataset includes approximately 175 different regimes across 75 countries. A list of all regimes can be found in Appendix D.

4.2.2 Variables and Data

In this section, we present the conceptualization and operationalization of our central variables, as well as the data we use to measure the subjects of our study. This exercise is important, as we hereby bolster the analysis' measurement validity (Adcock & Collier, 2001). Measurement validity helps us ensure that we are accurately capturing the phenomena we want to study (Adcock & Collier, 2001: 529).

Coups

We follow the traditional definition of a coup, which is conceptualized as an unconstitutional seizure of power, where members of a state apparatus (the actors) unconstitutionally overthrow the incumbent chief executive (the target) by force (the method) and replace him with their preferred ruler (Geddes et al., 2018: 27; Chin et al., 2021: 2;Thyne, 2010: 252;)Marsteintredet & Malamud, 2020: 1023. Although we are heavily inspired by Marinov & Goemans (2014)'s article, our conception of coups differs from theirs. Marinov & Goemans (2014: 810) employ a broader conception that also encompasses events such as insurrections. Since our conceptualization does not include power seizures by actors outside of government, we do not use their definition of a coup. Other scholars also consider seizures of judicial and legislative branches as coups (Cameron, 1998; Marsteintredet & Malamud, 2020: 1026). This conceptualization would be ill-fitting for our theoretical framework, which addresses how changes in executive power (i.e. new incumbents) may lead to democracy (section 3.3).

We use Powell & Thyne (2011)'s dataset 'Global Instances of Coups'. One advantage of using this dataset is that Powell & Thyne (2011: 252)'s definition of a coup is consistent with ours. Another advantage is that the dataset covers all known coups from 1950 to the present. We can therefore include more recent data to examine if the relationship between foreign aid and democracy as found by Marinov & Goemans (2014) and Dunning (2004) still holds true today. A third advantage of the dataset is that it provides us with the exact date of a coup. In instances where a coup and a democratic election occur in the same year, we are able to identify whether the coup followed the election or vice versa.

Powell & Thyne (2011)'s dataset includes both successful coups and failed coup attempts. We only include instances of successful coups, where the executive power is replaced, as this is

most consistent with our theoretical mechanism (see Section 3.3).

Foreign aid from traditional donors

What is foreign aid?

As noted in Section 2.2.1, the OECD defines foreign aid or 'Official Development Assistance' (ODA) as transfers from a government agency that target development and welfare in the recipient country (OECD, 2024b). This definition is quite broad and covers humanitarian, social, economic as well as institutional purposes of aid (OECD, 2024c). We do not distinguish between these specific purposes, since we do not investigate how different aid interventions affect democracy. Accordingly, we apply the broad conceptualization above and define foreign aid as all aid that supports development and welfare in the recipient country. Foreign aid from traditional donors is thus defined as aid, which is labeled as ODA by the OECD. This excludes donations from emerging, alternative donors, China and Russia, whose aid is not reported to the OECD (OECD, 2024a). We have compiled a list of all traditional ODA donors in Appendix E.

In congruence with our definition, we measure aid from traditional donors as the total amount of committed ODA reported to the OECD in US dollars[6] This data is available from 1966. Aid commitments are the amount of money that donors have pledged to the recipient country (OECD, 2024b). Commitments are the promise of aid, not the amount of aid that has been disbursed. Since our theoretical mechanism suggests that incumbents democratize because they do not want to lose the aid that donors have pledged, we find aid commitments to be the most appropriate measure for testing our hypotheses in Chapter I.

The independent variable: What is aid dependence?

As previously stated, our theoretical mechanism proposes that countries more dependent on aid democratize more (Figure 2). Aid dependence is therefore our main independent variable. In line with existing studies (Boone, 1995; Marinov & Goemans, 2014), we conceptualize aid dependence as the extent to which the recipient country is economically dependent on the foreign aid that has been pledged to them. We measure aid dependence as the ratio of a recipient country's total commitments to its gross domestic product (GDP) in the corresponding year (i) (Marinov & Goemans, 2014: 812):

$$\text{Aid Dependence}_i = \frac{\text{Aid Commitments}_i}{\text{GDP}_i}$$

We primarily source our data on the recipient countries' GDP from the Madison Project Database (MPD). Where data are missing from the MPD, we supplement them with GDPs reported by The World Bank.[7]

There are reasons to question the validity of our GDP measure. As argued by Martinez (2017), authoritarian governments tend to overstate their GDP. This would introduce a bias into

[6] Reported in constant dollars (baseline year: 2019).
[7] MPD does not provide GDP values for Burkina Faso in the 1960s and Mali in the 1970s.

our models, as the GDP would be artificially larger. We do not consider this risk of bias to be a critical challenge to our analysis for two reasons. First, overreporting only makes our measure of aid dependence more conservative, as our measure of aid dependence would be artificially lowered by the high GDP. We are therefore more likely to make a Type II error than a Type I error (Alvarez et al., 1996: 11). Second, we do not have any reason to expect that overreporting is not consistent across all authoritarian regimes in our dataset. Overreporting would therefore only distort the intercept of our regression model on the y-axis, not the slope. Consequently, we can still interpret the coefficient of the models to infer the relationship between aid dependence and democracy (see section 4.3).

Although our measure of aid is similar to that of Marinov & Goemans (2014), it differs in two notable ways. First, we do not lag the ratio of aid dependence. Marinov & Goemans (2014: 812) lag the ratio, as they claim that aid needs at least one year to take effect. However, we do not study what effect disbursed aid may have, but rather what effect the promise of aid has on the incumbents' decision to democratize. This is reflected in our ratio of aid commitment to GDP, which measures how dependent the incumbents of the recipient country expect to be in the future. In other words, we believe that the promise of aid has an immediate effect on the incumbents, and does not need a year to take effect. Second, we also deviate from Marinov & Goemans (2014: 811), by scaling our independent variable as a continuous variable rather than as a binary variable, distinguishing between countries that are very dependent on aid and countries that are not. We do not believe that there is a meaningful cut-off point that demarcates precisely whether regimes are aid-dependent or not. Since most cases in our dataset receive aid (Appendix B), we would argue that they are all aid-dependent to some extent. It is the degree of dependence that we are interested in[8].

The interactive term: Time

We expect that the effect of foreign aid on democracy will change during and after the Cold War. In our models, we therefore interact aid dependence with the time period (see more in section 4.2.3).

Since the end of the Cold War was not a single event but unfolded over several years, there are multiple years that could theoretically mark the end of the Cold War. For instance, in 1988, U.S. President George Bush met with Soviet leader Mikhail Gorbachev at the Moscow Summit. This meeting marked a pivotal moment in the Cold War, indicating that the Soviet Union was on the brink of collapse (Glass, 2017). In the following years, the Soviet Union withdrew from Afghanistan, the Berlin Wall fell, and on December 3, 1989, Gorbachev and Bush declared that the Cold War had ended. We have chosen the year 1991 to mark the end of the Cold War. 1991 was

[8]For good measure, we have also tested our hypotheses using a binary-scaled measure for aid dependence. Here we employed the same method as Marinov & Goemans (2014) to determine the cut-off point that separates countries dependent on aid from countries that aren't dependent on aid. The approximate median of the variable in our dataset is 2.37 percent. The results with this variable can be found in Appendix F.1, and show that the direction of the correlation follows our expectations.

the year that the Soviet Union officially dissolved into its constituent republics. Thus, from 1991 forward, the Soviet Union was no longer the geopolitical rival of the West.

We have conducted a series of tests to support our choice of year. We have run our models using 1989, 1990 and 1991 to mark the end of the Cold War, as well as several placebo years. Our findings indicate a small effect in the preceding years, such as in 1989 and 1990. The placebo years of 1980, and 2000 yield no discernible effect. This suggests that the impact of foreign aid from traditional donors on democracy underwent a shift around 1991 (see Appendix F.2 for more details).

Democracy

In order to examine the relationship between aid dependence and democracy, we must define the term democracy. As stated in section 3.3, democracy is inherently a constraint on the incumbents' power, as they become more accountable to the public (Tilly, 1975). However, the exact definition of democracy has sparked endless discussion amongst scholars (Dryzek & Pickering, 2018; Mansbridge et al., 2012; Przeworski, 2018). As stated in section 3.3, we believe that democracy can entail many different types of constraints on the incumbents, some more comprehensive than others.

We therefore follow Møller & Skaaning (2013) approach, who propose that democracy is best understood as a hierarchical concept. As illustrated in Figure 3, this means that conceptualizations of democracy evolve in a gradual manner, where more comprehensive measures encompass the content of less comprehensive ones (ibid.:143).

More specifically, they argue that the least extensive conceptualization of democracy – minimal democracy – only demands the holding of competitive elections (ibid.: 144). Møller & Skaaning (2013) argue that this marks the core difference between an autocratic and a democratic regime. Step by step, conceptualizations of democracy become more comprehensive; first, universal suffrage is added, then civil liberties, and finally the rule of law (ibid.). This equates to four conceptualizations of democracy that build on top of each other: minimal democracy, inclusive democracy, Polyarchy, and liberal democracy. In support of this hierarchical typology, Møller & Skaaning (2013) find that contemporary democratizations empirically follow this sequence; elections precede inclusion, which precedes civil liberties, which precede the rule of law (ibid.: 152). We use these four conceptualizations to examine the extent of foreign aid's effect on democracy. In the following, we explain how we measure each of these conceptions.

Figure 3. A hierarchal typology of democracy

	Competitive Elections	Universal Suffrage	Civil Liberties	The Rule of Law
Minimal Democracy	+			
Inclusive Democracy	+	+		
Polyarchy	+	+	+	
Liberal Democracy	+	+	+	+

Note: Replica of Figure by Møller Skaaning (2013).

Minimal Democracy

The classic definition of minimal democracy is Schumpeter (1942)'s definition, which only demands competition for political authority through elections (Møller & Skaaning, 2013: 144-145). A crucial element of this definition is the term *competition*. As argued by Munck & Verkuilen (2002: 9), true competition demands contestation. Contestation implies that during elections, those who hold power (i.e., the incumbents) are challenged by actual competitors who could win the election (Møller & Skaaning, 2013: 146). Inspired by Marinov & Goemans (2014), we define competitive elections as those in which (1) a political opposition is allowed with more than one candidate running for office, (2) multiple parties are permitted, and (3) the office of the incumbent leader is genuinely contested (Hyde & Marinov, 2012). We consider all these criteria as necessary for an election to be considered competitive.

Our final measure for minimal democracy indicates whether all of the aforementioned conditions are met. It is scaled as a binary variable, taking either the value of zero (0), if no competitive elections were held in a given year, or one (1) if a competitive election has been held. If the regime holds an election, that does not live up to all of the criteria above, the value resets and becomes zero.

To measure the presence of democratic elections, we use the National Elections Across Democracy and Autocracy Dataset (NELDA). First, the NELDA dataset encompasses all national elections since 1945 for the executive or legislative branches (Hyde & Marinov, 2012). Second, NELDA also includes indicators for each of the criteria mentioned above in our definition (Hyde

& Marinov, 2012). Further details can be found in Appendix A.

Inclusive Democracy

Dahl builds on Schumpeter's conceptualization as he additionally demands that elections be inclusive (Møller & Skaaning, 2013: 143). Dahl argues that universal suffrage is a fundamental aspect of democracy, as it expresses the notion that all adults are equal (ibid.).

To capture this concept of democracy we use the National Elections Across Democracy and Autocracy Dataset (NELDA) and data from Varieties of Democracy (V-Dem). As before, we use NELDA to determine whether an election was competitive or not. We use V-Dem to discern whether there is universal suffrage. We consider both competition and universal suffrage to be necessary conditions in this conception of democracy. The variable is scaled as a dichotomous variable, where the value of (1) denotes that an inclusive and competitive election has been held. If there have been no elections, or if an election is either not inclusive or non-competitive, it is coded as zero (0). Further details can be found in Appendix A.

Polyarchy

Furthermore,Dahl (1971) developed the concept of Polyarchy, which according to him is the ideal form of democracy. In order for a regime to be considered a Polyarchy, it must have inclusive and competitive elections as well as civil liberties, including the freedom of expression and assembly (Møller & Skaaning, 2013: 143).

To measure whether a regime can be classified as a Polyarchy, we use an indicator developed by V-Dem. This indicator demands that the regime in question holds competitive elections with universal suffrage, and respects civil liberties such as freedom of expression and assembly.

As opposed to the previous binary measures of democracy, this variable is scaled as a continuous variable. We use a continuous variable, as we believe that this best captures the phenomenon. This follows Dahl's claim that Polyarchy in its purest form is almost impossible to achieve (Dahl, 1971: 2; Goertz, 2006: 87). Following this line of argument, it is more meaningful to speak of degrees of Polyarchy. For further details on the coding of the variable, see Appendix A.

Liberal Democracy

The most demanding form of democracy in our hierarchical typology is O'Donnell (2004)'s liberal democracy. Liberal democracy consists of the previous components but also demands the rule of law (Møller & Skaaning, 2013: 144). In accordance with Møller & Skaaning (2013), we conceptualize the rule of law as "the existence of effective equality before the law that subjects all public and private actors to appropriate, legally established checks on the legality of their actions" (ibid.: 143).

We measure this comprehensive conceptualization of democracy using V-Dem's indicator of liberal democracy. This indicator encompasses the protection of individual rights and equality

before the law, as well as the protection of civil liberties and the presence of inclusive and competitive elections. Because the rule of law is an ideal type, meaning that no countries fully adhere to absolute equality before the law, it is once again most aptly captured by a continuous measure. Further details can be found in Appendix A.

Control variables

In this section, we address the control variables in our analysis and our sparse use hereof. We want to address the possible covariates that we omit, as there may be many other predictors of democracy. Some point to the industrial revolution and modernization (Lipset, 1959), others to religion (Weber, 2002), conservative parties (Ziblatt, 2017), colonial legacies (Hariri, 2015a; Lange, 2009), economic institutions (Robinson, 2006), internal elite power dynamics (Przeworski, 2009), economic development (Przeworski & Limongi, 1997), and international pressures (Boix, 2011). These factors are typically used as control variables when estimating the effect of foreign aid on democracy because they are all expected to affect how democratic a country may become (Powell, 2014: 216–217).

Because we use unit and time-fixed effects, much of the variation within and across units is already included in the model (Andreß et al., 2013: 95f). With unit-fixed effects, our models estimate the effect of time-invariant, regime-specific factors such as ethnic composition, colonial ties, culture, and social norms. By estimating our models with time-fixed effects, we are able to control for the effect of unit-invariant time-specific factors such as global economic crises, climate crises, and other historical events. This counteracts potential bias or source of spuriousness in our results, as it enables us to account for unobserved heterogeneity and include variables that are difficult to capture and would otherwise have been omitted (ibid.: 6).

Although the predictive covariates proposed by other scholars are inertial and thus likely to be captured by fixed unit and time effects, we have run regressions for good measure. These include colonial ties to France and Britain (Lange, 2009), the type of regime prior to the coup (Thyne & Powell, 2014: 15), GDP per capita (Przeworski & Limongi, 1997), geopolitical region of the regime (Hariri, 2015a), and the historical trajectory of the regime's country (Robinson, 2006). The results of regressions including these variables, indicate very limited variance across the five-year window of opportunity. Since the inclusion of these variables did not improve our models, have any substantial effect on the independent variable, or alter the coefficients of the other independent variables, we decided to omit them. This leaves us with more parsimonious models. Further details can be found in Appendix F.3.

The only control variable we include in our final models is natural resource rents as a percentage of GDP. Natural resource rents include the sum of oil rents, natural gas rents, coal rents, mineral rents, and forest rents (WorldBank, 2024). We include natural resource rents in our time and unit-fixed effects models, as we theoretically expect this variable to act as a confounder. Natural resource rents may affect both foreign aid dependence and the likelihood of democracy. We

argue that natural resource rents can mitigate aid dependence, as the incumbents in resource-rich countries possess more domestic resources and are hence less dependent on external actors. A country's natural resources may also reduce the likelihood of democracy because the incumbent is less dependent on the population to generate wealth and therefore less indebted to the population (Herb, 2000; Tilly, 1975: 633). As a result, the incumbent is less likely to relinquish power (ibid.). This line of reasoning is referred to as the resource curse (Herb, 2000). [9] A complete overview of the variables used in our models can be found below.

Table 4.1: Operationalization of Variables

Variable	Conceptualization	Operationalization	Range	Source
Aid Dependence	% of traditional foreign aid to GDP	Traditional Aid / GDP	0-60%	OECD, MPD and World Bank
Minimal democracy	Competitive elections	NELDA 3-5 & NELDA 20	0 or1	NELDA
Inclusive democracy	Competitive inclusive elections	Minimal democracy * `v2asuffrage`	0 or 1	NELDA and V-Dem
Polyarchy	Civil liberties and inclusive competitive elections	`v2x_Polyarchy`	0–1	V-Dem
Liberal democracy	Polyarchy and equality before the law	`v2x_libdem`	0–1	V-Dem
Natural resource rents	Rents from natural resources	Total natural resources rents (% of GDP)	0–89%	World Bank

4.2.3 Our Models

Our quantitative regression analysis consists of seven models, which differ only in their conceptualization of the dependent variable: democracy. In order to isolate the effect of foreign aid on each of the four conceptions of democracy, we include the measure both with and without the electoral component. Without this, it would, for instance, not be possible to conclude whether the effect

[9] Using natural resource rents as a control variable affects our number of observations, which goes from 616 to 591. This loss of observations is primarily due to the lack of data on Egyptian natural resource rents, for which we have not been able to find complementary data.

of foreign aid on Polyarchy was due to aid's effect on civil liberties or inclusive and competitive elections.

The dependent variable in Model (1) is liberal democracy, which is the most comprehensive measure of democracy. Model (2) exclusively examines foreign aid's effect on the liberal components (i.e. the rule of law). Similarly, Model (3) shows the effect of aid on Polyarchy, which includes both civil liberties as well as inclusive and competitive elections. Model (4) shows foreign aid's effect on civil liberties alone. Whereas Model (5) shows the effect on inclusive and competitive elections, Model (6) isolates the effect on inclusion (i.e. universal suffrage). Finally, Model (7) shows foreign aid's effect on competitive elections.

Table 4.2: Conception of Democracy in Models of Chapter I

Model	**Dependent Variable**
Model 1	Liberal democracy
Model 2	Liberal democracy without elections
Model 3	Polyarchy
Model 4	Polyarchy without elections
Model 5	Inclusive elections
Model 6	Universal Suffrage
Model 7	Democratic elections

All models are run on longitudinal data, which allows us to observe the developments within regimes over time. When running regressions on panel data, we must decide which model specifications are most appropriate. The choice to be made is between fixed or random effects. In order to choose the most appropriate model specifications, we must determine whether our models are characterized by unobserved heterogeneity that correlates with our independent variables or not (Andreß et al., 2013: 243). The random effects model necessitates that the unobserved effects are not correlated with each explanatory variable in all time periods (Wooldridge, 2021: 469). We have employed a Hausman test (see Appendix F.4) to determine whether our independent variables seemingly exhibit unobserved heterogeneity (Andreß et al., 2013: 243). The results from this test show that this is not the case, which justifies the use of random effects.

However, when running a Hausman test for the hypotheses of Chapter II, the results indicate unobserved heterogeneity. Moreover, we cannot plausibly deny the theoretical possibility that unobserved heterogeneity could be correlated with some of the explanatory variables. More specifically, we cannot plausibly reject the possibility that foreign aid or coups are in any way correlated with the history of the country, the culture, or the colonial ties. Therefore, a fixed effects model specification seems more suitable from a theoretical standpoint as well as for parsimonious results across chapters (Wooldridge, 2021: 473, 476). We have run all our models with both random and fixed effects, which yield similar results (see Appendix F.4). Furthermore, we argue that fixed effects are superior to other model specifications because they allow us to control for unobserved

heterogeneity and omitted time-invariant variables (Andreß et al., 2013: 6). Although this may come at the expense of generalizability – which would have been stronger if we had used random effects testing across units – we believe that fixed effects are the most meaningful way to proceed with our analysis (Bell & Jones, 2015).

Given that the dependent variables in models (5)-(7) are binary, we also run logistic regressions to estimate how an increase in aid dependence increases the probability of holding an election (Powell & Chacha, 2016: 531). The logistic regression with unit-fixed effects yields a similar result and can be found in Appendix F.5

Regression equations

In the following section, we present our regression models in the form of equations. This enables us to properly understand the mathematical and logical basis of our regressions, which is useful when interpreting our results.

The main Ordinary Least Squares (OLS) estimator for models (1)-(7) is as follows:

$$Y_{ut} = \beta_0 + \beta_1 \cdot FAD_{ut} + \beta_2 \cdot (FAD_{ut} \cdot TP_t) + \beta_3 \cdot NRR_{ut} + \alpha_u + \gamma_t + \varepsilon_{ut} \tag{4.1}$$

Although the conceptions of democracy differ across models, the regressions follow the same logic. The dependent variable Y_{ut} captures the different conceptions of democracy. The coefficient β_1 quantifies how a one-unit change in our independent variable, foreign aid dependence (*FAD*), impacts Y. To capture the effect of foreign aid in the two time periods (TP)—during and after the Cold War—we include the interactive term $\beta_2 \cdot (FAD_{ut} \cdot TP_t)$. β_2 measures the differential effect of foreign aid on democracy before and after 1991. Since time-fixed effects are used, we do not include the time period itself in our estimation; hence, variation in time is already accounted for in our models. The overall effect of foreign aid after 1991 is thus captured by $\beta_1 + \beta_2$. β_3 represents the effect of our control variable, natural resource rents (*NRR*), helping isolate the impact of foreign aid on democracy.

The unit identifier u denotes specific regimes, while t denotes specific years. α_u captures any unobserved, time-invariant characteristics specific to each country, ensuring that the model accounts for inherent differences between countries that do not change over time. γ_t represents time-fixed effects, accounting for any global or common shocks in each period that may affect all countries uniformly. The error term ε_{ut} denotes the variance of Y that our model does not explain.

4.2.4 Pre-requisites

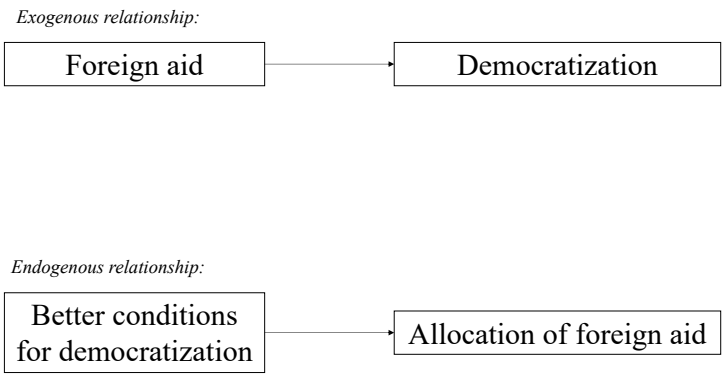
In order to draw conclusions from our regression models, we want to be sure that our models fit our data. To obtain the most unbiased results, we use ordinary least squares (OLS) regression. OLS produces unbiased estimates that have the least variance of all possible linear estimators (Gauss-Markov Theorem).

In the following section, we examine whether our preliminary tests indicate a violation of the OLS assumptions necessary to comply with for us to interpret the results. The exact amount of assumptions is not fixed. While some argue that there are four assumptions, others claim that there can be up to nine (Diez et al., 2019; Egerod, 2016; Kellstedt & Whitten, 2013; Mehmetoglu & Jakobsen, 2022; Sønderskov, 2014; Stubager & Sønderskov, 2011). We have conducted all nine, the results of which can be found in Appendix G. Rather than providing a thorough chronological review of all the possible assumptions, we will focus on those that we believe pose the biggest challenge to the validity of our results. Specifically, we will not discuss OLS assumptions about the residuals of the models to ensure efficiency (Stubager & Sønderskov, 2011: 32). Although our residuals are neither normally distributed nor homoskedastic, we will not focus on these issues as they can be mitigated with robust standard errors, which we employ. In the following, we will present assumptions to address the following biases: endogeneity, omitted variable bias, and influential observations.

