

## **Democracy Aid Enters the Socioeconomic Domain**

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When democracy assistance emerged in the 1980s as a new element of U.S. foreign policy, it took shape as a domain largely separate from the existing world of U.S. development aid. It was a new sub-community in the U.S. policy realm, with different roles, methods, and people than the relatively well-established development aid community that dated from the 1950s. During the past two decades, however, a gradual but significant evolution has occurred in which U.S. democracy assistance is becoming more directly engaged in socioeconomic issues and building ties with the development assistance realm. This shift reflects both new learning and thinking in democracy aid as well as a changing international political context. Despite the evolution, considerable uncertainty remains about how far democracy aid can and should embrace socioeconomic concerns and what contributions it can make in that domain.

### **Early Separation**

The initial divide between U.S. democracy aid and U.S. development aid started at the organizational level. When the Reagan administration and Congress decided in the early 1980s to create a U.S. capacity for aiding democracy abroad, they chose to establish new institutions separate from the existing U.S. foreign aid establishment—the National Endowment for Democracy and its four core grantees (which originally were the National

Republican Institute for International Affairs, the National Democratic Institute for International Affairs, the Free Trade Union Institute and the Center for International Private Enterprise) and to fund them as a separate line item in the U.S. foreign affairs budget.

During the second half of the 1980s, a small beachhead of democracy aid gained a hold at USAID, in its Bureau for Latin America and the Caribbean. This work was initially relatively isolated within the agency, operating from a newly established office (partly staffed by State Department personnel) as a kind of special activity not part of the larger set of development programs. Most of the developmentalists who dominated USAID were uncomfortable with USAID taking on political aid and sought to keep it as a kind of exceptional bubble within the organization.

The relative separateness of the new and initially quite small U.S. democracy aid community from the much larger development aid community was more than just organizational—it was also conceptual and psychological. Democracy promoters viewed democracy aid as fundamentally different from development aid in two key ways. First and foremost, they saw a basic difference in goals. Although they hoped that supporting democracy would be beneficial to the economic development of the countries where they worked, their focus on democracy was not instrumental. They believed in democracy as an end in and of itself. They gave only superficial attention to the relationship of democratization to socioeconomic development, holding to the reflexive position that democratization is always or almost always good for development. This assumption was not rooted in close readings of the research literature on the subject (many of which pointed to a more neutral or even doubtful conclusion). Rather it derived from their

observation that (at that time) most wealthy countries were democratic and most democratic countries were relatively wealthy, as well as their basic faith in the notion that political freedom and economic freedom go hand in hand.

Contributing to the separation was the fact that democracy promoters were wary about the attitude of the development community toward democracy. With some reason they suspected many developmentalists of harboring a preference for repressive strongman regimes out of the belief that what developing countries needed most to move ahead economically was political stability and order. Democracy promoters were also skeptical of the related view among many developmentalists that many developing countries were not "ready for democracy" because they lacked certain socioeconomic features. The nascent democracy aid community held instinctively to the opposite view—that any country, regardless of its socioeconomic level, could become democratic if enough of its citizens or its political elite were willing to fight for that goal. Thus democracy promoters felt that their core goal was not necessarily shared by the development community.

Democracy promoters felt a gap between themselves and the development community not only concerning goals but also methods. They were unimpressed by what they saw as the typical operational characteristics of traditional development aid. Such aid appeared to them as too slow moving and risk-averse, bogged down in studies and planning exercises, and saddled with a weak record of proven results. They intended their work to be different—fast-moving, bold, catalytic and even transformative. They were also put off by what they saw as an endemic pattern of state capture in development aid—aid going directly to national governments that used it to line their own pockets and

strengthen their own repressive hand. They wanted to direct aid primarily to citizens rather than governments and use aid more to challenge the established political authority than to bolster it.

Besides differences in goals and methods, democracy promoters also felt a basic difference in personal identity from developmentalists. Democracy promoters, in simple terms, were from a different crowd than developmentalists. They did not fit what they framed as the usual profiles of development aid specialists—they were neither former Peace Corps do-gooders, technically trained specialists in development sectors like water management or agricultural production, or development economists. Instead they came from the political world—they tended to be former political consultants, congressional staffers, civic activists, or lawyers. Many had little on-the-ground international experience, foreign language expertise, or in-depth knowledge of other cultures. Their interest in and commitment to democracy promotion came from strong feelings on their part about the value of democracy and a projection of that belief onto the rest of the world.

