Democratization via aid? The European Union’s democracy promotion in the Western Balkans 1994–2010

Sonja Grimm
Department of Politics and Public Administration, University of Konstanz, Germany

Okka Lou Mathis
German Development Institute/Deutsches Institut für Entwicklungs-politik (DIE), Germany

Abstract
In this article, we investigate the effect of European Commission democracy assistance on democratization in the countries of the Western Balkans. The analysis is based on a comprehensive dataset of the financial assistance given by the European Commission to the region from 1994 to 2010. Since this dataset is disaggregated into different sectors, it allows for the distinction between direct and indirect approaches to democracy promotion. The regression results do not confirm the expected positive association between direct democracy promotion and democratization in the Western Balkans. We contextualize our findings by considering the specific post-conflict context in the region and the European Commission’s conflicting policy objectives in play.

Keywords
Aid effectiveness, democracy assistance, conditionality, European Union, Western Balkans

Corresponding author:
Sonja Grimm, Department of Politics and Public Administration, University of Konstanz, PO Box 86, 78457 Konstanz, Germany.
Email: sonja.grimm@uni-konstanz.de
Introduction

Democracy assistance as a specific type of foreign aid is intended to promote democratization, yet its actual impact on democratization is still uncertain. While the anticipated positive impact of democracy assistance on democratization represents the foundation for its political rationale, whether – and if, how – democracy assistance works at all remains a hotly debated topic in academia (Burnell, 2007; Wolff and Wurm, 2011). The existing quantitative research presents two main findings on the impact of aid on democracy: First, foreign aid in general is at best weakly or even negatively associated with democratization in the recipient countries (Altunbaş and Thornton, 2014; Djankov et al., 2008; Finkel et al., 2007; Knack, 2004). Second, the effects of specific democracy assistance on democratization are mostly found to be positive (Finkel et al., 2007; Kalyvitis and Vlachaki, 2010; Scott and Steele, 2011). In other words, although the effects of generic aid are rather ambiguous, the positive impact of targeted democracy assistance is less contested. With the present study, we would like to add substance to this debate by examining the effects of democracy assistance on democratization in the context of a specific regional donor–recipient relationship.

While recent studies have improved the scholarly understanding of the effects of foreign aid, they are still flawed in three significant ways. First, they focus mostly on the United States (US) as the primary aid donor. Including other donors such as the European Union (EU) allows more insightful findings and generalizing upon the influence of different donors’ aid spending on democratization in recipient countries. Second, the studies are not sensitive towards regional and national contexts on the recipient side of development cooperation. Delving deeper into a specific region facilitates a more context-sensitive analysis that might reveal important regional patterns of democracy assistance. Third, most of the above cited studies use data on official development assistance (ODA) at a highly aggregated level. Disaggregating data at a meso-level would improve our ability to trace the impact of different types of aid on democratization outcomes, and would make it possible to discriminate between different approaches to democracy promotion.

To close these three research gaps, we examine EU democracy assistance managed by the European Commission as the second most important foreign aid donor in the world after the US (Organisation for Economic Co-operation and Development (OECD), 2013). We focus on the Western Balkans (Albania, Bosnia and Herzegovina, Croatia, Kosovo, the Former Yugoslav Republic of Macedonia, Montenegro and Serbia) as a specific recipient region what allows interpreting the findings on the effects of democracy assistance in a context-sensitive manner, our second research problem. Although this region has been a major recipient of EU aid, it is still a relatively ‘blank spot on the map’ in democratization research (Dzihic and Segert, 2011: 240). In this regard, our study has two advantages. For one thing, it sheds light on a region that is largely neglected in current quantitative research on aid effectiveness. In addition, the regional view allows us to control for a factor often viewed as a major
confounder in studies on aid effectiveness, namely (EU accession) conditionality. Finally, to address the third research problem, the use of disaggregated data, we turn to an original dataset (Grimm and Mathis, 2015a) that for the first time synthesizes where, when, and what the European Commission financed in the Western Balkans following the break-up of the Socialist Federal Republic of Yugoslavia (SFRY) in 1991.

According to existing research, the EU’s role in the democratization processes of Western Balkan countries is disputed (Bieber, 2011; Freyburg and Richter, 2010). In this article, we seek to unravel the effects of democracy assistance provided by the European Commission on democratization in the Western Balkans, drawing the distinction between direct and indirect approaches to democracy promotion. Based on previous research, we expect to find that a direct approach to democracy promotion through democracy assistance (aid that is targeted towards the building of democratic institutions and the empowerment of pro-democratic actors) has a positive effect on democratization. Our regression results do not confirm this hypothesis. We conclude that conflicting objectives in the European Commission’s democracy promotion might negatively influence the effect of democracy assistance, especially in a post-conflict context such as in the countries of the Western Balkan.