The absence of endogeneity

For us to be able to make a causal claim, we have to make sure that the effect of aid dependence (X) on democracy (Y) is exogenous. In other words, aid dependence (X) is not driven by changes in democracy in the recipient country (Y). If this is the case, we end up with endogeneity problems, more specifically reverse causality. The possibility of a reverse relationship is illustrated in Figure 4.

Figure 4. Exogenous versus endogenous relationship of aid and democracy



In the field of foreign aid, endogeneity is a pervasive issue. On the one hand, it is possible that donors allocate more aid to countries that are in dire need of support, where democratic governance is very weak or unlikely (the exogenous relationship). On the other hand, it is also plausible that donors allocate more aid as a reward to countries that are already governing more democratically (the endogenous relationship). Existing studies find support for both an exogenous and endogenous relationship. (Hermes & Lensink, 2001: 9) find that aid allocation and disbursement have become more selective, with greater allocation of aid to countries with good governance. Contrarily, both Bermeo (2017) and Claessens et al. (2009) find that traditional donors allocate more aid to "deserving" countries in "need" of assistance. Berthélemy (2006) corroborates these findings. His study reveals that traditional donors differ in their motivations and intentions behind giving aid, as only some of the traditional donors, such as the Nordic countries, tend to have more altruistic motives and allocate aid to countries in dire need.

We must therefore be cognizant of endogeneity and take methodological measures to mitigate it. In order to isolate the effect of foreign aid on democracy, we can use an instrument variable. Instrument variables are variables that affect the independent variable (X) and not the dependent variable (Y) and are not caused by a confounding variable that affects both X and Y (Sovey & Green, 2011). Previous research has been preoccupied with finding such an instrument variable. For instance, Werker et al. (2009) use the price of oil in OPEC countries as an instrument variable to study how foreign aid is spent in the Middle East. However, since we conduct a global study, it is more complicated to identify one single variable that would affect foreign aid but not democracy across all regions in the world. We followed the research of Knack (2004: 259) and Gisselquist et al. (2021: 13) who suggest using child mortality as an instrument variable to bolster our research against endogeneity. Child mortality is often used as an instrument variable since findings suggest that the child mortality rate is not related to regime type (Ross, 2006).

When including child mortality as an instrument variable, foreign aid does not have a significant effect on democracy (Appendix F.7). However, we find that child mortality is correlated with the dependent variable, rendering it unfit as an instrument variable (Appendix G). Perfect instrument variables in the social sciences are generally unlikely, as we find it highly doubtful that other variables are not in any determinant of each other (Goertz, 2006). Since it is near impossible to find perfect instrument variables in social science, and some scholars find that aid is in fact allocated to less democratic recipients, we can neither fully reject nor prove endogeneity. We bolster our analysis and attempt to control for unobserved heterogeneity, which can cause endogeneity, by including a relevant control variable and using fixed effects on our panel data. We return to endogeneity and how democratic governance or the lack thereof may drive changes in aid dependence in Chapter III.

The absence of Omitted Variable Bias

Furthermore, we need to ensure that we are not omitting relevant variables in our models. By doing so, we mitigate the risk of spuriosity bias (Stubager & Sønderskov, 2011: 10). As argued in section 4.2.2, we have — to the greatest extent possible — attempted to control for relevant variables that may explain the variance in our outcome variable. However, since we are utilizing unit and time-fixed effects, we have a limited set of variables that could affect the outcome variable, and which are not already included in our models. Including these variables in our models does not notably alter the results. The only variable, which we argue is not captured by fixed effects, is natural resource rents. Consequently, we have included this variable in our models.

The absence of Influential Observations

We employ several tests to determine whether there are influential outliers in our dataset, and if so, which ones. We do so to ensure that the size and significance of our coefficients are not due to a few influential observations. Regarding our seven models, a leverage test presents us with one consistent outlier: Comoros from 1980-1991. This observation exerts considerable leverage on our coefficient, and may therefore bias the estimation of our models (Stubager & Sønderskov, 2011: 20).

However, we do not see any theoretical or methodological reasons to remove Comoros from our dataset. Comoros is heavily dependent on aid, with aid dependence reaching almost 60 percent in 1981. However, contrary to our theoretical mechanism, which suggests that very aid-dependent countries democratize more, Comoros only held one democratic election throughout the entire period in question. Consequently, it is highly improbable that Comoros is the observation driving our estimate. We have run regressions with and without these influential outliers and found no substantial difference. Theoretically, we also see no reason to exclude Comoros. Since we wish to

understand the relationship between foreign aid and democracy following a coup in all countries, there are no theoretical grounds for excluding any observations. We therefore proceed with all observations in our data.

4.2.5 Descriptive Statistics: A closer look at the data

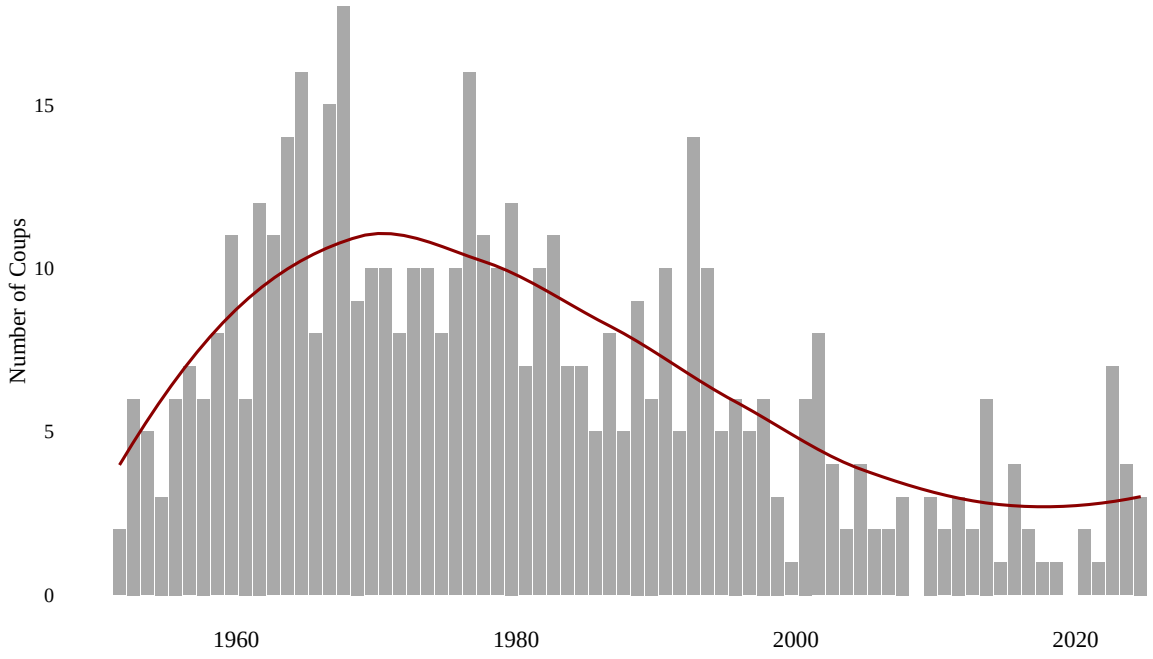
Before we present the results of our panel data analysis, we find it necessary to provide an overview of the data itself. This provides us with the context needed to interpret the results of our analysis. We begin by illustrating the evolution of coups, and foreign aid dependence throughout our entire studied time frame (1966-2022). We then visualize how coups can act as a window of opportunity for democracy.

Coups

Although coups are considered the greatest threat to the incumbents, we have observed a notable decline in the global frequency of coups. As illustrated in the chart below, there were many incidences of coups in the 1960s and 1970s, with an average of 5 to 17 occurring annually. However, since the end of the Cold War, there has been a significant reduction, with some years being completely coup-free.

In recent years, there has been a resurgence of coup activity in certain regions. For instance, West Africa has seen an uptick with the coups in Mali in 2020 and 2021, two coups in Burkina Faso in 2022 and a recent coup in Niger in 2023. Coups have also recently occurred in Guinea (2021), Gabon (2023), and Sudan (2021) as well as Myanmar (2021).

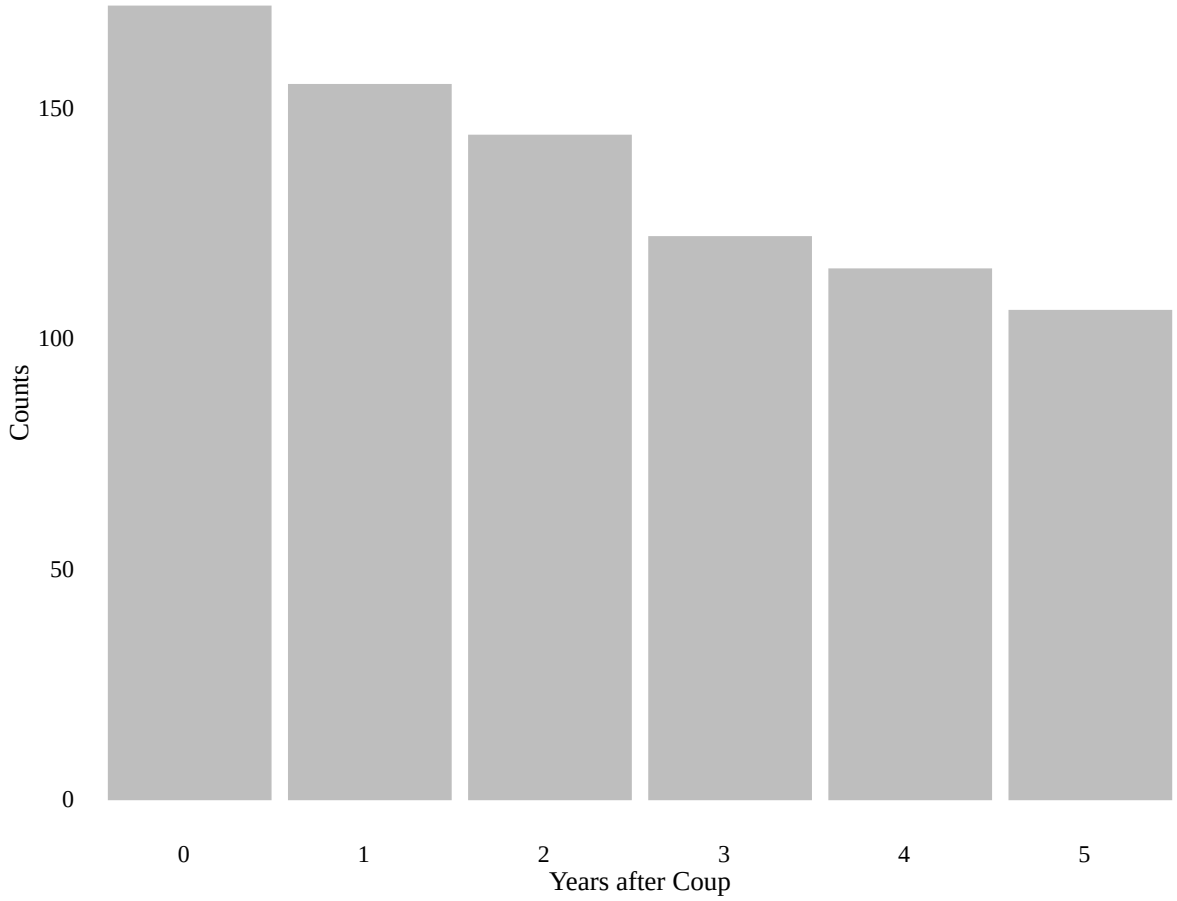
Graph 1. Global Instances of Coups



Note: source is Powell & Thyne (2011). Include coups and coup attempts.

As previously stated in section 2.1.2, countries that experience coups are more likely to experience further coups, a phenomenon known as the 'coup trap' (Londregan & Poole, 1990: 175). This means that certain regimes are only present in our dataset for a limited time, since these incumbents are ousted shortly after coming to power. As illustrated in the histogram below, some regimes are lost to the 'coup trap', as fewer regimes survive 5 years than 4 years and so on. However, in the last year of the window of opportunity that we study, there are still approximately 100 regimes left in our dataset. There are still plenty of regimes, which survive for long enough to establish democratic institutions (as defined in Section 4.2.1)

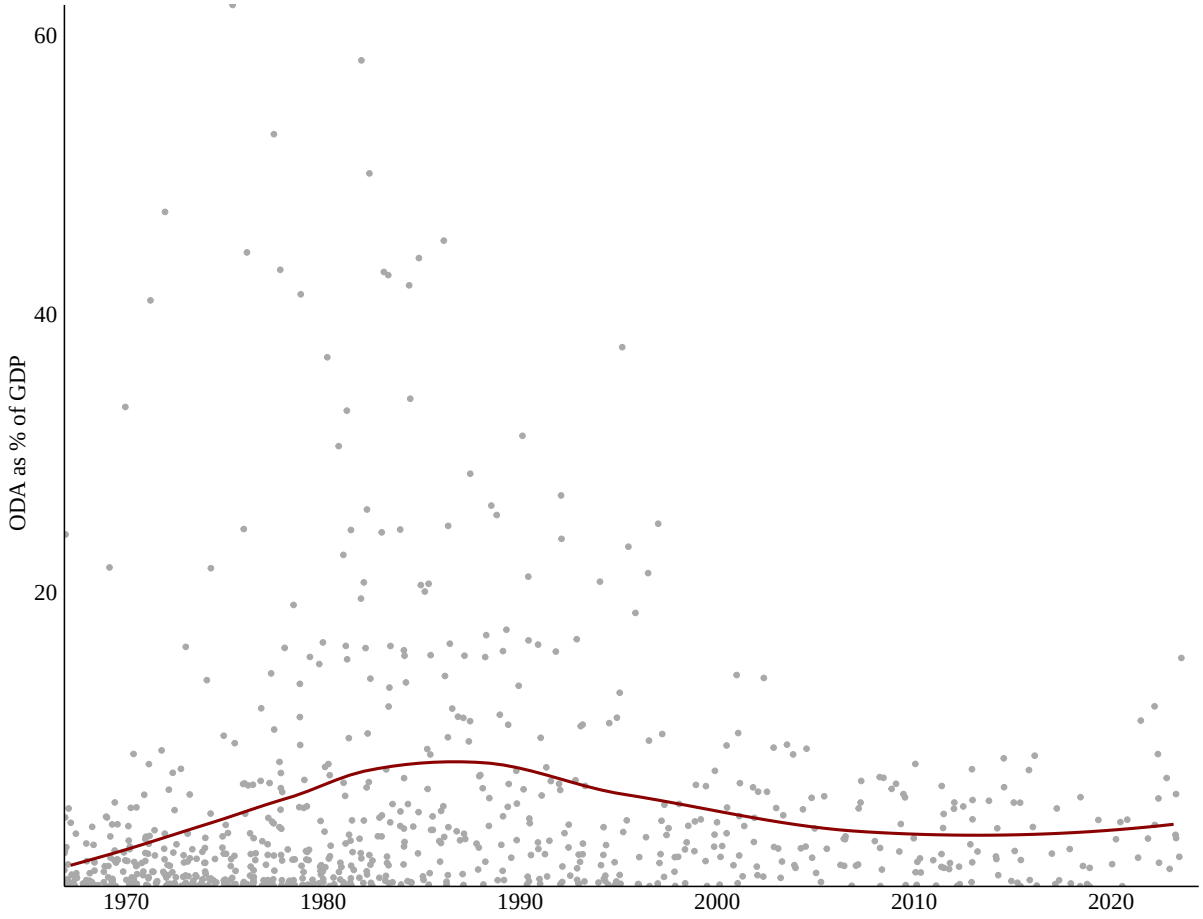
Figure 5. Number of regimes across five years after a coup



Foreign aid and dependence

Graph 2 below shows that dependence on aid from traditional donors reached a peak in the mid-80s and decreased significantly following the end of the Cold War in 1991. This implies that if we find an effect of foreign aid dependence on democracy after the Cold War, it cannot be attributed simply to an increase in aid following the Cold War (Marinov & Goemans, 2014: 806). Since the end of the Cold War, dependence has seemingly reached a stable level, hovering around an average of 8 percent of the recipient country's GDP. Although there is considerable variation in the degree of aid dependence among the regimes, the global dependence appears to be relatively steady.

Graph 2. Development of Aid Dependence



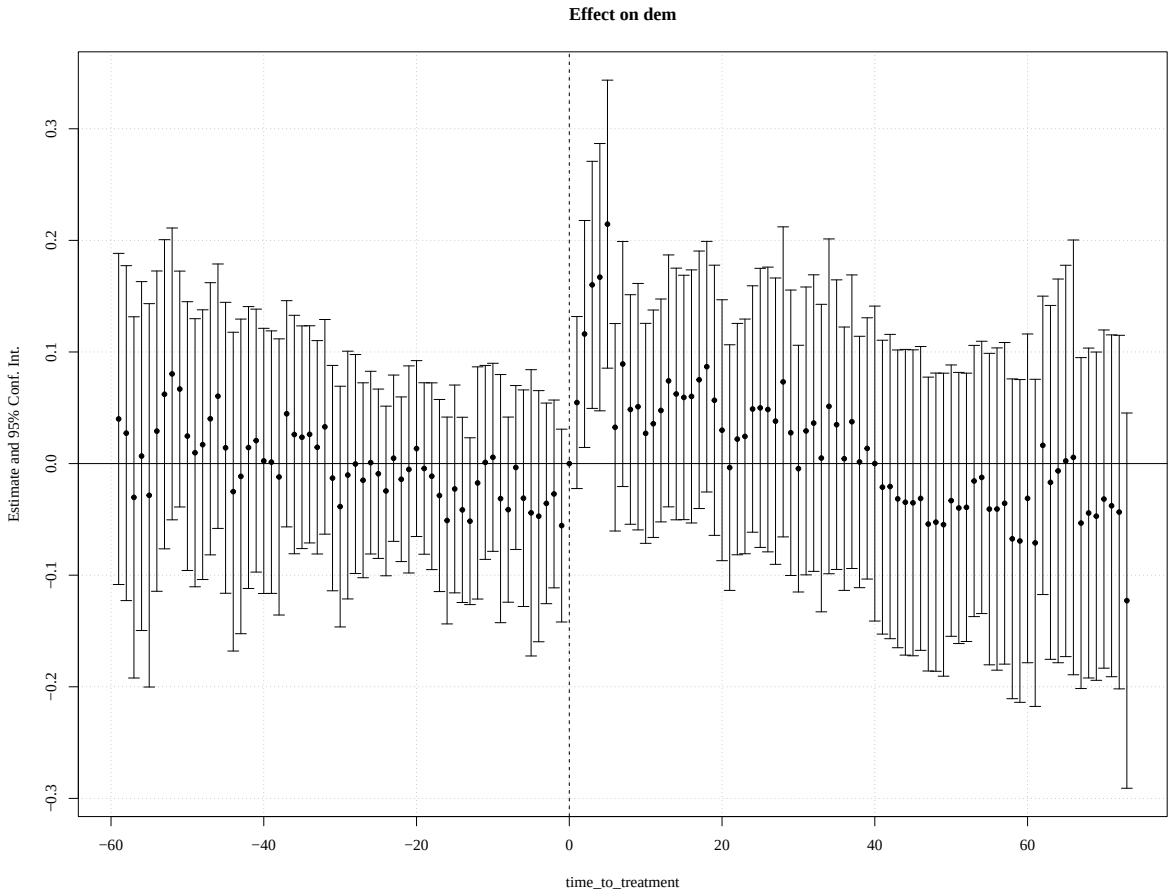
Window of Opportunity and Regimes

As stated in section 4.2.1, coups can act as a window of opportunity for democracy. We have chosen to operate with a five-year window, as most democratic elections take place every four or five years. After these five years, we argue that the window of opportunity for democracy has closed (Marinov & Goemans, 2014: 800).

To test whether coups do in fact serve as a window of opportunity, and that this window is approximately five years long, we conduct an event study. Event studies enable us to isolate the dynamics of the effect on democracy (Cunningham, 2021: Chapter 9). We visualize the trend of democracy before and after a coup by constructing a difference-in-difference (DID) estimate for each period in our data using leads and lags and comparing each period's difference to a baseline difference. This results in Graph 3. Graph 3 visualizes the five-year-long window of opportunity after a coup. Before a coup, the likelihood of democracy is indistinguishable from zero, but from years 2-5 after a coup, the likelihood of democracy is significantly higher than zero. Six years after the coup, the likelihood of democracy is once again indistinguishable from zero. This supports

our theoretical claim that the window of opportunity for democracy closes after five years.

Graph 3. The Window of Opportunity



Note: We conceptualize democracy as competitive elections, which we have argued is the least extensive understanding of democracy (section 4.2.1).

We use this five-year window of opportunity to create a variable that serves as a unique identifier for each regime. In the event of a successful coup, a regime is allocated a new unique ID number. If another coup occurs within the window of opportunity, the regime number changes again. When five years have passed since the coup that brought the given regime to power, we no longer include the regime in our data, as the window of opportunity for democracy has closed. Below is a fictitious illustration of how the regime number variable functions:

Table 4.3: Regime identification

Country	Year	Coup	Regime ID
A	1991	0	1
A	1992	1	2
A	1993	0	2
A	1994	1	3
A	1995	0	3
A	1996	0	3
A	1997	0	3
A	1998	0	3
A	1999	0	3
A	2000	0	–

4.3 Analysis

In the following, we present and analyze the results of our regression models. First, we briefly reintroduce our expectations and hypotheses. Second, we describe the content of our models, including the dependent and independent variables, the statistical significance, and the proportion of variance explained by the models. Third, we review and interpret the contents of our models, their coefficients, the directions of the effects, their magnitude, and their significance.

Does aid dependence promote democracy after a coup? As argued in section 3.3, we expect that foreign aid only has an effect on democracy when the traditional donors can credibly commit to democratic conditionality. When donors are credibly committed, we argue that the recipient countries expect donors to suspend aid if the incumbents of the recipient country do not democratize. Inspired by Marinov & Goemans (2014) and Dunning (2004), we only expect foreign aid to have an effect on democracy after the Cold War. After the Cold War and the fall of the Soviet Union, traditional donors were expectedly more committed to conditionality, as they no longer feared losing recipient countries as allies to their geopolitical rival, the USSR. This led us to the following hypothesis:

Hypothesis 1a: Dependence on traditional foreign aid only fosters democracy after the Cold War.

Second, we expect the effect of aid dependence to be more pronounced at less comprehensive measures of democracy, and reversely less pronounced at more comprehensive measures of democracy. Since democracy entails relinquishing power, we expect that the incumbents of the recipient country will do the bare minimum to receive conditional foreign aid. This led us to the following hypothesis:

Hypothesis 1b: The effect of foreign aid is less pronounced on more comprehensive conceptualizations of democracy.

4.3.1 The Models

Table 4.4 contains seven models, which only differ in terms of the dependent variable: democracy. As stated in section 4.2.3, the independent variable is aid dependence. We interact the effect of aid dependence with the time period. The interactive terms in the models are therefore the effect of aid dependence during and after the Cold War respectively (see section 4.2.2 4.2.3). The Cold War period (1966-1990) is our reference category, which means that the post-Cold War coefficients must be interpreted in relation to the effect from the reference category.

The models reflect our four conceptualizations of democracy: liberal democracy, Polyarchy, inclusive democracy, and minimal democracy. This follows the hierarchical conception of democracy proposed by Møller & Skaaning (2013). The dependent variable in Model (1) is the most comprehensive measure of democracy (liberal democracy), and the dependent variable in Model (7) is the least comprehensive measure (competitive elections). To isolate the effect on inclusion, civil liberties, and the rule of law, we run two models for each conception of democracy: one that also includes the electoral component and one without.

