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Capstone

Foreign Aid as a Tool for Democracy: Armenia's Experience

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Abstract

As a major recipient of foreign aid since its earliest years of independence more than 25 years ago, Armenia has undergone and still goes through fundamental changes due to the politics of its donor organizations. The purpose of this research is to understand Armenia's dynamics of shifting towards more democratic governance through money allocated from different organizations. The research is based on secondary as well as primary data, i.e. interviews with donors and civil society organizations as well as reports collected throughout years from both parties. Though a portion of this paper will cover different types of aid, this research will primarily focus on development aid. The methodology of measuring the effectiveness of foreign aid is divided into two parts: local and regional. Conclusions will be made from secondary data and interviews with donors as well as civil society organizations, and secondly, there will be comparisons drawn with other countries, contrasting numbers and indexes. The paper finds out that aid has played one of the biggest roles in establishing institutions and creating a governance system in Armenia towards more democratic ruling. The country heavily relies on aid to continue developing on certain aspects. It finds out that without foreign aid, democracy indexes would be much worse and neither civil society nor government could not function properly and self-sustain themselves, at least not in the near future. It concludes that the country will still be dependent on foreign assistance but it should rethink the means of spending it. Nonetheless, the time, resources and volume of the paper as well as the broadness of the topic have left a definite need for further discussion and research.

Introduction

Foreign aid is known to be one of the driving forces in state building activities in the developing world. In Armenia's short independence history, the country has survived effects of several major events which took place one after another. Some of these events are Spitak earthquake in 1988, and almost simultaneous rise of the Karabakh movement, which directly connected with eventual blockade of Armenia's borders with Azerbaijan and Turkey in 1990s. These happened during or immediately after collapse of the Soviet Union, a key phenomenon that had a strong impact on Armenia's economic and welfare system. As a result, public discontent rose on a number of state building issues. In order to stand back on its feet, Armenia turned to international organizations and countries for financial assistance and support.

Since independence, Armenia as an active recipient of foreign aid, has implemented different projects both through government agencies and civil society to revive certain sectors in its economy. Whether foreign aid helped the country avoid major failures in its post-Soviet transition is debatable but the fact that aid from different countries and agencies is one of the major contributors in Armenia's public and private sector development activities is undeniable.

Armenia has implemented projects through donor assistance in sectors of Agriculture, Business Support Services, Social Welfare, Energy, Education, Transport, Infrastructure and many others. One of the biggest sectors in this list is Government and Civil Society (*Donor Assistance to Armenia, 2017*).

As this paper will later discuss, foreign aid consists of many different types and it would be impossible to discuss all of them allocated to Armenia for the past 25 years. Hence, this paper will concentrate on only one portion: development aid.

While Armenia's main political ally is considered to be Russia, donors for country's development are comprised of a variety of actors. They include countries like Germany, UK, Japan and institutions such as USAID, Asian Development Bank and its current number one donor, European Union (*Donor Assistance to Armenia*, 2017). With the latter Armenia signed Comprehensive and Enhanced Partnership Agreement (CEPA) on November 24, 2017. It includes stressing more importance on promotion of democracy and protection of human rights. The agreement is supposedly going to bring more flow of foreign aid to Armenia.

While quite prevalent in its current political reality, foreign aid as a tool for promoting democracy in Armenia has not been actively discussed. This research will present the available literature on international experiences in evaluating the interconnection of these two concepts. It will then analyze the projects and reports from donors in Armenia providing aid in various sectors, particularly elaborating on activities for government and civil society. Finally, through first and second hand data collection it will present the possible connection of foreign aid and democracy in Armenia, if there appears to be found any.

Literature Review

Foreign aid itself is not a new concept, but a shift in providing aid as a tool to shore up economies to now promoting democratic values has emerged as a new priority in state building.

The following literature review will present types of foreign aid; how foreign aid emerged to also become a tool for democracy; what results were registered and what are different countries' experiences. It will also explain the need for this research to be specifically done for Armenia, taken into account the absence of such a report and potential gaps from

previous studies since they only explored examples in specific sectors and not general concepts of democracy and foreign aid.

Types of Foreign Aid

Foreign aid is given to countries in various forms and for different reasons.

One of the biggest gaps in literature about foreign aid is the lack of specific sectors to be identified, whether it is given for economic development, military, or political purposes, such as democracy building.

Foreign aid can be divided into two basic categories: bilateral and multilateral.

Bilateral aid is the most common form of aid, where one state directly gives money to another, for various purposes and certain conditions. This is a direct help with no third party involved. Aid can include economic assistance to combat poverty, humanitarian help in critical situations, and other usages. (Ross 2016) A classic example of bilateral aid is United States arming and economically supporting Israel, through giving the country military and financial assistance.

Multilateral aid is given from several countries to one, usually organized by international organizations such as the World Bank, United Nations and others, which collect money from different governments and give it to one state. The goal of multilateral aid is similar to bilateral, except the government receiving the aid will be responsible to more than one donor. (Ross 2016) One example can be European Union countries collectively giving aid to Greece, when the latter was in deep economic crisis. Aid was given on certain preconditions but has become a massive help to restoration of country's economy.

Armenia has no data available on the type of foreign aid it receives, as well as which country or agency gives aid on which purposes, starting from its independence in 1991. Armenia receives both bilateral and multilateral aid and the projects conducted through foreign aid are known to public but the clear allocations of money on each sector and purpose have not been summarized in specific reports.

Foreign Aid as a Tool for Democracy

After the 2001 September 11 attacks in the US, the idea of “democracy promotion” was stressed by not only international organizations but also by George W. Bush as defining democracy promotion a priority in US foreign policy (McFaul 2004).

In that context foreign aid became a powerful tool in democracy building implementation. The Office of Democracy and Governance is now a crucial department in USAID. Other organizations such as EuropeAid, which is the Office of Development Cooperation for the European Union, has “European Initiative for Democracy and Human Rights” as one of its development assistance themes. The World Bank itself has mentioned about the importance of democratic values promotion as part of its aid program. Major donor countries from Development Assistance Committee (DAC) such as France and Germany have stressed the importance of promoting democratic values in giving assistance to other DAC members (Enia 2017).

However, the questions still arise and despite exploring available data, they are hard to give answers to: how are these two concepts interrelated and how measurable is the effect from foreign aid in democracy promotion? How about seeing the reverse reaction when aid makes the

country dependent on it to a point where it does not try to stay on its own feet anymore? What are the criteria of giving certain aid to a country: its regime, history or other factors?