**EU democracy promotion and democratization**

Over the last decades, the EU has strengthened its commitment to the promotion of democracy and human rights in its foreign policy agenda. The EU’s most significant contribution to promote democracy has been its own enlargements, which supported democratization in Portugal and Greece in the 1970s and 1980s, in Central and Eastern Europe in the 1990s, and in the (potential) candidate countries of the Western Balkans since 2000 (Noutcheva, 2009; Schimmelfennig and Sedelmeier, 2004; Vachudova, 2014). Through the adoption of the ‘Copenhagen Criteria’, the European Council (1993: 13) defined the accession conditions for the countries in Central and Eastern Europe. They require potential members to be liberal constitutional democracies based on a market economy and a functioning state.

Post-conflict Western Balkan countries obtained a prospect for membership in 1999 that was reaffirmed at the European Council in Zagreb in 2000 launching the ‘Stabilization and Association Process (SAP)’ for the Western Balkans (European Commission, 1999; European Council, 2000: par. 4). The membership perspective became credible at the EU-Western Balkan Summit in Thessaloniki in 2003, when EU member states renewed their commitment to the Copenhagen criteria, but also formulated several conditions required prior to accession (European Council 2003a, 2003b). 1

In sum, until 2003, the EU provided aid to the Western Balkan countries for democratization and state-building in the frame of post-conflict recovery. After 2003, the provision of aid was connected to EU accession conditionality.
Embedded democracy and democracy promotion

Since the EU seeks to promote ‘democracy, the rule of law, the universality and indivisibility of human rights and individual freedoms’ (European Union, 2007: Art. 21), we chose the concept of an ‘embedded democracy’ as the underlying model of democracy (Merkel, 2004: 36). This concept serves our analytical purposes as it goes beyond democratic electoralism by including institutional guarantees to assure that democratic elections are meaningful, and that elected elites respect human rights and the rule of law, as well as the fundamental constitutional principles of democracy (Merkel, 2004: 36–37). Hence, this analytical concept resembles the model of democracy that the EU seeks to promote in (potential) candidate and partner countries.

Referring to the concept of ‘embedded democracy’, we differentiate direct democracy promotion that targets five core partial regimes of embedded democracy from indirect democracy promotion that focuses upon the outer rings in which liberal constitutional democracies are externally embedded (see the Online appendix).

The direct approach to democracy promotion prioritizes a direct exertion of influence on core political institutions and processes (such as democratic elections, professional legislatures and independent judiciaries), as well as the support for democratically oriented and politically involved (governmental and non-governmental) actors, individuals and groups, in recipient countries (Carothers, 2009; Grimm and Leininger, 2012: 386). Direct democracy promotion is exerted through democracy assistance. According to Finkel et al. (2007: 410), ‘targeted democracy assistance […] works to educate and empower voters, support political parties, labour unions, and women’s advocacy networks, strengthen human rights groups, and otherwise build “constituencies for reform”’. Governmental actors such as parliamentarians, judges, and prosecutors, get professionalized. Non-governmental actors such as democracy activists, oppositional political parties, independent media organizations, and labour unions, are enabled to act as a counterweight against the oppressive power of the state (Collins, 2009: 381).

The indirect approach to democracy promotion includes efforts that are directed towards improving the context conditions for democratization, such as peace, stability, socio-economic development, or regional and international integration (Carothers, 2009; Merkel, 2004). Indirect democracy promotion is exerted through development assistance. It is based on the assumption put forward by modernization theory (Lipset, 1959) that favourable context conditions, such as socio-economic development, among other factors, facilitate a transition to and ensure the survival of democracy (Przeworski and Limongi, 1997).

EU democracy promotion in the Western Balkans

In the Western Balkans, countries are burdened with legacies of violent conflict. They specifically face the consequences of ethnic wars that have caused or worsened problems related to sovereignty, territory, ethnic minorities and state capture, and deal with the challenges to organize transitions from
Yugoslav-Socialist authoritarianism to democratic rule, and from command economies to market economies. Consequently, the European Commission’s democracy promotion objectives in the Western Balkan countries combine (a) political goals that forward democratization, human rights, and the rule of law to secure its self-perception as a normative power (Manners, 2002); (b) economic goals that reflect its interest in enhanced economic integration (Grimm and Mathis, 2015b); and (c) social goals that underline its desire for peace, security, and stable borders in its direct neighbourhood (Bieber, 2011; Council of the European Union, 2003; Richter, 2012).

