



Unpacking the Impact of Democracy Aid: The role of civil society organisations in democratic transitions

Master thesis

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List of Abbreviations

Abbreviations	Meaning
CSO	Civil society organisation
CRS	Creditor Reporting System
EDI	Electoral Democracy Index
GLS	Generalised Least Squares
IRT	Bayesian item response theory
OECD	Organisation of Economic cooperation and
ODA	Official Development Aid
SEM	Structural Equation Modelling
UCDP	Uppsala Conflict Data Program
V-DEM	Varieties of democracy

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Unpacking the Impact of Democracy Aid:

The role of civil society organisations in democratic transitions

Abstract

Understanding ‘what works’ in democracy aid is highly relevant in the context of global democratic backsliding. However, to date evidence on the impact of democracy aid on democratisation remains controversial, due to contradictory findings, commensurability issues and difficulties in establishing causality (Qian, 2015). Additionally, few quantitative studies address the causal mechanisms through which democracy aid has an impact on democratisation. This study aims to fill this research gap by focusing more specifically on the role of civil society organisations (CSOs) in democratic transitions. This paper has two primary goals. Firstly, it aims to determine whether democracy aid channelled through CSOs has a positive effect on democracy levels in recipient countries, interacting with regime type. And secondly, to create a deeper understanding of the causality underlying this relationship, this research examines the mediating effect of two specific CSO mechanisms – namely public dialogue and civic engagement. Using a cross-country fixed effects generalised least squares panel regression and structural equation modelling, this study analyses democracy levels in 130 countries from 2004 to 2021. The results of this study indicate that democracy aid channelled through CSOs increases levels of democratisation in recipient countries. Additionally, an interaction effect was observed between democracy aid and regime type, which indicates that democracy aid is most effective in countries that are already (partly) democratic. Additionally, while CSO civic engagement shows a positive and significant mediating effect, the impact of CSO public dialogue is refuted. These findings underline the critical role of CSOs in promoting democratisation, suggesting directions for future research to further explore these mechanisms.

Keywords: Democratisation, democracy, democracy aid, democracy assistance, ODA, aid effectiveness, civil society, civil society organisations, public dialogue, public policy making, civic engagement, regime type, autocracies, anocracies.

1 | Introduction

This year will be pivotal for democracies worldwide (OHCHR, n.d.). Never before will so many people have the opportunity to vote, as 4 billion people – approximately half of the world’s population – live in countries that are holding elections in 2024 (Smith, 2024; The Economist, 2024). At the same time, democracy’s core tenets have rarely been so fundamentally threatened. Out of 76 elections held this year, only 43 will be free and fair (Smith, 2024). Global freedom has been on decline for 18

consecutive years (Freedom House, 2024), and the quality of democracy enjoyed by global citizens today is back to the levels of 1986 (OHCHR, n.d.). This global trend is alarming, as democratic erosion can have negative effects on human rights, the rule of law and peace globally (OHCHR, n.d.).

Democracy aid can play an instrumental role in combating democratic erosion by supporting and strengthening democratic institutions worldwide (Gafuri, 2022). This type of aid aims to enhance democratic norms and values in recipient countries through a wide range of mechanisms, such as strengthening civil society, supporting free and fair elections, and instigating systematic institutional reforms (Gafuri, 2022). Yet, more recently a widespread belief is growing that the era of effective international democracy aid has passed (European Parliament, 2024; Youngs, 2024). Despite this growing scepticism, Koch (2024) argues that democracy aid should not be suspended, but rather that new and improved practices need to be developed. Understanding ‘what works’ in democracy aid is therefore highly relevant.

The effectiveness of democracy aid has been widely researched. However, to date evidence on the effectiveness of democracy aid remains contradictory (Qian, 2015). While some of the literature points towards the effectiveness of democracy aid in increasing democratisation (Finkel, 2007; Heinrich & Loftis, 2019; Kalyvitis & Vlachaki, 2010; Niño-Zarazúa et al., 2020), others find no, or even worsening effects on democratisation levels (Bosin, 2012; Cornell, 2013; Fielding, 2014; Freytag & Heckelman, 2012; Scott & Steele, 2005). In part, these contradictory findings can be explained by inconsistencies in the literature. To measure the effectiveness of democracy aid, many scholars rely on aggregate indices that combine diverse democracy outcomes and indicators, such as human rights, electoral processes, the rule of law, civil society and good governance (Carothers, 2009; Gisselquist et al., 2021). As it often remains unclear what exactly is measured, this leads to issues of research comparability, imprecise findings and difficulties in establishing causality. Whereas this poses a significant challenge, only a limited number of studies address this issue by examining the relationship between democracy aid and specific democracy components, such as civil society organisations (CSOs). Civil society organisations have been identified as key actors in driving democratic transitions (Mercer, 2002). While most studies assume that CSOs universally have a positive impact, the role of CSOs in advancing democratisation processes is complex and not easily generalised (Mercer, 2002). Despite this, little quantitative research has been done concerning the specific mechanisms through which civil society organisations can act as drivers of democratisation. The absence of such a focused approach thus signifies a distinct gap in the current literature.

This paper aims to address this gap by focusing explicitly on the effect of democracy aid channelled through civil society organisations. Zooming in on the role of CSOs will ensure that more precise and robust findings can be produced. Additionally, by tracing the line of causality more precisely, two mechanisms are examined that mediate the effect of democracy aid on democratisation, namely *public dialogue* and *civic engagement*. This paper therefore aims to answer the following

research question: *Does democracy aid channelled through civil society organisations have a positive impact on democratisation processes in recipient countries?*

This paper contributes significant academic relevance. By disaggregating democracy indexes and focusing exclusively on democracy aid *channelled through CSOs*, this paper contributes to a more detailed understanding of the effectiveness of democracy aid on democratisation. Additionally, by specifying two CSO mechanisms, it can provide a clear analysis of *how* democracy aid works. This will increase the strength of causality claims significantly, and potentially start a precedent for future research to consider a more detailed analysis of the different causal mechanisms underlying the complexity of democracy aid.

Furthermore, this paper contributes societal relevance in two ways. Firstly, understanding ‘what works’ in democracy aid is highly relevant in light of global democratic backsliding trends. In the face of growing scepticism, improved and evidence-based aid practices need to be developed to ensure that democratic values, global freedom and human rights prevail (Koch, 2024). By assessing the effectiveness of democracy aid channelled through CSOs, the findings of this study contribute to the creation of more effective democracy aid strategies, and consequently towards fostering genuine democratic development. Secondly, an increased focus on CSOs is crucial for democratisation. While CSOs have been increasingly identified as key players in democratisation processes, it remains unclear in *what* ways democracy aid can support these organisations. By tracing the line of causality more clearly, the findings of this study can provide insights into how aid strategies can be formulated to make CSOs more resilient and capable of contributing to democratisation.

As shown above, the main focus of this paper is thus to (1) examine the effectiveness of democracy aid channelled through civil society organisations on democratisation in recipient countries, and (2) to examine two explanatory mechanisms that mediate the effect of democracy aid on democratisation – public dialogue and civic engagement. The remainder of this paper is structured as follows. In the following theoretical framework, the main democracy aid literature is synthesised, the main research gap is elaborated and hypotheses are formulated. Next, the research methods used in this paper are explained. To test the hypotheses, two methods are used. First, a fixed effects Generalised Least Squares (GLS) panel regression is performed to examine the impact of democracy aid channelled through CSOs on democratisation for 130 countries over the span of 2004-2021. Next, structural equation modelling (SEM) is used to examine the mediating effects of the two CSO mechanisms. Next the main findings are discussed. It is shown that democracy aid has a positive and significant effect on democratisation. Additionally, only the mechanisms of civic engagement show significant mediating effects. In the remainder of the paper, the main conclusions are discussed and recommendations for future research and democracy aid strategies are formulated.

2 | Theoretical framework

This thesis examines the effect of democracy aid channelled through civil society organisations (CSOs) on democratisation. The following theoretical framework is structured as follows. Firstly, to define democratisation, Przeworski's (1999) minimalist theory of democracy, and the role of CSOs within this theory, is discussed. Next, the definition and effectiveness of democracy aid is specified more clearly. Lastly, the mediating role of CSOs in driving democratisation is explained.

2.1 | Przeworski's minimalist conception of democratisation

Democratisation is a process in which a country transitions from an authoritarian regime towards a more democratic one (Brudzinska, 2023; Carothers, 2009). In approaches to democracy aid, democratisation is often seen as an exogenous process, driven by the strategic interactions of key actors and institutions (Gisselquist et al., 2021). According to Gisselquist et al. (2021), domestic actors, such as local NGOs, political figures and philanthropists play an important role in initiating and driving democratic transitions by altering the conditions that enable democracy to take root. These democratic reforms are further consolidated through the establishment of democratic institutions (Gisselquist et al., 2021). Democratisation is therefore seen as a process in which key actors and institutions strive to establish optimal conditions for democratisation.

Many competing ideas exist in the literature on what drives democratisation, and consequently on what conditions need to be altered for democracy to occur (Carothers, 2009). Przeworski's (1999) minimalist conception of democracy is highly influential in democratisation studies. According to Przeworski (1999) a political regime can be classified as a democracy if three conditions are met. Firstly, there must be universal suffrage to ensure that all citizens above the legal age of adulthood can participate in democratic processes. Secondly, the chief executive power and the legislative branch must be elected through regular, competitive, free and fair elections. And lastly, there must be a possibility for an alternation in power, in which it is possible for an incumbent to lose elections and transfer power to the opposition peacefully (Przeworski, 1999).

The definition of Przeworski (1999) is a justified choice for the purposes of this study for mainly two reasons. Firstly, this 'Schumpeterian' or 'procedural' definition emphasises the institutional rather than the substantial aspects of democracy, which aligns with approaches to democracy aid. To demonstrate its suitability, an essential difference between *democracy aid* and *development aid* must be highlighted. For decades, development aid has been used as a policy tool to stimulate democracy in developing countries (Koch, 2023). The general line of argumentation is that by stimulating socio-economic change, such as combating poverty, increasing the accessibility of education, improving healthcare and reducing gender inequality, democracy will flourish (Gisselquist et al., 2021). According to this view, democratisation is seen as an endogenous process emerging from

a diverse range of economic and social developments. Development aid is thus more encompassing and often targets economic, environmental, social and political conditions and rights (Pomerantz, 2024). Democracy aid differs significantly from this view as it sets narrow targets that focus more exclusively on procedural and institutional aspects of democratic reform, such as elections. This is resonated in Przeworski's definition of democracy.

