

Democracy Aid: What's in it for Donor Countries?

Key Insights

- Research shows that foreign democracy aid can be effective in strengthening democracy in recipient countries.
- Providing such aid can also benefit donors, both in economic and political terms.
- Economic benefits include increased bilateral trade and greater investment opportunities.
- Political benefits include improved prospects for peace, reduced instability, and a stronger rules-based international order.

Policy Recommendations

- Channel democracy aid through civil society.
- Provide democracy aid to stable political contexts.
- Link democracy aid to political conditionalities and monitoring.
- Keep democracy aid consistent.

Motivation

Democracy entails improved protection of core human rights and empowering citizens to partake in politics and shape how their countries are governed. Empirical research shows that democracy even facilitates many other desirable social and economic outcomes in the country in question, such as improved education and health, and reduced poverty (Gerring et al. 2022; Lundstedt et al. 2023).¹ Hence, there is a strong normative rationale for the governments and citizens of wealthy, democratic countries to support democratisation abroad.

In this brief, we will leave this more altruistic motivation for supporting democracy abroad aside and restrict our attention to purely self-interested motives of donors such as the EU. When doing so, is there still a rationale for supporting democracy abroad? More specifically, what are the potential economic, political and other benefits to donor countries from providing democracy aid, and are they likely to significantly outweigh the costs of such aid? While it is difficult to prove with a high level of precision, we propose that the answer to the latter question is very likely 'yes'. This is particularly the case in the current geopolitical context, and even when taking into account that there are other pressing issues that demand resources from public budgets (e.g., increased military spending).

A growing body of research on the effects of democracy support programmes indicates that democracy aid, particularly under certain conditions, can strengthen democracy in recipient countries. Combined

with insights from research on the effects of democratic versus authoritarian rule, there are good reasons to conclude that supporting democracy has positive political and economic effects for donors too. This policy brief summarises insights from these research literatures, before discussing four recommendations for improving the effectiveness of democracy aid.

Definition of Democracy Aid

We define democracy aid as foreign aid that is provided specifically with the aim to support democratization or democratic resilience in the recipient country. This sub-category of foreign aid is distinct from overall development aid or humanitarian aid. Specific purposes include, e.g., support for arranging free and fair elections, legal and judicial development, and human rights protection.

Foreign Democracy Support in the Current Geopolitical Context

Today's geopolitical context is characterised by several developments: More countries are moving in an authoritarian than in a democratic direction (Lührmann and Lindberg 2019; Knutsen et al. 2024), a substantially larger share of the world's population and economic production is located in autocratic countries than a decade ago (Nord et al. 2025), democracy promotion abroad is facing headwinds (Grimm et al. 2025), and the United States has made a sudden and dramatic turnabout in its willingness to support democracy promotion efforts abroad (Cavalcanti et al. 2025).

1. We refer also to the series of V-Dem Institute Policy Briefs under the "Case for Democracy" programme: <https://www.v-dem.net/our-work/research-programs/case-for-democracy/>

In this context, there are compelling reasons for the EU and other democratic countries to step up to the challenge and uphold, or preferably increase, their support for democracy and human rights abroad.

While individual studies vary in their conclusions on the effectiveness of foreign democracy aid, the overall picture from the research literature is that democracy aid can be effective in shaping democracy outcomes in recipient countries. This is more clearly the case for certain aid modalities and country-contexts than others. For example, recent research suggests that the EU can be particularly effective in promoting democracy in Eastern Europe by linking it to closer relations with the EU in the form of improved visa access or accession negotiations (Shyrokykh and Winzen 2025).

More generally, several studies indicate that democracy aid has a positive impact on the level of democracy in recipient countries (e.g., Finkel et al. 2007; Kalyvit and Vlachaki 2010; Scott and Steele 2011). A systematic review of evidence from 90 studies published between 1990 to March 2020, conducted by Gisselquist et al. (2021), supports these individual findings. The review also concludes that democracy aid is more likely to have a positive impact on democracy than development aid.