In a previous study, we found empirical evidence for the use of direct and indirect approaches to democracy promotion by the European Commission in the Western Balkans (Grimm and Mathis, 2015b). In total, in the period between 1991 and 2010, the Commission spent €11.84bn in the Western Balkan countries, with indirect assistance for socio-economic development constituting the largest share (Grimm and Mathis, 2015b: 931–932). While this demonstrates a substantial effort to forward democratization, it remains unclear to what extent democracy promotion offered by the European Commission has actually yielded any effects on democratization in the post-conflict Western Balkans.

Effects of democracy assistance and conditionality


The results are slightly more robust for aid specifically targeting democratization. Whereas Scott and Steele (2005) find no evidence that grants from the US National Endowment for Democracy had a positive impact on democracy, Finkel et al. (2007) report a positive impact for the US Agency for International Development’s (USAID) democracy and governance assistance. Likewise, Scott and Steele (2011) establish a positive impact on democratization for USAID democracy assistance. Kalyvitis and Vlachaki (2010) state that more democracy aid is linked to a higher probability of political freedom, although this impact does not persist over time. In sum, while the effects of generic foreign aid are rather ambiguous, the positive impact of targeted democracy aid is less contested.

More specific research on EU democracy assistance is quasi inexistent. Very few quantitative studies have investigated EU aid allocation in general (Carey, 2007; Reinsberg, 2015), but, to our knowledge, no quantitative study to date has
explored the effects of EU democracy assistance in developing or accession candidate countries. Additionally, the few qualitative studies on the topic (Bicchi, 2009; Kurki, 2011) focus on the EU bottom-up initiative to develop civil society through the European Instrument of Human Rights and Democracy (EIDHR), and are mostly sceptical about its power to influence democratization from below.

In contrast, EU accession conditionality is very well researched. Scholars studying EU integration have consistently confirmed that, if exerted in a credible and timely manner, the high leverage of accession conditionality creates power asymmetries that incentivize domestic political actors to democratize (Levitsky and Way, 2005: 21; Wolff and Wurm, 2011: 80) even given the high domestic costs of adoption (Schimmelfennig and Scholtz, 2008; Vachudova, 2014) and EU internal problems such as conflicting interest over further enlargement (Bieber, 2011; Richter, 2012), a general ‘enlargement fatigue’ (Schimmelfennig and Sedelmeier, 2004) and the financial and economic crisis (Vachudova, 2014: 123).

If these findings hold in the case of the Western Balkans, affected countries should have made substantial progress in democratization, especially after 2003 when democracy assistance became tied to accession conditionality. The appeal of rewards like democracy and development assistance, visa liberalization, and access to the European Single Market should have prompted early efforts to democratize. Indeed, the democratization trend is, in general, positive (see Figure 2). However, setbacks can be observed in all (potential) candidate countries. Noutcheva (2009), for example, identifies fake, partial, and non-compliance as reactions of regimes in the Western Balkans to EU conditionality.

In drawing on these findings, we expect a positive association for the European Commission’s direct democracy promotion in the Western Balkans. This is, first, due to the slightly better performance of direct democracy promotion compared to indirect democracy promotion, and, second, due to the combined use of conditionality and assistance in EU democracy promotion since 2003, which should have increased the influence of direct democracy promotion. Consequently, our hypothesis is as follows:

$$H1: \text{The European Commission’s democracy assistance has a positive effect on democratization in the Western Balkans.}$$

Data and methodology

To test the effect of democracy assistance by the European Commission on democratization in the Western Balkans, we use a time-series cross-sectional approach with ordinary least square (OLS) regressions, drawing on democracy data from Freedom House and on an original dataset on EU aid flows to the Western Balkans (Grimm and Mathis, 2015a). Based on the availability of data, our analysis covers the period from 1994 until 2010 (for details see the Online appendix).
Dependent variable

Building on the concept of embedded democracy, we use an index based on the Freedom House indices as a proxy for the level of democracy in the recipient countries (Finkel et al., 2007; Scott and Steele, 2011). Freedom House measures freedom in countries around the world along the dimensions of political rights and civil liberties. The political rights index captures the essential elements of democratic governance, such as freedom of the electoral process, political pluralism and participation, as well as government functioning. The civil liberties index measures freedom of expression and belief, associational and organizational rights, the rule of law, and personal autonomy and individual rights (Freedom House, 2016). The combined Freedom House index thus captures the core partial regimes of ‘embedded democracy’ (for discussion see the Online appendix).