Secondly, Przeworski's (1999) definition indirectly emphasises the role CSOs can play in democratisation processes. The novelty of Przeworski's minimalist conception lies primarily in the emphasis on the peaceful transfer of incumbent power as the defining feature of democracy. His approach highlights that while elections and suffrage are necessary conditions to foster democracies, they are not sufficient without the possibility of incumbent overturn (Przeworski, 1999). In other words, democracy is not solely about the presence of elections, but rather about the capacity of such elections to lead to a real and peaceful alternation of power. CSOs can play an instrumental role in guiding the transition of power by educating citizens, monitoring elections, promoting transparency, holding political leaders accountable and creating platforms for political dialogue (Ministry of Foreign Affairs of the Netherlands, 2019). This establishes checks and balances that restrain state power and increases the procedural integrity of democratic institutions, such as elections (Abdullahi & Adbhulkarim, 2017; Chandhoke, 2010). In line with Przeworski's (1999) minimalist conception of democracy, CSOs can thus play key roles in democratisation processes by altering the conditions through which the transfer of power occurs.

2.2 | Democracy aid

Even though democratisation is mainly driven by internal pressures – e.g. the interaction of domestic actors and institutions – the international community can still assist in promoting democratisation in numerous ways (Kalyvitis & Vlachaki, 2010). A common tool to promote democratisation in recipient countries is democracy aid.

2.2.1 | What is democracy aid?

Carothers (2015) defines democracy aid as efforts to “support institutions and processes crucial to democratic contestation, the strengthening and reform of key state institutions, and support for civil society” (p.1). This definition of democracy aid aligns with the conceptualisation of democratisation as an exogenous process driven by the interaction of actors and institutions (Carothers, 2009). Democracy aid thus focuses explicitly on empowering these key domestic actors and institutions to generate democratic change (Finkel et al., 2007). Typically, conditionalities are attached to the disbursements of democracy aid to ensure specific democracy targets are achieved with the received funds (Gafuri, 2022). Democracy aid is therefore often considered as a distinct category of

development aid that is earmarked for specific democracy objectives, such as accountability, free and fair elections, rule of law or civil society (UNU-Wider, 2012).

2.2.2 | *Democracy aid effectiveness*

There is some indication in the literature that democracy aid has a positive effect on democratisation (Finkel, 2007; Heinrich & Loftis, 2019; Kalyvitis & Vlachaki, 2010; Niño-Zarazúa et al., 2020). For example, a report by Niño-Zarazúa et al., (2020) on Swedish and international democracy aid demonstrates that democracy aid has a small, yet positive, impact on stimulating democratisation in recipient countries. Similarly, Finkel (2007) finds a positive impact of US democracy aid on key indicators of democratisation, such as democratic elections, rule of law, civil society and good governance. However, findings are often contradictory, as other studies illustrate that democracy aid has no or negative effect on democratisation (Bosin, 2012; Cornell, 2013; Fielding, 2014; Freytag & Heckelman, 2012; Scott & Steele, 2005). For example, a study by Fielding (2014) demonstrates a negative relationship between democracy aid, especially governance aid, and the existence of political rights over time. In part, these contradictory findings can be explained by multiple inconsistencies across studies. A systematic literature overview by Gisselquist et al. (2021) illustrates that in measuring the impact of democracy aid, a range of different democracy outcomes and indicators are used, such as the occurrence of elections, accountability, non-corruption and government administrative effectiveness. This leads to significant problems, such as commensurability issues between studies and imprecise findings (Gisselquist et al., 2021).

Similarly, many scholars focus on aggregate indices that combine a range of diverse indicators to measure democracy, such as FreedomHouse or the Economist' Democracy Index. A positive impact of democracy aid on democratisation is thus oftentimes equated with an increase in overall democracy scores from these indices. However, the use of aggregate indexes increases the difficulty in establishing causality, as it remains unclear what exactly is measured (Qian, 2015). For example, an extensive focus on democratisation indices, including legislature, judiciary reforms and good governance, can potentially include activities that arguably are not meant to support democracy, such as police and prison management, meteorological services and fire and rescue services (Niño-Zarazúa et al., 2020).

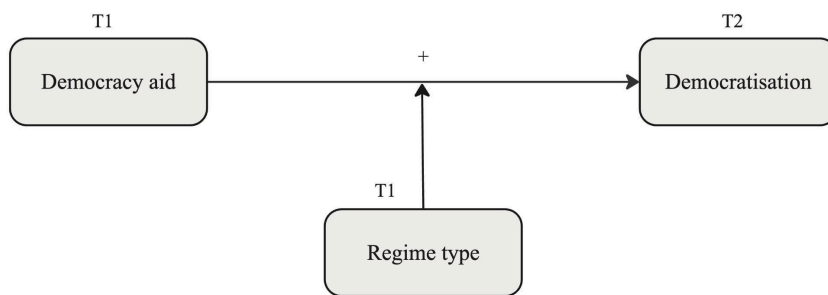
Whereas this poses a serious challenge, only a limited amount of studies address this issue by examining the relationship between democracy aid and a specified index component. A significant gap in the literature is therefore addressed by tracing the line of causality more precisely and examining what mediates the effect of democracy aid on democracies. In this context, the aim of this research is to focus more explicitly on the role of civil society organisations. A first hypothesis is therefore formulated as follows.

H1: *Democracy aid channelled through CSOs will increase levels of democratisation in recipient countries, interacting with the initial regime type.*

The conceptual model in Figure 1 portrays the hypothesised relationship between democracy aid channelled through CSOs and democratisation levels in recipient countries. Over the years, CSOs have been identified as key actors in driving democratic transitions. It is therefore expected that when democracy aid is directly disbursed through CSOs, levels of democratisation will increase.

Figure 1:

Conceptual model detailing the relation between democracy aid, regime type and democratisation.



2.3 | Regime type

When analysing the relationship between democracy aid channelled through CSOs and democratisation, the initial regime type must be considered as well (Cornell, 2013; Gandhi & Przeworski, 2007; Lührmann et al., 2017). A regime is defined as a system of governance characterised by an institutionalised “ensemble of patterns that determine the methods of access to the principal public offices; the characteristics of the actors admitted to or excluded from such access; the strategies that actors may use to gain access; and the rules that are followed in the making of publicly binding decisions” (Schmitter & Karl, 1991, p.76)

An important argument is brought forth by Cornell (2013) and Lührmann et al., (2017), who stipulate that the effectiveness of democracy aid directed at CSOs is contingent on the regime type of the recipient country at the moment democracy aid is received. Democracy aid seldom stands on its own and is oftentimes negotiated in a more comprehensive package of aid (Cornell, 2013). A recipient government might therefore unwillingly accept democracy aid to receive a more beneficial package of funding. According to Lührmann et al. (2017), this can sometimes lead to a recipient government’s attempt to counter-balance, control or redirect democracy aid to minimise the risk of CSOs instigating change. The extent to which this is perceived as threatening is different for different regime types and

thus impacts the incumbent's willingness to obstruct or accept democracy aid (Gandhi & Przewoski, 2007). Democracy aid channelled through CSOs will thus be more or less effective depending on the regime type of the recipient country.

According to Cornell's stability argument (2013), democracy aid tends to be more impactful in closed autocracies than electoral autocracies. Closed autocracies are characterised by centralised power structures, whereas pluralism and political competition are severely restricted. These regimes tend to be more stable and perceive CSOs and democracy aid as less threatening. As a result, they are less focused on restricting democracy aid flows towards CSOs which consequently results in more effectiveness (Cornell, 2013). Contrarily, electoral autocracies aim to be perceived as democratic, while maintaining authoritarian elements. Consequently, democratic elements, such as civil society, remain in place. To minimise the risk CSOs pose to these regimes, an incumbent can act more restrictive towards democracy aid disbursed to these organisations, which minimises the positive effect on them (Cornell, 2013). Paradoxically, democracy aid is therefore more effective in closed autocracies than electoral autocracies.

However, an opposite relationship is postulated by Dietrich & Wright (2015), who illustrate that democracy aid is less impactful in closed autocracies and does not function as a catalyst for the transition to a multi-party regime. They find that democracy aid rather stabilises electoral autocracies and consequently decreases electoral misconduct (Dietrich & Wright, 2015). Additionally, Kalyvitis & Vlachaki (2010) argue that democracy aid is most effective in recipient countries with partly or fully democratic regimes. Based on these contradictory arguments in the literature, it is interesting to examine the ways in which regime type interacts with the effectiveness of democracy aid channelled through CSOs and in specifically what ways.

2.4 | The role of civil society organisations

Over the years, civil society organisations (CSOs) have been identified as key actors in driving democratic transitions. According to the World Bank *CSOs* refer to “the wide array of nongovernmental and not-for-profit organisations that have a presence in public life and express the interests and values of their members, based on ethical, cultural, political, scientific, religious or philanthropic considerations” (WorldBank, 2007, p.1). Civil society is seen as a realm of organised social life that is autonomous from the state, market and private life (WorldBank, 2007). It is a network of public communication which is voluntary, self-supporting and characterised by a set of shared norms, values and rules that are essential for community problem-solving, such as tolerance, inclusion and trust (Abdullahi & Adbhulkarim, 2017).