Additional evidence is reported in several more recent studies. For instance, Gafuri (2022) finds that EU-led democracy assistance projects, across 126 recipient countries, had positive effects on recipient-country democracy levels, as measured by V-Dem's Electoral Democracy Index. In another recent study, Ha (2023) contends that, out of the various sub-categories of democracy aid, aid targeted towards governance-related issues leads to greater changes in Electoral Democracy Index scores.

Other studies examine the effect of democracy aid on more specific aspects of democracy, such as the quality of elections. For example, Dietrich and Wright (2015) find that democracy aid supports democratic consolidation by reducing the incidence of multiparty failure and electoral misconduct. Uberti and Jackson (2020) find a small, but positive effect of dedicated election support aid on election integrity.

Yet, several studies find mixed or conditional results, suggesting that democracy aid is more effective under certain circumstances or conditions. These studies provide several useful insights for improving the provision and effectiveness of democracy support. In the final section, we therefore offer specific policy recommendations for donors to enhance the impact of democracy aid. Before that, we address how democracy aid, insofar as it is effective in enhancing or safeguarding democracy in the recipient-country, may even benefit the governments and citizens of donor countries.

Economic and Political Benefits for Donor Countries

Research indicates that there are several direct and, especially, indirect benefits from providing democracy aid for donor countries. These benefits for donors can be broadly categorised as economic and political. Regarding economic benefits, research has shown that democracy aid leads to increased bilateral trade between donors and recipients (Scott and Scott 2024). In their study, Scott and Scott (2024) found

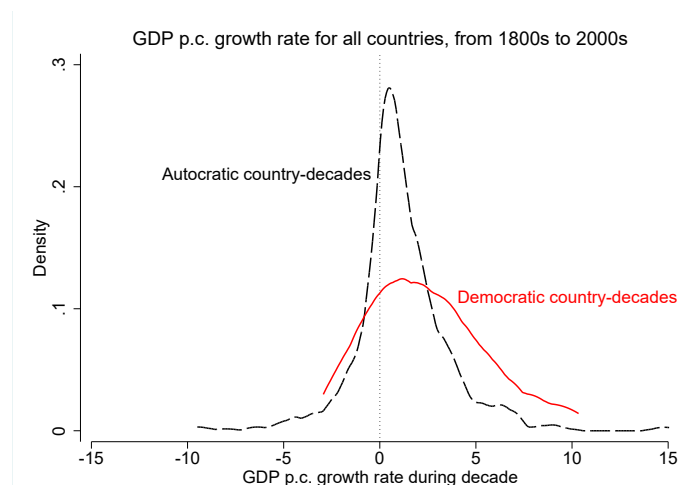
that, within five years, the trade volume between the US and a recipient of democracy aid increased by over 4 million USD. This is the result of both direct and indirect mechanisms: The direct effect likely stems from donors' expectations to purchase exports from their own countries. The indirect, and possibly less controversial, effect is related to the tendency of democracies to liberalise trade (Milner and Kubota 2005; Gerring et al. 2022), which results in the growth of trade volume in general, and between donors and recipients of democracy aid specifically.

The opposite phenomenon can currently be observed in the United States. Already in its first year, the second Trump administration has simultaneously pushed the country in an authoritarian direction (Nord et al. 2025), announced extensive tariffs (Bown 2025) and demanded reforms from World Trade Organisation that would significantly undermine its purpose (Stockemer 2025).

In the medium to long term, donors can also benefit from increased investment opportunities in democratising, growing markets. This is, in part, due to more developed and transparent financial markets, improved protection of property rights for foreign investors, reduced corruption, as well as systematically higher rates of economic growth in democracies than in autocracies (see, e.g., Gerring et al. 2022).

How large these gains are is hard to predict precisely, but many high-quality studies suggest they are considerable. For instance, recent studies estimating the longer-term impact of democratisation report that GDP per capita increases by between 10% (Eberhardt 2022) and 20% (Acemoglu et al. 2019). Such an increase in income and market size means considerable, additional export and foreign investment opportunities for donor-country firms. This is before accounting for the trade- and foreign investor-friendly policy and regulatory changes that also often accompany democratisation.

FIGURE 1. GDP PER CAPITA GROWTH RATES FOR DEMOCRACIES AND AUTOCRACIES.