Following Finkel et al. (2007), we added the civil rights and political liberties scales to one combined Freedom House scale. To allow a more intuitive interpretation of the results, we inverted the scores creating an index ranging from 2 (least free) to 14 (most free) (see also Knack, 2004; Scott and Steele, 2005). According to the resulting indicator, all countries generally made progress towards democratization over the observed period, while there is considerable variance within as well as between countries: Bosnia and Kosovo (the most severely war-torn countries) rank the lowest, Croatia (already an EU member since 2013) and Macedonia are the frontrunners, and Albania, Montenegro, and Serbia hover in-between (see Figure 2). As a robustness check, we use data from the Polity IV project (Center for Systemic Peace, 2016; the Online appendix).

Independent variable

Data on European Commission democracy assistance in the Western Balkans are drawn from a dataset constructed by Grimm and Mathis (2015a). This dataset encompasses aid channelled from the European Commission to the state institutions of the Western Balkans between 1991 and 2010. During this period, the European Commission provided aid through a variety of programmes and financial instruments. The dataset includes aid from all these instruments (see the Online appendix). Since the EU terminology for different aid components and sectors varies widely from programme to programme and over time, they cannot be used for statistical analyses. To allow analytical clarity, the dataset sorts aid from the selected programmes and instruments into six categories differentiated by purpose: democratic governance, rule of law, humanitarian aid, security, socio-economic development, and political community (see the Online appendix). This categorization synthesizes findings from the literature on regime change and state-building, and focuses on external contributions to the stabilization and development of post-conflict states (Grimm, 2010). The category other encompasses all financial aid provided as annual financial reserves, as well as aid that supports participation in EU
programmes or facilitates project preparation. This is the first comprehensive data-set to itemize where and when the European Commission allocated how much to the Western Balkans, as well as for what purpose.

To create our main independent variable democracy assistance (dema) we use aid that combines the dataset categories of democratic governance and the rule of law targeting the five core partial regimes of ‘embedded democracy’. In line with previous research (Kalyvitis and Vlachaki, 2010; Scott and Steele, 2011), the variable is constructed based on country-year units of analysis using per-capita values in current US Dollars (for details see the Online appendix).

Figure 1 gives an overview of the annual totals of democracy and development assistance by the European Commission to the Western Balkans. It shows that democracy assistance played only a minor role up until 2000, and that it is outnumbered by development assistance over the whole period. To better contextualize this, Figure 1 includes several major political occurrences that were of importance to the entire Western Balkan region.

Figure 2 shows that the overall trend in democratization across our sample countries is positive, although some countries also exhibit democratic recessions throughout the period observed. Further, the graphs describe the evolution of democracy assistance by the European Commission, which varied highly among and within countries. While some of the trends in the democratization and
democracy assistance curves seem to co-vary in the sense that either upward and downward trends occur in a parallel manner (Albania, Macedonia, Montenegro) or that upward trends in democracy assistance appear to be followed by upward trends in democratization (Bosnia, Kosovo), the descriptive comparison does not hint to any generalizable patterns regarding the relationship of our two variables of interest.

Due to the inherent inertia of reform implementation and institutional change, democracy assistance is unlikely to affect a country’s democracy level in the year of allocation. Hence, following Scott and Steele (2005: 445), in the regression the variable is lagged to ‘ensure that the hypothesized cause (aid) precedes the effect (democratization)’. The use of lagged aid variables further methodologically addresses the potential reverse causality between democracy assistance and democratization due to strategic allocation choices by donors (following Bearce and Tirone, 2010; Clemens et al., 2012; Wright, 2009; see also our discussion of the results). While Figure 2 does not suggest a pattern regarding democratization and a subsequent increase in democracy assistance, the lagged independent variable further ensures that democracy assistance is technically exogenous to future

Figure 2. Democratization and democracy assistance by the EU Commission to the Western Balkans, 1994–2010.
Note: Left y-axis: Democracy scores based on a combined and inverted index of the Political Rights and Civil Liberties indices from Freedom House (2016); Right y-axis: Data on assistance by the European Commission in current USD based on Grimm and Mathis (2015a).
democratization in our analysis. Our choice of two years for the lag is based on a pragmatic decision to minimize the loss of data.³

Control variables

Acknowledging that democracy promotion by means of democracy assistance ‘is not normally the most significant influence on democracy’s progress’ (Burnell, 2007: 44), we introduce control variables to account for other factors that could potentially influence the level of democracy. To keep the model parsimonious, we stick to the most relevant controls that cover sufficient data for our case sample.⁴

Development assistance. To control for the effect of assistance by the European Commission in other categories that could have an indirect effect on democratization by targeting the outer rings of embedded democracy,⁵ we construct the residual aid variable development assistance (deva) using the same metric as for our main independent variable democracy assistance (per-capita figures in USD). The variable development assistance aggregates aid flows in the dataset categories of humanitarian aid, security, socio-economic development, political community and other.

