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NEW STUDY FINDS USAID DEMOCRACY AND GOVERNANCE ASSISTANCE WORKS



"USAID democracy and governance assistance in the post-Cold War period has worked," concluded the authors of an independent study released in January 2008. A prestigious U.S. academic team examined democratic patterns in 165 countries throughout the world from 1990 to 2004, finding that U.S. Agency for International Development (USAID) democracy and governance assistance had a significant positive impact on democratic development. Specifically, the study, "Deepening Our Understanding of the Effects of U.S. Foreign Assistance on Democracy Building," concludes that, in any given year, \$10 million of USAID democracy and governance funding produces about a five-fold increase in the amount of democratic change over what the average country would otherwise be expected to achieve.

Based on the most widely used measures of democracy, the study produced many new findings, such as identifying conditions under which USAID democracy and governance (DG) programs have the greatest impact. The significant results remain even after accounting for the possibility that certain types of countries might attract more DG funding than others. The report also explores the specific effects of investment within the democracy and governance portfolio. For example, USAID assistance has a significant, positive and targeted effect when directed toward civil society, electoral, and media programs.



USAID has spent well over \$9 billion over the past two decades to promote democratic governance in more than 100 countries. For the past few years, the annual investment in USAID democracy assistance programs has grown to about \$1 billion dollars, and the median budget for such countries is now approximately \$5 million. Given the growth of this relatively new field of development and the high foreign policy priority placed on democracy promotion, USAID is using studies like this to establish a better analytical base on which to evaluate impact and make decisions regarding the type, mix, and sequencing of democracy and governance programs.

The study and related materials are available at:

http://www.usaid.gov/our_work/democracy_and_governance/technical_areas/dg_office/sora.html.

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Deepening Our Understanding of the Effects of US Foreign Assistance on Democracy Building

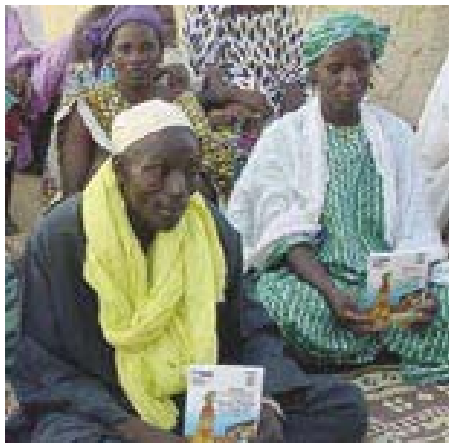
Key Findings

Democracy and Governance assistance increases national levels of democracy among recipient countries. \$10 million of USAID democracy and governance funding has produced about a five-fold increase in the amount of democratic change that the average country would otherwise be expected to achieve in any given year.

USAID Democracy and Governance assistance has a greater impact in countries:

- **Where there is greater socio-economic need.** That is, countries with lower levels of human development, and lower scores on the UN Human Development Index appear to benefit the most;
- **Where there are greater levels of ethno-linguistic diversity.** Democracy promotion works better where the population exhibits greater ethno-linguistic diversity, often thought to be an environment in which democracy promotion would be especially difficult;
- **Experiencing political instability.** The effects of democracy assistance are higher in countries experiencing instances of political volatility or conditions of state failure;
- **When investment is more consistent.** Researchers investigated the impact of different funding strategies by USAID. A given amount of USAID democracy and governance investment showed more impact on Freedom House scores when the overall investment pattern was consistent over time than when investment changed considerably from one year to the next.
- **Which are not recipients of large amounts of U.S. military assistance.** Democracy assistance appears to be *less* effective as countries receive larger amounts of U.S. military aid. Military assistance does not measure military intervention *per se*, but is used to reflect overall U.S. security concerns in the bilateral relation with a given country. The evidence suggests that, to the extent that USAID democracy assistance is provided in settings where U.S. geo-strategic concerns constitute a priority for bilateral relations, the effectiveness of democracy programs will decline.

The contribution of democracy assistance is statistically similar across regions, with the exception of Africa, where USAID democracy and governance investment has had a larger impact.



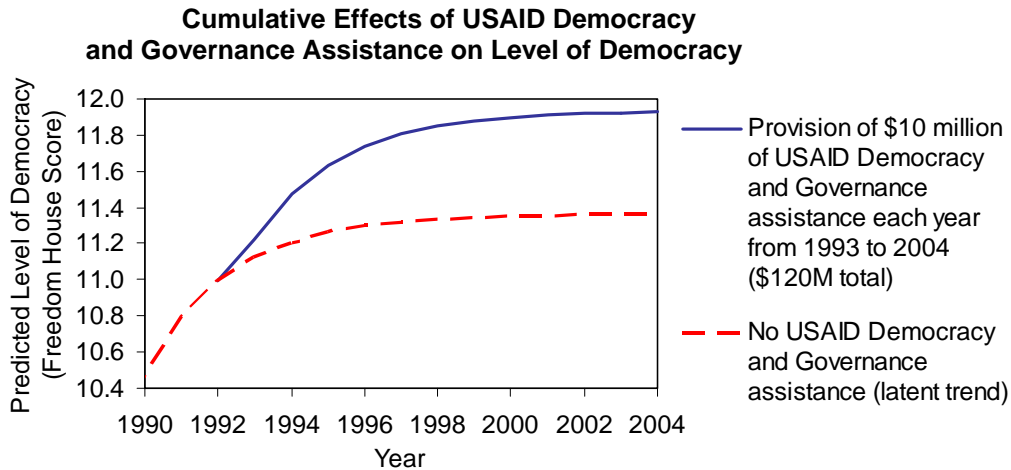
USAID Democracy & Governance Goals

The Agency focuses its efforts to promote democracy and good governance on four distinct, but related, goals:

- Strengthening rule of law and respect for human rights
- Promoting more genuine and competitive elections & political processes
- Increasing the development of a politically active civil society
- Ensuring more transparent and accountable governance

Progress in all four areas is necessary to achieve sustainable democracy.