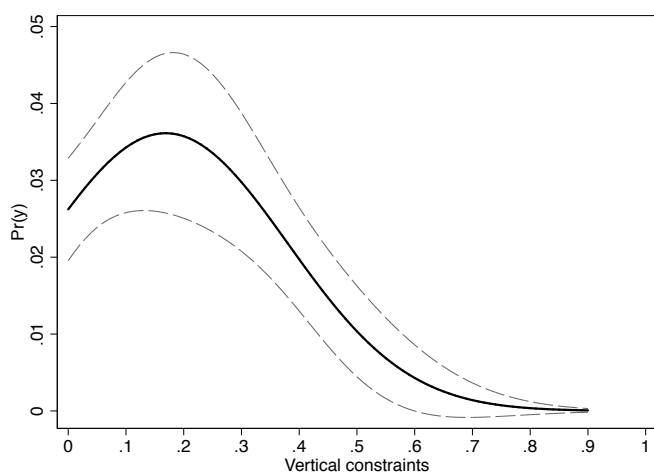
The graph shows the distribution of GDP per capita growth rates among democracies and autocracies, for all countries, measured each decade, from the 1800s to the 2000s. The x-axis displays the annualised growth rate across a decade, and the y-axis reflects the density of democracies/autocracies with this particular growth rate. While autocratic countries have greater variation in growth rates, democratic countries generally have higher economic growth. Adapted from Knutsen (2021).

There are also various political benefits associated with contributing to a more democratic world through promoting democracy abroad.

One such benefit is improved prospects for peace. A notable empirical finding is that democracies rarely fight each other in interstate wars (Hegre 2014). Democratic donor countries can thus reap large benefits from contributing to democratisation abroad by mitigating their own risk of entering conflicts, and, by extension, pressures to spend on arms to deter autocratic neighbouring and other countries.

Moreover, full democracies are considerably less prone to civil armed conflict than semi-democracies (Fjelde et al. 2021), and civil wars often have cross-border spillover potential. By helping to build and consolidate democracies, democracy aid can therefore contribute to a decrease in armed conflicts and greater political stability that benefit also donor countries.

FIGURE 2. RISK OF CIVIL WAR ONSET (Y-AXIS) FOR DIFFERENT LEVELS OF ELECTORAL/VERTICAL CONSTRAINTS.



The graph shows the non-linear relationship between vertical constraints on governments (x-axis), such as electoral institutions that enable free and fair multi-party elections and the representation of broad societal interests, and the risk of civil war onset in a given year (y-axis). High vertical constraints are related to high levels of electoral democracy. Countries with very high constraints have very low probability of experiencing civil armed conflict. Adapted from Fjelde et al. (2021)

In addition to the obvious direct benefits of not fighting wars against autocratic neighbouring or other countries, a higher number of democracies and lower number of armed conflicts may also reduce the longer-term need for military spending in donor countries. Such a development would also result in fewer refugees fleeing persecution or armed conflict (and thus reduced immigration pressures on donor countries).

Moreover, democracy aid may facilitate closer political relations between donors and recipients. While political and economic interests often determine aid allocation, this relationship also operates in the opposite direction. Higher levels of democracy aid have been found to systematically result in closer alignment with the donors' foreign policy preferences, for instance as estimated by closeness in voting patterns in the United Nations General Assembly (Scott and Scott 2024).

A more democratic world could also strengthen the rules-based international order. Democracies are more likely to comply with international law (Davis 2012) and to join international organisations (Mansfield and Pevehouse 2006). This, in turn, strengthens multilateralism, which is

in the vital interest of donors: Global issues – such as climate change, pandemics and other global crises – require multilateral cooperation.

There's also evidence suggesting that democracies contribute less to such global issues in the first place, by reducing climate gas emissions or improving health outcomes relative to autocracies (Gerring et al. 2022). In an era of growing autocratisation, shifting alliances and rising protectionism, the potential political and diplomatic advantages of democratisation cannot be overstated.