Socio-economic development. According to modernization theory, socio-economic development leads to sustainable democracies (Lipset, 1959). Therefore, following previous research, we control for GDP per capita (gdp) as an indicator for socio-economic development (Scott and Steele, 2005).⁶ We assume a logarithmic relation between GDP and democracy with declining effects of scale. Therefore, we use a log-transformed variable throughout all models. We expect other economic factors that might influence democratization (e.g. trade openness, foreign direct investment) to be reflected in the level of the GDP.

Accession perspective. Given that EU accession conditionality is found to be one of the most effective instruments for promoting democracy, we expect to observe an association between democracy assistance and democratization. This link should be particularly strong for the period after 2003, when the EU accession perspective for the Western Balkans was reiterated at the Thessaloniki Summit, and the leverage of democracy assistance likely increased. The dummy variable Accession Perspective (accp) takes the value of 0 for the first period (until 2002) and 1 for the second period (from 2003 onwards).

Model

We estimate the expected relationship between EU democracy assistance and democracy levels in the Western Balkans using OLS regressions.⁷ The letter $a$ refers to the constant of the regression line estimated with this model, $b$ serves as
a placeholder for the respective variable’s coefficients, and $e$ is the error term. We assume the following basic function of democracy assistance and democratization

$$
\text{Democracy (fhrcl)}_t = a + b_1 \text{Democracy Assistance (dema)}_{t-2} + b_2 \text{Development Assistance (deva)}_{t-2} + b_3 \text{GDP (loggdp)}_{t-2} + b_4 \text{Accession Perspective (accp)}_{t-2} + b_5 \text{Interaction (accp#dema)}_{t-2} + e
$$

Based on this model, we perform three regressions using different variable specifications. The basic regression (1) assumes a linear relationship with variables in their original metric, USD per capita. We also account for a potential non-linear relationship between the data. In regression (2), we use log-transformed variables, and, in regression (3) add quadratic variables in order to correct for possible declining effects of scale, given that the same change in the per-capita amount of democracy assistance may have a larger effect at lower levels of democracy assistance than at higher levels of democracy assistance (see also Clemens et al., 2012).

All regressions are run with random-effect models. For every model specification, we tested lag structures ranging from one to four years, which did not substantially change the results (see the Online appendix). Therefore, we only report the results based on the two-year lag structure. Further, we cross-checked all results using the available data from Polity IV as an alternative dependent variable for the level of democracy, which confirms the overall trends in the presented findings while the model fits are generally better. The results presented below are robust to influential data (for details see the Online appendix).

**Findings**

This section presents the findings from the analyses based on our variable specifications. While the scatterplot (Figure 3) as such does not hint to an obvious pattern regarding the expected relationship, the fitted regression line suggests a slightly positive correlation between our dependent and independent variable.

The result from the basic bivariate regression (model 1; Table 1) indicates a positive and significant relationship between democracy assistance and democratization two years later. On average over time and between countries, an increase of one USD in democracy assistance is associated with an increase in the democracy level by 0.1 units on the Freedom House scale ranging from 2 to 14. The regression explains about 30% of the variation between countries and roughly 20% of the variation within the countries in our sample. However, the overall fit of the bivariate model is unsurprisingly very poor (not even 1% of the variation). Development assistance is not significantly associated with democratization (model 2). Model 3 reports that GDP is highly and significantly associated with democracy levels, and takes away the previously indicated significant effect of democracy assistance, while
the model fit increases to 33%. The period following the explication of the EU accession perspective and related political conditionality for the Western Balkans in 2003 is not significantly associated with democratization relative to the period before (see model 4). Model 5 tests whether there is an association between this period and democratization that is conditional on democracy assistance. The coefficient for the interaction term in this period is small and not significant relative to the period without accession perspective. Based on this, we conclude that democracy assistance by the European Commission did not alter its impact on democratization following the official accession perspective as an incentive for political reforms. However, this result must be interpreted with caution, as there are only 63 observations in our sample before, and 56 from the year 2003 onwards, which are further reduced through the lag-structure.