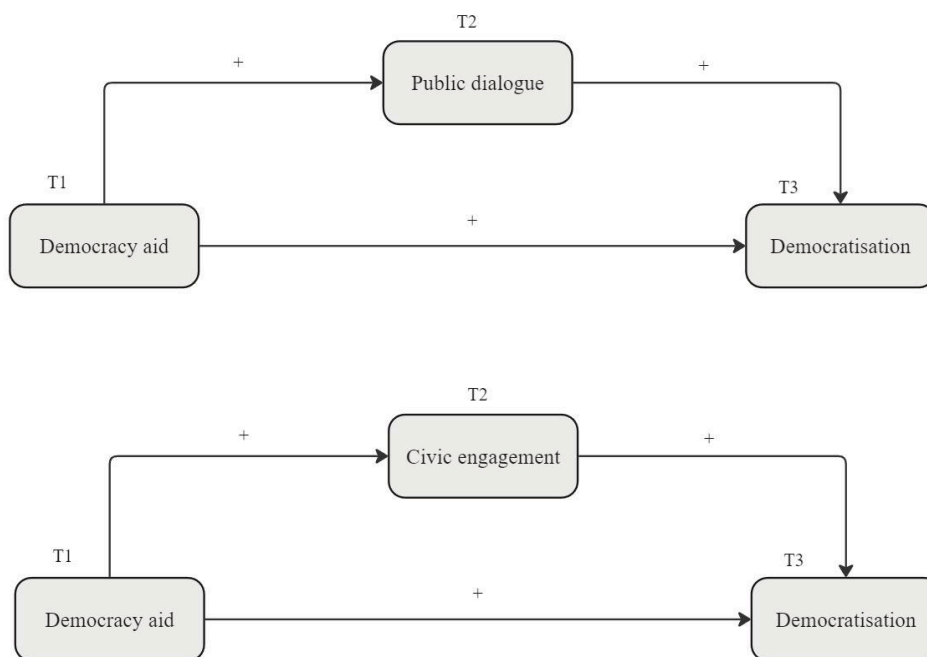
CSOs play an essential role in democratic transitions (Mietzner, 2021). As briefly discussed, their primary role is to establish checks and balances that restrain the power of political leaders (Abdullahi & Adbhulkarim, 2017; Chandhoke, 2010). In this manner, CSOs strengthen the procedural

integrity of democratic institutions, such as free and fair elections, the rule of law, freedom of speech and political participation among citizens (Ministry of Foreign Affairs of the Netherlands, 2019; Mercer, 2002). In line with Przeworski's (1999) conception of democracy, this creates the conditions under which democracies can flourish.

Many scholars assume that CSOs have a positive impact on democratisation by virtue of their existence (Mercer, 2002). However, the role of CSOs in advancing democratisation is often more complex. As CSOs often have different missions and perform diverse tasks, their influence cannot be easily generalised (Mercer, 2002). It is therefore important to differentiate the various mechanisms through which CSOs can act as drivers of democratisation. In this context, two specific civil society mechanisms are identified that are hypothesised to mediate the effect of democracy aid and democratisation, namely *policy dialogue* and *civic engagement*. Figure 2 displays the conceptual model for these CSO mechanisms. In the following parts, these two mechanisms will be explained.

Figure 2:

Conceptual model detailing the mediating effect of two civil society mechanisms.



2.4.1 | Policy dialogue

The first mechanism through which CSOs influence democratisation is *policy dialogue*. Policy dialogue is defined as the involvement of CSOs in policy-making and policy-implementation processes (Court et al., 2006). In non-democratic regimes, decision-making power is often centralised

in the hands of a few powerful elites, which results in the overrepresentation of elite interests, patronage and high levels of corruption (Abdullahi & Abdhulkarim, 2017). CSOs play an important role in counteracting this power by increasing legitimacy and inclusivity in policy-making (European Commission, 2023; Heinrich & Loftis, 2019; Mercer, 2002; Ministry of Foreign Affairs of the Netherlands, 2019). According to Kalyvitis & Vlachaki (2010), CSOs can widen public debate and decision-making processes by advocating for the rights and interests of society at large, and especially of marginalised groups. This not only increases the government's responsiveness to the needs of citizens, but can also have a long-lasting positive impact on democratisation, as it consolidates democratic policies, laws and societal norms (Ministry of Foreign Affairs of the Netherlands, 2019). The second hypothesis can therefore be formulated as follows:

H2: *Democracy aid positively impacts CSOs ability to engage in policy dialogue, which positively contributes to democratisation.*

It is expected that democracy aid channelled directly through CSOs will increase their capacity to engage in policy dialogue, and subsequently stimulate democratisation. For CSOs to successfully advocate for minority groups and the public at large in policy-making, it is essential that they are able to operate independently from the state (WorldBank, 2007). However, in many cases domestic resources are scarce and CSOs remain heavily underfunded and reliant on the domestic state for financial assistance (Finkel et al., 2007). This significantly weakens their effectiveness, jeopardises their neutral status and makes them more vulnerable to political influences of the regime in power (Ministry of Foreign Affairs of the Netherlands, 2019). Democracy aid channelled directly through CSOs can provide financial assistance for CSOs to increase their (financial) independence. This ensures they operate more independently and enhances their presence and voice in society. As shown by the Dutch Ministry of Foreign Affairs (2019), this is an essential prerequisite of a robust civil society that builds towards democratisation. It is thus expected that larger amounts of democracy aid given directly to CSOs will increase their ability to engage in public dialogue, and consequently leads to higher levels of democratisation.

2.4.2 | Civic engagement

The second mechanism through which CSOs mediate the effect of democracy aid is *civic engagement*. Civic engagement is defined as the ability of CSOs to facilitate civic engagement and democratic participation (Heinrich & Loftis, 2019; Ministry of Foreign Affairs of the Netherlands, 2019; Mercer, 2002; European Commission, 2023; Aliff & Sarjoon, 2010). An important element of a robust democracy is having a citizenry that is informed of its democratic rights, and actively participates in the democratic process (Aliff & Sarjoon, 2010). The availability of objective knowledge is essential

for citizens to form and express their political preferences (Heinrich & Loftis, 2019). In this regard, CSOs are often portrayed as ‘schools of democracy’ that inform citizens about these democratic rights and provide them with objective knowledge (Ministry of foreign affairs of the Netherlands, 2019). CSOs thus support democracy by further developing civic capacities, raising awareness amongst citizens and fostering an informed electorate (Aliff & Sarjoon, 2010). Additionally, CSOs can mobilise citizens to engage in political processes or political activism (Heinrich & Loftis, 2019). This results in a better equipped and motivated citizenry, which stimulates democratic participation. The third hypothesis is therefore formulated as follows:

H3: *Democracy aid positively impacts CSOs ability to foster civic engagement and democratic participation amongst citizens, which positively contributes to democratisation.*

Directing democracy aid to CSOs is likely to enhance levels of democratisation, as it can increase the organisational capacity of CSOs. To perform key activities to stimulate civic engagement, such as monitoring the state, organising activities, researching and disseminating information to the public, CSOs often need monetary assistance and expertise. Democracy aid can help in this regard, as it works towards CSOs’ capacity building. Capacity building comprises the improvement of organisational operations, such as leadership, administration, managing resources, training of staff and improving advocacy strategies (Blagescu & Young, 2006). Especially in the context of civic engagement, democracy-aid funded activities can increase the effectiveness and scope of such activities significantly. Additionally, democracy aid in the form of expertise can increase CSOs capacity to monitor states, which increases transparency and accountability (Aliff & Sarjoon, 2010). It is therefore expected that increasing the amount of democracy aid channelled through CSOs stimulates democratisation, as it enhances the effectiveness of these organisations to facilitate civic engagement amongst citizens.

2.5 | Alternative explanations

Lastly, it is important to consider some alternative explanations for democratisation that have gained recognition in the literature. As already discussed briefly above, there is a distinct difference in the approaches towards democratisation amongst proponents of democracy aid and development aid. In development aid approaches, democratisation is seen as an endogenous process which is driven by wider economic and social development (Gisselquist et al., 2021). According to this view, targeting aid solely at procedural elements of democracy is insufficient to stimulate long-term democratisation. Additional conditions must thus be present to ensure democratisation is taking place. In this analysis, these alternative drivers of democratisation need to be taken into consideration.

Economic growth is often considered an important driver of democratisation, as it is a necessary requisite for harbouring the social conditions necessary for democratisation, such as (gender) equality, education and health (Szirmai, 2015; Kunal, 2021). Closely related to this trade openness is also seen as an important indicator of democratisation. López-Córdova & Meissner (2005) find a strong positive correlation between trade openness and democratisation, and even argue that trade globalisation has been highly influential in democratising countries post-World War II.

Additionally, development aid approaches argue that aid should be targeted at increasing stability and peace to ensure democratisation. Heinrich & Loftis (2019) show that conflict and civil wars have a negative effect on democratisation, as civil wars decrease political stability and can cause donor countries to reduce democracy aid. The occurrence of violence therefore significantly impacts whether democratisation will increase.

Lastly, as already shown above, democracy aid is often included in a more comprehensive aid deal. Countries receiving democracy aid are therefore likely to receive development aid as well. These aid inflows need to be considered, as they can have a strong impact on the level of democratisation (Gisselquist et al., 2021). These alternative explanations need to be taken into consideration in the analysis.

3 | Research design

In examining the relationship between democracy aid, civil society and democratisation, this study employs a cross-country longitudinal quantitative approach. More specifically, a fixed effects generalised least squares (GLS) panel regression and structural equation modelling (SEM) are used to test the hypotheses. Panel data was collected through various existing databases and analysed using Stata. In the following section, the research methods are further explained. First, the main variables are operationalised. Next, the data collection, sampling techniques and data analysis methods are explained. Lastly, ethical issues and potential limitations of this study are discussed.

3.1 | Operationalisation

In this section, the main variables are operationalised (Table 1). *Democratisation (Y)* is measured using the ‘Electoral Democracy Index’ (EDI) created by the V-dem Institute (Coppedge et al., 2024a). The V-dem Institute is one of the largest global data collection projects from the University of Gothenburg and is widely used by scholars to examine democratisation trends (Gafuri, 2022).

In line with Przeworski’s (1999) minimalist conception of democracy, the electoral democracy index focuses on suffrage, the existence of free and fair elections and incumbent overturn.