As indicated by the F-statistics, not all of the models are statistically significant. Specifically, Models (2) and (5) are not statistically significant, which means that we cannot confidently distinguish the values of the coefficients in the models from zero (Zeileis, 2005). We therefore cannot meaningfully interpret the substance of these models.

R^2 denotes the explanatory power of the models, which are all very small. The R^2 values range between 0.012 and 0.045, meaning that the models only explain 1.2-4.5 percent of the variance in our dependent variables. We find two probable reasons for this. First, the low R^2 values in Models (5), (6), and (7) may be due to the binary scaling of the dependent variables. Because the variables are coded binarily, they have limited variance.[10]. Second, the low R^2 values may be attributed to omitted variables, which influence democracy. In sum, dependence on foreign aid appears to explain a little share of why some regimes are more democratic than others. This aligns with our "effects of cause"-research design (section 4.2.1).

4.3.2 Hypothesis 1a

Overall, we find support for our first hypothesis that a higher aid dependence increases the likelihood of democracy after the end of the Cold War. This finding is consistent across all seven models. However, the magnitude of these effects varies across conceptions of democracy. In most models, we find no significant effect of aid dependence on democracy during the Cold War.

[10] As our dependent variable is binary in several instances, we also run logistic regressions (Kellstedt & Whitten, 2013: Chapter 12; Sønderskov, 2014: Chapter 11). The result hereof supports our overall findings and can be found in Appendix F.5

Table 4.4: Results from models (1) to (7)

	Dependent variable:						
	Liberal Democracy	Rule of Law	Polyarchy	Civil liberties	Inclusive elections	Suffrage	Minimal Democracy
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Aid Dependence pre 1991	−0.0002	−0.0001	−0.001	−0.002*	−0.003	0.0001	−0.004
	(0.0004)	(0.001)	(0.001)	(0.001)	(0.005)	(0.0002)	(0.005)
Aid Dependence post 1991	0.003***	0.003***	0.006***	0.008***	0.013*	−0.0002	0.013*
	(0.001)	(0.001)	(0.001)	(0.001)	(0.007)	(0.0003)	(0.007)
Natural resource rents	0.001*	0.001	0.002*	0.002	0.005	0.004*	0.008
	(0.001)	(0.001)	(0.001)	(0.001)	(0.005)	(0.002)	(0.006)
Observations	616	591	616	591	591	591	616
Fixed effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
R^2	0.029	0.012	0.040	0.045	0.012	0.021	0.015
F Statistic	4.717***	1.901	6.621***	7.219***	1.875	3.235**	2.335*

The null-effect of foreign aid dependence during the Cold War [11] aligns with our theoretical expectations in Hypothesis 1a. Our theoretical mechanism proposes that even if traditional donors attempted to make their aid conditional on democracy, aid dependence would still have no effect on democracy in this period, as donors were more concerned with keeping communism at bay and countering Soviet presence in their sphere of influence (Brown, 2005; Griffin, 1996; Lanati, 2019; Lee, 2022; Lundborg, 1998; Mott, 2001). Following this logic, incumbents of recipient countries were less likely to democratize. We argue that the incumbents only democratize when doing so is the most beneficial strategy and grants them the most power at the lowest cost. If they expect that donors will continue to supply aid even if they do not democratize, there is no rational reason to relinquish power.

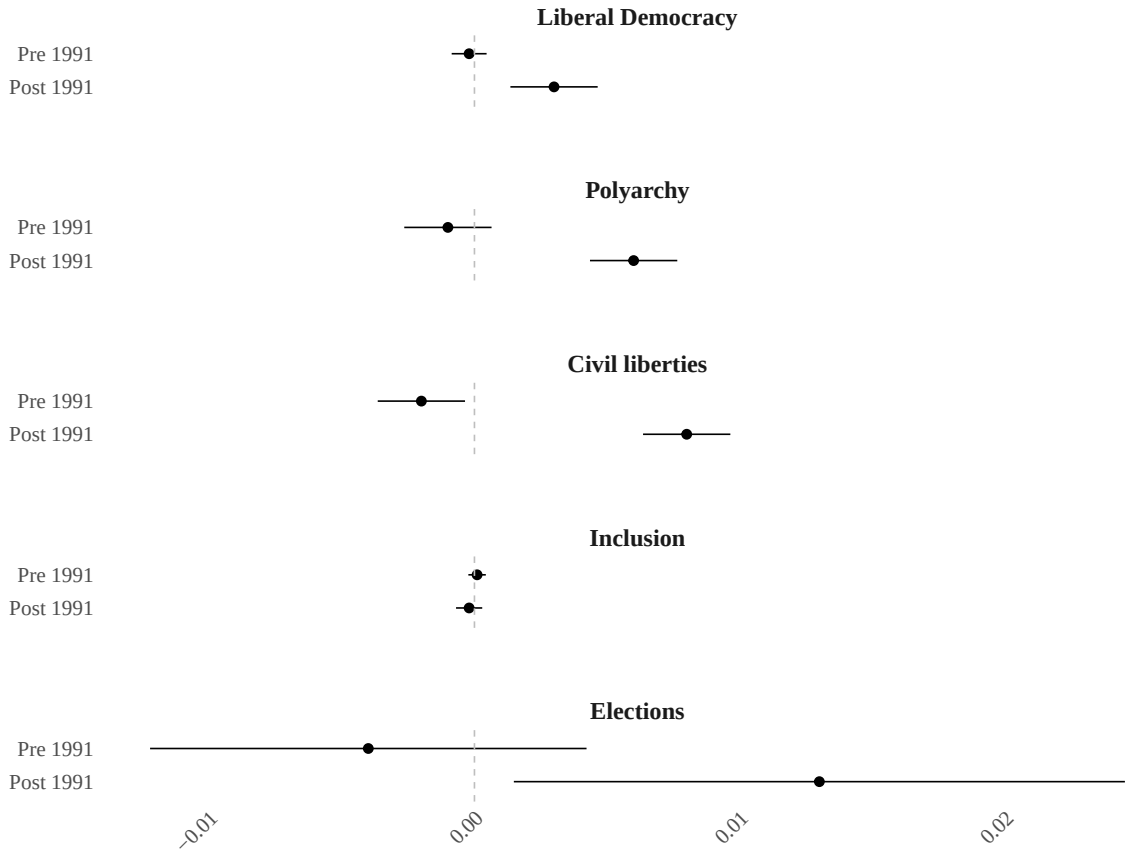
The effects found after the fall of the Soviet Union corroborate our theoretical expectations as well. As the Soviet Union dissolved and geopolitical rivalry stilled, traditional donors were capable of credibly committing to democratic conditionality, as they no longer risked losing the aid recipient country to their geopolitical rival (Dunning, 2004). According to our theory, incumbents of recipient countries are more fearful of losing aid when donors are credibly committed. This, in turn, makes democracy more likely.

4.3.3 Hypothesis 1b

With regard to our second hypothesis, we find that an increase in aid dependence has an effect across all conceptions of democracy. The following section will focus exclusively on the significant models: Model (1), which concerns liberal democracy; Model (3), concerning Polyarchy; Model (4), concerning civil liberties; Model (6), concerning inclusion; and Model (7), concerning competitive elections. Graph 4 below shows the margin plots of how aid dependence during and after the Cold War affects the various measures of democracy.

[11] Model (4) indicates a significant negative coefficient during the Cold War. Since we have a similar but stronger finding in Chapter II, we will return to this in section 5.3.2

Graph 4. Marginsplot of models 1,3,4,6 and 7



Note: Marginal plot illustrating the confidence interval for each of the main independent variables in the significant models from Table 4.4 at *p< 0.1*.

After the Cold War, the impact of foreign aid on different conceptions of democracy varies from +0.003 (*p<0.01*) in Model (1) to +0.013 (*p<0.1*) in Model (7). These results indicate that there may be a window of opportunity for democracy following a coup for countries more dependent on foreign aid. In Model (1), we find that the effect of foreign aid on liberal democracy is +0.003 (*p<0.01*), which corresponds to an approximately 2.8 percent change in the standard deviation of the outcome variable (see Appendix H). In comparison, we observe a 3.33 percent change in Polyarchy Model (3), a 2 percent change in civil liberties Model (4), and a 2.25 percent change in competitive elections (Model (7), when the effects are measured as the percentage of the standard deviations (see Appendix H).

The most persistent effect appears to be that of aid dependence on democratic elections. When the effect of aid dependence on the dependent variables, which are all scaled from 0-1, is compared, the largest coefficient is found in Model (7), which measures the effect on democratic elections. However, the largest effect measured by standard deviation on the dependent variable is in Model (3), where we measure the effect of aid dependence on polyarchy. This dependent

variable does include electoral components (see Table 4.1). When compared to Model (4), which exclusively measures civil liberties, the effect measured on the standard deviation equals only 2 percent. In Model (7), which measures the effect on competitive elections, the effect measured by standard deviation is 2.25 percent. From this, we derive that the most persistent effect appears to be on competitive elections.

In sum, we find support for Hypothesis 1b, which proposes that the effect of aid dependence is more pronounced on less comprehensive measures of democracy (i.e., democratic elections). This finding is in congruence with our theoretical presumption that the incumbents will implement the least constraining form of democracy. The reason is that they are interested in retaining as much power as possible, while still securing foreign aid. In the following chapters, we therefore measure democracy exclusively as the presence of competitive democratic elections. This will be discussed further in sections 4.4 and 7.4.

Dependence on foreign aid from traditional donors does, however, also affect components of democracy other than elections. As outlined above, aid dependence is also significantly positively correlated with the protection of civil liberties with an effect corresponding to 2 percent of the standard deviation. In Model (2), aid dependence also has a significant effect on the rule of law, but since the model is insignificant (*F-Statistic > 0.1*), the coefficient is inseparable from zero. This indicates that although the effect of aid is most persistent on elections, foreign aid is also significantly correlated with the protection of civil liberties.

In comparison to the findings of similar studies, the effects we find are modest. Marinov & Goemans (2014: 814) find an effect size of over 600 percent. We argue that our modest effect is the outcome of a number of methodological choices in our research design. We only include authoritarian regimes in our dataset, we study the phenomenon on a regime level instead of a country level, and we have a more comprehensive conception of coups than Marinov & Goemans (2014). Moreover, our study differs from previous research in that we test the hypothesis using panel data. In short, our study is very conservative and cautious, which may explain why our effect sizes are so small.

4.4 Discussion

The central findings of the analysis above are twofold. First, similar to previous studies, we find that foreign aid dependence only has a significant effect on democracy after the Cold War. Second, we find that across our four conceptions of democracy, the most persistent effect of aid dependence is on competitive elections. Moving forward we will exclusively measure democracy as competitive elections. In the following, we discuss this choice.

4.4.1 Democracy as competitive elections?

We defend our choice of using competitive elections as our measure for democracy, as elections lie at the heart of democratic regimes. Democracy is one of the most widely used and contested concepts in the social sciences (Collier & Levitsky, 1997). However, elections are typically seen as the foundation of democracy — both in colloquial and academic contexts (Munck & Verkuilen, 2002: 10). Elections are the channel through which people can make their voices heard, and the primary mode of citizens' engagement with democracy. In short, democracy is inextricably linked with the idea of elections.

Much research on democracy also tends to focus on the electoral process (Collier & Levitsky, 1997). Munck & Verkuilen (2002) outline some of the most prominent democracy indices. Regardless of how comprehensive or minimal the conception of democracy behind the index is, competitive elections are always included (ibid.). Competitive elections are also typically presented as the clearest demarcation between autocratic and democratic regimes (Møller & Skaaning, 2013: 145). While Schumpeter (1942: 269) defines competitive elections as the core of democracy, Dahl lists it as the first of eight criteria for Polyarchy (Dahl, 1971: 3).

We recognize, however, that we must be careful in defining democracy exclusively as the presence of competitive elections. In recent decades we have seen an increase in the number of authoritarian regimes that hold elections. In these so-called gray-zone regimes, incumbents utilize nominally democratic institutions such as elections to consolidate their power (Brancati, 2014; Diamond, 2002; Gandhi & Przeworski, 2007; Levitsky & wa, 2002). On the facade, these elections may appear to be competitive, but in reality, they conceal something more nefarious. Elections can be tools for gathering information on both opponents and allies (Brancati, 2014). Furthermore, nominally democratic institutions can act as window dressing that the incumbents use to appease foreign powers (Seeberg, 2013: 315). These nominally democratic institutions can be utilized to keep autocrats in power, rather than constraining them and holding them accountable to the population.

It would be problematic if our measure classifies these elections as competitive. Methodologically speaking, it would be at the expense of the validity of our measure, as we risk including gray-zone authoritarian regimes that happen to hold elections, in our concept of minimal democracies (Adcock & Collier, 2001: 531). As a result, we would not be measuring how foreign aid may promote democracy, but how it leads to the establishment of pseudo-democratic institutions.

4.4.2 Democracy as competitive elections!

To ensure that our measure accurately captures competitive elections and not those held in autocratic regimes, we include several conditions that must all be met in order for the election to be classified as democratic (see section 4.2.2). Most importantly, our measure includes contestation. That is elections in which the incumbent actually competes with other actors and risks not being elected. Since contestation and true competition constitute the primary difference between

democratic and autocratic regimes, our measure is able to capture this distinction and should not be predisposed to include regimes that fall into the gray zone (Møller & Skaaning, 2013: 145).

We also justify moving forward with measuring democracy as elections, because they are usually the first step towards further democratization. Møller & Skaaning (2013: 143) find that competitive elections are both the most common and the most plausible first step on the path to democratization in contemporary history. Moreover, they argue that external actors tend to prioritize elections when promoting democratization in other countries (ibid.: 152). Møller & Skaaning (2013) find only 6 out of 72 empirical cases where countries develop other aspects of democracy, such as civil liberties or the rule of law, before introducing competitive elections. Since we have a narrow window of only five years for democratization, dependence on foreign aid is most likely to affect democratic elections before civil liberties or the rule of law. Because elections are the clearest manifestation of democratic governance and the first step towards even more democracy, we find it appropriate to focus on just this aspect of democracy.

4.5 Conclusion of Chapter I

In conclusion, we find that the most persistent effect of foreign aid seems to be on minimal democracy, which we measure as competitive elections. Our analyses indicate a positive relationship between foreign aid and democracy after the Cold War (1991-2022). However, the world has changed a great deal since 1991 and the fall of the Soviet Union. In terms of democracy and aid, there are two notable developments. First, the emergence of Russia and China as prominent donors of foreign aid may undermine the foreign aid architecture, which was previously dominated by traditional donors (Dreher et al., 2011; Woods, 2008). Second, some traditional donor countries have undergone a democratic recession, where certain democratic institutions are gradually eroding. How do these two developments alter the effect of aid from traditional donors found above? And what effect does aid from these alternative donors have on democracy? We will explore this question in the subsequent chapter.

Chapter II

5 Does the effect of foreign aid persist? Democratic recession and the emergence of new donors

In this chapter, we study whether the effect of traditional foreign aid found above still holds true today. In Chapter I, we included data from recent years. However, until this point, we have only distinguished between two time periods: the time during the Cold War (1966-1990) and the time after (1991-2022). As noted, the world has changed drastically since 1991. In this chapter, we therefore study whether the effect of aid dependence on democracy is affected by recent political developments.

There are two relevant political developments that may alter the effect of traditional foreign aid on democracy. First, several traditional donor countries are experiencing a democratic recession, where qualities associated with democratic governance are deteriorating (Lührmann & Lindberg, 2019: 1099). Second, China and Russia have (re)emerged as donors and are challenging the market of foreign aid, previously dominated by traditional donors (Dreher et al., 2011; Woods, 2008). As shown in our literature review, we have not identified any studies that examine whether these developments alter the effect of aid.

Our contributions in this chapter are twofold and originate from these gaps in the literature (section 2.3.2). First, we examine whether democratic recession and the emergence of new donors alter the effect of aid from traditional donors. Both these developments may pose a threat to the impact of foreign aid, as they can be expected to reduce the ability of donors to credibly commit to democratic conditionality. Second, we wish to investigate what impact aid from these alternative donors itself has on democracy in the recipient countries.

The chapter is organized as follows. First, we use our theoretical framework to address the gaps in the literature and present our theoretically grounded hypotheses. We then present our methodological considerations and the variables relevant to our hypotheses. The results of our regressions are presented in the following section. The chapter concludes with a summary and discussion of the implications of our findings and approach.

5.1 Hypotheses

5.1.1 Recent political developments, and the effect of traditional foreign aid

The emergence of alternative donors can pose a threat to the effect of traditional foreign aid, as it may harm the donors' ability to credibly commit to democratic conditionality. As argued in section 3.3, the presence of geopolitical rivals can undermine the effect of foreign aid, as donors are more concerned with geopolitics than the promotion of democracy. If traditional donors are sufficiently concerned that the emergence of new donors will be at the expense of their geopolitical interests, they may relax democratic conditionality in order to avoid losing the recipient country to a rival power.

According to our theoretical mechanism, if the donors' geopolitical considerations take precedence, recipient countries may get the impression that the donors are no longer credibly committed to democratic conditionality (section 3.3; Dunning (2004: 410)). This increases the leverage of aid-dependent countries, who may be more likely to avoid democratization and retain power without sacrificing foreign aid. This secures them the resources needed to maintain or improve government performance. In such cases, we would expect that the effect of foreign aid decreases after the emergence of new donors.

There is, however, an important point to be made about the theoretical expectation above. We do not suggest that the effect of foreign aid will disappear once new donors have emerged. This would imply that we consider the current geopolitical competition between traditional donors and alternative donors to parallel the US-USSR rivalry of the Cold War. Many argue that China and Russia still do not hold a candle to the U.S. in terms of economic, military, and soft power (Sachs, 2023: 15). Nonetheless, China is considered both an economic and geopolitical threat to the so-called "Pax Americana" - an international order with the US at the helm (Layne, 2018). Thus, we do not expect that the rise of China and Russia will squash the effect of traditional aid completely. We only expect that it may decrease the effect.

Another political development that can alter the effect of traditional foreign aid is the democratic recession in donor countries. With the current democratic recession, even established democracies are experiencing an erosion of democratic institutions (Diamond, 2008; Lührmann & Lindberg, 2019). This erosion seems to affect many facets of democracy. Levitsky & Ziblatt (2019: 5) argue that democratic recession begins at the ballot box and affects the electoral components of democracy. The V-Dem team supports this, as they find that the electoral components of democracy in particular have declined in 2023 (Papada et al., 2023: 25). Gora & De Wilde (2022: 352) find that most European Union member states experienced a deterioration of civil liberties and the rule of law. Similarly, Pirro & Stanley (2022) find that judicial branches of government in Poland and Hungary have been weakened, as the executive power has packed the constitutional courts with party sympathizers. Thus, several components of democracy are either being eroded

or questioned.

What implications may democratic recession in donor countries have on foreign aid's effect on democracy? As repeatedly argued, foreign aid only appears to have a significant effect on democracy when donors can credibly commit to democratic conditionality. Democratic recession signals that the consensus on democracy as a desirable goal has weakened (Cheeseman, 2015). This may give recipient countries the impression that the donors themselves are less committed to upholding democracy. If their commitment to democracy is curtailed, donors are less likely to effectively demand democracy from those, to whom they give aid (Crawford, 1997). Consequently, we would not expect them to democratize when their donors are wavering in their commitment to democracy. The potential effect of democratic recession and the emergence of alternative donors are captured by the hypothesis below:

Hypothesis 2a: Democratic recession and the emergence of alternative donors decrease the effect of traditional foreign aid on democracy.

5.1.2 Alternative donors and democracy

Whereas the previous hypothesis addresses how the emergence of alternative donors may alter the effect of traditional foreign aid, our next hypothesis questions whether aid from these alternative donors has its own effect on democracy.

We do not expect countries that are more dependent on aid from alternative donors to democratize more than countries less dependent. As stated above, alternative donors pose a threat to traditional donors, as the former are autocratic powers who do not interfere in local governance to the same extent nor do they demand democracy in return for aid (Chin & Quadir, 2012; Dreher et al., 2011, 2021; Woods, 2008).

We assume that incumbents seek to retain power and only democratize when (1) they are dependent on aid and (2) they believe that the donors are credibly committed to democracy. Since the alternative donors do not supply democratically conditional aid (Dreher et al., 2021: 137), an increase in dependence on this type of aid should not affect the likelihood of holding democratic elections.

Hypothesis 2b: Dependence on aid from alternative donors does not affect democracy

While aid from alternative donors may not entail democratic conditionality, some even argue that this type of aid is less conditional overall (Dreher et al., 2021; Hernandez, 2017). Although this type of aid may be less conditional on governance, we do not rule out the possibility that alternative donors demand something else in return for their foreign aid. This will be discussed in section 6.4.1.

5.2 Methods

Below we present the research design behind our second chapter, which serves as the guide for how we test the hypotheses presented above (Halperin & Heath, 2020: 159). The structure of this section is similar to the methods section in Chapter I. After presenting our general methodological approach, we conceptualize and operationalize the central variables in our analysis, to ensure that we accurately measure the phenomena we wish to study (ibid.: 185). Next, we introduce the models used to test our hypotheses and discuss whether they meet the criteria of the best linear unbiased estimator (Egerod, 2016; Stubager & Sønderskov, 2011). Finally, we describe the data, which we use to answer the hypotheses.

5.2.1 Research design and Methods

In this chapter, we continue examining the effect of foreign aid dependence on democracy after a coup. One crucial difference from the previous chapter is that we distinguish between time periods after the Cold War, to study how the two political developments mentioned above may alter foreign aid's effect on democracy.

To examine this, we conduct an OLS panel data analysis with time and unit fixed effects. Because we want to examine democracy within a single regime over time, we find using longitudinal data to be the most appropriate (Stock & Watson, 2003: 396-419). We include all cases of authoritarian regimes with coups between 1966 and 2022. In order to study whether foreign aid can foster democracy after a coup, we continue studying the window of opportunity, which is defined as five years following a coup (Marinov & Goemans, 2014: 800). Our data includes the same approximately 175 regimes as in Chapter I (Appendix D).

5.2.2 Variables and Data

In this section, we present the conceptualization and operationalization of our central variables, as well as the data we use to measure them. As in Chapter I, we do so to bolster our measurement validity (Adcock & Collier, 2001). The presentation of our variables will be brief, as most of them are identical to our variables in Chapter I. More emphasis will be placed on our new variable: dependence on alternative aid. In the following, we will also present our new interactive term, which is meant to capture the two political developments mentioned above.

Coups

Our conception of coups is unchanged from the previous chapter. We define a coup as an unconstitutional and forceful seizure of executive authority by elites within the state apparatus. We use Powell & Thyne (2011)'s dataset "Global Instances of Coups" to detect when a country has experienced a coup.

Our first independent variable: Dependence on traditional foreign aid

The indicator for dependence on traditional foreign aid remains unchanged and is defined as the ratio of foreign aid from traditional donors to GDP. As before, we measure foreign aid from traditional donors as the total amount of ODA commitments to each of the recipient countries in a given year. For GDP, we use a combination of data from the Madison Project Database (MPD) and the World Bank.

The Dependent variable: Democracy

In this chapter, we exclusively define democracy as minimal democracy, which only entails the presence of competitive elections (Schumpeter, 1942). As argued in Chapter I, we find that the effect of foreign aid is most persistent in competitive elections. Theoretically, we also consider elections to be the core of democracy (Møller & Skaaning, 2013). To capture the concept of minimal democracy, we use the NELDA dataset, which covers all national elections from 1945 to the present. For further details and a comprehensive overview, we refer to section 4.2.2 and Appendix A.