Table 2 reports the regression coefficients assuming a logarithmic relation between democracy and the assistance variables, which point into the same direction as the previous results. The regression result of model 6 indicates a positive and significant relation between democracy assistance and democracy two years later where a 1% increase in the average democracy assistance over time and between countries is on average associated with an increase in democracy levels by 0.004 (0.4/100) units two years later. Although significant, the relation is not
substantial and the model fit is very poor. Development assistance remains insignificant throughout models 7 to 9, while GDP is again significant and positively related to democracy and captures the significance of the coefficient for democracy assistance (models 8 and 9). Again, there is no significant association between democratization and democracy assistance in the period after 2003, when the EU accession incentive should have kicked in compared to the previous period (model 9).

Table 3 reports the regression coefficients assuming a quadratic relationship between democracy and assistance by the European Commission. Regression results in models 10 and 11 indicate a weakly significant quadratic relation between democracy assistance and democracy, while the negative sign suggests this relationship is concave. Controlling for GDP in model 12 reverses the signs but also captures the significance of the coefficients. The coefficient in model 13 indicates a weakly negative relation between the period after 2003 and democratization relative to the period before, which may be explained by temporary drops in the democracy levels in Bosnia, Kosovo and Montenegro during the second half of the investigation period. Despite this, there does not seem to be any systematic relation between squared democracy assistance in this period and democratization.
In sum, we do not find the expected significant association between democracy assistance by the European Commission and democratization in the Western Balkans. While a positive relation generally holds, the effect of democracy assistance suggested by the bivariate regression results is captured by other control variables, such as the level of GDP. Further, we do not find evidence for altered effects of democracy assistance in the period with accession incentives and conditionality relative to the previous period.

**Conditionality and the potential problem of endogeneity**

In the context of EU accession conditionality, our findings may encounter the potential problem of endogeneity. However, we argue that endogeneity is not at play in our analysis due to the following reasons. According to the EU’s self-understanding as a normative power, financial assistance to potential candidate countries is ex post and tied to a positive conditionality (Schimmelfennig and Sedelmeier, 2004). In this logic, democracy assistance, some kind of institutional association and – ultimately – membership, are granted when the required conditions are fulfilled (Koch, 2015: 99). At the same time, there is no sanction...
mechanism for non-compliant governments other than withholding the assistance, association and membership. Further, as Schimmelfennig and Scholtz (2008: 190) argue, ‘the EU generally does not (...) give extra support to those that fail to meet the conditions’. If, in fact, the European Commission’s democracy assistance would respond strategically to democratization in recipient countries – by rewarding democratic improvements with assistance or by punishing democratization setbacks with a withdrawal of assistance – the allocation of democracy assistance would not be independent of the level of democracy (Reinsberg, 2015).

However, the few existing studies on aid spending suggest that official guidelines requiring progress in democratization as a criterion for aid allocation are not put into practice. For example, the EU signed Stabilization and Association Agreements with Macedonia (in 2001) and Montenegro (in 2006), although both countries had seen the deterioration of the Freedom House political and civil

Table 3. Association with democracy (Freedom House): Regression results based on quadratic variables.

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>(10)</th>
<th>(11)</th>
<th>(12)</th>
<th>(13)</th>
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<td>Democracy Assistance</td>
<td>.17***</td>
<td>.17***</td>
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<td>.077</td>
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<td></td>
<td>(.05)</td>
<td>(.04)</td>
<td>(.05)</td>
<td>(.10)</td>
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<tr>
<td>Democracy Assistance$^2$</td>
<td>−.00*</td>
<td>−.00*</td>
<td>.00</td>
<td>−.01</td>
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<td></td>
<td>(.00)</td>
<td>(.00)</td>
<td>(.00)</td>
<td>(.01)</td>
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<tr>
<td>Development Assistance</td>
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<td>.02</td>
<td>.01</td>
<td></td>
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<tr>
<td></td>
<td>(.01)</td>
<td>(.01)</td>
<td>(.02)</td>
<td></td>
</tr>
<tr>
<td>Development Assistance$^2$</td>
<td>−.00***</td>
<td>−.00*</td>
<td>−.00</td>
<td></td>
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<tr>
<td></td>
<td>(.00)</td>
<td>(.00)</td>
<td>(.00)</td>
<td></td>
</tr>
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<td>Log (GDP)</td>
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<td>1.98***</td>
<td></td>
<td></td>
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<td></td>
<td>(.26)</td>
<td>(.29)</td>
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<td></td>
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<tr>
<td>Accession Perspective</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>(.60)</td>
<td></td>
</tr>
<tr>
<td>Interaction Accession Perspective/ Democracy Assistance$^2$</td>
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<td></td>
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<td>(.01)</td>
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<tr>
<td>Intercept</td>
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<td>8.03***</td>
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<td>−5.94***</td>
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<td></td>
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<td>0.39</td>
<td>0.45</td>
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<td>Sigma_u</td>
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<td>1.43</td>
<td>.57</td>
<td>0</td>
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</table>