One of the many studies trying to **measure the effect of foreign aid on democracy** suggests a mathematical approach, to use equations and calculate the success rate of foreign aid receivers in their democratic values. It even suggests that based on the data observed from 1971-2010, if more aid was to be assigned towards solving democratic issues in certain countries their indexes may look equally high as the others who previously made good use from such aid programs (Altunbaş & Thornton, 2014).

Two other studies suggest that the less democratic the state can be in its values, the more foreign aid it is likely to receive with the vision of becoming one. Through presenting aid given from foreign agencies, individual donors and foreign direct investment, the research finds that governments that have more authoritarian leaders tend to receive more grants, where the donors believe they will use it to improve their internal regimes (Cornell, 2013). However, if the country mostly receives aid through the public sector, the numbers do not show much overall improvement, but the tendency of receiving aid does not diminish because of it (Alesina & Weder 2002).

One other hypothesis suggests that it is also crucial to understand the sources of foreign aid and identify who are the receivers. (Bermeo, 2011) For example, ten years ago China increased its amount of foreign aid allocation up to \$25 billion, but it cannot be considered a source of promoting democratic values simply because the regime in China is not a democracy itself.

Moreover, foreign aid received by civil society or governmental agencies may change the overall picture. Civil society members will be more inclined towards using the aid for democratic

and development drives while the government may not always identify its target as promoting those values. They may use the aid in another direction, e.g. economic development or using up the aid through corrupt measures. (Bermeo, 2011)

The above mentioned studies were done to mainly prove that the effects of aid may have different outcome for different countries, especially if they are implemented by institutions of specific goals and purposes.

Global Experiences and the Need for Research Locally

Sub-Saharan Africa (hereby simply Africa) with its states has not shown much result in developing more democratic societies despite the fact that each year more and more money is allocated for this cause. As many African leaders have created authoritarian regimes in their states, they have mentioned that there was minor, if almost no impact of this money allocation in their states' democracy building. (Bräutigam & Knack, 2004) Nevertheless, it is also important to state that Western countries which were donors to money allocation in Africa have announced positive progress they saw in those African states. (Goldsmith, 2003) Hence, there is a big distinction between how the receiver can interpret its money spending results and how the donor can perceives the final picture from its aid. In reality, they may be completely disconnected.

The Arab countries which have also been traditionally non-democratic states show a different approach towards receiving and spending foreign aid. From international organizations such as the European Union, the aid has mostly been allocated to non-governmental organizations, women's groups, think-tanks and other similar agencies. From bilateral and multilateral aid, the governmental bodies such as schools, parliament and others were the main recipients. These differences talk about each party's political interests: the European Union has

been and continues promoting democratic values in each region that it spends its aid. Other countries which have been partners with Arab states may not necessarily be of interest to change any of their political regimes. Arab leaders' methods of suppressing the aid of too much democracy promotion have simply been claiming more funds for its state institutions than its independent bodies (i.e. NGOs and think tanks). (Carapico, 2002) Not surprisingly, the Arab world proceeds being far from what can be called democracy.

Locally, Armenia's neighbor Georgia is a big beneficiary of foreign aid, coming especially from the United States, EU member countries and even Japan. Though Georgia has not shown a proven record of corrupt usage from foreign aid, it also did not display any reports about how and whether the money was implemented towards promoting concepts such as democracy. ("Access to information, accountability, and aid to Georgia" 2008) This lack of transparency has naturally caused public distrust and miscommunication with many civil society organizations especially working on topics of corruption and democracy building.

The need for a particular research on Armenia is evident. The newly independent country has been a heavy recipient of foreign aid and proceeds developing its relations with organizations and states that aim to continue allocating more money in the country. Armenia has no proven record of showing its growth, decline or neutrality tendencies in its democracy level which can be connected to the types and amounts of foreign aid it annually receives. This study can be a summary of what has the country achieved so far and based on the information it has found, it will also give recommendations on how it can potentially move forward.

Hypothesis and Research Questions

The main **hypothesis** of this paper is that *foreign aid has, to some extent, contributed to the development of institutions of democracy in Armenia.*

The research questions of this paper are:

Primary Research Question: How has foreign aid assisted to the development of democracy in Armenia?

RQ2: Have the donors been on the same line with Armenia's definition of democracy when allocating aid to the country?

RQ3: Have foreign aid agencies influenced or challenged Armenia's definition of democracy and its ways of implementing projects in this field?

Methodology

The research consisted of both primary and secondary data collection and evaluation. It found and conducted analysis of donor project summaries trying to identify the link towards promoting democratization and types of projects implemented for that cause. Projects were conducted both by the Armenian government and civil society organizations (CSOs).

It also looked through Armenia's reports of democracy index from Freedom House, The Economist and other platforms to find out the development or decline of the process over the

past two decades. It tried to find the approximate amount of funding received from states or international organizations as development assistance and divide it to the share per capita.

It also attempted to determine how efficiently the country has spent the funds given.

Regarding primary research, interviews were conducted with representatives of CSOs that have directly worked towards democratization projects through foreign funding. This is to find out how targeted these projects were to having a more democratic Armenia and how much of an effect do CSOs see from these projects on country's democratic development.

Some of the questions asked for these organizations included:

- What types of projects has your organization implemented towards promoting democracy in Armenia?
- What methods of evaluation and monitoring do you use in your projects in order to find it effectively implemented?
- How would your organization define democracy and do you think it is different from the government's idea of democracy in Armenia?

The reason for interviewing individuals from these many different institutions was to provide as much objectivity as possible, when making conclusions in the research project. The concept of democracy itself is not so simple to define and its interpretations may result in diversity of projects done for it. It was crucial to ensure a range of interviews to be able to get as complete of a picture as possible.

In order to also have voices heard from donors themselves, interviews were also held with representatives from agencies such as the European Union, USAID, World Bank Armenia and Embassy of UK and others.

Some of the questions asked to donors were:

- What is the rationale behind allocating money on Armenia's government? How crucial do you think it is to allocate money on democratization of the country?
- How do you define democracy? How does your agency or country see Armenia's level of democracy now and in its earlier years of independence?
- How big of an impact do you think foreign aid agencies have in Armenia's democracy promotion and are they effective in fund allocation?

In order to evaluate and monitor the results, this research mostly referred to sources in literature review to adopt certain methods of analysis. It was to calculate the development assistance share per capita, discourse examination from certain word choices during the interviews, finding out the most common challenges and opinions and many others. The results were combined with findings from secondary data (e.g. donor and governmental reports, interviews with the media, political and diplomatic statements on various occasions, and others).