Our second independent variable: Dependence on Alternative Aid

What and who is an alternative donor?

In order to examine the effect of aid from alternative donors, we must first define what is meant by the term 'alternative donors'. According to Dreher et al. (2011: 1951), alternative donors differ from traditional donors, as their aid is not democratically conditional. Dreher et al. (2015: 4) claim that another attribute that distinguishes these donors from each other is that alternative donors do not organize their aid efforts through the OECD. In other words, these alternative donors do not operate in the same fora as traditional donors. Although we find these definitions very useful, they do not fully capture the phenomenon we wish to study. As argued in section 5.1.1, we believe that an important characteristic of these donors is also that they have recently become prominent on the foreign aid scene. It is because of their novelty and prominence that we expect their presence to impact the effect of traditional foreign aid (section 5.1.1). We therefore define alternative donors as those, who (1) have recently emerged as prominent donors of aid, (2) do not organize their aid through the OECD and (3) do not include democratic conditionality in their aid.

Empirically, we identify two donors that meet these criteria - Russia and China. First, both of these donors have become more prominent donors of aid in the 21st century (Dreher & Fuchs, 2015; Dreher et al., 2011, 2012, 2021; Larionova et al., 2016; Woods, 2008). Second, neither of them organize or register their foreign aid through the OECD (OECD, 2024a). Finally, aid from these alternative donors is seemingly less concerned with democracy and good governance (Dreher et al., 2011; Way & Casey, 2017).

What is foreign aid?

We continue using our previous definition of foreign aid, as we want to be able to compare the effects of aid from alternative donors and traditional donors. As noted in section 2.2.1, the OECD defines ODA as transfers from a government agency that target development and welfare in the recipient country (OECD, 2024b). However, alternative donors do not register their foreign aid with the OECD. Therefore, the OECD cannot determine whether Chinese or Russian aid qualifies as ODA. Consequently, we need to find alternative data sources.

We have not been able to find reliable data that covers Russian foreign aid resembling ODA aid. Although there are official Russian government websites, as far as we know, foreign aid data is not publicly available. Therefore, we would have to find a proxy to simulate their aid to a country. The only potential proxy we could find is the Wagner Group. The Wagner Group is a government-funded private military company (PMC) with close ties to the Russian regime (Neethling, 2023). The Armed Conflict Location and Event Data project provides data on the presence of the Wagner Group, which tracks the organization's military operations worldwide (Gurcov et al., 2023; Raleigh et al., 2023). However, while the presence of the Wagner Group in military operations may be indicative of Russia's presence in a country, it does not meet our definition of foreign aid, as military operations do not necessarily equate to assistance promoting development and welfare. We do not consider the presence of the Wagner Group in conflicts to be an appropriate indicator. We will return to our measure of alternative donor aid and the Wagner Group's presence in recipient countries in sections 5.4.2 and 6.3.2.

In contrast to Russia, we have been able to find data on Chinese aid resembling ODA aid. AidData has published a dataset that identifies projects or activities supported by official sector institutions in the Chinese government and state-owned institutions (Custer et al., 2023). This data is available from 2000 and includes technical assistance, scholarships, debt restructuring, and forgiveness. Most importantly, the dataset includes an assessment of whether the projects can be categorized as ODA-like (ibid.). The data covers all of the countries included in our dataset, who all receive aid from China[12] (ibid.; Appendix B). In congruence with the definition of foreign aid in Chapter I, we measure aid from alternative donors as the total amount of committed ODA-like aid from China in US dollars.

We define dependence on aid from alternative donors as the ratio of alternative aid (i.e., Chinese aid) to GDP:

$$\text{Alternative Aid Dependence}_i = \frac{\text{Alternative Aid Commitments}_i}{\text{GDP}}$$

We source our data on the recipient countries' GDP from the MPD and the World Bank.

To include alternative donors or not to?

In contrast to Chapter I, we include aid from non-traditional donors in our research design in this chapter. Although we only include traditional aid in Chapter I, we still interpret how the USSR

[12]However, not all regimes in our dataset receive Chinese foreign aid. The variable does therefore have some variance.

impaired the traditional donors' ability to credibly commit to conditionality. The reason for not including aid from the USSR in Chapter I is that recipient countries were not likely to receive aid from both types of donors. During the Cold War, the superpowers effectively divided the world into spheres of influence. While the U.S. provided aid to Western Europe through the Marshall Plan, South Korea, and Latin America, the USSR focused its foreign aid on ideological allies such as Eastern Europe, North Korea, and North Vietnam (Brown, 2014; Griffin, 1996; Lanati, 2019; Lee, 2022; Lundborg, 1998; Mott, 2001). Receiving aid from one superpower therefore made receiving aid from the other very unlikely. This means that we do not need to include a measure of Soviet aid, since the USSR was most likely not present in the countries that were dependent on aid from traditional donors.

However, the current rise of new, alternative donors is a far cry from the bipolar power struggles between the U.S. and the USSR. As shown in Appendix B, countries do in fact receive aid from both types of donors. We therefore find it necessary to include the variable for alternative donors.

Time as the interactive term: Democratic recession and the emergence of alternative donors

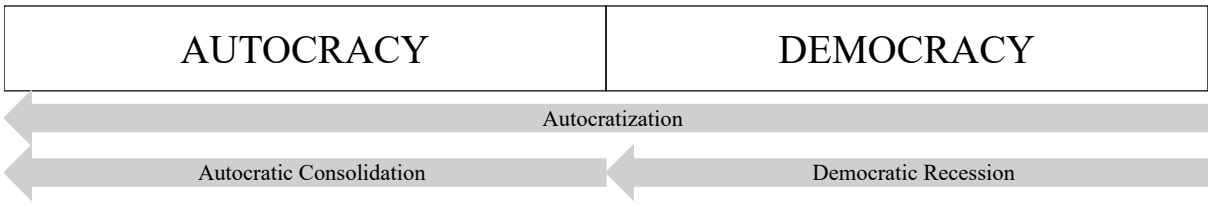
With Hypothesis 2a we presume that the emergence of new donors and democratic recession in traditional donor countries reduces the impact of traditional foreign aid. Both of these developments can decrease the effect of aid, as they may signal to the incumbents of the recipient country that traditional donors are less committed to democratic conditionality. To test this hypothesis, we interact the effect of traditional aid with time, to see if the effect changes as these two notable political developments take shape (see further details section 5.2.3). Before we can do this, we must find a suitable year that marks the difference between the post-Cold War era and this new era, in which autocratic powers are on the rise and democracy has taken a hit. We do not claim that these two developments unfold perfectly synchronically, but we do observe that they coincide somewhat in time.

First, scholars began to pay attention to China's rise as a donor of foreign aid around the 2010s (Dreher & Fuchs, 2015; Dreher et al., 2011; Woods, 2008). Although most scholars began identifying China as an emerging donor in 2010, our definition of what constitutes an alternative donor requires that the donors are not only novel but also prominent in the foreign aid scene (section 5.2.2). We therefore find 2010 to be too premature as a year to mark a significant change in traditional foreign aid's effect on democracy. Yuan et al. (2022: 9) argue that China gained momentum between 2012 and 2019, after which China can be said to be a prominent foreign aid donor.

Second, when does the democratic recession accelerate? In order to date the current recession, we must first understand what the phenomenon is. We follow the most common conceptualization and define democratic recession as the gradual movement of a democratic regime toward

autocracy (Bermeo, 2016: 6; Lührmann & Lindberg, 2019: 1100;Levitsky & Ziblatt, 2019: 3. Due to its gradual nature, where democracy inches its way towards authoritarianism, the phenomenon has also been named a wave of autocratization (Lührmann & Lindberg, 2019). This is illustrated in Figure 6.

Figure 6. Democratic Recession and Autocratization



Note: Inspired by Lührmann & Lindberg (2019: 1100)

Diamond (2008) sparked the debate on democratic recession. In their report from 2016, Freedom House documented the tenth consecutive year of decline in global freedom (Waldner & Lust, 2018: 94). It is, however, difficult to precisely date the beginning of the democratic recession as the phenomenon differs drastically from previous autocratization periods because of its incremental fashion (Waldner & Lust, 2018: 95; Bermeo, 2016: 14,Haggard & Kaufman, 2021). Today erosion of democratic institutions and norms happens slowly and in the shadows (Levitsky & Ziblatt, 2019: 5-6; Waldner & Lust, 2018: 95; Bermeo, 2016: 14; Haggard & Kaufman, 2021: 21). Because of its elusive nature, it is difficult to determine when democratic recession should begin to affect the impact of traditional foreign aid. As argued in section 5.1.1, we expect that democratic recession decreases the effect of aid when the incumbents of the recipient country start noticing that donors may be less committed to democracy. Democratic recession must therefore be perceivable.

Because we examine how incumbents may perceive that donors' commitment to democratic values has diminished, we focus on major and obvious events, which can constitute a clear signal to the incumbents of recipient countries. Clear signals could include the ascension of the populist

Rassemblement National party in France in 2017, the populist Law and Justice Party (PiS) in Poland in 2015, as well as the election of Donald Trump in 2016. Furthermore, Lührmann & Lindberg (2019) identify 2017 as the last year where a majority of countries still qualified as democracies.

To capture the shift from the post-Cold War dynamic to this new, turbulent period of democratic recession and the emergence of alternative donors, we choose the year 2016. We choose this year, as China's rise as a donor is dated to take place between 2012 and 2019, and because there were watershed events around 2016 that could clearly signal that some donor countries have become less committed to democratic principles.

We conducted a number of tests to support our choice of year. We ran our models using all years between 2015 and 2017, as well as two placebo years. Our results show a small effect in 2015 and 2017. The placebo years 2000 and 2020 do not show any effect. This supports our claim that 2016 marks a shift, where democratic recession has gained momentum in donor countries and China has become a prominent donor (see Appendix F.8 for more details).

5.2.3 Our Models

Our quantitative regression analysis consists of two models that we use to test our two hypotheses. In our first model, we investigate whether the effect observed in Chapter I persists during this new era characterized by democratic recession and the rise of alternative donors. The second model examines what effect dependence on aid from alternative donors has on democracy.

Table 5.1: Models in Chapter II

Model	Focus
Model 8	The effect of foreign aid during the democratic recession and the emergence of alternative donors
Model 9	The effect of China's aid on democratic elections

We employ longitudinal data to track the evolution of a regime over time. The Hausman for this chapter's models indicate the use of fixed effects (section 4.2.3). Furthermore, as in Chapter I, we cannot reasonably reject the possibility that unobserved variables may be correlated with some of the explanatory variables in our models. We therefore apply time and unit fixed effects to both models. As we are dealing with a binary dependent variable, we also run a logistic regression. The logistic regression with unit-fixed effects yields a similar result and can be found in Appendix F.6.

Regression equations

In the following section, we present our regression models in the form of equations. This enables us to properly understand the mathematical and logical basis of our regressions, which is useful when interpreting our results in section 5.3. The two OLS estimators are as follows:

Model(8):

$$Y_{ut} = \beta_0 + \beta_1 \times FAD_{ut} + \beta_2 \times (FAD_{ut} + TP_t) + \beta_3 \times NRR_{ut} + \alpha_u + \gamma_t + \varepsilon_{ut} \quad (5.1)$$

Model (9):

$$Y_{ut} = \beta_0 + \beta_1 \times FAD_{ut} + \beta_2 \times (FAD_{ut} + TP_t) + \beta_3 \times CAD_{ut} + \beta_4 \times NRR_{ut} + \alpha_u + \gamma_t + \varepsilon_{ut} \quad (5.2)$$

In both models, the dependent variable (Y) is minimal democracy (i.e. the holding of democratic elections). The coefficient β_1 quantifies how a one-unit change in our independent variable (X), dependence on traditional foreign aid (FAD), impacts the value of Y. $\beta_2 \times (FAD_{ut} + TP_t)$ captures the effect of dependence on traditional foreign aid over three time periods - during and after the Cold War as well as since the current democratic regression and emergence of alternative donors. In Model (9) $\beta_3 \times CAD_{ut}$ captures how the dependence on alternative aid impacts the holding of competitive elections. In both models, we control for natural resource rents (NRR) through β_3 and β_4 respectively. As was the case in Chapter I, u denotes the specific unit (i.e., a given regime), t denotes the specific time period (i.e., a given year), α_u captures unit-fixed effects, γ_t represents time-fixed effects, and ε_{ut} is the error term.

5.2.4 Pre-requisites

Prior to undertaking a detailed view of the results of our models, it is necessary to ascertain whether the assumptions of OLS are met. As in Chapter I, rather than providing a review of all the assumptions, we focus on those most important to our analysis. A complete overview of all our tests concerning OLS assumptions can be found in Appendix G. In the following, we briefly address the following biases: endogeneity, omitted variable bias, and influential observations. Finally, we address the assumption of normally distributed residuals, which affect the models' efficiency.

As asserted in section 4.2.4, our models run the risk of endogeneity, as we cannot reject that the correlation between foreign aid and democracy is actually because foreign aid is allocated to countries more likely to democratize. We return to this in Chapter III. For a more detailed walkthrough, see Appendix F.7 and section 4.2.4.

To combat omitted variable bias, we use unit and time-fixed effects. Since these model specifications account for all unit and time-invariant factors, this limits the set of additional variables that could affect our outcome variable (Andreß et al., 2013: 95f). For good measure, we have run our models with several variables that may be captured by fixed effects. This includes variables that are typically used as controls when studying the relationship between foreign aid and democracy such as colonial ties to France and Britain, what type of regime there was prior to the coup, GDP per capita, and the geopolitical region of the regime, as well as the country of the regime (Powell, 2014: 216-7; Lange, 2009; Thyne & Powell, 2014: 15;Przeworski & Limongi, 1997; Hariri, 2015b; Robinson, 2006). Including these control variables does not change the results of

our models (Appendix F.9). The only variable which we argue is not captured by fixed effects, is natural resource rents (Herb, 2000; Tilly, 1975: 633). We therefore include this in our model.

We examine whether there are influential outliers in our dataset to ensure that the size and significance of our coefficients are not due to a few influential observations Stubager & Sønderskov, 2011: 16. Leverage tests present us with three observations that have notable leverage across both models: Burkina Faso (in 1974), Comoros (in 1980-1991), and Mali (in 1992-1994). All of these countries are heavily dependent on foreign aid, but none democratized in these time periods (Appendix B; Appendix D). They should therefore not drive the effects in our models. Removing these observations yields similar results (see Appendix G). As we wish to understand the relationship between foreign aid and democratization after a coup on a global scale, we see no theoretical reasons to exclude any of these observations.

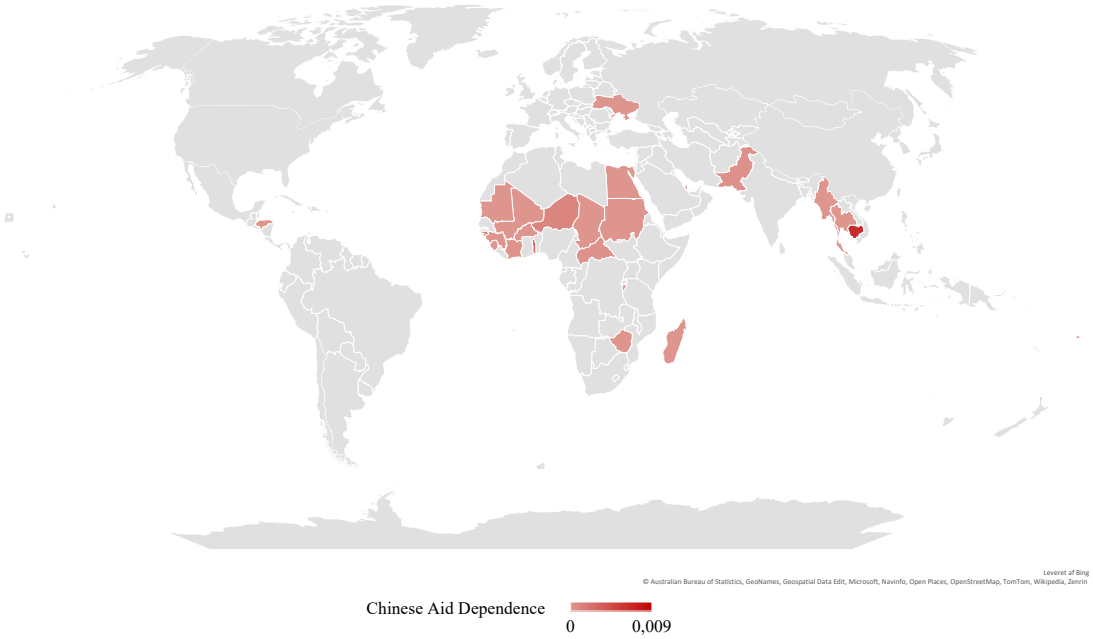
Finally, our models do not live up to the required assumptions about the residuals of the models (Appendix G). To counterbalance this inefficiency, we run all of our models with robust standard errors clustered by regime and year (Sønderskov, 2014: 117f).

5.2.5 Descriptive Statistics: A closer look at the data

Before we present the results of our panel data analysis, we find it necessary to provide an overview of the data itself. This provides us with the context needed to interpret the results of our analysis. We do not show any graphs concerning democratic recession, as our dataset does not include levels of democracy in traditional donor countries. Thus, we only present a graph visualizing China as an emerging donor of foreign aid.

Graph 5 below shows what countries receive ODA-like foreign aid from China and how dependent they are on Chinese aid. We observe that all countries in our sample (see Appendix B) receive aid from China. However, all countries are substantially less dependent on Chinese aid than they are on aid from traditional donors. As mentioned in section 4.2.4, there are countries where aid commitments from traditional donors constitute upwards of 60 percent of their GDP. Dependence on Chinese aid, which has a maximal value of 0.009 percent pales in comparison to this. This is no surprise, as we include more than 100 traditional donors in our data, but only use aid from China as a measure for aid from alternative donors. China is, however, quite a prominent donor in some countries such as the Maldives and Burundi, where they supply approximately 10 percent of all aid commitments to the country. Regardless, countries are notably less dependent on Chinese aid than traditional aid. The implications and limitations of this will be discussed in section 5.4.2.

Graph 5. Dependence on Chinese ODA-like aid



Note: China is present in all countries with coups post-2000

5.3 Analysis

In the following, we present and analyze the results of our regression models. First, we briefly reintroduce our expectations and hypotheses. Second, we describe the content of our models, including the dependent and independent variables, the statistical significance, and the proportion of variance explained by the models. Third, we review and interpret the contents of our models, their coefficients, the directions of the effects, their magnitude, and their significance.

What do the democratic recession and the rise of alternative donors mean for the relationship between traditional foreign aid and democracy? As outlined in section 5.1.1, we expect that both these developments will decrease the effect of traditional foreign aid on democracy, as they may impair the donors' ability to credibly commit to democratic conditionality. These presumptions are captured by the following hypothesis:

Hypothesis 2a: Democratic recession and the emergence of alternative donors decrease the effect of traditional foreign aid on democracy.

How may aid from alternative donors affect the likelihood of democratization after a coup? As proposed by the hypothesis below, we do not expect aid from alternative donors to have any effect on democracy in the recipient country. Our reasoning is that autocratic donors do not demand democracy in return for aid. Since we only expect incumbents of the recipient country to

democratize in order to receive aid, aid without democratic conditionality should not promote democratization:

Hypothesis 2b: Dependence on aid from alternative donors has no effect on democracy.

5.3.1 The Models

Table 5.2 contains the quantitative tests of our two hypotheses. The dependent variable in both models is the presence of democratic elections[13].

The difference between the two models is the independent variables included[14]. Model (8) only includes dependence on aid from traditional donors, as we wish to test whether the effect of aid dependence decreases in the time period, where we would expect traditional donors to be less committed to democratic conditionality. Model (8) is therefore used to test Hypothesis 2a. Model (9) includes a second independent variable: dependence on Chinese aid, which we use to interpret the effect of Chinese aid on democratic elections, (i.e. Hypothesis 2b). Model (9) is also useful to test Hypothesis 2a, as an increased dependence on Chinese aid, which does not entail democratic conditionality, may decrease the effect of conditional aid (section 5.1.1 & 5.2.2).

In this chapter, we use different interactive terms than those used in the quantitative tests of Chapter I. Previously we studied foreign aid's effect during and after the Cold War. Now we study whether the effect of aid changed between the post-Cold War era (1991-2015) and since the democratic recession and the rise of alternative donors (2016-2022). We therefore use the post-Cold War era as our reference category. The effect of foreign aid must be interpreted in relation to the effect in this category.

Models (8) and (9) are both significant. We can therefore securely expect that the value of the coefficients is significantly different from zero. However, both models have an R^2 value of 0.024, meaning that models only explain 2.4 percent of the variance of the dependent variable. As was the case in Chapter I, this may be due to our binary dependent variable, which has limited variance. Another reason may be that the variance in our dependent variable (i.e. democracy) is explained by variables not included in our models. In short, foreign aid dependence still explains very little of why countries democratize. Furthermore, we see that including dependence on Chinese aid does not improve the explanatory power of our models. We address this in our interpretations of the coefficients and discuss how this limits our analysis in section 5.4.2.

[13] Because we are using a binary dependent variable, we also run logistic regressions. The logistic regressions with unit-fixed effects yield similar results and can be found in Appendix F.6.

[14] We also include natural resource rents as a percentage of GDP as a control variable. We do, however, not interpret these effects.

Table 5.2: Regression models (8) and (9)

	Dependent variable: Minimal democracy	
	(8)	(9)
Aid Dependence 1991-2015	0.009*	0.009*
	(0.005)	(0.005)
Aid Dependence post 2016	0.090***	0.090***
	(0.028)	(0.028)
Aid Dependence pre 1991	−0.013*	−0.013*
	(0.007)	(0.007)
Chinese Aid Dependence		−1.044
		(6.859)
Natural resource rents	0.008	0.008
	(0.006)	(0.006)
Observations	616	616
Fixed effects	Yes	Yes
R^2	0.024	0.024
F Statistic	2.909**	2.325**

Note: Robust standard errors clustered by regime and years in parenthesis.