The EDI is measured on a scale ranging from 0 to 1, in which a higher value indicates that elections are more competitive, not marred by fraud and affect the composition of the chief executive (Coppedge et al., 2024a). The index comprises five indicators, including (1) clean elections, (2) suffrage, (3) freedom of association, (4) freedom of expression and (5) elected officials (Coppedge et al., 2024a). As shown in Figure 3, the EID was created by combining two different methods. First, a weighted average of the five indicators was calculated, followed by a five-way multiplicative interaction between these indicators. Finally, the average of the results from both the weighted average and the five-way multiplicative interaction was calculated (Coppedge et al., 2024a). The combination of these methods allows for a more reliable and precise estimation, as it takes into account that an overall score can be heavily affected if a country is particularly weak or strong in one of the five dimensions. In this manner, the overall score is thus neither too lenient nor too harsh (Coppedge et al., 2024a).

Figure 3:

The Electoral Democracy Index

$$\begin{aligned}
 v2x_polyarchy &= .5 * MPI + .5 * API \\
 &= .5 * (v2x_elecoff * v2xel_frefair * v2x_frassoc_thick * \\
 &\quad v2x_suffr * v2x_freexp_altinf) \\
 &\quad + .5 * ((1/8) * v2x_elecoff + (1/4) * v2xel_frefair \\
 &\quad + (1/4) * v2x_frassoc_thick + (1/8) * v2x_suffr \\
 &\quad + (1/4) * v2x_freexp_altinf)
 \end{aligned}$$

Note: This figure is adapted from Coppedge et al., (2024a)

Democracy aid per capita (X_1) is operationalised as the amount of Official Development Assistance (ODA) per citizen that recipient countries receive annually, which is channelled through NGOs and CSOs and specifically earmarked for the advancement of civil society (expressed in constant 2013 US dollars, millions). ODA is one of the most well-known measurements of development aid inflows and is defined as “government aid that promotes and specifically targets the economic development and welfare of developing countries” (OECD, 2023a; Pomerantz, 2023). As democracy aid is a specific type of development aid that is earmarked for certain democracy objectives, using ODA is a valid method that is widely used amongst scholars (Gafuri, 2022). Following Gafuri (2022), the data for democracy aid was extracted from the OECD Creditor Reporting System (CRS), using the sector codes ‘150:I5 Government & civil society (total)’ and the channel ‘NGOs & Civil Society’. Additionally, it is noteworthy that democracy aid is measured *per capita*. Population size is a standard control in models of aid, as densely populated developing countries require more aid than less populated countries (Dietrich & Wright, 2015). Kalyvitis &

Vlachaki (2010) even argue that the impact of democracy aid depends more on population size than economic controls such as GDP, as economic controls rarely reflect the actual size of developing countries' economies due to the larger informal sector. The variable democracy aid per capita is thus computed by dividing democracy aid with mid-year population size, which is extracted from the WorldBank Development Indicators databank. Democracy aid per capita reflects the actual effects of aid more accurately and thus has generally higher validity.

Table 1:
Overview of indicators and data sources

Concept	Indicator	Data source
Democratisation	Electoral Democracy Index (EDI)	The V-dem Institute Country-Year: V-dem Full+Others version 14
Democracy aid per capita	ODA channelled through CSOs annually and per capita (in constant 2013 dollars)	OECD Creditor Reporting System
Policy dialogue	CSO consultation (v2cscnsult)	The V-dem Institute Country-Year: V-dem Full+Others version 14
Civic engagement	CSO participatory environment (v2csprcpt)	The V-dem Institute Country-Year: V-dem Full+Others version 14
Regime type	Regime	PolityV - Centre for Systemic Peace
GDP per capita	GDP per capita	WorldBank Development Indicators
Occurence of armed conflict	State-based armed violence	UCDP/PRIO Armed Conflict Dataset version 24.1
Trade openness	Trade as a share of GDP (%)	Our World in Data
Development aid	Total ODA (in constant 2013 dollars)	OECD Creditor Reporting System

To further unpack the pathways through which the relationship between democracy aid and democratisation take place, the mediating effect of two civil society mechanisms is tested. The first mechanism *public dialogue* (X_2) is operationalised as the extent to which CSOs engage in dialogue with governments and advocate over key policy and legislation areas (Coppedge et al., 2024a). *Public dialogue* will be measured using the indicator ‘CSO consultation (v2cscnsult)’ from the V-dem Institute. This indicator measures the extent to which governments routinely consult diverse CSOs on policies relevant for their members. A minimum of five experts were selected to assign a score based on ordinal scale ranging from 0-2. This scale was then converted to an interval scale using Bayesian item response theory (IRT) modelling techniques, which includes negative values (Coppedge et al.,

2024b). Additionally, intercoder reliability and model estimates are performed to ensure consistency of the data and to eliminate mistakes (Coppedge et al., 2024b).

The second mechanism of *civic engagement* (X_3) is operationalised as the extent to which civil society organisations facilitate democratic participation either by informing, educating or mobilising citizens (Coppedge et al., 2024a). This variable is measured using the indicator ‘CSO participatory environment (v2csptrcpt)’ from the V-dem Institute, which measures the extent to which civil society organisations actively organise activities to foster civic engagement and actively participate in political processes. Similar to *public dialogue*, a score based on an ordinal scale ranging from 0-3 was rewarded to countries depending on expert evaluations. This scale was then converted to an interval scale using Bayesian item response theory (IRT) modelling techniques (Coppedge et al., 2024b).

Regime type (Z_1) is operationalised using PolityV data (Centre for Systemic Peace, 2020). PolityV is widely used in the literature for studying the effect of regimes and monitoring regime changes (Marshall & Gurr, 2020). Based on expert evaluations, academic literature and news reports, a score ranging from -10 (highly autocratic) to +10 (highly democratic) is given to countries, which translates into one of five distinct regime types; Full democracy (10), democracy (6 to 9), open anocracy (1 to 5), closed anocracy (-5 to 0) and autocracy (-10 to -6) (Herre, 2022; Marshall & Gurr, 2020). For the analysis, these scores were converted into a dummy variable, where a score of 1 indicates that a country is democratic (6 to 10, and 0 indicates a country is not democratic (-10 to 5).

Lastly, to control for alternative explanations of democratisation, key *control variables* are included. Including intervening variables will ensure that the statistical analysis is more robust, as the measured relationship between democracy aid and democratisation is isolated. In line with previous findings in the literature, four control variables are included. These variables are standard control in models of aid and are shown to correlate strongly with increased levels of democratisation. Firstly, *GDP per capita* is commonly used to indicate a country’s economic growth (Dietrich & Wright, 2015; Finkel, 2007; Gafuri, 2022; Heinrich & Loftis, 2019; Kalyvitis & Vlachaki, 2010). GDP per capita is operationalised as “the gross domestic product divided by midyear population” and expressed in constant 2015 US dollars in millions (WorldBank, n.d.). It is retrieved from the World Bank Development Indicators database.

Secondly, *trade openness* is often included as a control variable in aid models (Cornell, 2013; Gafuri, 2022; Kalyvitis & Vlachaki, 2010). *Trade openness* is operationalised as “the sum of exports and imports of goods and services measured as a share of gross domestic product (weighted average)” (Our World in Data, n.d.). It is retrieved from Our Our World In Data and reflects trade as the share of GDP in % (Our World in Data, n.d.).

Thirdly, it is important to control for the influence of development aid that is not specifically targeted to democracy objectives (Cornell, 2013; Finkel, 2007; Gafuri, 2022). *Development aid* is operationalised as the total amount of official development assistance provided by official DAC

countries, excluding those for the purpose of promoting civil society. This variable is computed by retrieving the total amount of annually-received ODA by recipient countries from the OECD CRS and subtracting democracy aid as operationalised above (measured in constant 2013 dollars, millions).

Following scholars such as Dietrich & Wright (2015) and Gafuri (2022), *the occurrence of armed conflict* needs to be included in the analysis as well. *Armed conflict* is operationalised as the occurrence of any type of state-based armed conflict in a country in the last two years. This data is retrieved from the Uppsala Conflict Data Program (UCDP, 2023). The UCDP defines armed conflict as “a contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths in a calendar year” (Pettersson, 2023). For the purpose of this analysis, a dummy variable was created in which a score of 1 indicates the occurrence of state-based armed violence in the past two years.

3.2 | Data collection and sampling

As shown above, quantitative data is retrieved from a wide range of public databases, including the OECD Creditor Reporting System, the V-dem Institute, PolityV, Uppsala Conflict Data Program, Our World in Data and the World Bank Development indicators databank. All these public databases are well-known and well-used in studies on democracy aid. They are therefore considered as reliable sources of information.

Data is retrieved for 130 countries over 19 consecutive years, from 2004 - 2021 (see Table 2). This time period is chosen to optimise data availability and minimise biases and intervening effects. Data before 2004 is excluded to account for the potential effect of the ‘third wave of democracy’. During this period, a general trend is observed in which a range of countries quickly democratised in the late 1990s until 2003 (Zagorski, 2003). These years are thus excluded to ensure that any unobserved variable or pattern, unrelated to democracy aid and civil society organisations, intervenes in the relationship. To optimise data availability, data after 2021 is excluded, as this data is generally not published yet.