Policy Recommendations

As mentioned, many studies on the effects of democracy aid produce mixed or conditional results. These studies provide valuable insights into the conditions under which support for democracy is most effective and how donors can improve the provision of aid to strengthen democracy. By doing so, donors can help advance democratisation or at least prevent further autocratisation. In the current global context where relatively few countries are democratising and more countries are autocratising, both outcomes are highly important.

While the EU has adapted its democracy support in response to spreading authoritarianism, this has primarily been in response to immediate developments rather than based on sustained knowledge accumulation (Bosse 2025). The following policy recommendations are derived from the most recent academic insights to inform evidence-based policy formulation, with the aim of increasing the direct impact of democracy aid on recipient country institutions and thus also its indirect, benevolent effects on donors.

1. Channel aid through civil society

Several studies have examined the effectiveness of democracy aid, depending on the channel through which funds are provided. Their results show that aid channelled through non-governmental organisations, such as civil society organisations or independent media outlets, is more effective in promoting democracy in recipient countries.

For instance, Dunton and Hasler (2021) argue that this is because democracy aid provided through NGOs or multilateral organisations is less fungible, meaning it cannot be used for different purposes (that may have no or even adverse effects on democracy). Local governments or corporations, on the other hand, do not have a similarly close accountability relationship with donors, allowing for more flexible – and ineffective in terms of promoting democracy – implementation of aid.

Blanken et al. (2025) corroborate these findings, arguing that democracy assistance channelled through civil society organisations is associated with improvements in the overall level of democracy due to the prevention of aid capture. In addition, Reicheneder and Neureiter (2024) find that democracy aid disbursed through civil society actors supports democratisation most clearly in post-conflict contexts.

Lastly, providing democracy aid through civil society organisations has also been found to enhance the effectiveness of sanctions on the recipient country (Popieszna and Weber 2020). Consequently, donors should

often prioritise channelling funds through non-governmental organisations as opposed to government or public sector organisations.

2. Provide aid to stable political environments

Other studies show that certain conditions in recipient countries can enhance the effectiveness of democracy support. Most importantly, a stable political environment allows democracy aid to be more effective. In this context, stability can be understood as either regime stability with stable political institutions (Cornell 2013), or environments with a strong and institutionalised civil society (Braithwaite and Licht 2020).

In addition, Shyrokykh (2017) find that the effectiveness of democracy support depends on state capacity, as well-functioning state institutions can absorb and utilise democracy aid more effectively. Insofar as democracy aid allocated to countries with stable political environments may be more effective, it is beneficial to channel relatively more funds to such contexts. It is important to note here that this applies specifically to democracy aid. Other types of aid, such as humanitarian or development aid, are often (and should be) allocated based on need and other relevant criteria.

3. Link aid to political conditionalities and monitoring

Research has also shown that political conditions linked to aid, as well as the monitoring of aid allocations, are important for the effectiveness of democracy aid. For instance, Gafuri (2022) asserts that EU democracy aid is effective due to its coupling with political conditionalities

and monitoring mechanisms. Political conditionality is the EU's most powerful tool to incentivise countries to democratise. Such incentives could include, for example, trade agreements, economic cooperation, military protection, closer institutional ties or the promise of future EU membership.

Monitoring, on the other hand, ensures that the funds are used as intended. Gibson et al. (2015) find that increased monitoring of technical assistance reduces leaders' ability to use this funding for patronage. This, in turn, results in authoritarian leaders providing more concessions to political opponents. Donors should therefore maintain a minimum level of monitoring to ensure that funds are used properly, bearing in mind that excessive monitoring can lead to significant bureaucratic efforts that negate the effect of aid.

4. Keep democracy aid consistent

A study examining the withdrawal of support finds that regimes engage in greater repression following a sudden reduction in civil society democracy aid (Hernandez and Scott 2021). Moreover, Jones and Tarp (2016) report that long-term governance aid has a positive effect on political institutions. This demonstrates that democracy aid is more effective when sustained over a longer period, and especially when there are no sudden reductions in aid. In addition to sustaining donor projects for longer periods of time, this potentially also has implications for, e.g., the EU and other donor countries stepping in to fill the void left by recent, dramatic cuts in democracy support by the United States.

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