*p<0.1; **p<0.05; ***p<0.01

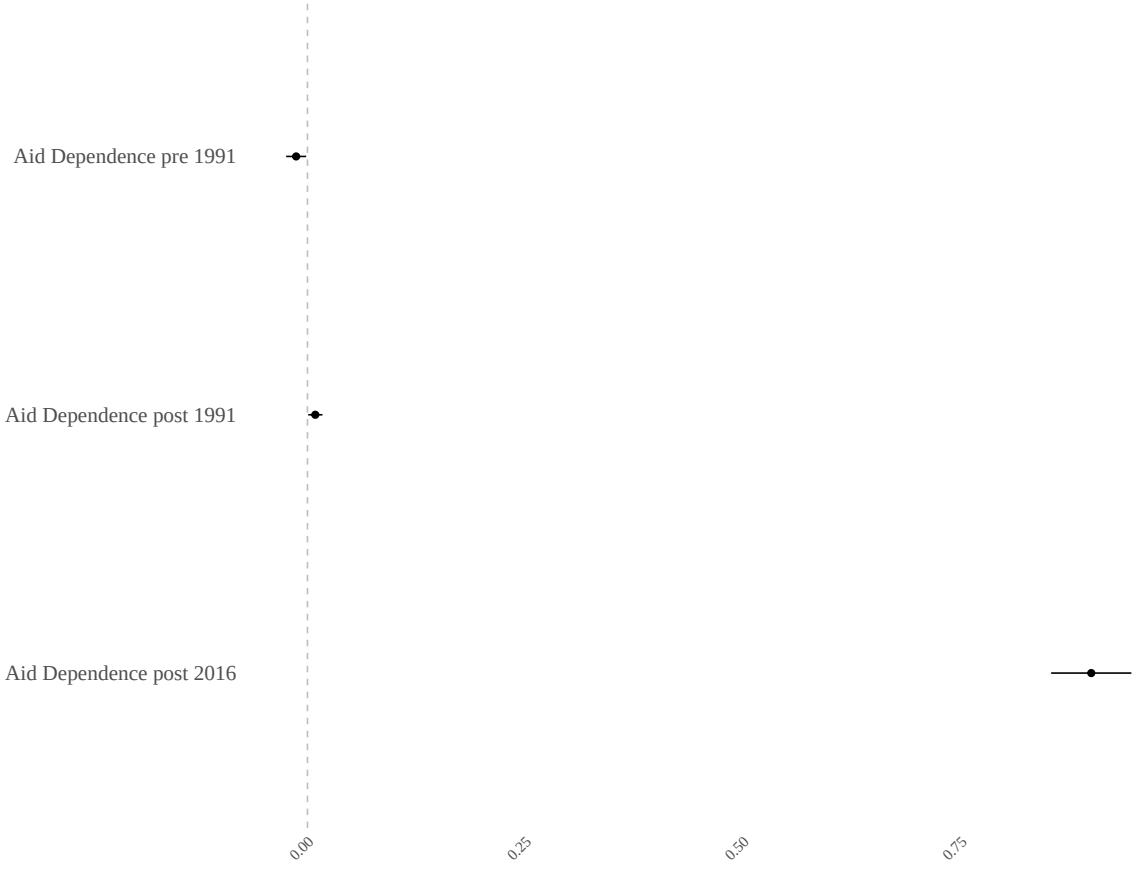
5.3.2 Hypothesis 2a

Across Models (8) and (9), we find that dependence on traditional foreign aid is significantly positively correlated with democratic elections in the time period 2016-2022. Whether we control for dependence on alternative donors or not, the coefficient of dependence on traditional foreign aid is +0.09 ($p < 0.01$), which equals a 22.5 percent change in the standard deviation of our outcome variable. When we add this coefficient to the coefficient of our reference category, which is 0.009 ($p < 0.1$), the effect equals +0.099, which corresponds to a 24.75 percent change in the standard deviation. This finding supports our analysis in Chapter I, where we concluded that traditional foreign aid was significantly positively correlated with democratic elections after the Cold War. As shown in Graph 6, the effect of traditional aid dependence not only persists but becomes stronger and more significant after 2015.

There is, however, an important reservation to be made when comparing Models (8) and (9). As pointed out, including dependence on Chinese aid does not improve our models in the slightest. The very large standard errors of its coefficient in Model (9) indicate that we have very few observations. Although we find that the effect of dependence on traditional foreign aid persists, we cannot conclude whether including dependence on Chinese aid actually alters this correlation, because our measure for Chinese aid dependence appears very unsure.

Furthermore, we also find that traditional foreign aid during the Cold War is significantly negatively correlated with the presence of democratic elections in the recipient country. When compared to our reference category, the difference in effect is -0.004, which equals 1 percent of the standard deviation (see Appendix H). Our theoretical mechanism does not suggest that the effect of foreign aid from traditional donors should be significantly negative during the Cold War - only that there should be no effect (section 4.1.1). A possible explanation of this negative coefficient could be that some traditional donors helped autocrats come to power in an attempt to fend off the spread of communism. This was the case in certain Latin American countries in the 1970s (Casey, 2020). We will return to this in section 6.3.2.

Graph 6. Marginal plots of coefficient intervals pertaining to Model (8)



Note: Marginal plot illustrating the confidence interval for each of the main independent variables in Table 5.2 at p< 0.1.

In sum, we do not find support for Hypothesis 2a, which presumes that the effect of aid dependence decreases from the period after the Cold War (1991-2015) to the period following the democratic recession and the emergence of alternative donors (2016-2022).

What do these findings mean in terms of our theory? As argued in section 5.1.1, we expected that an increase in dependence on aid from traditional donors would have a smaller effect in the

period 2016-2022 than in 1991-2015. We expected this to be the case, as both democratic recession and the rise of alternative donors are theoretically expected to impair the traditional donors' ability to credibly commit to conditionality.

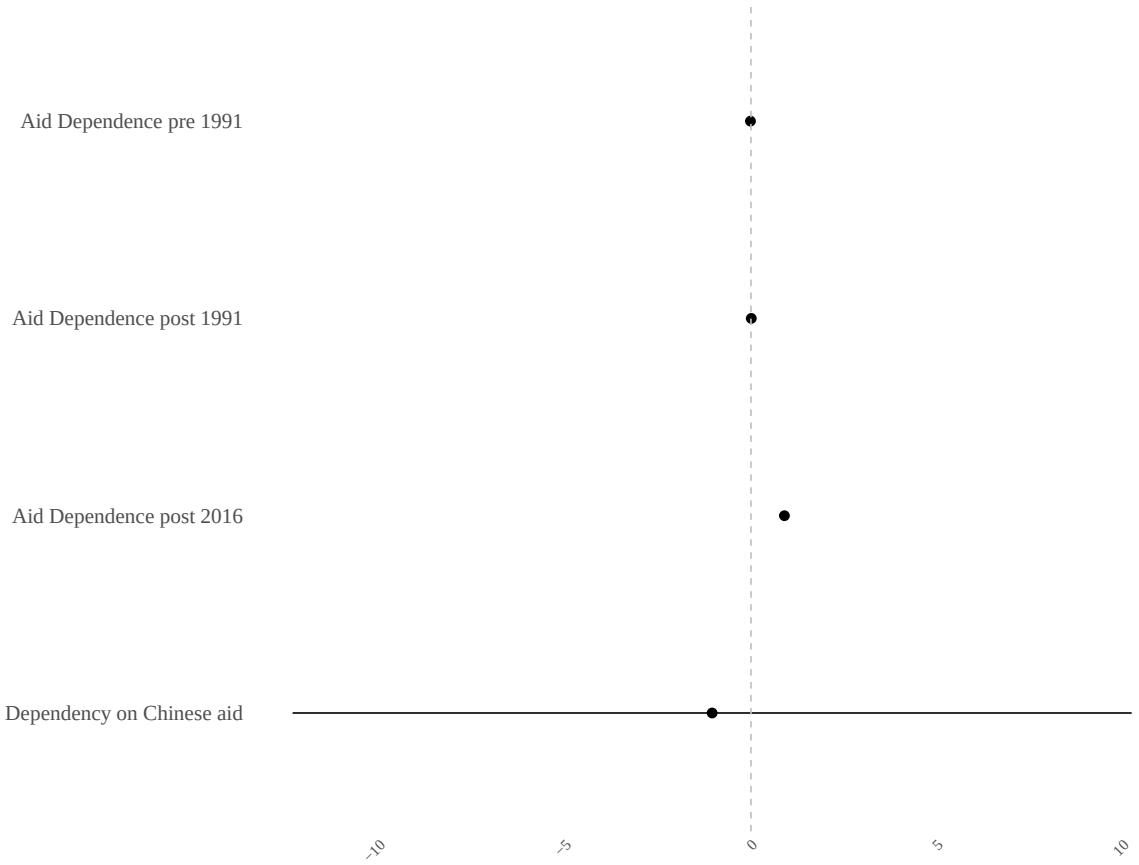
Contrary to our expectations, not only does the effect of foreign aid not decrease after 2015, it actually increases notably. The effect of aid dependence in 2016-2022 is approximately tenfold compared to the effect in 1991-2015. If we apply our theoretical mechanism, this implies that the West's ability to credibly commit to conditionality has been steadily increasing since the end of the Cold War. Democratic recession in donor countries does therefore not seem to impair their ability to enforce conditionality. Nor does the emergence of alternative donors. One could therefore be tempted to make the claim that China does not constitute a significant threat to the effect of traditional foreign aid and is, therefore, better understood as a geopolitical competitor than a rival.

However, we are not able to finally conclude whether the presence of alternative donors actually mitigates the effect of traditional foreign aid after 2015. Due to the enormous standard error, which implies that we have too few observations, we cannot securely reject the possibility that the presence of alternative donors does alter the effect of traditional foreign aid. We can only conclude that traditional foreign aid continues to have an effect after 2015. The implications of this finding and the possible reasons for why we do not find evidence supporting Hypothesis 2a are discussed in section 5.4.

5.3.3 Hypothesis 2b

In Model (8), we observe that dependence on Chinese aid is negatively correlated with democratic elections. The coefficient is quite large (-1.044) and measures 261 percent of the standard deviation of the dependent variable (Appendix H). The standard error is, however, even larger (6.859). The alpha level is therefore far beyond the least conservative level of significance ($p = 0.1$). In other words, the correlation is insignificant. This enormous standard error is an indication that we have too few observations of ODA-like aid from China. As visualized by the broad confidence intervals in Graph 7, our estimate of how dependence on Chinese aid affects democratic elections is very uncertain.

Graph 7. Marginal plots of coefficient intervals pertaining to Model (9)



Note: Marginal plot illustrating the confidence interval for each of the main independent variables in Table 5.2 at p< 0.1.

If we were to take the results at face value, the insignificant effect aligns with our theoretical expectation that dependence on Chinese aid does not have any effect on democracy. We expect the incumbents of recipient countries to democratize only when (1) they are dependent on aid and (2) the donor, who supplies the aid, is credibly committed to democratic conditionality (section 3.3). Since China does not uphold or promote democracy, and thus is not credibly committed to democratic conditionality, we would not expect that an increased dependence on Chinese aid should have any effect on democracy. However, we do not consider this estimate to be adequate evidence to confirm Hypothesis 2b. As previously stated, the standard error is very large and including Chinese aid makes no difference to the quality of our models. We can therefore not infer whether dependence on Chinese aid does or does not have an effect on democracy. If we did take the coefficient at face value, we could risk committing a Type II error (Alvarez et al., 1996). We discuss why our measure hinders inference in section 5.4.2.

5.4 Discussion

In the following discussion, we address possible explanations for why we do not find support for either of our hypotheses. First, we address whether there may be traits of democratic recession that can explain why it does not impair the donors' ability to credibly commit to conditionality. Finally, we discuss if our measurements of aid from alternative donors may be the reason that we do not find support for our hypotheses.

5.4.1 Has the Democratic Recession been exaggerated?

One possible reason why we continue to observe an effect of foreign aid after 2015 is that the magnitude of the democratic recession among traditional donors has been exaggerated. Throughout the last decade and a half, scholars have been sounding the alarm about autocratization in democracies (Diamond, 2002; Dresden & Howard, 2016; Gibler & Randazzo, 2011; Pirro & Stanley, 2022; Waldner & Lust, 2018). In 2023, the V-Dem team declared that the democratic progress of the past 35 years had been wiped out (Papada et al., 2023: 15). However, our results suggest that this democratic recession has not spilled over into the relationship between foreign aid and democracy in the recipient countries. Using our theoretical framework, we interpret this as an indication that the democratic recession does not signal a weakened commitment to democracy. We identify several explanations for why this may be.

First, the effect of aid may persist because the democratic recession has been exaggerated and has yet to reach the core of democracy in donor countries. With respect to many European donor countries, democratic recession does not appear to be undermining elections, which we have repeatedly argued lie at the core of democracy. Gora & De Wilde (2022: 349) find that the democratic recession in European countries is more pronounced in the liberal components of democracy and least pronounced on matters concerning the electoral dimensions of democracy (Gora & De Wilde, 2022: 351). Similarly, there have been signs of erosion of the liberal dimension of the U.S. democracy (Leonard, 2024). However, over the last decade, there does not appear to be a substantial or significant decline in the electoral dimension of American democracy (Papada et al., 2023: 44). Although there are signs of democratic recession in the U.S., Mickey et al. (2017: 20) argue that predictions of the US descending into authoritarian rule are largely overblown. Lührmann & Lindberg (2019: 1095) also argue that while democratic recession is a reality, it is too early to declare democracy dead. Donors may therefore still appear credibly committed to democracy, as they are not questioning whether to hold elections or not. This may explain why the effect of foreign aid on democratic elections persists despite democratic recession in donor countries.

Democratic recession may also be exaggerated due to the way scholars typically measure democracy. In their impactful article, Little & Meng (2024) argue that scholars tend to overestimate the extent of democratic recession because they use subjective expert-coded indicators. For example, many V-Dem indicators are subjective as they are coded by experts, who answer questions

such as "Would you consider this election to be free and fair?" (ibid.: 3). These measures are problematic because experts may be influenced by public discourse and media outlets that promote the narrative that democracy is dwindling at a rapid pace (ibid: 4; Levitsky & Ziblatt, 2019; Zgut-Przybylska, 2024). If the experts code regimes as being more autocratic than they actually are, the democratic recession may have been exaggerated.

A second reason why we do not find support for Hypothesis 2a may be that the gradual and elusive nature of democratic recession makes it difficult for the incumbents of recipient countries to detect. Democratic recession rarely manifests itself in a single, overt, and easily identifiable event Levitsky & Ziblatt, 2019: 3. Instead, the phenomenon is characterized as an indistinct and gradual development, during which democratic institutions are slowly hollowed out (ibid; Bermeo, 2016: 6;Lührmann & Lindberg, 2019: 1106). Therefore the incumbents, who are deciding whether or not to succumb to democratic conditionality and democratize, may not even notice the erosion of democratic institutions. Our theoretical presumption that democratic recession can impact the effect of foreign aid rests on the assumption that the incumbents are in fact able to detect this recession. However, if the signal of democratic recession is too elusive to detect, the incumbents may have no reason to believe that the donors are less committed to democracy.

In sum, contrary to our theoretical expectations, the effect of foreign aid on democracy appears to have withstood the democratic recession in several donor countries. One possible explanation is simply that democratic recession in the West has been overstated because foundational components of democracy remain intact and/or because measures of democracy are too subjective and thus overestimate the magnitude of recession. A second possible explanation for this is that democratic recession is gradual. As a result, the incumbents of recipient countries do not notice democratic recession and therefore have no reason to think that donor countries are less committed to democracy.

5.4.2 Capturing the rise of alternative donors?

Our methodological choices may also be the reason (1) why we do not observe that the effect of foreign aid diminished after 2015 and also (2) why we cannot conclude anything about the effect of Chinese aid on democracy. This warrants discussion of our methodological choices and the limitations they pose.

China is not the only alternative donor in town

One limitation of our methodological choices is that we only use Chinese aid as a measure for aid from alternative donors (section 5.2.2). China is, however, not the only alternative donor on the rise. As argued in section 5.2.2, Russia also meets our criteria of an alternative donor, as Russia has become a more prominent donor, does not report and organize its aid through the OECD, and is less concerned with democracy and good governance. We do, however, not include Russian aid due to the limited data availability (section 5.2.2).

Omitting other relevant alternative donors challenges the validity of our measure (Adcock & Collier, 2001). Originally we sought to study how the emergence of alternative donors can alter the effect of traditional foreign aid. The results and quality of our models do, however, suggest that we are not capturing the magnitude of the phenomenon that is 'alternative donors'. Therefore, we cannot conclude whether alternative donors actually alter the effect of traditional aid nor whether they have their own effect on democracy.

Official development assistance and other forms of presence

Another limitation of our research design is that we only include ODA-like aid from China. This second limitation does not restrict our test of Hypothesis 2b, which compares the effects of development assistance from traditional and alternative donors. Since we measure development assistance from traditional donors as ODA commitments, ODA-like from China is the most appropriate measure. If we did not use aid from traditional and alternative donors with similar objectives, we would not be able to properly compare their effects.

However, the choice of measure can be questioned with respect to Hypothesis 2a, which in part examines how the emergence of alternative donors affects the impact of traditional aid on democracy. The measure we use is not the presence of all new alternative donors, but simply a regime's dependence on Chinese ODA-like aid. This is problematic as China and other alternative donors are economically engaged with many countries outside of their ODA-like projects (Kitano & Miyabayashi, 2024: 283). The Chinese Belt and Road Initiative is just one example of this (Dreher et al., 2021: 135). Our measure of aid from alternative donors does not capture the effect that other forms of economic dependence on alternative aid may have on traditional foreign aid's effect on democracy.

However, we also attempt to capture the rise of alternative donors in our interactive term, which partially mitigates the limitations discussed above. The interactive term distinguishes the effect of traditional foreign aid after the Cold War (1991-2015) from the current rise of alternative donors (2016-2022). As argued in Section 5.2.2, it is not sufficient to include only the interactive term when studying contemporary dynamics. During the Cold War, the US and the USSR effectively carved up their spheres of influence (Brown, 2014; Griffin, 1996; Lanati, 2019; Lee, 2022; Lundborg, 1998; Mott, 2001). Since aid from the USSR effectively replaced aid from the U.S., we can capture the effect of the USSR on Western aid without including aid from the USSR in our models. Today, however, we are not in a Cold War situation; countries can receive aid from both traditional and alternative donors (Appendix B; Schmaljohann & Prizzon, 2014). Therefore, the interactive term is not able to fully capture the effect of the rise of alternative donors that we want to study. Since our only measure for their presence is Chinese ODA-like aid, the measure is still limited.

5.5 Conclusion of Chapter II

We anticipated that the emergence of alternative donors and the democratic recession in the 2010s would reduce foreign aid's effect on democracy. Contrary to our expectations, we find that dependence on aid from traditional donors continues to be positively correlated with the holding of democratic elections after 2015. One possible explanation for our unexpected finding is that the democratic recession in donor countries has been exaggerated. Another possible explanation could be that we fail to validly capture the rise of new donors, as we only include Chinese aid and only ODA-like aid at that. As a result, this chapter does not fully capture how the presence of alternative donors may affect the ability of traditional donors to credibly commit to democratic conditionality. We attempt to do so in the following chapter.

In Chapter III, we investigate how traditional donors behave when alternative donors are also present in the recipient country. Do traditional donors suspend their aid when the recipient's incumbents fail to comply with aid conditionality or are they more tolerant of such transgressions when alternative donors are also present?

Chapter III

6 When do donors credibly commit? Foreign aid as a geopolitical tool

In this final chapter, we investigate how traditional donors behave when alternative donors are also present in the recipient country. The purpose of this chapter is to study the bounds of conditionality. Where do traditional donors commit less aid due to the recipients not meeting the conditions, and where do they tolerate the transgressions? Put differently, we examine the observable implications of our theoretical mechanism. According to our theoretical mechanism, we only expect donors to commit less aid to non-democratic countries, when the donors are credibly committed to democracy. We have also consistently argued that credible commitment is weakened when geostrategic considerations take precedence over democratic conditionality. In such instances, we do not expect donors to suspend the aid, even though democratic conditions are not being met. But do we in fact observe this?

Because we investigate whether donors commit less aid, when recipient countries do not democratize, we address the endogeneity issues encountered in Chapters I and II. As previously stated, we cannot exclude the risk of endogeneity, as traditional donors may be allocating more aid to countries that are democratizing rather than dependence on aid fostering democracy (Hermes & Lensink, 2001: 9). This exact dynamic is captured by our theoretical mechanism and the term credible commitment (see Figure 1).

We diverge from the previous chapters in three distinct ways. First, we shift our attention from the incentives of the incumbents in the recipient countries to the incentives of the traditional donors. Second, we delve further into specific countries. Although we do use panel data in Chapters I and II, and therefore study the effect of foreign aid within regimes, we do not interpret the coefficients in relation to specific countries. In this chapter, we distinguish between countries in order to grasp when and where traditional donors are more lax with conditionality. Finally, we do not aim to draw any causal inference but merely describe how traditional donors seem to behave in countries where alternative donors are also present.

Our descriptive analysis is twofold. First, we approach the analysis quantitatively, where we visualize if and when traditional donors commit less aid when the incumbents of the recipient countries do not comply. This quantitative analysis is composed of two parts. In the first part, we study whether foreign aid commitments from traditional donors decrease over time when regimes do not democratize. In the second part, we shift our focus to repression, which is a phenomenon often associated with autocracies as well as transgressions against democracy and "good governance" (deMeritt, 2016: 1; Poe & Tate, 1994: 1;Henderson, 2002: 120). Here we also

investigate whether repressive regimes receive less foreign aid from traditional donors. Second, we conduct a qualitative analysis. Here we use both historical and contemporary cases to exemplify when traditional donors supply aid and when they commit less of it.

6.1 Theory

In the following, we present our theoretical expectations regarding the circumstances, under which donors commit less aid to a recipient country. In terms of our general theoretical mechanism, we are no longer investigating how aid (X) may affect democracy (Y), but whether the lack of democracy (X) leads to donors suspending aid (Y). This pertains to the issues of endogeneity and reverse causality encountered in Chapters I and II. In reference to Figure 1 in our section on theory, we are therefore in the second phase of the game which is foreign aid. In this phase, the incumbent's decision to either democratize or not may affect whether donors continue supplying aid or choose to suspend it.

Since this chapter is exclusively descriptive in nature, we do not present a hypothesis. Hypotheses are typically used to describe causal relationships between an independent and dependent variable, which is not our intention with this chapter (Halperin & Heath, 2020: 139). Instead, we present our theoretical expectations for our quantitative and qualitative descriptive analyses.

6.1.1 When do donors commit less aid?

According to our mechanism, traditional donors, who are credibly committed to democracy, commit less aid when the incumbents of the recipient country do not democratize. In such instances, donors are credibly committed because they are not concerned with maintaining a relationship with the recipient country at the expense of democracy. In practice, we should observe that over time, donors commit less aid to countries that do not hold democratic elections within the five-year window of opportunity.

Conversely, when the promotion of democracy in the recipient country is subordinate to geostrategic interests, we do not expect donors to suspend aid. In these instances, donors prioritize maintaining a relationship with the recipient country despite the lack of democratization. We assume they would do so to prevent losing the recipient to their geopolitical competitor, as was the case during the Cold War (Dunning, 2004; Marinov & Goemans, 2014). An observable implication of this would be that in non-democratic countries with high levels of geopolitical competition, the amount of aid received by traditional donors remains unchanged over time.

In Chapter II, we concluded that the effect of traditional foreign aid persisted in spite of the emergence of alternative donors (section X). We argued this suggested that donors were still able to credibly commit to conditionality. This contrasts the dynamic witnessed during the Cold War. Although the effect of foreign aid remains, China is still considered a prominent donor that can challenge the Western aid architecture, as they offer alternative aid packages with less conditionality

(Dreher et al., 2021: 137-8). Furthermore, we do not validly measure the emergence of alternative donors in Chapter II (section 5.4.2). Although our statistical tests across all regimes indicate that traditional aid continues to have an effect on democracy, the commitment to conditionality can still possibly vary across cases. In line with our mechanism, we would expect donors to be more lenient towards non-democratic recipient countries where alternative donors are present.

6.1.2 Repression: Another transgression against democratic conditionality

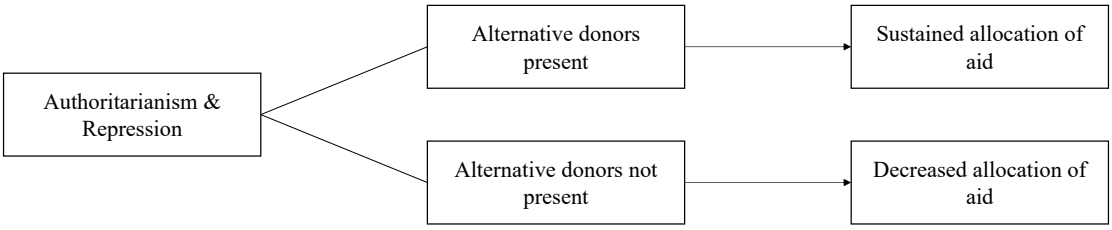
As previously stated, democratic conditionality is usually implicit in the provision of foreign aid. The term 'good governance' may be used as a condition for allocating aid to a recipient country, but what this specifically entails is unclear (Dijkstra, 2018: 225; Cheeseman et al., 2024: 1). 'Good governance' is an ambiguous term encompassing anything from the presence of competitive elections to the absence of corruption (Cheeseman et al., 2024: 1; Rose-Ackerman, 2017: 23). If donors allocate aid depending on the basis of 'good governance', there may be things other than the lack of democracy, that lead to the suspension of aid.