Standard errors in parentheses. Independent variables lagged by two years. Confidence levels: *significant at 10%, **significant at 5%, ***significant at 1%.
liberties scores prior to this ‘upgrade’ (Brusis, 2008: 391–392). This coincides with findings by Carey (2007) regarding the aid spending of the European Commission in developing countries: Due to bureaucratic inertia, local human rights situations do not consistently shape its aid flows. Our data likewise do not exhibit any systematic allocation pattern in the sense that democratization is followed by democracy assistance or that declining democracy is followed by declining democracy assistance (Figure 2).

Furthermore, in the case of the Western Balkans, we argue that the strategic allocation of democracy assistance might only have played a role in the second half of our investigation period, given that it was only in the year 2000 that the EU forwarded membership prospects for all countries in our sample, and that it took until 2003 that this membership perspective became credible. Assistance provided between 1994 and 2003 was primarily focused on post-conflict recovery, without being conditioned upon political criteria.

Considering that only a part of our observation period may theoretically be affected by the strategic allocation based on democratization while the allocation of assistance by the European Commission is not consistently sensitive to the local political and human rights context, we argue that our results regarding the impact of democracy assistance on democratization are unlikely to suffer from an endogeneity bias (see the Online appendix for further methodological discussion).

**Conclusions**

Based on an original dataset on financial assistance provided by the European Commission to the Western Balkans (1994–2010), we tested the effect of democracy assistance on democratization. For analytical purposes, we distinguished between direct and indirect approaches to democracy promotion with their respective financial instruments of democracy and development assistance.

Considering previous quantitative studies, we expected direct democracy assistance to have a positive effect on democratization in the Western Balkans due to its slightly better performance compared to development assistance, and due to an increased leverage of democracy assistance tied to EU accession conditionality (in our cases since 2003). However, based on our analysis we reject our hypothesis as the regression results do not confirm a significantly positive relation between democracy assistance and democratization throughout all models. Further, we have not found a significant association between democracy assistance and democracy for the period with accession conditionality. In sum, direct democracy assistance by the European Commission between 1994 and 2010 seems to have been statistically ineffective regarding democratization in the Western Balkans. Thus, EU democracy assistance did not increase the level of democracy in the Western Balkans.

Although the finding refutes our hypothesis, it is consistent with findings established by qualitative research. The results of case study research in the region (Gross and Grimm, 2014, 2016) on the interplay between members of the
European Commission, recipient governments and states officials reveals processes of modification, rejection, and adaption of European Commission direct democracy promotion initiatives during the domestic policy-drafting, -adoption, and -implementation. Despite the high leverage of the European Commission during approximation and accession, none of the Commission’s proposals that were investigated through process-tracing was domestically implemented in its originally proposed version. The intended objective of promoting democracy got compromised for the sake of domestic security, or socio-economic and ethnical privileges, considerably limiting the effectiveness of democracy assistance (Grimm and Leininger, 2012: 405–406). Hence, democracy assistance seems to be a ‘soft’ policy goal that is easily watered down in the external-domestic interplay between donors and partner countries.

Further, these dynamics illustrate that democratization is but one policy goal of the European Commission in the Western Balkans. Considering that the European Commission uses a combination of direct (targeting core political institutions and processes) and indirect approaches (improving the socio-economic context conditions for democratization) to promote democracy, there is reason to assume that conflicting policy objectives might reduce both the credibility and effectiveness of democracy assistance (Grimm and Leininger, 2012: 397). For example, externally promoted political competition (which may be an objective of direct democracy promotion) during election campaigns might reduce the willingness of ethnically composed political parties to compromise which could in turn negatively affect stability (which is a typical objective of indirect democracy promotion). This tension is especially salient in post-conflict countries, such as those in the Western Balkan, where political stability is a central goal of external assistance. If not managed well, such conflicts may negatively influence transition outcomes and lead to setbacks or defects in democratization (Grimm and Leininger, 2012: 405–406). The unclear dynamics between direct and indirect approaches to democracy promotion may potentially obstruct and limit the effectiveness of the direct approach that has been the focus of the study at hand. And finally, we do not know how the state of democracy in the Western Balkans would look like today if the EU had not provided direct democracy assistance. At least, we can state that democratic decline also did not take place in the investigated period.