Findings

Currently, there are around 26 large international organizations in Armenia, including the European Union, United Nations Development Program, European Bank for Reconstruction and Development, and many more. ("International Organizations in Armenia," n.d.) These organizations are not the sole foreign aid donors in the country; many of them are involved in development aid: the type of aid on which as mentioned, this research is going to focus. This research had too little resources and too little time to make arrangements and gather primary data from all donor organizations, civil society organizations and government representatives. However, both secondary data through research and primary data gathered from interviews are

sufficient data to make appropriate analysis. The gathered data is applicable to post Soviet Armenia. No data before Armenia's independence in 1991 will be discussed.

The paper will first present Armenia's scores in democracy, and break down the main factors taken into account when calculating the final score. It will then present the way democracy is defined through the eyes of beneficiaries and donors, whether they see any exploitation of this broad term, intentionally aiming to push one's own agenda forward. It will then present the official development assistance given to the country, the rough share per citizen and contrast it with the assistance given to neighboring countries in Azerbaijan and Georgia. It will discuss the potential relationship between the development assistance and democracy in the three countries. Besides the current efforts, it will also cover the possible shortcomings and what could have been done better in Armenia for a more smooth cooperation between the donors and beneficiaries. In addition, there will be analysis whether foreign aid has proven to be effective and whether it is needed for Armenia's democratization.

Finally, it will conclude with its potential limitations and set the base for need of a further research.

Armenia's Democracy Score

According to Freedom House reports, Armenia's democracy score has continuously worsened over the past decade. In 2003, the country had the record of 4.92 out of 7 (where 7 is the worst score), and year by year it steadily grew to now being 5.43 out of 7, making it a semi-consolidated authoritarian regime as of 2018. ("Armenia," 2017) Freedom House calculates the overall score of democracy through the following components (scores are as of 2018):

- Electoral Process 6.00
- Civil Society 3.75
- Independent Media 5.50
- National Democratic Governance 6.00
- Local Democratic Governance 5.75
- Judicial Framework and Independence 5.50
- Corruption 5.50

As it appears, with a total score of 5.43, Armenia's rate of democracy is only lowered due to the low number of civil society independence. As the paper will show, think tanks and civil society organizations are rarely funded by the Armenian government, and instead mainly sustain themselves through the grants of foreign aid agencies.

Freedom house bases its research on two main components: Political rights and Civil Liberties, where Armenia scored 5/7 and 4/7 respectively, where 7 is considered as "least free". Net Freedom status of the country is partly free. Based on the interests of this paper, only civil liberties will be analyzed. To the question whether freedom for nongovernmental organizations, particularly engaged in human rights and governance-related work is provided, Freedom House mentions that many non-governmental organizations "lack local funding and largely rely on foreign donors. However, there are a few outspoken rights organizations and watchdog groups, mostly in Yerevan and in northern Armenia." (Freedom House, 2018)

Additionally, The Economist has also been releasing democracy index calculations for the past 12 years. On scale of 1 to 10, where 8-10 is full democracy and 0-4 is authoritarian regime, Armenia scored 4.15 in 2016 and 4.11 in 2018. It is currently in the category of "hybrid regime." 2016 has been the worst year for Armenia as the number deteriorated to 3.88, making it

an authoritarian regime. However, the year after it moved back to hybrid regime due to the constitutional changes, that “shifted power from the presidency to parliament.” (EIU Democracy Index, 2017) These reports do not have separate cases for each country like Freedom House does but the main factors through which the final score is calculate are the following:

- Electoral process and pluralism
- Functioning of government
- Political participation
- Democratic political culture
- Civil liberties

Armenia has scored approximately the same in both these reports. Since the research is mostly focused on perceptions from civil society organizations and donors, the paper will mainly focus on the areas where they are both involved in, i.e. the paper will refrain from expanding details on electoral process, judicial framework and political participation. It will only cover local and national governance, independent media, corruption and democratic political culture only to the extent of foreign aid agencies and civil society’s involvement.

Defining Democracy

Perceptions on democracy vary from one foreign aid agency to another and from one civil society organization to the other. Note that some of the interviewees only have their organization name (not their personal name) mentioned in this paper, for personal reasons, organizational rules or security matters. From donors, interviews were held with:

- European Union (EU) in Armenia

- UK Embassy
- USAID Armenia
- World Bank Armenia
- Asian Development Bank in Armenia (ADB)

From CSOs, interviews were held with:

- Transparency International Armenia
- Eurasia Partnership Foundation
- Open Society Foundations

Other actors:

- International Center for Human Development (think-tank)
- United Nations Development Program (UNDP) Kolba (Social Innovation Lab)

Through interviews with the main donor organizations in Armenia, it becomes clear that each organization allocates money based on their main foundation principles; hence also define democracy in their agenda through the same principles.

For example, World Bank in Armenia defines democracy through the idea of making Armenia's population less poor. As Vigen Sargsyan, Senior Communications Officer at World Bank Armenia mentioned "Of course, if poverty is eliminated, this will indirectly have its impact in democracy building in the country. If the Human Rights Defender is explicitly working with protecting human rights and aiming for democracy, then we are doing it indirectly with improving these people's life quality. If the country is poor it is much harder to have protected rights and democratic institutions." Sargsyan also mentioned that all of their projects have in one way or another made people's lives easier, hence leaving them with more opportunity to focus on practicing their citizen rights. For example, at the beginning of Armenia's independence back in

the 1990s, the World Bank was one of the pioneers to become involved in providing Armenia's citizens with electricity, clean drinking water and other such needs. Now, many of these are solved in a big portion of the country and citizens can focus on issues that concern their wellbeing and life quality. It is another question, however, how the government spends the current aid given from the World Bank nowadays. This will be further discussed in the paper.

The Asian Development Bank (ADB), just like the World Bank, prioritizes reduction of poverty with their projects. However, ADB's focus areas are primarily economic. ADB's Project Implementation Officer Gohar Mousaelyan mentioned that democracy by itself is not mentioned explicitly in the Bank's priorities but through empowering and lifting Armenia's economy through participatory projects with local communities, they are indirectly defining democracy for themselves from the economic scope.

On the contrary, USAID and EU in Armenia have allocated their financial assistance in a number of spheres. Representative of USAID Armenia for example mentioned that their definition of democracy is directly interconnected to democracy through the interest of the US government, and focuses its projects on providing better government functioning structure, establishing laws, as well as projects in promoting tourism, independent media, social innovation, regional development through entrepreneurship and many others. Through the variety of scopes in this program, USAID empowers different actors of society, hence contributing to more citizen participation and establishing democratic values.