Although repression and the absence thereof are not intrinsic to our definition of democracy, it can be argued that repression is inherently incompatible with democratic values and 'good governance'. Authoritarian incumbents usually employ repressive measures to consolidate their control over their populations (Gerschewski, 2013: 22; Svolik, 2012: 9). Repression is defined as the act of subduing someone by using institutional or physical force, which can range from censorship efforts to political killings (deMeritt, 2016: 1). Forceful coercion, meant to deter someone from acting how they initially intended, conflicts with the democratic ideal of self-determination Dahl, 1971: 88-91. We would therefore argue that repression is inherently incompatible with democratic norms. Numerous studies also find that repression is empirically correlated with authoritarianism (Poe & Tate, 1994; Henderson, 2002: 120). Moreover, repression conflicts with some of the conceptualizations of democracy used in our paper in Chapter I. For instance, censorship efforts and repression of protests are at the expense of freedom of expression and assembly, both of which we included in our measure of Polyarchy (Section 4.2.2). Repression is therefore arguably related to authoritarianism.

Since the exact conditions of aid are implicit, high degrees of repression may also be to the dismay of donors, who commit less aid as a response to repression. Our expectations of when donors would tolerate repression and when they would commit to less aid as a reaction hereto mirror those stated above; in circumstances where donors are not able to make credible commitments to conditionality, they may be more tolerant of repression and vice versa.

The two potential strategies that traditional donors may employ in authoritarian and repressive recipient countries are illustrated in Figure 7.

Figure 7. Traditional donors tolerate transgressions, when alternative donors are present



6.2 Methods

In this final chapter, we take a closer look at the allocation of aid from traditional donors, comparing recipient regimes where alternative donors are present, and regimes where they are not. This chapter focuses primarily on the current millennium, as this is when alternative donors began establishing themselves as donor economies (Cheng & Taggart, 2023; Dreher & Fuchs, 2015; Woods, 2008). We also draw parallels to the Cold War, a period during which the West's commitment to democracy was feeble, in order to highlight differences and similarities to the present.

We do not attempt to prove causality, nor do we use methods that serve this purpose. Instead, we descriptively examine the observable implications of our theoretical mechanism. In our quantitative descriptive analysis, we present visualizations that show how much aid traditional donors commit across countries that do not meet the conditions of their aid. In our qualitative descriptive analysis, we use both historical and contemporary examples of traditional donors supplying and suspending aid to support the visualizations of our quantitative analysis.

6.2.1 Quantitative Analysis: Variables

In this section, we present the conceptualization and operationalization of our central variables, as well as the data we use to measure them. As in Chapters I and II, we do so to bolster our measurement validity (Adcock & Collier, 2001). The presentation of our variables will be brief, as most of them are identical to our variables in previous chapters. More emphasis will be placed on

our new variables: the presence of autocratic donors and repression.

Foreign aid from traditional donors

In this chapter, we depart from our previous measure of traditional foreign aid by focusing on the total amounts pledged to a country rather than on aid dependence. We find this departure justified, as we no longer focus on the incentives of the incumbents of the recipient country. We therefore measure aid as the total amount of ODA commitments to a given country in a given year. As in Chapters I and II, we measure this variable using data on ODA commitments reported to the OECD.

Presence of Alternative donors

We still define alternative donors as those who (1) have recently emerged as prominent donors of aid, (2) do not organize their aid through the OECD and (3) do not include democratic conditionality in their aid (section 5.2.2). We have identified two donors that live up to these criteria: Russia and China (Dreher & Fuchs, 2015; Dreher et al., 2011, 2021; Larionova et al., 2016; OECD, 2024a; Way & Casey, 2017; Woods, 2008). The data limitations from Chapter II are still relevant to this chapter. Since we have not been able to find reliable data on Russian aid, we only include data on China as a foreign donor (section 5.2.2).

However, in contrast to Chapter II, we focus on the general aiding *presence* of alternative donors. We want to measure the mere presence of alternative donors, as we expect traditional donors to behave differently in countries, where alternative donors are also present. We argue that alternative donors are present, if they supply any type of aid, regardless if the objective of aid is ODA-like or not.

To measure this, we create a simple, binary variable indicating whether a regime receives any type of aid from China. This variable is created using the AidData dataset, which identifies projects or activities supported by financial or in-kind transfers from official sector institutions of the Chinese government and state-owned institutions (Custer et al., 2023). We include ODA-like aid as well as Chinese official finance such as other official flows (OOF), foreign direct investment, export credits, joint ventures, concessional loans with commercial intentions, etc. (ibid.; Appendix I).

AidData provides us with a valuable measure, which is based on publicly available data. The data is therefore plausibly accessible to traditional donors. Our mechanism hinges on the idea that traditional donors possess this information and are aware of the presence of alternative donors.

All countries experiencing coups after 2000 are included in the dataset (Custer et al., 2023). There are no countries in our dataset that do not receive aid from China (see Graph 5). However, China does not provide aid to these countries every year. Therefore, there are regimes, that do not receive Chinese aid, and the variable does have some variance (Appendix B; Appendix I).

Democracy - the lack thereof

This chapter focuses on authoritarian regimes. We therefore only include regimes that do not hold competitive elections. To capture the lack of competitive elections and minimal democracy, we use the National Elections Across Democracy and Autocracy Dataset (NELDA).

Repression

Inspired by Davenport's definition of repression, we conceptualize it as

> "[...]the actual or threatened use of physical sanctions against an individual or organization within the territorial jurisdiction of the state for the purpose of imposing costs on the target as well as deterring certain activities and/or beliefs perceived as challenging to government personnel, practices, or institutions" Davenport (2007: 2).

Repression can take many forms and encompasses a wide range of actions. Scholars distinguish between high and low-intensity coercion, where the former is a violent and overt form of repression, whilst the latter is typically more subtle (Way & Levitsky, 2006: 329; Gerschewski, 2013: 21). Distinguishing between different types of repression is important, as we would expect donors to be more reactive to more intense types of repression (Gerschewski, 2013: 21). Conversely, more subtle forms of repression may be more difficult to spot for foreign donors. We therefore use two measures of repression to capture this range.

We operationalize high-intensity repression as deliberate political killings without due process, as this type of repression is extremely violent. The practice of political killings conflicts with democratic principles and contestation, since murdering political opponents is a way of violently obscuring political competition (Coppedge et al., 2024; Munck & Verkuilen, 2002: 9. We measure political killings with the V-Dem variable "Freedom from Political Killings," which we have coded in reverse, so low values signify low levels of repression and vice versa (Coppedge et al., 2024: 181).

At the other end of the spectrum, we use government censorship efforts as an indicator of a more subtle, low-intensity type of repression. This includes politically motivated allocation of broadcasting facilities, withdrawal of financial support, selective distribution of advertising, onerous registration requirements, and bribery (ibid.: 207). We measure this using the V-Dem indicator of government censorship efforts. Once again, we reverse the coding, so higher values correspond with more repression.

We group regimes into those that are more repressive and less repressive. This allows us to compare across fewer groups and distinguish between cases that are either prone to limited or routine repression. For further details, see Appendix A.

Table 6.1: Operationalization of Variables

Variable	Conceptualization	Operationalization	Range	Source
Traditional aid	Foreign Aid	Total ODA aid	60,000 - 8,306,890,000	OECD
Minimal democracy	Competitive elections	Nelda 3-5 and Nelda 20	0 or 1	NELDA
Chinese aiding presence	Chinese foreign aid	Does China commit aid?	0 or 1	AidData
High repression	Political killing	v2clkill	0.041 - 3.95	V-Dem
Lighter repression	Government censorship efforts	v2mecenefm	0.028 - 3.706	V-Dem

6.2.2 Qualitative Analysis: Case selection

We use illustrative cases to supplement our descriptive statistics in the quantitative analysis. We have selected our cases using a most-likely strategy. This enables us to test our theory on cases where it is most likely that our theoretical mechanism will play out Emmenegger & Klemmensen, 2020: 425f. Because the examples do not include counterfactuals, it is by no means a method for establishing causal relationships, as the analysis does not let us disprove our theory. As argued above, this is not the purpose of this chapter.

We select four examples according to three specific criteria (Emmenegger & Klemmensen, 2020: 428; Appendix J). First, we are interested in cases where traditional donors may suspend aid. Therefore, we only include regimes that do not democratize during the five-year window of opportunity and which can simultaneously be classified as repressive[15], according to our definition above.

Second, we select cases where the presence of alternative donors varies. We need a variation on this parameter in order to study how traditional donors behave differently when alternative donors are present and when they are not. Since this chapter takes a more qualitative course, we do not rely exclusively on data on Chinese aid. We also consider the presence of Russia and the USSR as geopolitical competitors and alternative donors. The classification of when alternative donors are present is based on both academic papers and historical records.

Third, in order to have a somewhat representative sample of cases, we also consider geography and historical periods. The case studies selected for this analysis cover most political regions (i.e., Latin America, West Africa, and Oceania). We also try to cover the entirety of our timeframe (1966-2022) and have therefore selected cases that cover various periods. The selection is as follows:

[15]We operationalize repressive regimes as regimes where either censorship efforts or political killings are above the mean in our dataset.

Table 6.2. Case selection

Geopolitical competition		
Highly	**Partly**	**Minimally**
Chile 1970-1990 West Africa 2019-2024	Fiji 2006-2014	Honduras 2009-2015

Chile during the Cold War, and West Africa in the 2020s are examples of cases where geopolitical competition is stark. Fiji in 2006-2014 serves as an example where geopolitical competitors are somewhat present. Finally, we include Honduras in 2009 as a case where there is minimal geopolitical competition. The data utilized to investigate these examples include academic papers, news articles, and official government records. Due to the scope of our thesis, we are unable to include the full complexity of each regime's and country's political history. We keep this in mind when analyzing our selected cases. Our intention is, therefore, not to conduct an in-depth case study of each country, but to investigate how our theory holds up to the selected examples. Thereby, we can piece together how traditional donors may react to the presence of geostrategic competitors in highly repressive authoritarian regimes.

6.3 Analysis

When do traditional donors credibly commit to democratic conditionality? In order to gain insight into this, we compare the current era of emerging alternative donors with that of the Cold War, where traditional donors were not able to credibly commit (Dunning, 2004).

As argued in section 6.1, we expect that in situations, where geostrategic considerations outweigh conditionality, donors will likely continue supplying aid even though the incumbents of the recipient country either avoid democratizing or are very repressive. In practice, we expect that donors are less credibly committed to conditionality in countries, where China is also present. We expect similar results in non-democratic countries during the Cold War. In contrast hereto, we expect donors to commit less aid to repressive and non-democratic countries, if there are no geopolitical interests at stake.

6.3.1 The Quantitative Analysis: Tolerating repression and the lack of democracy

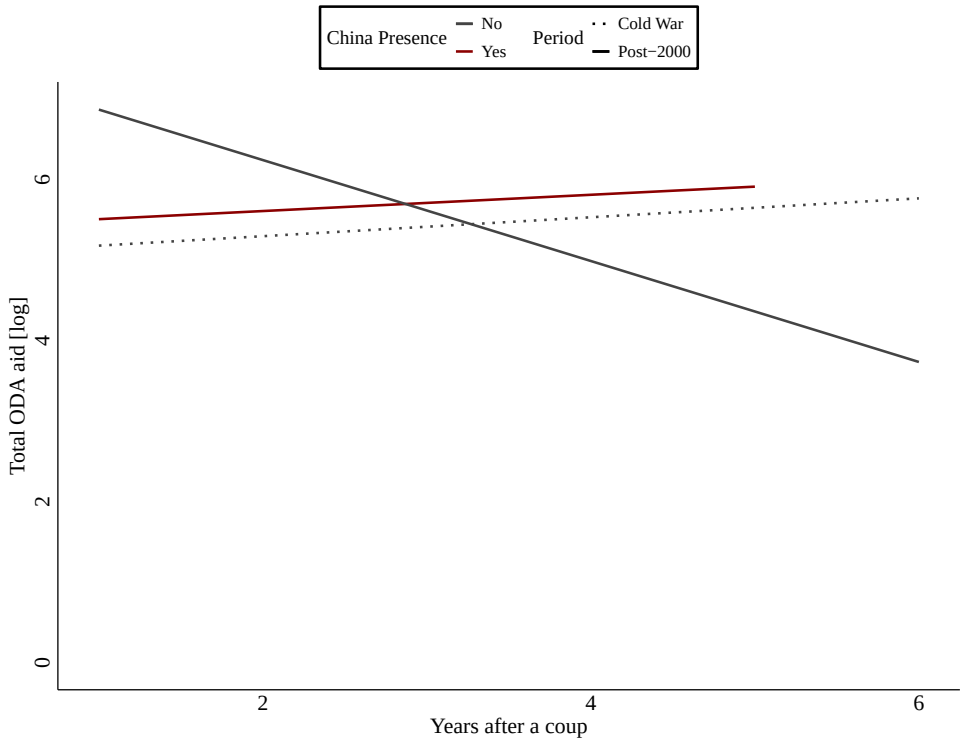
The bounds of democratic conditionality

As expected, we find that the amount of aid committed by traditional donors declines consistently in countries that do not hold democratic elections or receive aid from China. This is visualized by the gray line with a negative slope in Graph 8, which illustrates the amount of traditional aid given

to non-democratic recipient countries in the years following a coup. We have claimed that these countries are not as geopolitically crucial for traditional donors, because alternative donors (i.e. China) are not present. In short, the gray line may be a visualization of credible commitment to democratic conditionality.

However, this finding also supports the idea of an endogenous relationship between foreign aid and democracy. As argued in Chapter I, the correlation between the two variables may be because donors give more aid to countries that hold democratic elections (section 4.2.4). Graph 8 seems to support this, as non-democratic countries receive less aid over time. Nevertheless, this does not necessarily disprove our findings in previous chapters. Theoretically, we argue that foreign aid has an effect on democracy because aid commitments - in other words, the anticipation of receiving aid - incentivizes democratization (Figure 1; section 3.3). It incentivizes democratization because incumbents are motivated to democratize in order to actually receive the aid committed by donors, and potentially increase the likelihood of receiving more commitments in the future (Figure 1). Our findings do thus not disprove the findings of Chapters I and II, but are merely the observable implications of our mechanism, as we observe that donors seem to suspend aid when democratic conditions are not met.

Graph 8. Traditional donors uphold democratic conditionality when geopolitical competitors are not present



Note: The graph illustrates the logarithmic amount of traditional aid committed to autocratic regimes in the five-year period after a coup. The aiding presence of China is marked by color, where red = present, gray = not present. The dashed line illustrates the logarithmic amount of traditional aid committed to autocratic regimes in the five-year period after a coup across recipient regimes during the Cold War [1966-1990].

When China is present as a donor, we find notably different results. The flatter and slightly positive slope of the red line indicates that the amount of aid committed by traditional donors does not decline over time, despite incumbents not democratizing. This suggests that traditional donors tolerate the absence of democratization and are not credibly committed to democratic conditionality when China is present as a donor. If they were, we would expect a downward-sloping trendline, similar to the gray line. These findings are a contribution to the study by Zelicovich & Yamin (2024), who find that the U.S. commits more aid to democratic recipients when China is also present in the country. Our findings indicate that donors even tolerate transgressions against democratic conditionality when China is present.

The red line resembles the dynamic witnessed during the Cold War. In this time period, geopolitics took the front seat as the West's primary concern (Dunning, 2004; Marinov & Goemans, 2014). As illustrated by the dashed gray line in Graph 8, we also find that the amount of traditional aid is less reactive to the lack of democracy in the recipient countries during the Cold War. The slope shows that traditional donors continued to supply these countries with aid, even though incumbents did not democratize within the window of opportunity. This supports our findings in Chapter I, where aid from traditional donors was not significantly correlated with democracy during the Cold War, as donors were not credibly committed to conditionality.

An important point must be made when comparing the slopes in Graph 8. In Chapter II, we concluded that traditional donors were still able to credibly commit to conditionality since the emergence of alternative donors. We did, however, also argue that we were not aptly capturing the presence of these new donors. The results of this chapter are not meant to question those findings. In alignment with Chapter II, we still find indications that traditional donors credibly commit to democratic conditionality. However, when measuring the mere presence of China - not just Chinese ODA-like aid - it seems that traditional donors relax conditionality.

Finally, in Graph 8 we see that while traditional donors may reduce their aid commitments to non-democratic countries, where China is not present, they never completely terminate all aid to those recipients. This may be a strategy employed by donors to avoid severing all ties with the country and leaving a door open for future cooperation, because of geopolitical interests (Cheeseman et al., 2024: 2-3). Given that our analysis is based on a five-year time frame, we cannot determine whether donors will decrease their aid commitments further or resume cooperation at a later point in time.

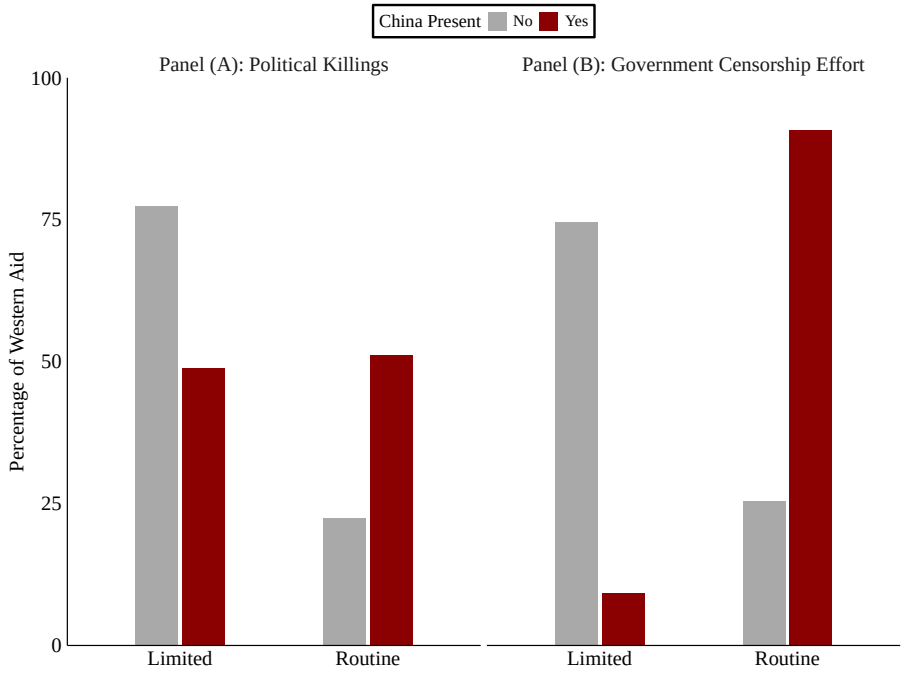
Repression: Other transgressions against democratic conditionality

We find similar patterns, when looking at repression, a phenomenon related to authoritarianism (Section 6.1.2). In Graph 9, we compare regimes with limited and routine repression. The percentages shown in the figure reference the share of aid committed by traditional donors when China is and is not present. We observe that countries exhibiting high levels of repression receive substantially less aid from traditional donors when China is not present. The gray bars in panel

(A) show that countries where public authorities systematically execute political opponents receive around 25 percent of the aid committed by traditional donors. Countries that only practice political killings occasionally receive 75 percent of foreign aid committed by traditional donors. This indicates that donors commit less aid when they witness more severe transgressions such as systematic political killings. China is not present as a donor in these instances, which supports our theory that traditional donors are more credibly committed to conditionality, when there are no immediate geopolitical interests at stake.

However, when China is present as a donor, we see a different pattern. The red bars in panel (A) show that when China is present, the recipient countries receive approximately 50 percent of traditional foreign aid regardless of whether they practice political killings occasionally or routinely. If donors were credibly committed to conditionality, we should expect that they commit less aid to more repressive countries. However, when China is present, traditional donors do not commit less aid. We argue that geostrategic considerations could be an explanation of why traditional donors continue to aid countries with repressive incumbents, when China is present, compared to countries with equally repressive incumbents where China is not present.

Graph 9. Traditional donors do not decrease aid in very repressive regimes when China is present.



Note: The graph illustrates the percentage of traditional aid committed to more or less repressive autocratic regimes when China either is or is not present [2000-2022].

But do traditional donors commit less aid to more repressive regimes for reasons other than repression? One could claim that repression may be related to state capacity, as capacity is needed to carry out coercive measures. Higher degrees of repression could consequently be a proxy for

advanced state capacity. The alternative explanation would then be that donors commit less aid to countries with more state capacity, as these countries are already more developed. Following this logic, we should expect the amount of foreign aid to be less in countries with higher state capacity and higher levels of repression, regardless if China is present or not. This is not the case. Traditional donors commit approximately equal amounts of aid, when China is present, regardless of the level of repression (a possible proxy for state capacity). Moreover, repression is a questionable indicator of advanced state capacity. Bell et al. (2013) argue that repression is more common in countries with weak state capacity. Similarly, De Juan & Pierskalla (2015) find that particularly low and high levels of state capacity are correlated with low levels of repression. Variance in state capacity can therefore not explain the differences in committed aid found in Graph 9.

In sum, we find that donors may be more lenient with and tolerate high levels of overt repression when alternative donors are also present in that country. Conversely, traditional donors are more committed to conditionality and commit less aid to equally repressive countries, when there are fewer geostrategic interests at stake.

Political killings are, however, a very overt and high-intensity type of repression and transgression (section 6.1.2). We would therefore particularly expect traditional donors to suspend aid from countries with many political killings when the donors are credibly committed to conditionality. We do, however, see a similar tendency with the more elusive and low-intensity type of repression, which is government censorship efforts.

As shown in panel (B), when China is not present, countries with a high degree of government censorship receive around 25 percent of aid from traditional donors. Conversely, countries with less government censorship efforts receive 75 percent of traditional foreign aid. When China is a present donor, countries with more repressive governments receive approximately 90 percent of foreign aid, despite routinely censoring the media, which is in conflict with democratic ideals such as the freedom of expression (King et al., 2013).

One could object that countries with particularly high degrees of government censorship tend to receive more aid due to other reasons. If repression is routine, donors may commit aid to development programs designed to counter disinformation and empower civil society vis-a-vis the government. This could potentially explain why donors give approximately 90 percent of their aid to countries with highly repressive regimes. However, this explanation cannot account for the opposite tendency in countries where China is not present. As stated previously, donors only give 25 percent of their aid to countries, where the government routinely censors the media.

Another commonality across panels (A) and (B) is that traditional donors never seem to terminate all aid to a recipient country, even when they are credibly committed to conditionality. As argued above, this may be the donors' way of not severing all ties with that country, which would allow them to resume cooperation later in time (Cheeseman et al., 2024: 2-3).

To summarize, the visual plots support our expectation that traditional donors do not commit less aid to autocratic and repressive countries when alternative donors are present. Furthermore,

we observe that traditional donors do not suspend their aid entirely, but rather that they reduce their share of commitments, when the conditions of aid are not met. In the following, we delve into individual cases to ascertain whether the presence of alternative donors affects how committed traditional donors are to democratic conditionality.

6.3.2 The Qualitative Analysis: When do Transgressions Trigger Aid Suspensions?

In support of our quantitative descriptive analysis above, we use examples to illustrate how Western donors' commitment to democratic conditionality varies when alternative donors are present. We begin by highlighting a notorious historical example and progress chronologically from there. We end by analyzing a very recent example of a coup that ousted a democratic government, and discuss how Western donors can be expected to react to this development.