Table 2:

Characteristics of the dataset

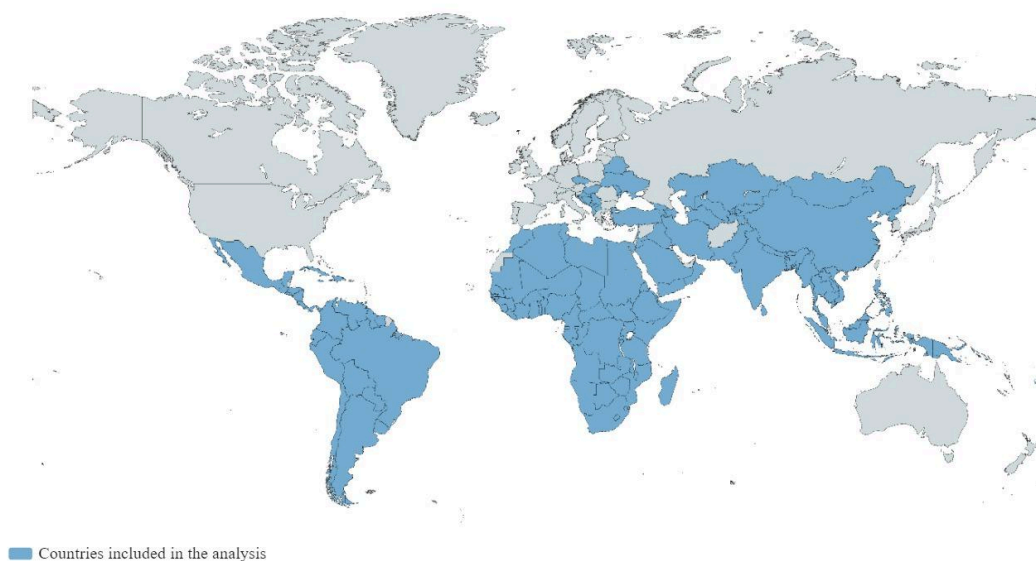
Variable	N
Years	19
Countries	130

In terms of selecting the sample, a few criteria are established. Firstly, only official DAC donors are included in the analysis. This is done to ensure continuity throughout the data-set, as no donor-characteristics are considered in the analysis. Only bilateral aid is thus included in the analysis. Secondly, only gross disbursements are included, whereas aid commitments are omitted. Commitments signify a long-term firm obligation, whereas disbursements signify the actual release of funds (OECD, 2023b). By only including disbursements, a more accurate picture of the amount of aid given in a specific year is given. Thirdly, all aid modalities are selected, including budget support, core contributions, project-type interventions, technical assistance, scholarships, debt relief, administrative costs and other-in-donor-expenditures. In this manner, a comprehensive overview of all aid funds channelled through CSOs is acquired.

Additionally, to diversify the dataset, recipient countries from all geographic regions and economic status were included in the dataset (see Figure 4 below). It is important to aim for a dataset as diverse as possible, as data concerning democracy aid often inherently displays a selection bias. In other words, countries that receive democracy aid generally share key characteristics that might bias the results and decrease its external validity (Winship & Mare, 1992). A dataset including countries from different geographic regions and with diverse economic status can partly account for these selection issues and make the findings more robust. Therefore, only one sample criteria is used to determine if a recipient country is excluded from the analysis. As the main focus of this paper is to measure the effect of democracy aid, it is an inherent condition that countries must receive democracy aid. Countries that did not receive *any* democracy aid in the period of 2004 to 2021 are therefore excluded from the dataset.

Figure 4:

Geographic regions of countries included in the analysis



3.3 | Data analysis

As demonstrated in the theoretical framework, two distinct conceptual models are analysed. The first model aims to replicate the findings in the literature that have shown that democracy aid has a positive effect on democratisation, with a specific focus on CSOs. This first model thus aims to identify whether democracy aid channelled through CSOs is associated with democratisation. The second model aims to explore the specific pathways through which this relationship is mediated. As both conceptual models have different aims, both require a different statistical approach.

3.3.1 | *Fixed effects GLS regression*

In line with Dietrich & Wright (2015), a fixed effects generalised least squares regression (GLS) is performed to test the relationship between democracy aid and democratisation. A GLS regression is a valid method, as it is generally considered a good model when potential issues of heteroskedasticity in the error terms could arise, which is typically more common in panel data (Hanck et al., 2024). Yet, in order to ensure the fit of the GLS, the model's four main assumptions are tested. The first assumption concerns the absence of multicollinearity (Brüderl & Ludwig, 2015). To check for this assumption, VIF scores were computed for the main variables. A VIF-score higher than five indicates multicollinearity. As no VIF-scores higher than five were observed, it can be concluded that this assumption is respected.

The second assumption states that the error terms must be normally distributed (Hanck et al., 2024). To verify, histograms and Kurtosis-Skewness tests were performed for the main variables in Stata. As expected, most of the variables are not normally distributed, thus violating this assumption. However, to ensure the model fit, Log(10) transformations are computed for all variables, except for the dependent variable democratisation (Y).

The third assumption concerns the distribution of the error terms in the dataset. To check the distribution of the error terms, a Breusch-Pagan test was performed, which indicated the presence of heteroskedasticity in the error terms. However, contrary to an OLS, a GLM model allows for heteroskedasticity to exist in the error terms (Hanck et al., 2024). A GLM model can thus provide more unbiased and reliable estimates in the presence of such issues. The existence of heteroscedacity therefore does not violate the assumption of the GLS model, which justifies its use for the current dataset.

The fourth assumption states that the error terms must not show autocorrelation (Hanck et al., 2024). To test this assumption, a Durbin Watson test was performed. A Durbin Watson test produces an outcome between 0 to 4, in which a score closer to 2 indicates that no autocorrelation exists in the dataset (Brüderl & Ludwig, 2015). As a score of 0.421 was observed, this assumption was violated. The violated assumption of autocorrelation should be considered when interpreting the results.

However, a violation does not render the inferences predicted by the model invalid, as the model can still yield meaningful results (Brüderl & Ludwig, 2015).

However, while the violation of autocorrelation and heteroskedasticity are not detrimental to the validity of the GLS model, a cautionary note must be given concerning the interpretation of standard errors. By default, a GLS model reports OLS standard errors, which assumes homoskedasticity and no autocorrelation within panels (Stata, n.d.). While this must be taken into consideration when interpreting the results, a GLS model remains the most appropriate fit for the current dataset.

Additionally, a fixed effects model is preferred over a random effects model, as it can control for unobserved heterogeneity, and consequently, reduces the risk of omitted variable bias (Torres-Reyna, 2007). In the context of this study, country-specific factors are likely to influence the amount of democracy aid received, as well as the level of democratisation. For example, research shows that countries that have a colonial legacy often receive more democracy aid and are also generally more democratic (Qian, 2015). These country-specific factors, such as colonial legacy or political alliances, often remain constant over time for a given country. A fixed effects model takes the influence of these time-invariant factors in consideration, thus isolating the impact of democracy aid on democratisation (Torres-Reyna, 2007). Apart from these theoretical arguments, a Hausman test was performed, which illustrated that a fixed effects model was more suited for the current dataset.

Lastly, a time lag of 1 (T1) and 2 (T2) years is tested by computing a lead variable for the dependent variable *democratisation*. The inclusion of a lead variable is beneficial for two reasons. Firstly, it is expected that the impact of democracy aid cannot be observed in the same year as it is received. It takes time for aid inflows to take root and yield significant results. As a robustness check, a time lag of one and two years is therefore included. Secondly, the inclusion of time lagged variables increases the strength of causality claims. In the context of this study, there is a possibility of reverse-causality, as donor countries might be more inclined to give democracy aid to countries that are already in earlier stages of democratisation, or conversely, to countries that are struggling with democratisation (Hariri, 2015). By introducing a lead variable, potential reverse-causality can be ruled out which increases the strength of the causality claims made in this study.

3.3.2 | *Structural equation modelling*

The second conceptual model examined the CSO mechanisms that mediate the relationship between democracy aid and democratisation, namely policy dialogue and civic engagement. To test H2 and H3, structural equation modelling (SEM) is used. SEM provides a robust framework for testing mediation hypotheses, as it allows for the simultaneous estimation of multiple relationships (Streiner, 2006). As shown below in Figure 5, this approach can be used to model the direct effect of democracy aid on democratisation, as well as the indirect effects of the specific CSOs' mechanisms through two

pathways. Namely, if democracy aid has an effect on CSOs policy dialogue and civic engagement (pathway A), and secondly, if increased policy dialogue and civic engagement influences the level of democratisation in a recipient country (pathway B). In this manner, it can be concluded to what extent the CSO mechanisms mediate the influence of democracy aid and consequently contribute to democratisation processes.

Additionally, a two-step time lag is introduced. Democracy aid is measured at T1 and indicates the moment democracy aid is received by civil society organisations in a recipient country. A lead variable was then created for the CSO mechanisms *policy dialogue* and *civic engagement* (at T2). It is expected that CSOs receiving democracy aid will need time to invest the received resources to cultivate their ability to perform their specific role. For example, in the case of civic engagement, CSOs must organise activities for citizens to educate them about their democratic rights, which consequently will increase civic engagement and participation in the long run. Another lead variable is introduced for democratisation (at T3), as it is expected that once the mechanisms of CSOs are established it again takes time before this has an effect on democratisation. For example, in the case of *CSO public policy*, it will take time for governments to become responsive to CSO demands. CSOs' ability to influence public policy making will likely increase over time, as they need to gain access to, and influence in, political spaces.

Furthermore, the percentage of missing data is presented. As shown in Table 3, missing data percentages are around 11% for democracy aid, trade openness and development aid. Only regime type has a relatively high percentage of missing data (21,26%). This should be taken into consideration when interpreting the results, as large amounts of missing data can create biased estimates. Some data scientists use multiple imputation methods to reduce missing data. Even though this is a valid and mathematically sound method, there are some objections to this method for the purposes of this current study. Most importantly, imputation methods rely on probability analyses to calculate missing data points on a linear basis (Honaker & King, 2010). However, the trajectory of democratisation generally does not follow a linear trend, but is rather a shock-wise process. Additionally, democratisation is heavily based on the socio-political climate of a country and can be influenced by external processes and developments that are impossible to take into account with imputation methods (Honaker & King, 2010). Imputation methods could therefore produce data which is not accurately reflected in reality. Despite the missing data percentages, it is therefore determined not to use imputation methods in the current study.

Lastly, a limitation of this model needs to be discussed. Due to the limited scope of this thesis, the control variables included in the model focus primarily on the general relationship between democracy aid and democratisation, whereas control variables focused on the relationship between democracy aid and specific CSO's mechanisms are excluded. The model is therefore unable to account for alternative explanations that influence the ability of CSOs to build relevant capacities that aid democratisation, such as access to information and technology, entry and exit conditions for

CSOs, media independence and the political will of leaders to include CSOs in decision-making. This must be taken into consideration when interpreting the results.