The European Union's understanding of democracy is connected to its definition of democratic values on the European Charters.

Representatives of UK Embassy in Armenia have mentioned that democracy should be defined as something where state authorities work in the interest of people.

Marina Mkhitarian, head of UNDP's Kolba Lab defined democracy as something that should be a human centered instead of an institution centered process. That is the reason it provides projects that involve as much citizen, civil society, and government workers involvement as possible. It empowers individuals and teams, instead of empowering institutions. Through having internal calls for innovative projects in different ministries, and rewarding individual's ideas, the person starts to believe in their ability of making a change. This ultimately brings to better and hence more democratic governance.

Through the eyes of civil society, as Transparency International Armenia's Communications and Advocacy Coordinator Haykak Simonyan mentioned that everyone has a different ideology and "that is what makes the civil society in Armenia so competitive. If everyone had the same agenda, we would not be as active or have the base to grow." Because the organization is part of the Transparency International, its main priorities are having more democratic institutions through combating corruption.

On the other side, Program Assistant Lilit Arzoyan at Eurasian Partnership Foundation mentioned that their main areas of focus are human rights, minority rights, youth empowerment, civic participation and such empowering initiatives directly work towards Armenia's democratization and more confident civil society. Hence, their definition is in the scope of these fields.

Open Society Foundation's Civil Society Program/Policy Fellowship Coordinator Valentina Gevorgyan mentioned that the Foundation is focused on having civil society's voice heard in public policymaking.

Last three civil society organizations are an umbrella organization to many small ones in different fields. Through empowering less developed organizations with small scheme grants,

they make sure that more and more organizations become involved in the chain of “empowerment” in their respective communities. This, of course, directly works on making government accountable and cooperating with local and national representatives about number of challenges in the country.

As Haykak Arshamyan from Transparency International mentioned, democracy is an issue of interpretation and some agencies can exploit the concept for their benefit.

One example is what is being done by the government in the country. Through populist ideologies, the government can make their citizens believe that the actions they are doing against democracy are actually done for the citizens’ own wellbeing. This has particularly occurred in recent decisions made by Yerevan municipality, which banned journalists from entering the city hall’s council member meetings after a scandalous case with opposition members from Yerkir Tsirani political party. The municipality is still going to give the opportunity for the journalists to follow the sessions but this will be done in an isolated room. The municipality can still reason that the journalist’s rights are not being violated to hear the sessions but through closing the doors, journalists cannot directly film any inside occurrences and technically will not be able to address questions to the mayor as they could before. The government has justified this abrupt decision arguing that the same rule occurs in the Armenian government. Justice Minister Davit Harutyunyan argued that “We don’t interfere with [reporters] and they don’t interfere with us. The same rules will be introduced for sessions of the Yerevan council.” (“Parliament Restricts Media Access to Yerevan City Council Sessions,” 2018)

Where Does Development Aid Come From?

Since this paper will focus on development aid, it will only work with statistics with that type of foreign aid.

When talking about development aid in general, it is referred to Official Development Assistance given to 100+ recipient countries around the world.

Official Development Assistance (ODA) is a concept defined by Development Assistance Committee (DAC) of Organisation for Economic Co-operation and Development (OECD) and is a “government aid designed to promote the economic development and welfare of developing countries.” (OECD, n.d.)

Net official development assistance “consists of disbursements of loans made on concessional terms and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries to promote economic development and welfare in countries and territories in the DAC list of ODA recipients.” (Net ODA - OECD Data, n.d.)

35 member countries of OECD start from Australia, Germany, Russian to the United States. They need to meet the target set by the United Nations, which is to “devote 0.7% of their gross national income to ODA.” (“Official development assistance (ODA) - Net ODA - OECD Data,” n.d.) Though OECD makes the effort to collaborate with civil society organizations this is mainly government aid, either through multilateral organizations, such as United Nations or the Global Funds to Fight Aid or in a bilateral form to development assistance. (Larsson, 2015) As part of lower middle income countries **Armenia is considered a recipient to ODA.**

When discussing foreign aid and democracy connection, the data from OECD shows that the year’s aid is decided based on the internal dynamics of the country. For example, when Armenia’s parliamentary elections in 2012 and presidential elections in 2013 raised a lot of questions in their transparency, it contributed to the country’s ODA decreasing from \$395,500,000 to \$270,560,000 from 2011 to 2012, with the same dynamics until 2014.

According to the latest data available for 2016 Armenia has received \$326,760,000 net official development assistance and official aid. To understand, how much of a share each citizen has from this money, the assistance is divided to Armenia’s population number.

To receive fair results, the calculation took 2016 year’s Armenia’s population, being 2,924,816. Roughly calculated, each resident of the country roughly receives \$111.7 worth of foreign aid. (Figure 1) Statistics have all been taken from one source – World Bank data.

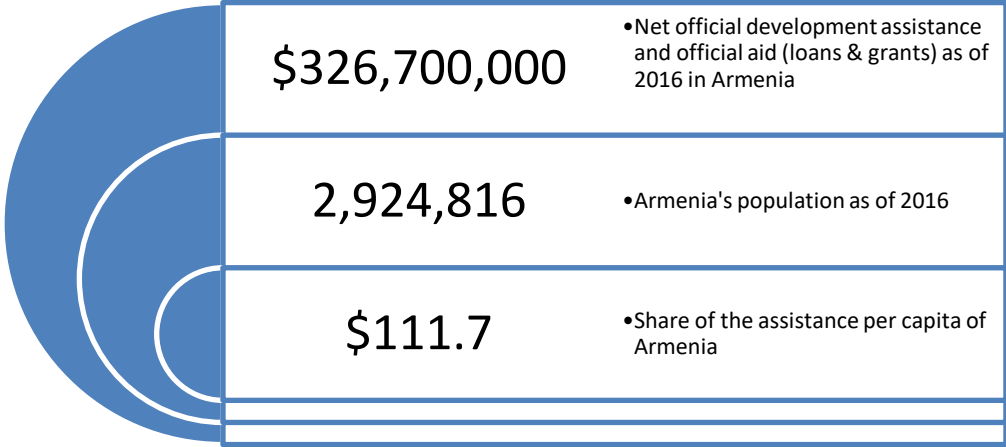


Figure 1: Dividing net official development assistance & official aid number to the population of Armenia to find out roughly how much each citizen gets from this number

To put this data in a bigger picture, it is important to compare Armenia with its neighboring countries in South Caucasus: Georgia and Azerbaijan. The data is still taken from World Bank and calculated with 2016 numbers to do justice with the comparison of Armenia’s data in Figure 1.