When democracy falls prey to geopolitics: The case of Chile

Our first example takes us back to the heights of the Cold War in the 1970's. Here Chile serves as a good example for our proposed mechanism. Within a short period of time, we witnessed two separate regimes with very different relationships to the two global superpowers: the Soviet-allied Allende regime and the US-supported Pinochet regime.

The Allende regime

The starting point for this case is 1970, the year when Salvador Allende, leader of the Popular Unity Forces became the first democratically elected socialist leader. Allende sought to transform Chilean society through his "Chilean Path to Socialism". On the international front, Allende's policies created great tensions. Although located in the backyard of the United States, Allende's socialist regime was ideologically closer to the Soviet Union. This tension contrasted the general trend of de-escalation, as evidenced by the Strategic Arms Limitation Talks (SALT), which led to the two superpowers setting limits on their anti-ballistic and strategic missiles (Zanders, 2022).

The election of Allende constituted a concern to the U.S.. The election of Allende would be concerning to the U.S., as their geopolitical rival gained a stronger foothold in Latin America, nicknamed "America's Backyard" (Zelicovich & Yamin, 2024: 2). The U.S.' geopolitical interests were therefore certainly at stake. How did this affect the US' commitment to democratic principles? Previously classified CIA documents showed the extent of American dissatisfaction with Allende's election. The document exposed that: "[...] President Nixon[16] had decided that the Allende regime in Chile was not acceptable to the United States...The President asked the Agency [red. CIA] to prevent Allende from coming to power or to unseat him" (Kornbluh, 2016: 209-11).

[16]This was not the first expression of discontent and distress toward Chile, as the CIA spent over three million dollars in an effort to influence the 1964 election (Senat, 1975).

Good riddance! The American-backed coup and support for Pinochet

In 1973, US and domestic frustrations with the Chilean-Soviet alliance boiled over. The frustration culminated in a military coup led by General Augusto Pinochet. The coup, marked by the precise and violent bombing of La Moneda Presidential Palace, resulted in Allende's alleged suicide. Declassified documents later revealed significant U.S. involvement. The CIA's "Project FUBELT," also known as Track II, was a covert initiative aimed at encouraging a military coup to prevent Allende's continued governance, showcasing direct American intervention against his regime.

Under President Pinochet, Chile was subjected to harsh authoritarian rule, which lasted until 1990 (Kornbluh, 2016: 203ff; González & Prem, 2023: 372). The military dictatorship was notorious for its severe human rights violations, including the widespread use of torture, enforced disappearances, and the suppression of political dissent through stringent censorship of the media and political opposition (Esberg, 2020: 822).

Even in the face of these transgressions, the U.S. did not shy away from publicly supporting Pinochet. During a state visit in 1976, Henry Kissinger, United States Secretary of State, reassured his host that Pinochet had the support of the US: "We want to help, not undermine you [...] your greatest sin was that you overthrew a government that was going Communist. [...] You did a great service to the West in overthrowing Allende." (Harmer, 2013: 109f). This support was not just verbal, as Washington had given Pinochet a loan of $24 million for wheat purchases - eight times the total commodity credit offered to Allende's regime (ibid.). The following year, Chile was also the recipient of 48 percent of U.S. "Food for Peace" grants to the region, although Chile only accounted for three percent of the region's population (ibid.).

We argue the U.S. backing of a coup that deposed a democratically elected leader and put a repressive autocrat in his place, serves as an example of how geopolitical interests outweighed the promotion of democracy during the Cold War. Because of Allende's close ties to the socialist USSR, the U.S. government saw it necessary to prioritize the strategic move of deposing Allende and replacing him with Pinochet, a U.S.-sympathetic, autocratic military dictator. The U.S. strategy came at the expense of democratic governance in Chile. In fact, Casey (2020: 413) finds that although the U.S. was an explicit proponent of liberalism during the Cold War, the country was more preoccupied with creating effective military capacities in allied countries, so they could fend off communists. Consequently, the US-backed autocrats assumed power - not through democratic elections - but by way of coups (ibid.). This supports our findings in Chapters I and II that dependence on Western foreign aid and democracy were not significantly correlated during the Cold War.

They keep dancing on their own: The case of Honduras

This leniency towards autocratic and repressive regimes has, however, not been universally applied by the West. The case of Honduras illustrates a drastically different situation. In their reaction to high-intensity repression during the rule of Micheletti, many Western donors decided to withdraw

aid to Honduras. We apply our theory to this case and argue that the withdrawal is partly driven by the absence of geopolitical competitors in the recipient regime.

The ousting of Zelaya

In the aftermath of the constitutional crisis in 2009, the Honduran army instigated a coup and forcibly ousted President Manuel Zelaya. Awakened at night, while still in his pajamas, Zelaya was held at gunpoint and sent into exile in Costa Rica (Shipley, 2017: 37f).

The new regime under interim president Roberto Micheletti was not hesitant to employ repressive measures to maintain control over the population and opposition. Micheletti imposed an arbitrary curfew on the Honduran population as documented by Amnesty (2009b: 5). Furthermore, there were reports of excessive use of force by government officials, as well as several instances of human rights violations during Micheletti's tenure, including media censorship and the beating of political opponents and diplomatic officials (ibid.).

Giving Micheletti the cold shoulder

Western donors had strong negative reactions to the Honduran coup and the developments that followed. International organizations such as the United Nations and the Organization of American States (OAS) condemned the military coup, and the OAS even suspended Honduras' membership in the organization. Additionally, several states also condemned the Honduran overthrow, including Venezuelan President Hugo Chávez, the Russian Foreign Ministry, and President Barack Obama (BBC, 2009; MID, 2009; UN, 2009).

In the period following the coup, aid pledged by traditional donors plummeted, reaching an all-time low of less than 1 percent of the Honduran GDP in 2009 (Custer et al., 2023). Since our measure of aid dependence ranges from 0 to 63 percent, and Honduras has one of the lowest GDP per capita in Latin America, this is quite remarkable (Table 4.1; WordBank, 2024). The U.S. reportedly cut $11 million in aid in response to the coup (Allen, 2009). In terms of our theoretical framework, the drastic drop in foreign aid suggests that Western donors were genuinely credibly committed to the conditionality, as they withdrew aid as a reaction to Micheletti's autocratic, unconstitutional, and repressive rule. This stands in stark contrast to the US strategy towards Chile during the Cold War, where authoritarianism, censorship, killings, and disappearances were all tolerated in the name of strategic alliances.

Another distinguishing feature of the Honduran case is the absence of alternative donors. Honduras is the country with the fewest Chinese projects and activities in our data frame, with only five projects since 2000 (Custer et al., 2023). Moreover, Honduras did not receive any ODA-like aid from China in the years following the coup (Appendix B). If we apply our theory, the absence of geopolitical rivals could imply that it is less costly for Western donors to withdraw from Honduras, as the risk of losing Honduras to their geopolitical competitor is minimal.

The cases above do not provide definitive evidence that the presence of alternative donors alone determined how the West reacted to transgressions against democratic conditionality in

Chile and Honduras. However, we observe that the harsh repression under the Pinochet regime was not followed by aid suspensions. Contrarily, in Honduras, where geopolitical competitors were not as present, donors drastically cut back on their aid.

When donors court recipients: The case of Fiji

A third example that illustrates the geostrategic rationale behind Western foreign aid is the case of Fiji. Not only does the case of Fiji show how Western donors commit to democratic conditionality, but also how they renege on their commitments when alternative donors gain a foothold.

Goodbye Qarase, Hello Bainimarama

In December 2006, the democratically elected Prime Minister Laisenia Qarase and President Josefa Iloilo were ousted in a coup led by Commodore Frank Bainimarama and the Fiji Military Forces (RFMF). The coup was a culmination of a long-standing dispute between the Qarase government and the military under Bainimarama (Schmaljohann & Prizzon, 2014: 7; Fraenkel & Firth, 2006: 47).

The Fijian population was subjected to repression immediately after the coup. Amnesty International declared that there had been "systematic human rights violations" in the years following the military coup. This included severe censorship of all Fiji media, the systematic distortion of information on arbitrary arrests, and the detentions of human rights defenders, trade union leaders, journalists, government critics, and other political dissidents (Amnesty, 2009a). From the point of view of Western donors, the developments in Fiji express a stark defiance of democratic principles. In our quantitative analysis, we found that traditional donors committed less aid to more repressive and authoritarian regimes when alternative donors were not present in the recipient country. But does the West's reaction to the Fijian coup indicate that they are credibly committed to democracy?

Western sticks and Eastern carrots

The coup and its aftermath had a significant impact on Fiji's external relations. The immediate reaction of Western donors and international organizations was to condemn the coup and to impose financial penalties on the Fijian regime (Schmaljohann & Prizzon, 2014: 7). Neighboring countries, New Zealand and Australia, even encouraged multilateral aid organizations to "punish" the military regime in Fiji (Salem, 2020: 242). As a result, most of Fiji's development aid was cut, and multilateral development banks even refrained from lending them money (Schmaljohann & Prizzon, 2014: 6). When viewed through the lens of our theoretical framework, the West's response can be interpreted as a true testament to its commitment to democratic conditionality.

In response to the desertion of Western donors, Fiji was forced to orient itself toward new partners. This led Fiji to launch its new "Look North Policy", which aimed to fill the gap left by Western donors and open up new economic and political relations (ibid.: 8) In 2013, Fijian Minister for Foreign Affairs Kubuabola explained the policy change, stating: "Jolted from our

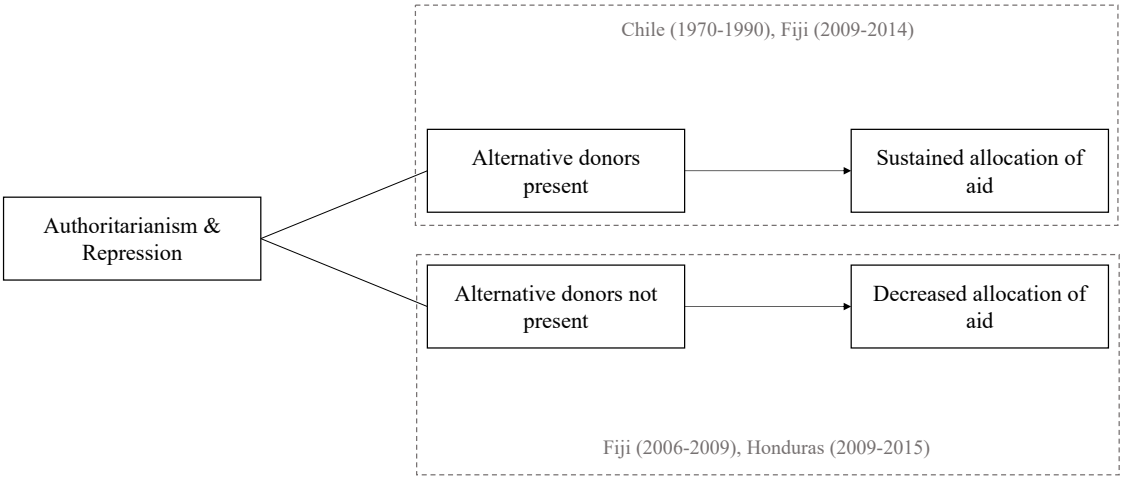
complacency by the doors that were slammed in our faces, we looked north—to the great powers of Asia, especially China (...) and more recently to Russia" (Tarte, 2021: 375). This sentiment was echoed by Chinese officials when commenting that "China has had a very good relationship with Fiji, particularly after 2006" (ibid.). According to our theory and the findings from the quantitative analysis above, we should expect that an increased presence of geopolitical rivals (i.e. China) may make Western donors more tolerant of repression and the lack of democracy in Fiji.

The newfound relationship between Fiji and China did not go unnoticed by the traditional donors. Despite the political circumstances, some Western donors appeared unable to ignore the diplomatic hot spot that is Fiji in the Pacific. By 2009, the European Union, Australia, Japan, and New Zealand had re-established themselves as Fiji's primary donors, collectively providing over 90 percent of Fiji's development assistance (Schmaljohann & Prizzon, 2014: 4). From 2006 to 2011, Western donors collectively gave Fiji more than $4 billion in official development assistance (ibid.). Although Fiji has a population of only about 900,000, its status as the largest country in the Pacific and its close ties to China made it hard to ignore. The resumption of Western aid following Fiji's turn towards China indicates that Western donors are attentive to the presence of geopolitical competitors.

The West's reactions to the Fijian coup lie somewhere in between the Honduran and Chilean cases. Similarly to Chile, Western donors began fastening their ties to the country to counterbalance the presence of alternative donors. However, the Fijian history is quite different from the Chilean, as Western donors still appeared somewhat committed to democratic conditionality. After all, their first response was to suspend aid. Furthermore, the United States deferred its developmental aid to Fiji until 2014, when the country held its first democratic election since the coup (Salem, 2020: 255; Tarte, 2021: 390). As the U.S. withheld its foreign aid to Fiji until its return to democracy, it seems that the U.S. was able to maintain its credible commitment to democratic values and encourage the Fijian regime to embrace democratic principles.

To summarize, we see that the cases all follow our proposed theoretical expectations. We have illustrated this in the following graph.

Figure 8. The cases follow our theoretical mechanism



An alternative explanation for this pattern could be that alternative donors are simply more present when the recipient country is not very dependent on Western aid. While we observe a rise in Chinese influence in Fiji following the condemnation of the coup by Western leaders, this pattern is far from bulletproof. As we saw with Honduras, although Western donors withdrew their aid to the Honduran regime, alternative donors did not increase their presence. Furthermore, as we will shortly demonstrate, West Africa has been highly dependent on Western aid (see Appendix B). Despite this, we observe an increased presence of alternative donors.

Waning Western Influence in West Africa

Finally, we examine the evolving landscape of foreign aid and influence in West Africa in the aftermath of recent coups, with a particular focus on the Nigerien coup in 2023. Since this case is fairly recent, we will present our expectations for how the West may react.

Increase in coups

The past four years have witnessed a notable increase in the number of coups in West African Sahel countries. In 2020, the Malian Armed Forces overthrew President Ibrahim Boubacar Keïta, who was democratically elected as president in 2013 and re-elected in 2018. In the following year, Mali experienced yet another coup, in which the military ousted the transitional president Bah N'daw. There were two coups in Burkina Faso in 2022. The first was executed by the armed forces, who ousted the democratically elected president Roch Marc Christian Kaboré. The second coup overthrew the interim junta leader, Lieutenant Colonel Paul-Henri. Most recently in 2023, the democratic president of Niger, Mohamed Bazoum, was removed from power via a coup by the

Nigerien Presidential Guard. This coup gained much attention among Western donors, as Niger has been considered a "darling of the West" in the region (Armstrong, 2023). We will therefore pay particular attention to this case. No democratic elections have been held in either of these countries since the democratically elected executives were ousted (Appendix D).

There's a New Donor in Town

Western donors are facing increased competition in the Sahel. The presence of non-Western actors such as China and private military companies such as the Wagner Group has become increasingly present and influential in West Africa (Reuters, 2024; Sylvestre-Treiner & Maquindus, 2023). China's approach to the region is characterized by large-scale infrastructure projects and substantial investment in local economies (Yuan et al., 2022: 11f). Meanwhile, the Wagner Group offers considerable security services to these unstable regimes (Tracker, 2024). It is therefore safe to say that there are new, alternative donors in town.

Niger as the West's "last resort"

The Nigerien coup is arguably especially concerning for Western donors. Niger plays a crucial part in Western interests in the Sahel (Yülek et al., 2023: 173). Niger has been of utmost importance to the West, as Western influence in the other Sahel countries has been waning.

The Sahel region has long been a field of tension for Western donors. For instance, countering violent extremism and jihadist terrorism via foreign aid to Mali and Burkina Faso has proven difficult. Violent extremism and jihadism are a concern for some Western donor countries, as the instability caused by extremists can increase irregular migration flows (Çonkar, 2020: 1). Following the coup in 2020, The Malian government expelled French troops from Malian grounds and demanded that the MINUSMA mission, which was mandated to combat instability, cease all activities (Diallo, 2022; Jazeera, n.d.). In lieu of Western aid, Mali turned to Russia and the Wagner Group and requested security assistance (Tracker, 2024). Moreover, in November 2023, the first group of Russian soldiers landed in the Burkinabe capital Ouagadougou (Reuters, 2024; Sylvestre-Treiner & Maquindus, 2023).

All the while, Western aid to Niger continued. Germany extended their training of Nigerian soldiers in counter-terrorism, France ramped up their presence and the U.S. opened a drone base in Niger to carry out surveillance related to counter-terrorism efforts (Pilling, 2022). Furthermore, while coup plotters in Mali and Burkina Faso utilized popular anti-colonial and -francophone sentiments to justify their seizure of power and distance themselves from France, France was able to continue their activities in Niger (Engels, 2023; Haidara, 2023: 149). Niger has therefore been considered the West's "last resort" in the Sahel (Pilling, 2022).

Given the increased presence of alternative donors in neighboring countries, we would argue that Western geopolitical interests are at stake in Niger. Following this line of argument and the findings from our quantitative analysis above, we would expect that the West was less committed to conditionality and would react leniently to the coup in Niger, as a way to remain

present in the region and counter Russian influences.

This Town Ain't Big Enough for the Two of Us: Will the West credibly commit?

Contrary to our expectations, Western reactions seemed to indicate a credible commitment to democratic conditionality. For example, within a week of the coup, France suspended all development aid to Niger (MEAE, 2023). U.S. Secretary of State Blinken declared that "the provision of U.S. assistance to the government of Niger depends on democratic governance", after which the U.S. suspended approximately 200 million USD worth of development programs benefiting the Nigerien regime (DOS, 2024a,c). Denmark also retracted its commitment of the 920 million Danish Kroner, which they had committed shortly before the coup, and chose only to continue their humanitarian engagements (Gille, 2023; Ritzau, 2023). The suspension of aid by Western donors demonstrates their commitment to democratic conditionality. This aligns with our findings in Chapter II, where we concluded that Western donors were still able to credibly commit to conditionality during this current era. These findings do conflict with our theoretical expectation that donors are more lax with conditionality when geopolitical interests are at stake.

However, the U.S. also refrained from designating the military takeover as a coup for several months, so they could continue their engagements and surveillance operations in the country (Bertrand et al., 2023). In October, however, Washington officially determined the event as a coup and terminated all 500 million USD worth of development aid (DOS, 2024c; Schmitt, 2023). Although Niger is of utmost geopolitical importance to the West, geostrategic considerations do not seem to take precedence over democratic conditionality.

In response to these reactions, the Nigerien incumbents have distanced themselves from Western donors. In ultimo 2023, the Nigerien Ministry of Foreign Affairs ended two security agreements with the EU and revoked their approval for the EU missions in Niger (Maiduguri, 2024). Immediately after, the Nigerien Ministry of Defense announced that they had agreed to enhance military and security cooperation with Russia (NorthAfricaPost, 2024). One of the new incumbents' primary demands was that France withdraw the 1,500 French troops stationed on Nigerien soil (Hamaide & Lough, 2023). In April 2024, the Nigerien incumbents requested that the U.S. withdraw their 1,000 troops (Psaledakis, 2024). In Niger, it is therefore not only Western donors who suspend their aid, but also the incumbents of the recipient country who wish to terminate cooperation.

What lies in the future: Who closes the door?

All these developments are fairly recent and we have yet to see how Western donors will react to Niger growing its ties to geopolitical competitors. If the development in Niger were to follow a similar trajectory to that of Fiji, it is likely that Western donors will gradually ease their conditions, resume aid and attempt to re-engage with the country.

There is, however, a crucial difference between the Nigerien and Fijian cases. Whereas the Fijian government sought to develop its relations with Russia and China in order to make up for the aid lost, the Nigerien government is actively severing its ties to Western donors. This could

mean that reestablishing a Western presence does not lie in the cards for Western donors, who may instead continue to credibly commit to democratic conditionality.

6.4 Discussion

In the preceding analysis, we find that Western donors may be more tolerant of violations of democratic conditionality when alternative donors are also present. Since democratic conditionality would suggest that the aim of traditional foreign aid is to promote democracy, our findings warrant a discussion of what the donors' true intentions of aid are. In the following, we will discuss whether the incentives of traditional and alternative donors are, in fact, so different. We conclude this chapter by discussing how recipients should navigate the market of aid following the emergence of new alternative donors.

6.4.1 A Tale of Two Aids: are donors so different after all?

Since China's transition from benefactor to banker, numerous scholars have characterized Chinese aid as "rogue" (Dreher et al., 2022; Cheng & Taggart, 2023: 1). This description implies that alternative donors, unlike traditional donors, are driven by self-interest (Dreher et al., 2015: 988). However, is it befitting to label all aid from traditional donors as altruistic and all aid from alternative donors as rogue?

On the one hand, traditional donors are more concerned with promoting democracy than their alternative counterparts. As stated previously, several guiding principles for ODA, to which traditional donors prescribe, concern the promotion of democratic institutions and values (UN, 2024; Section 2.2.1). In the case of Honduras and West Africa, we also observe that Western donors are committed to democratic principles and conditionality, as they suspend aid in response to coups and subsequent autocratization. Supporting this narrative, Dreher et al. (2011) find that the new alternative donors are less concerned with the needs of recipient countries than traditional donors. For instance, alternative donors do not include democratic conditionality in their aid and are less concerned with promoting democratic governance in recipient countries (Dreher et al., 2021: 137; Dreher et al., 2011: 1951). Furthermore, there has also been speculation that China uses aid in Africa as a tool to secure access to natural resources, promote China's economic development, and purchase geopolitical loyalty from autocratic ruling elites (Dreher et al., 2018, June). Woods (2008: 1205) argues that China pursues these selfish goals, all while fueling corruption and indebting the recipient countries. Similarly, it has been argued that Russia has expanded its influence in Africa with the objective of garnering allies, who will support Russia on resolutions regarding Ukraine in international bodies such as the UN (Barabanov, 2022).

On the other hand, our analysis suggests that traditional donors also seem to utilize aid as a tool for their own gain. As shown in Graph 8, over time, traditional donors appear to be more tolerant of transgressions against democratic conditionality, when their geopolitical competitors

are also present in the country. We have argued that this could indicate that donors are less committed to democracy when their own interests are at stake. In the cases of Chile and Fiji, we observed that Western donors bend their principles and support autocratic governments as a means to counter the influence of geopolitical competitors. Lundborg (1998) also argues that traditional donors use aid as a geopolitical tool, and that he expected aid commitments to plummet after the end of the Cold War. Graph 2 from Chapter I supports this argument, as we see a significant decrease in the average aid dependence immediately after the Cold War. As argued by Lundborg (1998), since traditional donors were no longer competing with the USSR, they had less reason to supply foreign aid. We therefore argue that the traditional donors' objective of foreign aid is not exclusively to promote development and welfare in the recipient country. Although traditional donors are more concerned with promoting the adoption of democratic reform than alternative donors, it seems that they also use aid to purchase loyalty and influence (Alesina & Dollar, 2000). Furthermore, although we cannot conclude that Chinese aid has any effect on democracy, scholars do find that it promotes short-term economic growth in the recipient countries (Dreher et al., 2021). Consequently, aid from alternative donors may also benefit the recipients. The characterization of aid from traditional donors as altruistic and aid from alternative donors as rogue therefore appears overly simplistic and unjustified (Dreher & Fuchs, 2015).

6.4.2 Friendships pay off: the benefits of engaging with multiple donors at once

What implications does this have for how the recipients of aid should navigate the market of foreign aid today? During the Cold War, aiding superpowers carved up the world into their respective spheres of influence Brown, 2014; Griffin, 1996; Lanati, 2019; Lee, 2022; Lundborg, 1998; Mott, 2001.