Of course even in this early period the separation of the democracy aid community from the development community was not total. At least a few institutions that were part of the initial democracy aid realm delved into socioeconomic issues. The Center for International Private Enterprise, for example, supported civic-minded business associations and pro-reform economic think tanks as a means of bolstering democratic change, based on an assumed link between market reform and democratization. The Free Trade Union Institute worked to strengthen labor unions in the belief that stronger unions

would not only benefit their members but also bolster democratization by helping to rebalance power between more powerful and less powerful societal groups.

### **Blurring the Line**

During the 1990s the separation of U.S. democracy aid from the methods and concerns of development aid started to lessen. Those years saw a rapid expansion of such assistance in response to the dramatic surge of authoritarian breakdowns and attempted democratic transitions in many parts of the world, especially Central and Eastern Europe, the Former Soviet Union, and sub-Saharan Africa. As it expanded, the domain of U.S. democracy aid evolved and diversified along many dimensions, including the range of organizations involved and areas addressed. Part of this evolution and diversification concerned basic operational methods. At least some democracy aid became more "developmental" in its basic methods. That is to say it became less improvisational, more focused on interactive, gradual change than catalytic, conjunctural transformations, and more connected to formalized assessments, plans, and evaluations. Some of this change was due simply to the fact that as democracy aid aged it lost some of the more spontaneous characteristics of its early years and became more routinized and standardized. Also important, however, was the fact that the organizational configuration of U.S. democracy aid changed. USAID's role increased enormously, with its spending on democracy and governance programs swelling from around \$100 million at the start of the decade to over \$600 million by the decade's end. With the NED's budget fairly constant in those years at around \$40 million, USAID became by far the dominant actor in U.S. democracy aid.

As democracy and governance programs mushroomed at USAID, and such aid was accepted as one of USAID's four "core pillars," it became less isolated within the agency. Increasingly, democracy programs had to fit into or go through the same processes of project design, approval, implementation, and evaluation as all of USAID's development work. Consequently, much of U.S. democracy aid took on familiar developmental features, at least in terms of basic operating methods.

The gap between democracy aid and socioeconomic aid also lessened in the 1990s not just with respect to methods but also programmatic substance. As democracy promoters found themselves increasingly working in countries that had passed through authoritarian collapse and the initial establishment of an elected government, the portfolio of democracy programs widened. The early concentration on supporting human rights activists, first-time elections, political party formation, and democratic civic education gave way to a broader set of programs. One area of growing importance were efforts to strengthen state institutions in newly democratic countries, especially those outside the national executive branch that might help contribute to rebalancing state power away from the executive branch—national legislatures, judiciaries, and local governments.

Democracy aid providers took on work relating to state institutions with the aim of helping them function more effectively as democratic institutions, e.g. to help legislators better represent the interests of their citizens or to bolster the capacity of courts to function independently from political influence. At the same time, however, working with such institutions inevitably intertwined democracy aid with socioeconomic issues. In working with legislatures, for example, helping legislators develop their ability to analyze and monitor budgets—which of course relates directly to any number of

socioeconomic concerns—was a natural programmatic element. Programs to build the rule of law sometimes started with commercial law and commercial courts because of the high interest in that subject both among donor governments and host governments. Local government strengthening programs gravitated naturally to the challenge of local service delivery. Thus the line between political assistance and socioeconomic assistance began to blur.

This blurring was increased by changes on the socioeconomic assistance side as well. At the same time that democracy assistance was adding governance to its core menu, the development aid realm was also waking up to the issue. Across the 1990s the World Bank and other multilateral development banks, as well as various bilateral aid agencies, including USAID, started carrying out programs to strengthen governance in developing countries. They gravitated to governance work as a result of various factors, above all the growing realization that market-oriented economic reforms would not succeed over time without competent state institutions to develop and implement the necessary reform policies.

Early on these programs differed fairly clearly from governance programs that came from the democracy aid side. Developmentalists tended to concentrate attention on a narrow band of executive branch institutions that dealt with a limited list of functions seen as directly relating to macro-economic development (such as public finance management). They also defined their objectives narrowly in terms of enhancing the technical competence and efficiency of these institutions.