The below mentioned categories are stated to have a more complete picture of what possible factors can contribute to certain conclusions made based on the provided data.

Country	Gross Domestic Product (in USD)	Freedom House Democracy Score (1=most democratic, 7=least democratic)	Net ODA & Official aid (in USD)	Population	Share per capita (in USD)
Armenia	10.572 bln	5.36	326,760,000	2,924,816	111.7
Georgia	14.378 bln	4.61	462,740,000	3,719,300	124.4
Azerbaijan	37.848 bln	6.86	77,500,000	9,757,812	7.9

Table 1: Comparison of several factors in South Caucasus countries to determine the correlation between foreign aid and democracy building (all data is taken from 2016)

Several conclusions can be made from these numbers:

Azerbaijan, having a much higher GDP than Armenia and Georgia, receives significantly less ODA than the two other countries. Georgia's ODA number is the highest in the region, which can be connected to the numerous development assistance given to the country after its Rose revolution, where Georgia took a more democratic direction than its neighbors. With its Western orientation, Georgia is US and EU's big ally in the region. Almost all democracy-assistance "the United States has given to Georgia, has been in the form of direct governmental assistance, rather than support from NGOs." (Mitchell, 2006) As it appears from Table 1, Georgia also has the best score in democracy compared to its neighbors.

Even though aid does not directly conclude better scores in democracy (Knack, 2004) in Armenia's case these numbers show that the ODA it received and the scores with its democracy and overall GDP, these factors are in fact interrelated, as well as have similar patterns with Georgia and Azerbaijan. Nevertheless, when making conclusions based on such numbers, it is important to also take into account the country's geographical location, foreign policy, internal stability and its main donors. The latter especially plays a crucial role in country's democracy

indexes. It is studied that the democracy score and foreign aid are also strongly interconnected depending on the country's donors, as "aid from authoritarian donors exhibits a negative relationship with democratization." (Bermeo, 2011)

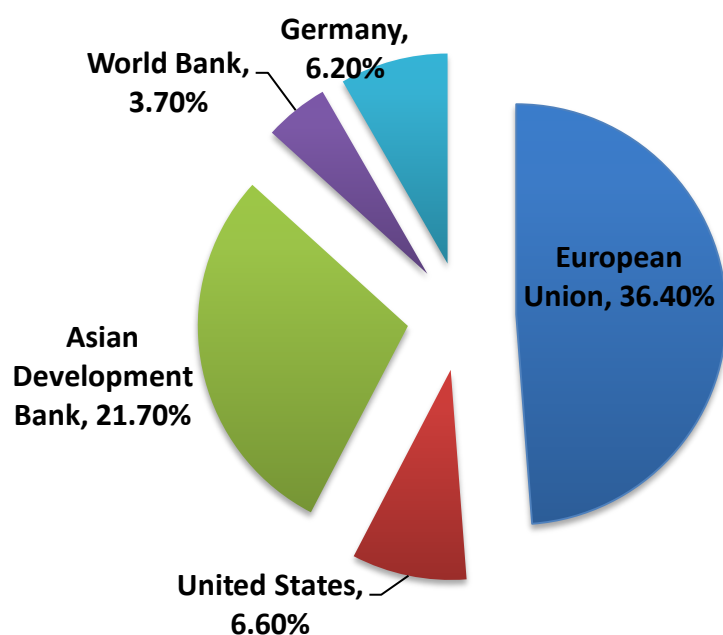


Figure 2: Main Donor Share in Development Assistance Inflow for Armenia (2015).

Source – OECD 2017 report

The biggest bilateral assistance donor to Armenia is the United States and the biggest multilateral assistance donor in Armenia is the European Union. Other major donors include World Bank in Armenia, Asian Development Bank in Armenia and countries of agencies, such as Germany.

As mentioned previously, each donor has its own priorities when allocating money to certain sectors. Countries such as the United States or members of European Union clearly want stability in the region, so their own growth will be not be affected by external factors. Countries that have more experience in certain sectors, such as Japan for disaster prevention, prioritize them in their

assistance to Armenia. As mentioned previously, the two Banks work on helping alleviate poverty and so on (Figure 3).



Figure 3: Main Disbursement Sectors by Donors in Armenia

Source: Development Aid Special Report 2017¹

¹ https://api.developmentaid.org/api/frontend/cms/uploadedImages/2017/11/Report_Armenia.pdf

Projects Done through Foreign Aid: Do We Still Need Aid Moving Forward?

Armenia has been a foreign aid recipient since the beginning of its independence. As shown at the beginning of the paper, the main progressive number in Freedom House reports is the indicators of civil society. As a driving force of activism against the corruption in the government system in the country, many of Armenia's civil society actors continue to keep the government on its feet. Many organizations do shadow reporting that are then being matched with the reports done by the government, after all presented to the donor organization. Civil society demands more transparency and continues to point out the government's shortcomings to the foreign aid organizations. As interviewed civil society organizations mentioned, foreign aid is essential. Tevan Poghosyan, Head of International Center for Human Development mentioned that all their projects are funded by foreign donors but they have also contributed to the laws implemented by the Armenian government, e.g. adopting the law against sex-selective abortion. Lilit Arzoyan from Eurasia Partnership Foundation mentioned that if foreign aid were not given to civil society organizations, they would not be as active and hence, not able to criticize the government. Valentina Gevorgyan from Open Society Foundations mentioned that "Armenia would become a totalitarian regime" had the civil society not had the access to foreign assistance. Civil society organizations that are critical of the government and are more independent in their actions are primarily or completely funded by foreign aid donor organizations.

Armenia's government in itself is a major recipient of foreign aid. Numerous projects, such as e-draft systems, where people can go and vote online for or against the draft law government is proposing, e-governance systems funded by the European Union, where the organization

provided the resources and money to digitalize many governance tools. There have been initiatives against corruption, police reforms, laws against domestic violence, even providing transparency during election process, and many others, where many foreign aid organizations had their contributions. However, besides innovative projects, the government still needs to cover trivial expenses, such as taking loans from the World Bank to cover salaries, pensions and other such related expenses.