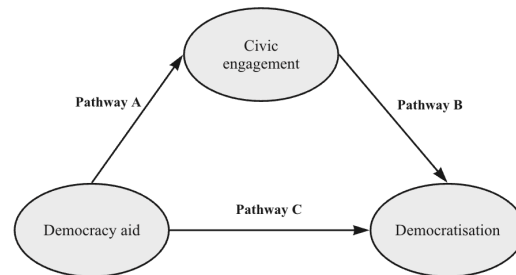
Table 3:

Missing data percentages

Variable	Missing data (%)
Democracy aid	10,59 %
Democratisation	0 %
GDP per capita	3,17 %
Regime type	21,26 %
Trade openness	11,02 %
Aid other	12,04 %
Armed conflict	0 %
CSO consultancy	0,77 %
CSO participation	0,77 %

Figure 5:

Structural equation modelling pathways



3.4 | Reliability, validity and ethical concerns

In conducting research, it is essential to consider potential issues of reliability, validity and ethics. This study has generally high reliability, due to the consistency and reproductivity of statistical analysis. Additionally, studies employing statistical methods, generally have high internal validity. With the use of a fixed effects model and the inclusion of additional control variables, intervening effects are largely accounted for, creating the possibility to observe causality. However, democratisation is a complex and multifaceted process, which is influenced by a range of phenomena potentially omitted from this analysis, such as external shock, international political pressure and other events. Therefore, a purely isolated causal relationship cannot be inferred from the analysis.

The external validity, or the generalisability of the findings of this study is moderate. High levels of variation in the dataset ensure that the findings can be largely transferred to other countries. However, the external validity is somewhat limited due the influence of domestic and contextual factors that are omitted from the analysis. Democracy aid and civil society are highly context dependent. It is therefore essential to ensure that quantitative findings are not used to oversimplify the complex nuances to formulate a ‘one-size-fits-all’ approach. It is important that the findings of this study are therefore complemented with country-specific findings.

In terms of ethical considerations, quantitative data collection methods generally ensure high levels of confidentiality and anonymity. It is therefore fairly expected that no concerns of privacy will occur. However, potential researcher-participant power-dynamics must be considered. Researchers

must be aware of the potential real-world implications their findings might have. It is therefore important to stress again that the aim of this study is not to contribute a ‘one-size-fits-all’ approach, but rather to highlight one dimension that can contribute to the effectiveness of democracy aid and democratisation processes.

4 | Results

In the following section, the results of the statistical analysis are presented. First, descriptive results and correlations are discussed to show the distribution of the data. Next, the results from the GLS model are presented to test the relationship between democracy aid, regime type and democratisation. Lastly, the results of SEM are analysed to test the two civil society mechanisms.

4.1 | Descriptive results of democracy aid and democratisation

Table 4 presents the descriptive results of the main variables. Democratisation has a mean score of 0.71. Given that a higher score of the EDI indicates higher levels of democratisation, it can thus be concluded that moderate levels of democracy are present amongst the countries in the sample. Still, the standard deviation of 0.20 indicates moderate variability in the data, indicating that democratisation varies considerably amongst countries and years. The mean score of democracy aid indicates that, on average, countries receive 1.38 million dollars of democracy aid *per capita* annually (expressed in constant 2013). However, the standard deviation of 2.28 shows significant variability in the amount of democracy aid received.

The descriptive results of the two mechanisms are also displayed in Table 4. The mean score for civic engagement is 0.77, which suggests that civil society organisations are, on average, moderately successful in facilitating civic engagement and democratic participation. In contrast, the mean score for public dialogue is 0.57. This indicates that CSOs' ability to participate in public policy making processes is relatively low. Additionally, the standard deviations of civic engagement (1.11) and public dialogue (1.13) show that moderate variability exists across the data. This suggests that there is a considerable range in how effectively CSOs engage with the public and participate in policy-making across different countries.

Table 4:
Descriptive results of the main variables

	N	Mean	SD	Min	Max
Democratisation	2,333	.711	.201	.022	.974
Democracy aid per capita	2,086	1.375	2.279	0	24.212
Public dialogue	2,315	.571	1.128	-2.485	3.640
Civic engagement	2,315	.765	1.114	-3.234	2.895
Regime type	1,837	.490	.500	0	1
GDP per capita	2,259	4,483.507	4,462.034	263.360	22879.510
Armed conflict	2,333	.242	.428	0	1
Trade openness	2,076	77.935	37.008	.760	348
Development aid	2,052	538.147	969.355	1.97	26911.800

4.2 | The correlation between democracy aid, CSOs and democratisation

In Table 5, the results of the Pearson correlation are demonstrated. As expected, democratisation shows a small positive correlation with democracy aid ($r = .14$; $p < .001$). This indicates that when levels of democratisation are higher, the amount of democracy aid tends to be higher as well. This moderate positive relationship is visualised in the scatterplots in Figure 6, where a moderate positive trend can be observed.

Additionally, democracy aid shows a strong positive and statistically significant correlation with civic engagement ($.08$; $p < .001$) and public dialogue ($.06$; $p < .001$). The scatterplots in Figure 6 confirm a moderate positive correlation for democracy aid and civic engagement. However, while the correlation between democracy aid and public dialogue is positive and statistically significant, the trend is less pronounced.

Lastly, GDP per capita and regime type display positive and statistically significant correlations with democratisation (Table 5). These findings indicate that higher levels of economic development and the initial regime type are correlated with higher levels of democratisation. Additionally, as expected, armed violence displays a negative correlation with democratisation ($-.16$; $p < .001$). However, contrary to expectations, trade openness is negatively correlated with democratisation ($-.07$; $p < .01$). This indicates that higher levels of democratisation are associated with lower levels of trade. Furthermore, development aid shows a statistically insignificant correlation with democratisation, suggesting that no meaningful correlation exists between these variables ($.03$; $p > .05$).

Table 5:

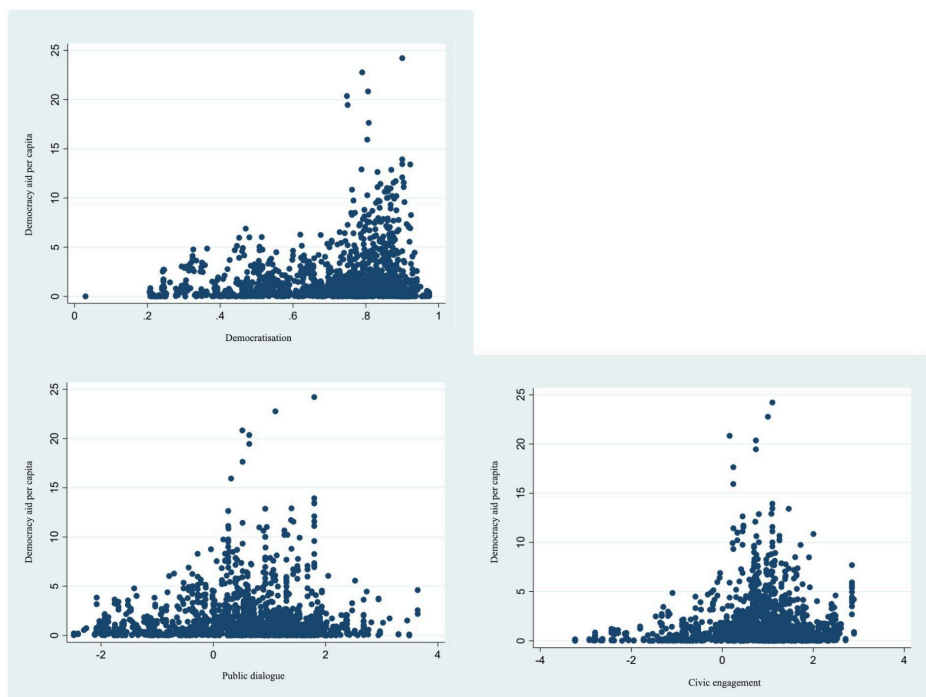
Correlation matrix of the main variables

	1	2	3	4	5	6	7	8	9
1. Democratisation	--								
2. Democracy aid per capita	.136**	--							
3. Public dialogue	.672**	.059*	--						
4. Civic engagement	.688**	.082*	.741**	--					
5. Regime type	.703**	.198**	.549**	.474**	--				
6. GDP per capita	.120**	.015	-.050*	-.104**	.193**	--			
7. Armed conflict	-.163**	-.0868	-.056*	-.001	-.1936**	-.254**	--		
8. Trade openness	-.071*	.077**	-.074**	-.098**	-.043	.097**	-.136**	--	
9. Development aid	.034	.053*	.239**	.275**	.019	-.337**	.429**	-.165**	--

**p<0.001, *p<0.05

Figure 6:

Scatterplots of democracy aid with civic engagement, public dialogue and democratisation



4.2 | Democracy aid, regime type and democratisation

To test the relationship between democracy aid, regime type and democratisation, a fixed effects GLS regression model was performed. Table 6 illustrates the main findings of the GLS model with a one-year time lag. As shown, the model is statistically significant at the 0.001 p-level, which indicates that the independent variables *democracy aid per capita*, *regime type*, *GDP per capita*, *armed conflict*, *trade openness* and *development aid* can collectively explain a portion of the variance in the dependent variable *democratisation*. More precisely, around 35,7% of the variance in levels of democratisation can be explained by the model ($R^2 = .357$, $p < 0.001$). As a robustness check the GLS model was also performed with a two-year time lag (Table 7). As shown, this model is statistically significant ($p < .001$). However, compared to the previous model, it is capable of explaining around 27,4% of the variance in the dependent variable *democratisation* ($R^2 = .274$, $p < 0.001$). This indicates that the influence of democracy aid, and additional control variables, is strongest over the span of one year. Therefore, the following analysis will focus on the GLS model with a one-year time lag.