In the second half of the 1990s, governance work coming out of the development aid side broadened. As it did so it began overlapping somewhat with democracy-based

governance programs. It started taking on a wider set of institutions, reaching beyond traditional executive branch partners to legislatures, judiciaries, independent agencies, and local governments. And the operative concept of what constitutes good governance expanded beyond efficiency and competence to include more politically-related concepts like transparency, accountability, and representation. On the ground it often became difficult to tell whether a particular governance program was grounded principally in democracy objectives or socioeconomic ones. At USAID these dual roots of governance work and also the continued institutional divisions between democracy aid and socioeconomic aid were embodied in the fact that governance work at USAID had two institutional homes—the Center for Democracy and Governance and the Office of Economic Growth.

A second substantive broadening of democracy aid in the 1990s that also led to greater connections with the domain of socioeconomic assistance was civil society assistance. Like governance aid, efforts to foster civil society development multiplied in the 1990s within democracy aid portfolios. Democracy promoters saw stronger civil society in politically transitional countries as key to democratic consolidation. Independent, assertive civil society organizations would monitor and hold accountable newly elected governments and stimulate diverse forms of citizen participation well beyond elections. Like with governance aid, as democracy aid providers moved fully into this realm they naturally brushed directly up against socioeconomic issues. Although some civil society groups focused primarily on politically related public interest issues, such as ensuring free and fair elections, many were rooted in citizens' desire to ameliorate their socioeconomic welfare. As a result, civil society aid programs

sponsored under a democracy umbrella dealt with a widening range of socioeconomic concerns, ranging from child welfare and violence against women to anticorruption and financial reform.

And again in parallel to the governance realm, the line between democracy aid and development aid was further blurred as civil society aid was taken up by the development community. Developmentalists mounted civil society programs that differed in rationale but often not very much in substance from civil society aid programs organized by democracy promoters. As part of their second stage of thinking about the market reform agenda, the World Bank and other major development aid actors realized that greater citizen participation in development processes could help lessen citizen objections to often unpopular market reform measures and improve government policymaking by bringing it more closely in line with citizens' needs. Supporting citizen groups that advocated good governance became over time a major element of the developmentalists' approach to supporting governance reforms.

The developmentalists' growing interest in supporting citizen groups and participation was thus rooted in the view that such support could help further their socioeconomic objectives. It stood in contrast to the democracy aid community's emphasis on civil society support as a means of bolstering democracy. Yet different though these rationales were, they led often to similar programs on the ground—financial support for somewhat technocratic NGOs focused on pursuing greater governmental accountability. In this way the line between democracy aid and socioeconomic aid was further blurred.

## **Across the Line**

The initial sprouts of convergence in the 1990s between U.S. democracy aid and socioeconomic aid constituted only a very partial, tentative bridging of the two domains. As described above, some democracy aid programs began addressing socioeconomic issues alongside political ones and overlap emerged in the areas of governance and civil society assistance between the two sides. Yet for much of U.S. democracy assistance, socioeconomic concerns were a secondary consideration at best. The remarkable run of democracy around the world in those years continued to give democracy promoters good grounds for focusing very heavily on the political side and for believing that democratization could advance significantly in any socioeconomic context.

A changed international political context in this decade has provoked a revision of this outlook. Somewhat unexpectedly, the global expansion of democracy stopped in this decade: in 2010 the world has no more electoral democracies than it had in 2000. Various factors undoubtedly lie behind democracy's sobered global state. One that has gained wide currency in the U.S. policy community is that poor socioeconomic performance by many new democracies is putting those political transitions at risk. In simple terms, by failing to deliver to their citizens many tangible benefits, fledgling democratic systems face countervailing pressures that can undermine them. Such pressures may take the form of citizen-initiated ouster efforts (as in Thailand currently or in the Philippines at several points in recent years), the rise of demagogic populists (as in parts of Latin America), or the appeal of stronghand rulers who claim to be pro-developmental (such as in Russia).

The sharp rise of concern about a possible democratic recession and the fear that poor socioeconomic performance by new democracies may feed it have provoked new thinking in the U.S. democracy aid community. Some democracy promoters have begun considering whether their assistance efforts can be reshaped to contribute directly to advancing socioeconomic progress. In other words, this changed international context is pushing at least some democracy promoters not just to blur the traditional line between democracy aid and socioeconomic assistance but to reach directly across it.