While methodological and analytical challenges remain, our study contributes to filling the research gaps regarding democracy promotion in three ways. First, by analyzing the effectiveness of the European Commission’s democracy assistance this study contributes to widening the evidence-base of donors that has so far been dominated by quantitative studies on the US. Any comparison between the European Commission’s performance and other donors, however, would not be appropriate, given our small set of cases. Second, our study is sensitive to the regional context of the Western Balkans and considers the use of political (accession) conditionality as an instrument to promote democracy by the European Commission. In view of this regional focus, however, it is not possible to deduce any conclusions about the general effectiveness of European Commission
democracy promotion in partner countries. It is necessary to widen the case basis by means of further quantitative studies. Third, as a response to a lack of data, our own data-sampling method innovatively disaggregates data on aid flows provided by the European Commission. By discriminating between indirect and direct approaches to democracy promotion based on the analytical concept of ‘embedded democracy’, it is possible to analyse the effect of targeted democracy assistance. Our study, however, is limited to the extent that we do not examine the dynamics between the direct and the indirect approach to democracy promotion or between bottom-up (through civil society, e.g. EIDHR) and top-down (through state institutions) approaches due to a lack of data. Thus, the most important avenues for further research concern the interplay between external and internal actors, the dynamics between direct and indirect democracy promotion with special attention to conflicting objectives, research on the effectiveness of European Commission democracy promotion in other regions, and the complementary use of quantitative and qualitative studies.

To conclude, the finding on the ineffectiveness of targeted democracy assistance on democratization should not discourage scholars and democracy promoters. Rather, the result could be taken as an incitement to more carefully analyze the complex dynamics in democracy promotion and to question whether democratic values sufficiently shape the European Commission’s international cooperation.

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**Supplemental material**

Supplementary material is available for this article online.

**Notes**

1. The ‘Copenhagen +’ criteria dealt with the specific post-conflict situation of the Western Balkans countries following the Balkan wars of the 1990s. Among others, the EU demanded a close cooperation with the International Criminal Tribunal for the Former
Yugoslavia, the reintegration and protection of ethnic minorities, the resolution of border issues, and stronger efforts towards regional cooperation (European Council, 2003b).

2. Other financial instruments such as the European Instrument for Democracy and Human Rights (EIDHR) that channel aid directly to civil society organizations are not included in the dataset, as they play financially only a minor role in EU aid allocation.

3. Scott and Steele (2005) use a lag structure of two years while Schimmelfennig and Scholtz (2008) opt for a lag structure of four years. We tested lags of one, two, three and four years, but the results did not change (see the Online appendix).

4. We checked ethnic heterogeneity and domestic absorption capacity as further control variables. We decided not to include the former due to a lack of data and the latter due to a lack of appropriateness. The available indicators for ethno-linguistic fractionalization such as the Fractionalization Dataset by Alesina et al. (2003) provide at most one data point per country in our dataset, with Kosovo not covered at all. Although low domestic absorption capacity might reduce the effectiveness of aid (Feeny and McGillivray, 2009), in none of the countries in our sample was the domestic absorption capacity reduced to such an extent that it would significantly affect our empirical analysis.

5. We do not control for aid from other donors due to a lack of comparable ODA data that fit our aid categories, but especially because the EU trumps all other donors with regard to its potential impact on democratization in the Western Balkans (Schimmelfennig and Scholtz, 2008: 198).

6. According to our more holistic understanding of socio-economic development that exceeds what is covered by GDP, we first and foremost checked other indicators. However, our preferred indicator, the Human Development Index (HDI), is only available on an annual basis from 2010 onwards, leaving us with too many missing values to allow for its inclusion as a meaningful control variable (UNDP, 2015).

7. To account for the ordinal scaled dependent variable, we also estimate ordered logistic regressions. The results point into the same direction as those from OLS regressions. As OLS regression tables are more accessible regarding their interpretation, we report the results from ordered logistic regression only in the Online appendix.

8. The Hausman test indicates to use the more efficient random-effects model instead of the asymptotically consistent but inefficient fixed-effects model (see the Online appendix).

9. As the expected declining effects of assistance on democracy follow the same logic for development assistance as for democracy assistance, we apply log-transformations to both variables.

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