All interviewees of the project agreed that at this moment, it is only logical that moving forward Armenia definitely needs foreign aid to sustain itself the way it has for the past two decades. However, the way foreign aid is spent and should be spent in the future is a question of debate. If the government still uses some portion of foreign aid to cover essential needs instead of investing it in bigger innovation initiatives, how does it expect to record improvement in different areas and only contributing to the external debt. If some civil society organizations are primarily or completely dependent on grants given by foreign aid organizations, what is the plan to sustain themselves and move forward with bigger accomplishments.

These are some of the concerns raised throughout interviews with both parties as well as conclusions based on the data discussed throughout the paper.

Monitoring and Evaluation Methods

Donors have different methods of Monitoring and Evaluation (M&E) mechanisms when it comes to measuring the effectiveness of the project.

One method of M&E Transparency International Armenia uses is gathering all its beneficiaries (as it is a grant giving organization as well) to discuss projects of the previous year, their outcomes, challenges and vision for next years.

Eurasia Partnership Foundation has independent evaluation groups, including ones from abroad, to measure their initiatives. Lilit Arzoyan mentioned that one interesting methodology is – measuring success through individual stories. “Apart from numbers and measurement, the project can be successful if it changed someone’s mindset, if it sparked something in one person’s mind to start something great. To me, stories can be just as effective ways of measurement.”

Asian Development Bank presents project completion report, where they measure how much economic impact the project had for the country and how they see it moving forward.

For UK in Armenia, it is very important that the project becomes continuous. It is an important goal to provide the sustainability of the project. They also evaluate how much the project matches the country’s current vision and how much is the internal rate of return.

The M&E methods the European Union uses is having midterm evaluations for their programs, pay visits to their projects as midterm evaluation and have end of project evaluation.

With economy oriented development assistance, it is easy to measure through numbers, calculate the growth and make conclusions. However, with projects where the main aim is to change mindsets, opinions and stereotypes in certain topics, it is challenging to find ways of seeing its effectiveness. This applies to projects which are connected to topics of peace, conflict transformation, civic participation, community building and others. Donor organizations give the funding and resources but the final outcome will be based on how the people and civil society organizations use these tools.

These projects usually contribute to bigger events in longer term, which was clearly displayed in 2018 Velvet Revolution in Armenia, where peaceful transition of power took place in less than a month from one prime minister to the protest leader, leading peaceful civil

disobedience acts around the country, against the political regime. Funding given to educational programs, where students had the opportunity to live in other countries and bring the experience to their homelands, projects of conflict transformation where hatred and stereotypes have been broken for many, contributed to changing people's mindset and having the non-violent turnout of victory.

What Could the Donors, CSOs and Government Have Done Better?

As there is room for improvement from all parties, interviewees pointed out several tangible suggestions and concerns moving forward. Some of the highlights are mentioned as general concerns that occurred often during interviews.

Civil society organizations are judged by their counterparts if they intend to cooperate with the government. Donor organizations are judged if they allocate big amount of money to projects implemented by the government. Many civil society organizations and government bodies have very little to no contact. This leads to misconceptions and many independent works are not connected to each other, while some of these projects could have been complementary.

Civil society organizations also need to think of better ways of self-sustainability. The government will somehow have the funding but many non-governmental organizations "survive" from one grant project to another. They can work on social entrepreneurship initiatives, become membership-based or work on other innovative ways to continue their work.

Donor organizations need to make their recipients more accountable and be able to make them understand the value of this aid they are receiving. Both civil society organizations and the

Armenian government need to realize that the money is coming from develop countries' taxpayers' pockets and they need to be very conscious when spending these funds.

Limitations

In terms of primary data, this research took place during a very unstable period in Armenia's political life. The country went through a revolution where citizens overthrew the leading government, having a peaceful transition of power. Though the leading political party is still a majority in the parliament the ministers have been appointed from the winning opposition party which led to a somewhat disorganized situation inside the government agencies. That is why it was near to impossible to have any interviews with any ministry. Additionally, the previous government itself has not been responsive to requests for an interview even before the revolution since there is not one department or an official whose work nature flows around this topic.

Another limitation is the time constraints to explore all sides of foreign aid and have more interviews with civil society organizations and think tanks. The ones interviewed were established and independent organizations with stable vision as opposed to many other non-governmental small organizations that can have completely different visions and opinions about the given topic.

From secondary data, it was nearly impossible to read all the available analysis on foreign aid and democracy connection. For example, the research almost completely lacks to cover humanitarian aid. There was no single data where one could read the list of all foreign aid donors, the aid given in each sector for Armenia each year.

The research also leaves out many economic aspects of foreign aid, which is directly related to democracy building as well. This is because of the many initiatives in the field and time constraints to read about all the implemented projects e.g. building roads, renovating buildings, providing clean water, etc.

Conclusion and Questions for Future Research

Going back to the main hypothesis and research questions, here are their short responses, answered through this paper.

The hypothesis that foreign aid has, to some extent, contributed to the development of institutions of democracy in Armenia **is proven to be correct.**

Answer to primary research question:

How has foreign aid assisted to the development of democracy in Armenia?

It has contributed to establishing governmental and non-governmental institutions and systems in building the newly independent country. It has contributed to a platform for the government, civil society and the country's population to potentially work on building the country through number of initiatives in a number of different fields.

RQ2: Have the donors been on the same line with Armenia's definition of democracy when allocating aid to the country?

It becomes clear that there is no one definition of democracy defined by either the state or civil society organizations but it is undeniable that foreign aid donors work on aligning with their beneficiaries' vision when allocating the money to the recipient.

RQ3: Have foreign aid agencies influenced or challenged Armenia's definition of democracy and its ways of implementing projects in this field?

Sometimes foreign aid agencies refrain from pushing their own vision and agenda forward when allocating money to beneficiaries but regardless, they cannot work against their main beliefs and aims. Hence, projects should somewhat be on the same page with the donor's vision and values as well. When allocating money, these agencies set their own expectations and they anticipate seeing results that will be sufficient to present to their respective countries' taxpayers or organization headquarters.

It can be concluded that foreign aid has had a big impact on Armenia's democracy level, empowering government institutions and civil society organizations, as well as the population itself by working towards their wellbeing in combatting poverty, providing better living conditions and many other aspects.

However, if this research was to be presented one month ago in April 2018, it would conclude that Armenia has a long way to reach democracy with or without foreign aid assistance. However, the peaceful revolution victory in the country, having the opposition leaders taking the cabinet, many of these aid beneficiaries seems to have used the empowering tools foreign aid has been providing them throughout the past two decades.

As stated above, the country should still receive foreign aid. However, with the newly appointed government, it will hopefully reach for more efficient use of foreign assistance to thrive for more instead of settling with what they have had until this moment.