Table 6:

Fixed effects GLS regression with 1-year time lag

	(1) 1- year time lag
Democracy aid per capita	0.070** (0.023)
Regime type	0.084** (0.007)
GDP per capita	0.038** (0.012)
Armed conflict	-0.014* (0.007)
Trade openness	-0.008 (0.007)
Development aid	0.013** (0.004)
Observations	1,449
R-squared	0.357**

Standard errors in parentheses
** $p < 0.001$, * $p < 0.05$

Table 7:

Fixed effects GLS regression with 2-year time lag

	(1) 2 - year time lag
Democracy aid per capita	0.067* (0.022)
Regime type	0.040** (0.008)
GDP per capita	0.025* (0.012)
Armed conflict	-0.014* (0.007)
Trade openness	-0.000 (0.007)
Development aid	0.011** (0.004)
Observations	1,447
R-squared	0.274**

Standard errors in parentheses
** $p < 0.001$, * $p < 0.05$

Based on H1, it was expected that higher amounts of democracy aid channelled through CSOs increases the level of democratisation in recipient countries. Table 6 shows that democracy aid per capita has a positive and statistically significant relationship with democratisation ($\beta = .070$, $p < .001$). In line with Niño-Zarazúa et al. (2020) and Finkel (2007), this study thus seems to confirm that democracy aid has a positive, yet small, impact on democratisation. Additionally, these results build on previous findings by demonstrating that democracy aid *channelled through CSOs* also has a positive and significant effect on democratisation.

Additionally, a positive and statistically significant interaction effect is observed between regime type and democracy aid ($\beta = .084$, $p < .001$). This indicates that the regime type of a recipient country the moment aid is received influences the levels of democratisation in the following year. Based on the positive directionality of the beta, it can be inferred that this effect is strongest for countries with higher initial levels of democracy. This finding contradicts Cornell's (2013) stability argument which postulated a reverse relationship in which democracy aid is most effective in more autocratic regimes. In turn, the findings of this study thus seems to lend support to Kalyvitis & Vlachaki (2010) who argue that democracy aid is most effective in recipient countries with partly or fully democratic regimes. In other words, when (full) democracies receive democracy aid, this leads to higher levels of democratisation than in non-democracies. Based on these findings, H1 can be accepted.

Additionally, the intervening effect of the four control variables need to be discussed. Firstly, GDP per capita has a statistically significant and positive effect on democratisation ($\beta = .038$, $p < 0.001$). This is in line with previous studies that established a stronger economy correlates with increased democratisation (Dietrich & Wright, 2015). Similarly, development aid has a positive statistically significant effect on democratisation ($\beta = .013$, $p < .001$). As expected, this confirms that additional development aid has positive effects on levels of democratisation. Thirdly, as hypothesised, the occurrence of armed conflict in the last two years has a statistically significant, yet negative effect on democratisation. Consequently, this indicates that the occurrence of more incidents of armed conflict results in lower democratisation levels ($\beta = -.014$, $p < 0.05$). As argued by Heinrich & Loftis (2019), it can be confirmed that armed conflict hinders democratic transitioning. Political stability and peace are thus essential elements for democratic transitioning.

The only variable that did not illustrate a statistically significant relationship with democratisation is trade openness ($\beta = -.008$, $p < 0.001$). Despite the relationship lacking statistical significance, the directionality of the relationship is also contradictory to findings in the literature. López-Córdova & Meissner (2005) show that trade openness is generally connected to higher levels of democratisation. However, the findings of this analysis shows that the directionality of the relationship is negative, indicating that when a recipient country engages more in international trade, the level of democratisation is generally lower. This unexpected finding is largely unexplained and needs to be further explored in future research.

4.3 | Civil society mechanisms: advocacy and civic engagement

The second aim of this study is to understand the mechanisms through which CSOs utilise democracy aid to increase democratisation. To explore the mediating effect of two specific CSO mechanisms – namely *public dialogue* and *civic engagement* – two distinct pathways are tested (Figure 5). Firstly, if democracy aid has an impact on increasing CSOs capacity to participate in policy dialogue and facilitate civic engagement (pathway A), and secondly, if CSO’s increased capacity for public dialogue and civic engagement influences the levels of democratisation in a recipient country (pathway B).

Table 8 shows the mediating effects of *public dialogue*. As shown, democracy aid has a positive, yet statistically insignificant effect on CSO *public dialogue* ($\beta = .028$, $p > 0.05$). This suggests that democracy aid disbursed through CSOs does not necessarily increase these organisations’ ability to participate in dialogue with recipient country governments. This is contrary to H2, in which it was assumed that democracy aid channelled through CSOs directly contributes to CSOs’ ability to engage in policy dialogue. Alternative explanations must therefore be considered that can explain what influences the ability of CSOs to build capacities to participate in policy dialogue. For example, access to information and technology, entry and exit conditions for CSOs, media independence, cultural relevance and the political will of leaders, are all factors that are excluded from the current analysis. These could significantly impact the relationship between democracy aid and CSO’s ability to participate in meaningful dialogue with governments.

Table 8:
Structural equation modelling for CSO public dialogue

(1)	
Democratisation	
CSO public dialogue	.763** (.032)
Democracy aid per capita	-.006 (.020)
Regime type	.144** (.007)
GDP per capita	.012** (.003)
Armed conflict	-.003 (.007)
Trade openness	-.003 (.006)
Development aid	-.011** (.003)
CSO public dialogue	
Democracy aid	.028 (.020)

Standard errors in parentheses
**p<0.001, *p<0.05

Nevertheless, *CSO public dialogue* portrays a statistically significant and positive relationship with *democratisation* ($\beta = .763$, $p < 0.001$). This indicates that when CSOs have more opportunities to participate in public dialogue, democratisation levels will increase. Still, based on these findings, H3 is refuted. On the one hand, it is shown that CSOs have a significant impact on democratisation through their engagement in public dialogue. On the other hand, however, the results indicate that democracy aid does not significantly contribute to the ability of CSOs to perform this role.

The second role of CSOs is to facilitate *civic engagement*. As shown in Table 9, democracy aid has a positive and statistically significant effect on civic engagement ($\beta = .049$, $p < .05$). In line with Blagescu & Young (2006), this confirms that directing democracy aid to key CSOs enhances their ability to educate and interact with citizens, which consequently increases civic engagement and participation.

Additionally, CSO civic engagement has a positive and statistically significant impact on democratisation ($\beta = .866$, $p < 0.001$). This indicates that when CSOs are more successful in facilitating civic engagement amongst citizens, democratisation levels generally increase. Again, this confirms that CSOs can play an important role in driving democratisation by facilitating civic engagement and democratic participation amongst citizens. Based on these findings, H4 can therefore be accepted.

Table 9:
Structural Equation Modelling (SEM) for CSO civic engagement

(1)	
Democratisation	
CSO civic engagement	.866** (.031)
Democracy aid per capita	-.032 (.019)
Regime type	.147** (.007)
GDP per capita	.017** (.003)
Armed conflict	-.009 (.007)
Trade openness	-.002 (.006)
Development aid	-.011** (.003)
CSO civic engagement	
Democracy aid	.049* (.019)

Standard errors in parentheses
** $p < 0.001$, * $p < 0.05$

4.4 | Conclusion

The main findings of this study show that democracy aid channelled through civil society organisations increases levels of democratisation in recipient countries. Additionally, an interaction effect is observed between democracy aid and regime type, in which democracy aid is more effective in increasing democratisation levels in (full) democracies than in non-democracies.

In terms of the CSO mechanisms mediating the effect of democracy aid on democratisation, the results of this study illustrate that CSOs play an important role in driving democratisation through civic engagement. Conversely, no significant relationship was observed for the CSO mechanism of public dialogue. This could suggest that CSOs utilise democracy aid in alternative ways that work towards democratisation instead of public dialogue, or conversely, that democracy aid is not effective in increasing the capacity of CSOs to participate in policy dialogue with governments. Additionally, alternative explanations need to be considered that influence the ability of CSOs to perform key roles in stimulating democratisation.

5 | Discussion

This paper examined the relationship between democracy aid channelled through CSOs and democratisation, focusing on two explanatory mechanisms that mediate this relationship – namely public dialogue and civic engagement. In light of global democratic backsliding, understanding ‘what works’ in democracy aid is highly relevant. However, to date the impact of democracy aid on democratisation remains controversial due to conflicting findings, commensurability issues and difficulties in establishing causality (Qian, 2015). Additionally, few quantitative studies address the causal mechanisms through which democracy aid has an impact on democratisation, particularly the role of civil society organisations. To fill this literature gap and trace the line of causality more clearly, the mediating effect of two specific explanatory civil society mechanisms, namely public dialogue and civic engagement were tested in this paper. A cross-country fixed effects GLS panel regression and structural equation modelling were used to analyse democracy levels in 130 countries between the years 2004 and 2021 (19 consecutive years).

The results derived from this study indicate that democracy aid channelled through CSOs increases levels of democratisation in recipient countries. In line with Niño-Zarazúa et al., (2020) and Finkel (2007), the findings confirm that democracy aid has a positive, yet small, impact on democratisation. Additionally, these insights build on previous findings by demonstrating that democracy aid *channelled through CSOs* has a positive effect on democratisation. Additionally, an interaction effect was observed between regime type and democracy aid. Building on Kalyvitis & Vlachaki (2010) this illustrates that democracy aid tends to be most effective in countries that are

already (partly) democratic. While these findings contribute to the current academic debate, they should not be considered entirely conclusive, as the debate could benefit from a closer examination of the different regime types, such as closed anocracies, open anocracies and autocracies.

Additionally, the research findings show that CSOs play an important role in strengthening democratisation through the mechanism of facilitating *civic engagement*. In line with Blagescu & Young (2006), this confirms that directing democracy aid to civil society organisations enhances CSOs' ability to facilitate civic engagement and participation. However, the CSO mechanism of *public dialogue* is not confirmed. Therefore, it is concluded that while CSOs can contribute to democratisation through policy dialogue, democracy aid does not directly support CSOs in performing this task. Even though democracy aid might not directly contribute to CSOs ability to participate in policy dialogue, this role still has a significant effect in driving democratisation once established.

Based on these findings two recommendations are formulated. As demonstrated in this study, CSOs play an important role in driving democratisation, and democracy aid significantly contributes to CSOs' ability to increase civic engagement. These are valuable insights for policy-makers and foreign aid decision-makers to increase the effectiveness of democracy aid. A first recommendation for policy-makers is therefore to further explore opportunities to disburse democracy aid directly to CSOs and to create targeted earmarks towards those specific CSO roles that work, such as civic engagement. This can increase the effectiveness of democracy aid significantly, especially in recipient countries at the beginning stages of democratisation. However, a 'one-size-fits-all' approach should not be taken, as effective aid strategies should consider the contextual differences of individual countries.