Two lines of activity merit attention in this regard. One concerns political party development and support for political pluralism generally, an area of democracy aid that traditionally is quite separate from socioeconomic assistance (and which socioeconomic aid providers tend to see as something they should stay away from given how political it is). The main implementers of U.S. political party aid have been looking at how party aid can directly address socioeconomic issues. As part of its larger initiative to find ways of "Helping Democracy Deliver," NDI has been experimenting with initiatives to bring socioeconomic objectives directly into some of its political party programs. For example, an NDI party strengthening program in Peru sought to help Peruvian parties develop policy approaches to reducing poverty in Peru. The aim was to use party aid as a lever to stimulate Peruvian political elites to take more seriously the challenge of overcoming Peru's chronic poverty that causes so much suffering and breeds discontent with Peru's fragile democracy. IRI has been doing extensive work in many different countries to support political polling, with the purpose at least in part of inducing party officials and other political elites to give more attention to the socioeconomic concerns of ordinary

citizens and to have better information about what policy approaches might be useful to alleviate them.

Also in this vein, some parts of the democracy aid community have been pushing developmentalists to accept political pluralism and contestation as valuable elements of socioeconomic policy decision-making. For example, some democracy promoters have urged the World Bank and other providers of socioeconomic aid to widen consultative processes between donors and recipients to make them more politically inclusive. Democracy specialists have urged donors to include political opposition parties in the processes for arriving at Poverty Reduction Strategy Papers in order to better forge consensus on national socioeconomic policy goals. In this approach, persuading traditional developmentalists to abandon any lingering belief in the possibility of politics-free policymaking is seen as crucial to bridging the divide between the political and the economic. A further step is seeking acceptance of the idea that political debate, pluralism, and composition can actually improve, rather than unhelpfully complicate, the development process by grounding relevant policies more deeply in the society and thus making them more sustainable.

A second line consists of efforts to integrate insights and approaches drawn from U.S. democracy aid into traditional sectors of development aid such as work on health, education, and agriculture. USAID has been making various efforts in this regard across this decade, under the general rubric of “cross-cutting programs.” For example, in 2006 the USAID mission in Guinea launched a new democracy and governance program that seeks to integrate USAID’s objectives in several traditional socioeconomic areas with democracy and governance objectives. The program operates from the idea that some

elements of democracy work can help strengthen aid in traditional socioeconomic areas, such as focusing on transparency and citizen participation to help local level state institutions perform better on key socioeconomic tasks. The initiative emphasizes anticorruption as a means to improve service delivery, and teaches policymakers about political tools like political messaging, coalition building, and polling to strengthen their policy making on certain socioeconomic issues. This integrative approach is only just taking shape at USAID. Diverse initiatives have been tried in recent years, but the results are only starting to be understood and built into some broader, integrative effort.

### **Hesitant Welcome**

The gradual bridging of the long-standing divide between U.S. democracy aid and the larger domain of socioeconomic assistance is a valuable development that holds the potential to strengthen both sides. It is a necessity in a world where it has become ever more clear that political and socioeconomic progress are intertwined. This convergence is welcomed by many aid practitioners on both sides of the aisle. Democracy promoters believe they have gained knowledge and skills they can contribute usefully to socioeconomic challenges. And within socioeconomic aid circles there is much more openness than before to "taking politics into account."

Nevertheless, the welcome remains a hesitant one. More than a few traditional developmentalists remain skeptical about the value democracy aid perspectives and approaches might have for their work. Moreover, many prefer to draw a line: they recognize the importance of taking politics into account in their work but they do not want to favor any particular political system as preferable for development purposes.

They fear that deeper political engagement might mean losing cordial relations and the attendant access that they have with some governments. They remain unconvinced that democracy per se, as opposed to various more general good governance features, is necessarily useful for development.

Some democracy promoters are also hesitant. They worry that integration of democracy work with socioeconomic objectives will result in the (relatively) little fish of democracy aid getting eaten by the much larger fish of development aid. Keeping some separation between the two domains may be necessary, in their view, to ensure that democracy aid does not lose its distinctive place in the donor portfolio. Moreover, some fear that efforts to integrate democracy aid with socioeconomic objectives will be a cover or excuse for some donors to avoid taking a challenging pro-democracy line in their assistance efforts in countries with friendly authoritarian or semi-authoritarian governments. Instead of harder edged initiatives to foster free and fair elections or support human rights activists, for example, donors might support politically unassertive programs to build political consensus for economic reforms and declare that they are doing as much as they can to aid democracy. Thus, although many on both sides welcome a certain blurring of the line between them, some prefer that the line remain in place.

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