Questions for further research should be:

- How can the development assistance be measured quantitatively?
- What spheres should the aid be allocated in the future for more effectiveness?
- How should government, civil society and donor organizations work together in consortium for better results?

-How should the foreign aid agencies prioritize their fund allocations for more tangible results?

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APPENDICES

1 - Interview Questionnaire

Organizations:

- Is promoting democracy building in Armenia part of your organization's mission? If so, what percentage?
- How would your organization define democracy and do you think it is different from the government's idea of establishing democracy in Armenia? If so, how?
- I have researched that you have done projects in elections and governance system that were related to democracy building in the country, how fruitful were these projects and were they funded by foreign aid donors?
- How much of dependence do you think civil society (or the appropriate name, depending on the organization) has on foreign aid in Armenia?
- How about dependence on foreign aid for democracy building in Armenia?
- Do we need foreign aid for democracy building in general?
- Why do you think donors are eager to give organizations money for such a cause? Have you found this effective?
- What do you think civil society, government and donors could have done better in democracy building in Armenia?
- What methods of evaluation and monitoring do you use in your projects in order to find it effectively implemented?

Donor organizations

- How do you define democracy? How does your agency or country see Armenia's level of democracy now and in its earlier years of independence?
- What is the rationale behind allocating money on Armenia's government or civil society organizations? How crucial do you think it is to allocate money on democratization of the country?
- How big of an impact do you think foreign aid agencies have in Armenia's democracy promotion and are they effective in fund allocation?
- Do you see the continuous need to fund Armenia with foreign assistance?
- What do you think civil society, government and donors could have done better in democracy building in Armenia?
- What methods of evaluation and monitoring do you use in your projects in order to find it effectively implemented

2- Interview Results

1. Transparency International

- Our main aim is to fight against corruption through democratic means. It is 100% of our mission. We believe that promoting good governance will result on democracy in the country. Every year the corruption index by Transparency global shows that in countries where human rights are more violated these countries are less democratic (meaning, they are highly corrupt) countries
- Democracy is an issue of interpretation. Sometimes the government may pressure journalists, have political prisoners and try to exploit these concepts, and present it to public as if it is democracy and they are doing it for the good of the society. The interpretations of democracy are also very different among civil society. Many

organizations are the ones opened by the government itself so they serve the government. Many organizations have different values and it creates discourse and competition, which is a good thing, if they all agreed on one concept there would be no development and no growth

- Government gives grants to organizations as well, but most if not all of them are their own organizations so they use the money for their own good. They don't publish any data about what they had done
- All our programs are funded through foreign donors. Our donors are different - EU, Embassy of the Netherlands in Georgia, USAID, etc. We now have consortium grants with other organizations, projects with other transparency international offices (one with mining with Australia). We have small grants for organizations especially in the regions, this is agreed with local authorities. Most of these grants are about monitoring the government's local work. We also encourage them to do follow ups with their projects to keep the government accountable.
- Democracy and foreign aid may not be connected at all, if the government is chosen legitimately and there is a society that is demanding. In comparison with Georgia, people always hold their governments accountable than we do. Georgia has more foreign aid than we do because they have earned it. We do have a serious civil society but it is not enough.
- We also do shadow reports that are matched with the government's report
- If there was no foreign aid there would be no accountability by the government, there needs to be political will. Donors see the effects that's why they keep funding us
- They use soft power from the US and Europe, so this is a good chance for them
- I would want the donors to make us more accountable with the money they are allocating
- Every year we ask our beneficiaries to gather in one place and we have a certain methodology from transparency global

Open Society Foundation

- There is lifeless political reality in Armenia
- We are in this sort of hybrid system. We have the luxury of elections but we also know these elections are falsified. That is why we do election monitoring, and other activities to keep the government accountable. If we did not have foreign aid, we would be unable to control these activities. We would be in a totalitarian system; it would be in a dictatorship.
- Our main role is to have civil society engaged in public policymaking
- We fund a lot of diverse civil society actors – media (Factor.am, Boon TV, Medialab), freedom for political prisoners, small grants, and many others. We believe, funding diverse actors will empower all actors that would contribute to better civil society and better government
- Democracy is implementation of vital provision of constitution, freedom of assembly expression, free civil society, no harassment, functioning legislative framework
- The government usually exploits the concept of democracy for their own good. For example, because the law of domestic violence was prevalent and there was funding, they implemented it now though they could have done it much earlier.

- There is direct dependence from foreign aid in the country. If NGOs were for example membership-based, like in many other countries, we would not need so much money from abroad.
- There is no official fund for Civil society like in other countries
- Civil society needs to realize its role and have more impact oriented advocacy

Eurasia Partnership Foundation

- Our organization promotes democracy. We want civic participation in local governance. That is what one of our initiatives – CSO Depo is all about. Empowering CSOs to become stronger actors of society. The rest of the activities are connected to peacebuilding. We work with Bridge for CSOs as a civil society bloc. We are also involved in having society participation in community enlargement. Our projects are also related to media participation – have a more informed society and have better civic engagement. We now have InfoHouses in regions. We promote human rights, equality, minority engagement, youth engagement through Youth Banks, and many others.
- We demand that the constitutional rights are protected, discrimination is eliminated, and a person's basic rights are protected
- Most funding of our projects comes from abroad. If there were no foreign aid, we would have no level of democracy at all
- A lot of NGOs are now trying to fund themselves through social entrepreneurship and make themselves sustainable, however it is time consuming and until then, they need to fund through foreign aid sources

World Bank

- Democracy has two components – individual liberties and responsibilities as well as balanced diversity and harmony in institutions
- We are now in semi authoritarian regime. There are certain liberties in the concept of defining democracy but the system sometimes “plays” with these liberties. They establish laws that are not democratic at all.
- We were in a much better situation after independence from the Soviet Union but we continuously deteriorated, all connected to the current geopolitics and war situations
- World Bank aims to eliminate poverty and the projects we do are connected to reaching that final goal. Of course, if poverty is eliminated, this will indirectly have its impact in democracy building in the country. If the Ombudsman is explicitly working with protecting human rights, then we are doing it indirectly with improving these people's life quality
- If the country is poor it is much harder to have protected rights and democratic institutions. We are currently one of the poorest countries in Eastern Europe
- We have had a big input in providing Armenia with basic needs- electricity, drinking water, etc
- The bank has had a tremendous input in Armenia's development. At the moment Armenia has 2.3 billion USD worth loan to take care of
- The government does not always make the right decision with the taken loan. Instead of investing it, they are using it for trivial expenses, such as paying salaries
- We kept having one crisis after the other, so it was hard to revive and restore back from them
- We now have over 60% external debt and it is a scary number. The government should seriously think about this number