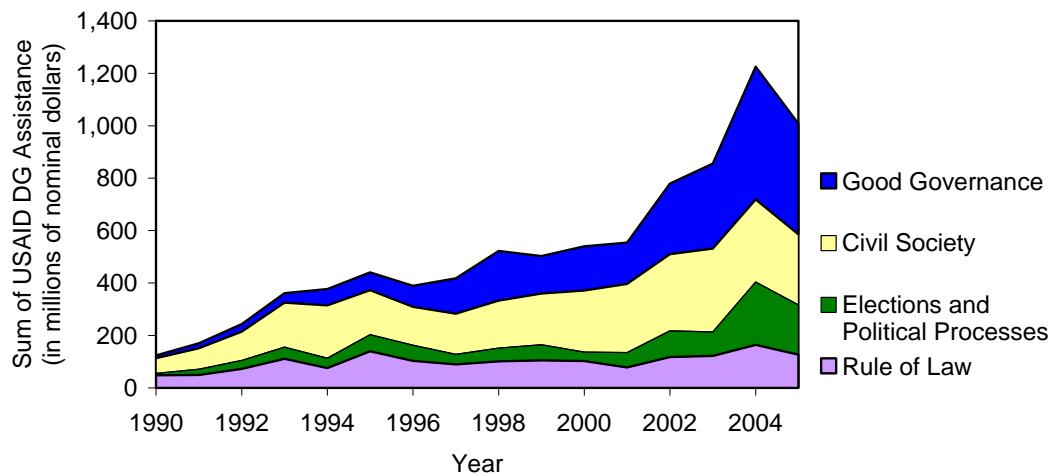
The impact of USAID democracy assistance accumulates over time and appears to endure after funding has been withdrawn.



USAID assistance to strengthen civil society, electoral systems, and the media have significant positive and targeted effects.

On the other hand, the research found a negative effect on human rights. Investment in human rights programs was correlated with a decline in human rights in recipient countries. This result does not seem to be just the result of human rights assistance flowing to problematic countries. The researchers explore some of the possible explanations for this finding in their research. This counter-intuitive finding remains an unanswered puzzle and warrants further investigation.

Evolution of USAID Democracy and Governance Assistance by Goal, 1990-2005



“The evidence supporting a positive impact of USAID on democracy is clear. The 14 years of data we have analyzed here provide a robust basis for drawing the conclusion that USAID Democracy and Governance assistance in the post-Cold War period has worked.”
(Finkel et al.)

The Research

Looking for the information needed by policy makers and practitioners to make the best possible investments in supporting democratic development and good governance, USAID commissioned research to measure the impact and effectiveness of USAID democracy and governance assistance programs. This independent study is part of the Strategic and Operational Research Agenda, a comprehensive long-term effort being undertaken by the Bureau of Democracy, Conflict and Humanitarian Assistance, Office of Democracy and Governance (DCHA/DG).

There had been little rigorous study of the impact of democratic and governance assistance democratic development. As the authors of the study on the Effects of U.S. Foreign Assistance on Democracy Building said:

“The United States Agency for International Development’s Strategic and Operational Research Agenda project took a bold risk when it commissioned the research on which this paper [is] based.”
(Finkel et al.)

There was always the risk that the study would have shown that the funds on average had no positive impact or had a systematic negative effect.



Composed of distinguished professors from Vanderbilt University and the University of Pittsburgh, the research team used sophisticated statistical models to draw their conclusions and controlled for many other possible influences on the growth of democracy, leading to sound and impartial scientific conclusions.* Professors Steven Finkel and Aníbal Pérez-Liñán of the University of Pittsburgh, and Professors Mitchell Seligson and C. Neal Tate of Vanderbilt University built this latest research on their 2005 quantitative study, which had also concluded that USAID democracy and governance programs have had a measurable impact on democratic progress around the world.

The Vanderbilt-Pittsburgh research team won the grant competing against a wide range of universities and other institutions. A panel of independent peer reviewers from U.S. colleges and universities selected the research team. Additionally, to ensure the highest quality research, an outside group of academic experts with experience in the fields of democratization and evaluation critiqued the research team’s work at regular intervals. “This report goes beyond the level of rigor expected in the top political science journals,” said one of those experts. “It is a model piece of research.”

Next Steps

USAID will use the findings from the two quantitative studies and the recommendations in a new National Academy of Sciences (NAS) report as the basis for new initiatives to improve democracy and governance evaluation. The quantitative studies have already identified hypotheses to be tested in country case studies and new program designs. The NAS report, released in April 2008, outlines new techniques for sharply improving the monitoring and evaluation of new democracy and governance projects, better methodologies for retrospective case studies, and other means of collecting and analyzing data that will allow us more reliably to gauge impact and improve strategic planning and programming decisions.

*The general findings reported here are robust across different measures of the dependent variable (level of democracy) as well as from models that explicitly account for possible endogeneity and confounding factors. The final report includes the results for various hierarchical growth models including models with: instrumental variables to account for endogeneity; interaction terms to evaluate the conditional effects of USAID DG assistance; and sub-sector specific analysis. The final report also includes results from an autoregressive distributed lag (ADL) model that estimates the cumulative effects of USAID DG assistance over time.