A second recommendation concerns the direction of future research. It was shown in this study that no relationship was observed between democracy aid and CSO public dialogue. To further understand the ineffectiveness of democracy aid in increasing CSOs ability to participate in policy dialogue, future research should aim to uncover how democracy aid is disbursed to CSOs and what conditionalities are attached. A deeper understanding of how democracy aid is currently disbursed to CSOs will increase the effectiveness of democracy aid approaches in supporting CSOs and their functions. Additionally, future research should aim to explore *additional* CSO mechanisms that contribute to democratisation. Promising CSOs mechanisms could include increasing accountability, peacebuilding efforts and the advocacy of human rights.

The limitations of this study should also be discussed. A first limitation concerns the occurrence of potential endogeneity issues in the analysis. Even though measures were taken to minimise the occurrence of endogeneity – such as the inclusion of control variables, the diversification of the dataset and the introduction of time lags to account for reverse causality – a selection bias might still be present in the results of the study.

Secondly, the unidimensional approach towards civil society organisations also signifies a limitation of this study. This study generalised the effect of CSOs by considering them as one distinct category. Yet, as argued by Mercer (2002), the role of CSOs in advancing democratisation is often not universal and unequivocal, as different types of civil society organisations perform different and distinct roles. By generalising the impact of CSOs, this study cannot account for these differences. A third recommendation for future research is therefore to further examine the different types of CSOs and the specific role they play in democratisation. This will significantly enhance our understanding of ‘what works’ in democracy aid channelled through CSOs.

A last limitation concerns the exclusion of relevant control variables in testing the relationship between democracy aid and CSO mechanisms in this analysis. The findings of this study are therefore unable to account for alternative explanations of what influences the ability of CSOs to build capacities to participate in public dialogue and facilitate civic engagement. A last recommendation for future research is therefore to further investigate these alternative explanations, such as CSO’s access to information and technology, entry and exit conditions for CSOs, media independence, cultural relevance and the political will of leaders to include CSOs in decision-making. This will significantly improve the robustness of the findings of this study and contribute additional insights that can further contribute to effective and evidence-based democracy aid strategies. All in all, democracy aid channelled through CSOs remains a fruitful and promising area of research with the potential to enhance democratisation processes worldwide.

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Appendix A.

Operationalisation of the main variables

Variable	Conceptualisation	Operationalisation	Indicators	Data source
Democratisation	A political regime type characterised by universal suffrage, competitive free and fair elections and the possibility of incumbent power alternation (Przeworski, 1999).	The Electoral Democracy Index (measured on a scale from 0 to 1).	clean elections; suffrage, freedom of association; freedom of expression; and elected officials	The V-dem Institute Country-Year: V-dem Full+Others version 1.4
Democracy aid per capita	The effort to “support institutions and processes crucial to democratic contestation, the strengthening and reform of key state institutions, and support for civil society” (Carothers, 2015, p.1).	The amount of Official Development Assistance (ODA) per capita that recipient countries receive annually, which is channelled through NGOs and civil society organisations and specifically earmarked for the advancement of civil society (measured in constant 2013 US dollars, millions).	Official Development Assistance with sector code I50:I5 Government & Civil Society (total) and the Channel ‘NGOs & Civil Society	OECD Creditor Reporting System
Public dialogue	The involvement of CSOs in policy-making and policy-implementation processes (Court et al., 2006).	The extent to which civil society organisations engage in dialogue with government and advocate over key policy and legislation areas (Coppedge et al., 2024a).	CSO consultation (v2cscnsult)’	The V-dem Institute Country-Year: V-dem Full+Others version 1.4
Civic engagement	The ability of CSOs to facilitate civic engagement and democratic participation	The extent to which civil society organisations facilitate democratic participation either by informing, educating or mobilising citizens (Coppedge et al., 2024a).	CSO participatory environment (v2csprtcpt)	The V-dem Institute Country-Year: V-dem Full+Others version 1.4
Regime	A system of governance characterised by an institutionalised “ensemble of patterns that determine the methods of access to the principal public offices; the characteristics of the actors admitted to or excluded from such access; the	Regime type of a country based on a score ranging from -10 (highly autocratic) to +10 (highly democratic), which translates in one of five distinct regime types; Full democracy (10), democracy (6 to 9), open anocracy (1 to 5), closed	A dummy variable in which a score of 1 indicates that a country is democratic (6 to 10) or not democratic (-10 to 5)	PolityV – Centre for Systemic Peace

	strategies that actors may use to gain access; and the rules that are followed in the making of publicly binding decisions” (Schmitter & Karl, 1991, p.76)	anocracy (-5 to 0) and autocracy (-10 to -6) (Herre, 2022; Marshall & Gurr, 2020).		
Economic growth	The increase in the size of a country’s economy.	The gross domestic product divided by midyear population” and expressed in constant 2015 US dollars (WorldBank, n.d.)	GDP per capita	WorldBank Development Indicators
Trade openness	The extent to which countries are active and open to international trade relations.	The sum of exports and imports of goods and services measured as a share of gross domestic product (weighted average).	Trade as a share of GDP	Our World In Data
Development aid	Foreign aid that is used to support the economic, environment, social and political development of recipient countries (Pomerantz, 2024).	The total amount of official development assistance (ODA) provided by official donor countries, excluding those for the purpose of promoting civil society.	Official development assistance (ODA) minus democracy aid channelled through civil society organisations.	OECD Creditor Reporting System
Armed conflict	“a contested incompatibility that concerns government and/or territory where the use of armed force between two parties, of which at least one is the government of a state, results in at least 25 battle-related deaths in a calendar year” (Pettersson, 2023).	The occurrence of any type of state-based armed conflict in a country over the last two years.	A dummy variable in which a score of 1 indicates the occurrence of state-based armed violence in the past two years.	Uppsala Conflict Data Program

Appendix B.

Database and Stata code

Click [here](#) to access the replication dataset or contact via 576958el@eur.nl

Stata code:

```
* -- preparation -- *
*declare panel data*
tsset Country_code year, yearly
*creating new variables*
gen Population_mln=Population_size/1000000
gen demAIDpc = democracy_aid / Population_mln
gen conflict_past2years = 0
replace conflict_past2years =1 if conflict==1 | L1.conflict==1 | L2.conflict==1
gen GDPpc_growth_constant=GDP_per_capita_growth+100
gen demAIDpc_constant=demAIDpc+10
gen cso_cons_constant = cso_cons+10
gen cso_part_constant = cso_part+10

*how many missing values are there in the dataset?*
ssc install mdesc
mdesc

*understanding the main variables*
summarize Democratisation_scale demAIDpc cso_cons cso_part GDP_per_capita Aid_other
democracy_dum_new conflict_past2years, detail

*transforming LOG*
gen log_trade = log(trade_openness)
gen log_GDPpc = log(GDP_per_capita)
gen log_GDPpc_growth = log(GDPpc_growth_constant)
gen log_AIDother = log(Aid_other)
gen log_demAIDpc = log(demAIDpc_constant)
gen log_CSOpact = log(cso_part_constant)
gen log_CSOcons = log(cso_cons_constant)
```

creating lead variable for Y democratisation (1-2years)

```
sort Country_code year
tsset Country_code year, yearly
```

creating lead variables for CSOpart en CSO cons for 1 year

```
sort Country_code year
tsset Country_code year, yearly
by Country_code: gen lead1_democratisation = Democratisation_scale[_n+1] if year==year[_n-1]+1
by Country_code: gen lead2_democratisation = Democratisation_scale[_n+2] if year==year[_n-2]+2
by Country_code: gen lead1_CSOpact = log_CSOpact[_n+1] if year==year[_n-1]+1
by Country_code: gen lead1_CSOcons = log_CSOcons[_n+1] if year==year[_n-1]+1
```

drop years we do not need

```
drop if year < 2004 | year > 2021
```

--testing model assumptions--

Hausman test

```
xtreg lead1_democratisation log_demAIDpc log_AIDother log_GDPpc log_trade conflict_past2years
dum_democracy, fe
est store fixed
xtreg lead1_democratisation log_demAIDpc log_AIDother log_GDPpc log_trade conflict_past2years
dum_democracy, re
est store random
hausman fixed random
xtreg lead1_democratisation log_demAIDpc log_AIDother log_GDPpc log_trade conflict_past2years
dum_democracy, fe
vif
xtreg lead1_democratisation log_demAIDpc log_AIDother log_GDPpc log_trade conflict_past2years
dum_democracy, fe
hettest
estat dwatson
sktest Democratisation_scale demAIDpc cso_cons cso_part trade_openness GDP_per_capita
```

--correlations--

```
Pwcorr Democratisation_scale log_demAIDpc log_AIDother log_GDPpc log_trade
conflict_past2years dum_democracy, sig
```

```
* -- model 1 -- *
```

```
xtreg lead1_democratisation log_demAIDpc log_AIDother log_GDPpc log_trade conflict_past2years  
dum_democracy, fe
```

```
xtreg lead2_democratisation log_demAIDpc log_AIDother log_GDPpc log_trade conflict_past2years  
dum_democracy, fe
```

```
* -- model 2: mediation effect -- *
```

```
ssc install medsem
```

```
sem (lead2_democratisation<- lead1_CSOpact log_demAIDpc) (lead1_CSOpact<- log_demAIDpc),  
nocapslatent
```

```
sem (lead2_democratisation<- lead1_CSOpact log_demAIDpc log_AIDother log_GDPpc log_trade  
conflict_past2years dum_democracy) (lead1_CSOpact<- log_demAIDpc), nocapslatent
```

```
sem (lead2_democratisation<- lead1_CSOpcons log_demAIDpc) (lead1_CSOpcons<- log_demAIDpc),  
nocapslatent
```

```
sem (lead2_democratisation<- lead1_CSOpcons log_demAIDpc log_AIDother log_GDPpc log_trade  
conflict_past2years dum_democracy) (lead1_CSOpcons<- log_demAIDpc), nocapslatent
```