- As donors, we always seek to hear all the opinions. We have discussions with civil society organizations, try to hear the public voice, get a feedback before we start the program
- We do beneficiary assessments through experts coming from abroad, independent evaluation group

UNDP Kolba Lab

- We believe that democracy is the distributed power, trying to minimize the risk of abusing power. Democracy should be human centered- meaning the system is not what's important. The central role should be given to human. Institutions should work to develop the human, not the system. In Armenia, a lot of times it is more institution centered
- The system of e-draft was a revolutionary idea. Anybody can go and familiarize themselves with the current laws trying to get through the parliament and have their say in it. A lot of times laws have not been eliminated when there was resistance
- Kolba Lab itself is human-centered social innovation incubator. We have call for ideas from the public, from civil society, and also internal calls in the government.
- Through empowering all these actors, we indirectly also contribute to the democracy building in Armenia
- There is no campaign to communicate with citizens. Government just makes a decision, without having a proper PR campaign about it. That is why citizens do not trust any of these reforms.

ICHD

- Our projects and initiatives are not always “in the name of democracy” but are steps towards it. For example, we have contributed to establishing the law of sex selective abortions.
- Foreign aid can be for stability, humanitarian aid and development aid. In Armenia, the majority is mostly for the latter. The country seeks aid to develop its institutions, systems and public services
- We are not funded by the government, all is done through foreign aid donors. What is unfortunate is that if you cooperate with the government, many will give you bad labels
- If we have middle class there is democracy. But we have a big problem with that gap

USAID

- Our budget is now much smaller than before, so we have to prioritize our areas of focus. These projects are of course in the interest of US government
- We have been working on reforms in social, health, energy, economic growth, local governance, media empowerment and many others.
- We are working on institutional and local capacity building, empowering entrepreneurship in the regions (B2Bs, local small businesses etc). Through these steps, it is of course more possible to reach towards a human-centered country. We work on My Armenia program where we involve the locals in this tourism project. It is all about participatory decision making
- We have funded media information center, teaching media literacy. We work with NGOs with local capacity building, especially in the regions.
- We ask about the needs of the community when we make a decision to assist them or not. When people know they have their say in it. That is a direct step towards democracy

- However, we want people to take initiatives. They want you to give the money and opportunities to them. They need to be more initiating. The community should identify what they need. We should not be delivering this to them. They should take ownership
- We usually leave the areas where we feel we have made the necessary difference. For example, we have created certain procedures for the parliament to function and once we realized we did not any more value, moved on to another project
- There needs to be better communication. If there are parliamentary hearings about a certain topic, beneficiaries should be invited to it.
- We have also been involved in adopting certain legislations
- There should be more partnership, more constructive criticism of these projects

ADB

- We have worked on building infrastructure – roads, drinking water, etc
- Our main goal is to alleviate poverty and through all our projects we encourage public communication. We have certain criteria that archeological venues should not be destroyed through our projects, people's lives should not be worsened because of us, the environment should be not harmed because of us
- We have community monitoring program, where activists themselves take part in the road building process, they go and monitor it. They pay visits, report the result to ADB
- We also work on economic empowerment of women
- After the project, we present project completion report, measure how much impact it had economically. Of course, economy has a direct connection with democracy building in the country
- It is very important that they become continuous. One of our main goals is to provide the sustainability of the project. We evaluate is the project matching the country's vision, how much is the internal rate of return, and if it is less than 11%, then it is not efficient

UK Embassy

- Democracy can be defined as state authorities working in the interest of people
- A lot of times, the current government has put out everything else aside in the name of security and people have put up with it
- However, especially after the April 2016 war, people realized they were not even safe anymore, so their expectations had not been met
- UK prioritizes its aid with *need, capacity of the beneficiary and whether it's compatible with our values*
- With CSSF section, we have smaller interventions and we promote more investment
- Rethinking our strategies after April 2016 war
- We received good governance fund
- Since we have had a lot of experience in parliamentary system, we provided a lot of assistance to Armenia in this transitional period
- We want to help Armenia to help itself
- We're not imposing our will on them
- We are engaged both with civil society and the government
- This is British taxpayer's money, so we have to justify whatever we are spending it on
- We need to meet the ODA target of 0.7%
- We want to change hearts and minds

- With our projects, it is sometimes difficult to measure the impact. We try to influence opinion and impact for us is very important. Sometimes it can be easy to measure if it's aid in economy but not in many other spheres, like conflict transformation etc
- International community needs to explain why peace would impose more security for the people
- It has become more democratic through foreign aid
- Early 2000s was when Armenia had artificially been forced to create CSOs
- After 2015 was when the real NGO movement started – people didn't need money anymore. They worked with each other, they started building coalitions.
- 2015-16 funding was severely cut
- For our projects we need proper design, thoughtful research, justification, theory of change
- Foreign aid needs to be justified, it's someone else's money
- There is donor coordination. For donors it is the biggest donor –now it is EU in Armenia, for everyone together it is ministry of justice and/or economy – beneficiaries and donors
- For monitoring and evaluation we have internal ones where we ask the beneficiary to write it, and external (e.g. audit)
- This then goes to the UK
- OECD has 35 member countries DAC
- As donors we try not to overlap with our projects

EU in Armenia

- Human rights based approach
- Transparency, accountability, participation
- Based on democratic values of European charter
- 2020 deliverables, people to people contact
- Criticized for collaboration with government
- EU is a government organization itself. The question is do you collaborate with government on their agenda or shift it but they don't have to own it
- We give public administration support
- Laws on gender based violence, anti-discrimination law draft. But you also have to implement these laws
- E-draft system advantage
- Journalists are now not allowed to municipality hearings, that's definitely not good
- We also encourage European NGOs to come to Armenia
- We can fund initiatives but we can't create a movement. Our funding to other democracy building activities can only contribute to it
- Youth can and should demand more from their government
- After all we want people to dream and have faith in their future
- Armenia could definitely become more self-reliant
- Donor funding can help people get organized but the rest is on people
- We have midterm evaluations for our programs, monitoring, visiting our projects, some in the beginning, some in the middle, end of project evaluation
- Sector evaluations, soon to be country evaluations
- We have helped with the elections to become more transparent
- At least 5% of our funding goes to civil society
- We provide funding to enable environment, government to talk to Civil Society and the opposite