However, the current landscape of foreign aid is quite different from the scenario outlined above. With the emergence of alternative donors, it seems that recipients of aid can receive aid from both camps, rather than being limited to one (Appendix B). Our theoretical assumption is that incumbents who have recently come to power are interested in maintaining their current power. Since aid from traditional donors may be accompanied by the pressure to democratize, which implies relinquishing some power, aid from alternative donors, who do not interfere as much in local governance, appears more attractive (Dreher et al., 2011: 1951).

The findings of this chapter suggest that recipient incumbents may benefit from aid partnerships with both traditional and alternative donors. Graphs 8 and 9 demonstrate that the incumbents of aid-recipient countries can govern autocratically while continuing to receive aid from traditional donors, provided they also receive aid from alternative donors. If the incumbents wish to secure their power and receive as much aid as possible, we argue that it appears beneficial to cultivate friendships with both types of donors. This follows from the assumption in RC theory, where actors are expected to use all tools at their disposal to maximize their own utility (Olson,

1965: 27). In this case, they seek to maximize their grip on power and access to resources through aid. However, in the Nigerien case, the incumbents are not following this strategy, as they have also begun severing their ties to the West. Using the assumptions of our theoretical framework, we do not consider this to be the most beneficial strategy.

We do not argue that aid is demand-driven. In other words, the incumbents of a potential recipient country cannot simply receive aid from both donor groups if they so desire (Dreher et al., 2015: 9). For instance, Honduras has received a very modest amount of aid from both donor groups. However, we would argue that if the opportunity arises, it would be rational for the incumbents to engage in cooperation with both alternative and traditional donors, in order to obtain more aid and avoid relinquishing power at the same time.

6.5 Conclusion of Chapter III

In this chapter, we investigate when and where traditional donors credibly commit to democratic conditionality. We, therefore, investigate whether the lack of democracy in a recipient country leads to the suspension of foreign aid. This allows us to address the endogeneity issues encountered in Chapters I and II. In Chapter II, we found that traditional foreign aid was still positively correlated with the holding of democratic elections today. Our findings in this chapter also support this. We find that there are instances, where Western donors commit to conditionality and suspend aid in response to coups that bring autocrats to power. This supports the possibly endogenous relationship between foreign aid and democracy, where the expectations of foreign aid (X) can promote democracy (Y), since not meeting the conditions of aid (X) (i.e. not democratizing) can be anticipated to lead to the suspension of aid (Y).

We also find that in most instances where geopolitical competitors are present and interests are at stake, Western donors are more lenient and continue supplying aid, despite incumbents not democratizing. The implications of these findings are that traditional and alternative donors alike use foreign aid as a geopolitical tool to protect and promote their interests.

7 Discussion and Implications

In this section, we discuss the limitations and implications of our entire thesis. Before delving into our discussion, we present two reservations that we must make to avoid misinterpretation. Hereafter, we discuss how our methodological choices may limit our analysis. We then address the limitations of our theoretical framework. Finally, we discuss the implications of our findings regarding the relationship between foreign aid and democracy.

7.1 Reservation

Before proceeding to discuss the implications and limitations of our thesis, we feel compelled to make two normative reservations to prevent any potential misinterpretation. The first reservation concerns the topic of coups, while the second concerns our finding that foreign aid only has an effect on democracy when the West is at the helm of the international world order.

7.1.1 Coups as catalysts: in sickness and in health

First, our findings suggest that coups can act as windows of opportunity for democratization when combined with aid from traditional donors. We wish to emphasize that this should not be read to mean that coups are an unambiguously positive event.

Coups can be extremely destructive and lead countries down paths of long-term political instability (Lehoucq & Pérez-Liñán, 2014: 1106; Putnam, 1967; Przeworski et al., 2000: 187-8; Londregan & Poole, 1990: 175). For one, studies on the consequences of coups show that coups are considered seminal events that can lead to the establishment of a more repressive and authoritarian regime (Frantz, 2018: 86; Geddes et al., 2018: 28;Derpanopoulos et al., 2016). As touched upon in section 2.1.2, Lehoucq & Pérez-Liñán (2014: 1106) find evidence for a so-called coup trap, where one coup in a regime increases the likelihood of the next. In addition, a coup can lead to the fractionalization of the military, which can descend into civil war (Singh, 2014: 25). Finally, coups can be deadly. A central part of our definition of coups is that they are forceful. For example, in the course of twenty months after the 2021 coup in Myanmar, a staggering 8,000 civilians were reported killed (Zaw & Tønnesson, 2023). From early 2022 through 2023, over 3,000 civilian casualties were recorded in Mali after the 2021 (Fleck, 2023). Although we find that coups can be a pivotal push for democratization, we do not claim that they are a necessary condition, nor that they always promote positive regime development.

7.1.2 Was it the best of times, was it the worst of times?

Second, our findings in Chapters I and II suggest that traditional aid only has a significant positive effect on democracy after the Cold War, when traditional Western donors are at the helm. As argued in section 2.2.1, aid from traditional donors is typically concerned with the promotion of democracy. If one considers democracy to be a good, one may misguidedly infer from these results that Western hegemony is unequivocally positive for democracy. However, we caution that our results should not be taken to mean that we think the world is necessarily better off when Western actors are in charge. In Dickensian terms, we do not mean to argue that it is the best of times when the West dominates and the worst of times when it has competitors.

The West's attempts to spread democracy throughout history have not always been successful. Salt (2008: 12f) question: "Why do they hate us?" regarding the Middle East, is not purely rhetorical. The West has left behind a trail of unsuccessful democratization attempts and a rather bad reputation throughout the world.

A fairly recent example is the American "Freedom Agenda" in Iraq, where traditional donors explicitly sought to impose democratic rule. Although the invasion of Iraq was marked by violence and instability, the Western invaders seemingly succeeded in their mission, as the first democratic election was held in 2005 (Isakhan, 2012: 124). However, this progress has not appeared to last. Today, the Iraqi government engages in extensive repression and censorship of the media - to the extent that 44% of Iraqi journalists avoid reporting on the widespread corruption (Numan, 2020). In addition, 277 Iraqi journalists have been killed between 2003 and 2019.

Today, twenty years later, Iraq remains far from the democracy its people were promised (Alshamary, 2023: 150). With a change in voter turnout from nearly 80 percent in December 2005 to only 44 percent in 2021, it does not seem that the public is convinced by either the political elite or the democratic government(ibid.). Alshamary (2023: 151) argues that this in part can be attributed to the American involvement, which birthed the present system "so illegitimate and ill-conceived that anything that followed from it must be similarly misbegotten". Thus, we reject the notion that traditional Western aid is always beneficial to democracy. On the contrary, it can be destructive.

7.2 Methodological discussion

We see three main methodological limitations to our thesis. First, our measure of aid does not distinguish whether the actual recipient is the incumbent or possibly a non-governmental organization. Second, we have classified historical periods exclusively from a Western and Eurocentric perspective. Third, our conceptualization of democracy is partly based on subjective indicators, which puts the reliability of our measure at risk.

7.2.1 Who reigns over the aid - my way or the highway?

Our first methodological limitation concerns our measure of aid dependence. We measure aid dependence as the sum of commitments made by either traditional or alternative donors. However, we do not distinguish between aid directed to the regime and aid directed to other actors in the recipient country such as nongovernmental organizations (NGOs). For instance, in the Nigerien case, although Denmark and the U.S. suspended all aid benefiting the interim regime, Denmark continued its humanitarian engagements in the country (DOS, 2024a,c; Gille, 2023; Ritzau, 2023). Not distinguishing between the actual recipients is a problem because our theoretical framework assumes that aid commitments are made available to the incumbent. According to our theory, it is exactly because the incumbents can and want to secure resources from aid, that they are incentivized to democratize. This raises the question of whether incumbents actually control the flow of foreign aid, and in turn, if our measure of aid dependence properly captures the incumbents' dependence on foreign aid.

We argue that autocratic incumbents are still somewhat able to control aid that is granted to other actors in the recipient country. First, researchers find that NGOs are highly regulated and constrained by the incumbents in authoritarian regimes (Cleary, 1997; Gilbert & Mohseni, 2018; Heurlin, 2010). Studies also show that NGOs are often actively sympathetic to the regime's hegemonic cultural and normative ideology (Adam, 2016, 2020; Muro-Ruiz & Kaldor, 2003). Consequently, even when members of civil society oppose the regime's ideology, they do not necessarily act on their dissent. Here we borrow the concept of preference falsification from Kuran (1991). Kuran claims that actors are likely to self-censor and falsify their preferences to avoid punishment at the hands of an authoritarian and repressive regime. In order to keep operating in the autocratic regime, NGOs may therefore downplay their discontent or even completely avoid dissenting.

We do not reject the possibility that some of the foreign aid donated to a country lies outside the incumbents' reach. While the incumbent's access to aid may not be as inevitable or automatic as suggested by our theoretical framework, we still anticipate that the incumbent will have some influence over the use of foreign aid, regardless of who the domestic recipient is.

7.2.2 Cold War, Hot War: Periods from a Western Perspective

A second methodological limitation concerns time as our interactive term, and how we have divided time into neat historical periods. We have divided time into the following periods: during the Cold War (1966-1990), after the Cold War (1991-2015), and the period following the current democratic recession and the emergence of alternative donors (2016-2022). From a postcolonial perspective, one might object that the way, in which we have defined these time periods, is somewhat problematic.

In essence, our approach to history is quite Eurocentric. The Cold War cannot be classified as "cold" globally. The conflict between the U.S. and the USSR often played out as proxy wars in

the Global South, such as the Korean War, the Vietnam War, and many other conflicts around the world (Kim, 2017). This was especially true for Asia, Africa, and Latin America - three regions we examine in this thesis. Thus, we analyze political developments in the Global South, while determining periods most relevant to the Global North.

We do, however, still find our time periods to be appropriate, as they are intended to reflect the recipient country's perception of the donor. Our theoretical framework hinges on the perspective of the recipient and suggests that recipients democratize when they consider donors to be credibly committed to democracy. Given that our theoretical explanation is contingent upon the capacity of traditional donors to make credible commitments, we can with confidence utilize cutoff points pertinent to the Global North.

7.2.3 Is democracy reliable?

A final methodological limitation concerns our measure of democracy. In Chapter I, we analyze how foreign aid affects various measures of democracy, and find the most consistent effect on elections. In Chapters II and III, we therefore conceptualize democracy as the holding of democratic elections. One objection that can be made to our measure, is that it includes a subjective indicator, which may weaken the reliability. Little & Meng (2024) argue that indicators based on subjective judgments are biased, as they are hand-coded by experts in the field. There is a critical drawback to this. Since experts may be influenced by public discourse and media outlets, they might disagree on what regimes can be considered democratic (Little & Meng, 2024: 4). This leaves us with less reliable measures of democracy (ibid.: 1). This reliability issue could mean that we are not consistently measuring the presence of democratic elections, which in turn would mean that we cannot accurately estimate how foreign aid affects democracy as a real-world phenomenon (Andersen et al., 2012: 101-4).

But does this critique of subjective measures damage our measure of competitive elections? Inspired by Marinov & Goemans (2014: 810), we defined democratic elections as those in which: (1) political opposition is allowed, with more than one candidate allowed to run for office, (2) multiple parties are allowed, and (3) the office of the incumbent leader is contested. While the first two indicators are objective measures, the third is subjective (Hyde & Marinov, 2012: 15). Hence, our measure does not escape the criticism brought forward by Little & Meng (2024). Since genuine contestation is crucial to our Schumpeterian understanding of minimal democracy, and most other definitions of democratic elections, this is problematic (Munck & Verkuilen, 2002: 10; Møller & Skaaning, 2013: 143).

However, with the exception of the third criterion, we use objective indicators to capture democracy; either opposition candidates and multiple parties are allowed on the ballot or they are not. Little & Meng (2024: 4), objective indicators provide more consistent, accurate, and hence reliable measures. Because we predominantly use objective indicators of democracy from Chapter II onward, we consider our measure of democratic elections defensible. Moreover, Little

& Meng (2024: 4) also use the NELDA dataset, because they consider most of the indicators to be objective. Although the third criterion is subjective, we find it necessary to include it in our measure of democracy, since contestation is a defining feature that sets autocratic elections apart from democratic elections.

7.3 Limitations of our theoretical framework

Certain traits of our theoretical framework pose limitations for our analysis. As argued in section 3.2, we have chosen Rational Choice (RC) theory, because it allows us to model behavior in an otherwise secretive and clandestine context. Our theoretical mechanism and RC assumptions are, however, not without fault.

Due to the methodological individualism of RC theory, we risk overlooking important domestic actors. Methodological individualism implies that we treat actors as unitary actors (Dahl, 1947: 7; Scott, 2000: 136; Berg-Sørensen et al., 2016: 53). The implication of treating aid recipients as unitary actors is that we overlook how domestic actors can facilitate or constrain foreign relations with external actors and influence democratization as a result (Tolstrup, 2013).

Our theoretical mechanism only includes two players in the game of foreign aid - the donors and the incumbents in the recipient country. We choose to study the incentives of just these two actors because we are interested in whether external actors (donors of foreign aid) can incentivize domestic actors (the incumbents of the recipient country) to democratize. Our theoretical framework is, however, mostly blind to how domestic actors can affect democracy. We do partly take domestic actors into account, as we argue that incumbents of aid-dependent countries want to secure resources to improve government performance to better their chances of being elected and to protect themselves against coups (section 3.3). This involves the population, who elect their leader, and fellow elites, who may overthrow the incumbents via a coup (Svolik, 2012: 2). However, the preferences and agency of these actors play a very limited role in our theoretical mechanism. How might their preferences influence incumbents' decisions in ways not captured by our analysis?

Since fellow elites pose the greatest threat to the incumbents' rule, their preferences matter to the incumbents' behavior and hence the likelihood of democratization (ibid.:5). For instance, Weeks (2012) finds that the preferences of the elite coalition can influence the incumbents' foreign policy decisions. Similarly, Wright (2009) finds that the composition of the supporting coalition can impact democratization. Tolstrup (2013: 716) also emphasizes that elite actors have agency and can constrain ties to external actors, thereby mediating the pressure that external actors exert on the incumbents. For instance, elites can encourage incumbents to restrict aid flows from one donor in favor of another (ibid.: 722-5). Following this logic, if domestic elites successfully encourage the incumbent to seek closer aid cooperation with traditional donors rather than alternative donors, this could increase the likelihood of democratization.

There is also a specific stage in our theoretical mechanism where elite preferences could

influence the incumbents' decision-making. We have argued that the incumbents of aid-dependent countries are willing to democratize in exchange for economic resources, which they need to improve government performance in order to increase their chances of being elected. We do, however, not address the potential consequences that this resource utilization might have on domestic elites. Funneling more resources into government performance, which benefits the electorate, may result in fewer resources for some members of the domestic elite. For instance, money could be allocated away from the security forces. Powell (2012) finds that if members of the security apparatus, who constitute part of the political elite, receive fewer benefits than previously, they are more likely to conspire against the incumbents (ibid.). The failure to safeguard the organizational interests of the security apparatus can therefore lead to the incumbents being ousted and losing all power. Elite preferences can therefore shape the decision-making of incumbents in autocratic regimes.

In sum, treating the recipient countries as unitary actors presents some limitations on our analysis. By arguing that the decision to democratize is made exclusively by the incumbents, we present a parsimonious theory of how external actors may influence democratic trajectories. However, such decisions are rarely made in a vacuum and are also influenced by elite actors within the respective regime. Our theoretical framework does not capture these dynamics.

7.4 Democracy Fatigue: Does foreign aid actually bring about valuable development?

We began our thesis by claiming that democratization was a positive political development, as it empowered the people of a country by granting them self-determination. This motivated our research on how foreign aid may help bring about this positive development. In Chapter I, we found that the most persistent correlation is the one between foreign aid and the presence of democratic elections. Foreign aid either had no effect or a smaller effect on other components of democracy. In Chapter III, we argued that foreign aid is not exclusively meant to promote democracy, but may also be used as a geopolitical tool benefiting the donors rather than the recipients. What does this mean for the quality of the democracies that foreign aid can help foster?

Splitting democracy, which is a complex political phenomenon, into atoms can be an artificial exercise. As questioned by Møller & Skaaning (2013: 144), can one truly speak of democratic elections if they are not inclusive? If the electorate's freedom of expression and assembly is not protected? If the ruling elite can escape the bounds of the law and constitution? The type of democratization we identify does not necessarily imply comprehensive societal change, where the population is substantially empowered vis–a-vis the incumbents. As stated, we find the strongest effect on competitive elections, and either no or small effects on matters concerning inclusion, civil liberties, and the rule of law. This supports Møller & Skaaning (2013) hierarchical typology and claim that recent democratization is characterized by a sequence, where elections precede the

establishment of other components of democracy. This story of democratization is the complete opposite of the one experienced in the Global North, where democratic elections were a culmination of a century-long modernization process. During this modernization period, civil rights were granted and the rule of law was practiced before suffrage and competitive elections were even on the agenda (Møller & Skaaning, 2013: 152). It was through this lengthy process that democracy was fortified in many Western countries (ibid.). What implications might our findings have for the way in which democracies - supported by aid - are fortified and experienced in the recipient countries?

7.4.1 Democracy disappoints

If democracy does not develop beyond elections, it may lead to the phenomenon known as 'democracy fatigue'. Democracy fatigue is a term used to describe a state of dissatisfaction with democracy, where the electorate senses a lack of efficacy and does not trust democratic institutions (Blühdorn & Butzlaff, 2020; Van Reybrouck & Waters, 2016: 390-1). Fatigue has become more common in aid-receiving countries, where competitive elections have not put an end to human rights abuses and a politicized judicial branch of government (Van de Walle, 2016: 165).

Democracies that do not enjoy strong popular support can be fragile to autocratization (Matlosa, 2023: 349; Frantz, 2018: 102). Furthermore, Przeworski et al. (2000), find that democracies born out of coups are very fragile and may easily revert to authoritarian rule. Incumbents can utilize democracy fatigue to autocratize and increase support for their autocratic rule by improving government performance and delivering public goods such as rapid growth (Van de Walle, 2016: 162-166; Lueders, 2022: 166). The strategy of improving performance and growth through economic liberalization without political liberalization - often referred to as the 'Beijing Consensus' - has gained popularity among incumbents in developing countries (Van de Walle, 2016: 171; Hsu, 2011: 1-2). Dreher et al. (2021) also found that Chinese aid does seem to foster rapid short-term growth in the recipient countries. Conversely, support for the Washington Consensus, a Western foreign aid doctrine that promotes economic liberalization along with political liberalization, has depleted (Hsu, 2011: 2). It has done so because many believe that democracy has not fulfilled its promises in developing countries (ibid.); Alshamary, 2023: 150). This is also why the rise of China as a donor may challenge traditional donors' approach to foreign aid, which seeks to promote both development and democracy (Woods, 2008). Consequently, if democracy fails to deliver, it can lead to incumbents following the path of the Beijing Consensus instead.

In conclusion, foreign aid from traditional donors may promote democracy, but this democratization may not be accompanied by broader societal change. From the outset of our thesis, we have argued that democracy is valuable. However, this may not always be the case in the democracies established because incumbents want to secure foreign aid. We would, therefore, encourage traditional donors to be aware that the democracies that their aid supports, are not necessarily fortified but fragile, and susceptible to fall prey to fatigue and autocratization. Although democratic

elections were the culmination of democratization in the Global North, this does not seem to be the case in the Global South, where democratization may stall after elections. Traditional donors must therefore remember that although incumbents may hold genuinely competitive elections, recently established democracies are not necessarily as resilient as older democracies. Further research is required on how, if, and when foreign aid can facilitate the establishment of more robust democracies that also encompass inclusion, civil liberties, and the rule of law.

8 Conclusion

In this thesis, we have sought to answer the question:

How does foreign aid affect the likelihood of democracy after a coup?

When investigating this, we identified three accompanying sub-questions that have yet to be fully answered by the existing literature: (1) To what extent does foreign aid have an effect on democracy? (2) Does the effect of foreign aid persist during the democratic recession and the emergence of new donors? (3) When do donors credibly commit to conditionality in practice? In order to answer the two first questions, we conduct longitudinal OLS analyses on over 160 autocratic regimes that were brought to power via a coup. We approach the third question through descriptive statistical analysis supported by historical and contemporary examples.

Regarding the first question, we have two central findings. First, countries that are more dependent on foreign aid from traditional donors democratize more. In line with previous studies, we find that this relationship only holds true after the Cold War, which marked a change in the donors' ability to credibly commit to democratic conditionality. Second, we find that foreign aid has the most persistent effect on democracy when conceptualized as the least comprehensive form (i.e. competitive elections). Our theoretical explanation hereof is that the incumbents, who have recently seized power via a coup, want to relinquish as little power as possible.

These results have important implications for the quality of democracy that foreign aid can help to promote. Although foreign aid is also positively correlated with components of democracy such as the rule of law and civil liberties, its effect on these components is modest. We argue that the democracies established in the wake of coups in aid-dependent countries are fragile. If they do not develop further, they may fall prey to democracy fatigue and autocratization. However, our study only operates within a five-year window of opportunity. More comprehensive democracies typically develop over longer periods of time. Thus, our research design might not allow us to see these institutions materialize. Further research is needed on how foreign aid may support the establishment of more comprehensive democratic institutions.

In terms of the second sub-question, we find that the effect of foreign aid persists in the face of democratic recession and the rise of China and Russia as alternative donors in the 2010s. After 2016, countries more dependent on aid from traditional donors continue to be more democratic. This implies that donors are still able to credibly commit to democratic conditionality.

One reason that we find a persistent effect may be because the democratic recession in donor countries has been exaggerated. A second reason could be that we do not validly capture the presence of alternative donors due to data limitations. We can therefore not reject that the

presence of alternative donors indeed does alter the effect of traditional foreign aid on democracy. The same data limitations hinder us from determining whether aid from alternative donors has its own effect on democracy. We therefore encourage further research on how alternative donors may affect democracy in countries that have recently experienced a coup.

Finally, when conducting a descriptive analysis, we find that alternative donors do influence whether traditional donors supply or suspend aid. When alternative donors are present in the recipient country, traditional donors do seem to relax their conditions of aid and tolerate transgressions against democracy such as authoritarianism and repression. We see this play out in the cases of Chile in the 1970s and Fiji in the 2010s. However, traditional donors do not always tolerate transgressions when alternative donors are present. The recent case of Niger shows that Western donors commit to conditionality, as they have suspended - and have yet to resume - their aid in response to the coup. Further research is needed on the bounds of democratic conditionality and to what exact extent traditional donors tolerate transgressions against it.

These findings gave rise to a discussion of what the true intentions of foreign aid are. Aid from alternative donors is often labeled as rogue, unlike aid from traditional donors, which is perceived as more altruistic. Although traditional donors are more concerned with promoting democratic governance, our findings suggest that both types of donors use foreign aid as a geostrategic tool for their own benefit. Aid from these donors is therefore not as different as others have previously suggested.

Finally, we draw attention to central limitations in our theoretical framework. As we treat the recipient countries as unitary actors represented by the incumbents, we are unable to understand how domestic elites in the recipient country may affect the likelihood of democratization. Domestic actors may constrain or support relations to external actors, which may in turn affect whether external actors can push for democratization through aid. We, therefore, encourage further research on how domestic elites may mediate the result that we find in our thesis.

In conclusion, we find that foreign aid from traditional donors after the Cold War positively affects democracy after a coup. Countries more dependent on aid from traditional donors are more democratic than countries less dependent on aid. Contrary to our expectations, this effect persists despite the democratic recession in donor countries and the rise of alternative donors. However, the aiding presence of alternative donors does seem to affect traditional donors' ability to credibly commit to conditionality. Due to data constraints, we are not able to conclude how aid from alternative donors may affect democracy after a coup. Although foreign aid and coups can lead to democracy, we do not claim that they are necessary conditions for democratization. Furthermore, both coups and traditional donors' attempts to promote democratization do not always fare well for democracy.

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