

Democracy and Aid Donorship

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Abstract: Today almost half of the world's states provide bilateral development assistance to other countries. This group of donors includes countries on all continents, of all income groups, and of various political regime types. While previous research takes the set of donor countries as exogenous, this article is the first to explore the determinants of aid donorship. Specifically, we investigate the role that democracy plays for aid initiation. We hypothesize that democratic institutions prevent that poor countries enter the aid business since public support for foreign aid is low in these countries. On the contrary, the leaderships of authoritarian regimes face fewer constraints that would hinder these countries to reap the benefits of a development aid program. In order to test our hypothesis, we build a new global dataset on aid donorship since the end of the Second World War and apply an instrumental-variables strategy to control for the potential endogeneity of democracy. Our results show that poorer countries are less likely to begin with the provision of development cooperation if they are under democratic rule. Both the first aid delivery and the setup of aid institutions are more likely to occur in countries of and at times of high per-capita income, when opposition to aid giving is arguably lower. As expected, we find no evidence that the probability of becoming donors increases with per-capita income in authoritarian regimes. Since we do not find unconditional effects of democracy on aid giving, our results question the selectorate theory of aid.

Keywords: foreign aid, Official Development Assistance, aid donorship, aid institutions, new donors, democracy