# Governance beyond the European Consensus on Development: What Drives EU Aid Selectivity?

**Paper to be presented at the ECPR Joint Sessions, Workshop 'Political Conditionalities and Foreign Aid', University of Mainz, 11-16 March 2013**

**Wil Hout**[1]


**Abstract**

This paper focuses on the 'governance turn' in the development policies of the European Union, represented in particular by the adoption of the 'European Consensus on Development' in 2005. The main assumption inherent in the EU approach to development is that the quality of governance in developing countries is a crucial (co-) determinant of development outcomes. The paper sets up an analysis of the allocation of funds (over €50 billion during the 2007-13 period) through the EU's main policy instruments: the European Development Fund, the European Neighbourhood and Partnership Instrument, and the Development Cooperation Instrument. The paper attempts to establish whether any dominant explanation, or combination of explanations, given in the literature on development assistance, is able to account for the allocation of those parts of the funds that are meant to be spent on governance reform. Three sets of hypotheses are tested, each derived from one of the dominant explanatory models of development assistance: donor interest, recipient need and constructivist models. The findings of the empirical analyses emphasise the role of donor-interest variables, but show that recipient needs play a (seemingly subordinate) role in decisions on EU aid allocation.


[1] Professor of Governance and International Political Economy, International Institute of Social Studies, Erasmus University Rotterdam, PO Box 29776, 2502 LT The Hague, The Netherlands. *E-mail*: hout@iss.nl.

## 1. Introduction

Similar to most other providers of international development assistance, the European Union has been subject to the 'governance turn' of the late 1990s. Policy documents produced by the European Commission and Council around 2000 show a clear embrace of ideas on 'good governance' that had been produced by the World Bank in the final decade of the previous century. As such, the European Union supported the 'Post-Washington Consensus' that replaced the market fundamentalism of the previous era.

Good governance was seen, by the main EU institutions, as a fundamental principle of its development policy, in service of the main policy objective: 'to reduce and, eventually, to eradicate poverty' (European Council and Commission 2000: point 6). Good governance, alongside the protection of human rights, democracy and the rule of law, was accorded prime importance particularly to enhance the effectiveness of its poverty-reduction efforts. As it was phrased in a communication by the European Commission:

> Poverty reduction, the main objective of the European Community's development policy, will only be sustainably achieved where there are functioning participatory democracies and accountable governments. Corrupt and autocratic governments are likely to misuse development assistance either to maintain repression or for private enrichment at the expense of their populations. (European Commission 2001b: 4)

Possibly the broadest statement on the issue is given in the European Consensus on Development, a landmark document of EU development assistance policy that signalled agreement among member states and EU institutions on its basic principles (cf. Carbone 2007: 55-6). The Consensus referred to the EU's emphasis of the promotion of 'common values' in its policies towards third countries, which would be 'respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice' (European Parliament, Council and Commission 2006: C46/3). A more recent statement, issued at the launch of the European External Action Service (EEAS) in January 2011, emphasised the continuity in EU thinking over the first decade of this century. At this occasion, David O'Sullivan (2011: 7), Chief Operating Officer of the newly established EEAS, indicated that the promotion of human rights and good governance would be 'the silver thread running through everything we do'.

Empirical research on aid allocation of the past ten years has consistently found that governance-related considerations exert limited to negligible influence on the actual selectivity of development assistance (e.g., Neumayer 2003, Hout 2007, Clist 2011). A study by Gordon Crawford, on so-called 'political aid' provided by the European Union, reported some impact of political selectivity, in particular with regard to the promotion of democracy. Crawford concluded:

> Clearly, the EU has provided substantial assistance to processes of democratic transition, but considerably less to subsequent democratic consolidation. … The EU has concentrated its support on promoting free and fair elections and on civil and political rights, with more limited assistance to promoting open and accountable government and to a democratic society. The neglect of promoting open and accountable government is particularly noticeable. (Crawford 2001: 150-1)

The purpose of this paper is to assess whether and to what extent the attention for the quality of governance among the central objectives of EU development policy has had any noticeable effect on the allocation of development assistance to the EU's partner countries in Africa, Latin America, Asia and the so-called neighbourhood. On the basis of the most recent Country Strategy Papers (CSP), agreed by the European Commission for the 2008-13 period, the analysis attempts to establish the pattern of governance-related allocations in relation to some commonly held theories about the motivations of development assistance. This paper starts from the two most general interpretations, revolving around 'recipient need' and 'donor interest' (see McKinlay and Little 1979 for an early discussion of the dichotomy), as these are the most common reference points in many studies on aid allocation. Next to these perspectives, the paper focuses on constructivist approaches to aid that emphasise the role of ideas and norms (cf. Carbone 2007, Van der Veen 2011). With regard to such perspectives, the paper distinguishes between a 'liberal' take to aid, which stresses the values of democracy and human rights, and a 'radical' one, which highlights the role of aid in deepening the neo-liberal agenda of market-oriented reform.

The paper is organised as follows. The next section discusses some salient aspects of the EU's development policy and its focus on aspects of 'good governance'. Section 3 outlines the theoretical perspectives and formulates some hypotheses on the allocation of EU aid funds. Section 4 discusses the methodology and data used in the paper. Section 5 contains the analysis of allocations according to the recent CSPs. The final section formulates some conclusions on the allocation of EU development assistance and the debate about aid selectivity.

## 2. EU Development Policy and 'Good Governance'

Since the end of the Cold War, European Union development assistance policies have been targeting three main 'arenas': the group of African, Caribbean and Pacific (or ACP) countries; the European 'neighbourhood'; and other developing countries. The first arena consists mainly of former colonies of the EU's member states and has been regulated by a sequence of conventions and agreements, named after the African cities where these were concluded: Yaoundé (1964-1976), Lomé (1976-2003) and Cotonou (since 2003). Development assistance to the ACP group is financed from the European Development Fund (EDF), which contains €22.7 billion for the 2008-13 period and is currently in its tenth quinquennial round. The second arena includes countries in North Africa, the Mediterranean rim of the Middle East and countries that were part of the former Soviet Union and are west of the Ural Mountains and in the Caucasus. The financing instrument is the European Neighbourhood and Partnership Instrument (ENPI), holding €11.2 billion for the 2007-13 period. The third arena is a more or less residual group, consisting of countries in Latin America, Asia and the Middle East, plus the Central Asian former Soviet republics and South Africa. Policies for this group are currently being financed from the Development Cooperation Instrument (DCI), which amounts to €16.9 billion, to be spent from 2007 until 2013.

The aid relationship between the European Union and partner developing countries is structured by the so-called Country Strategy Paper (CSP). The CSP contains the EU's medium-term strategy for the provision of development assistance on the basis of a country's official national policy priorities. The latter have usually been laid down in a Poverty Reduction Strategy Paper (PRSP), required for support from the World Bank and IMF. The so-called Multiannual or National Indicative Programme (MIP/NIP) serves as a financial operationalisation of the CSP.

The legal-institutional framework of EU development cooperation changed considerably with the coming into force of the Lisbon Treaty in December 2011. The establishment of the position of High Representative of the Union for Foreign Affairs and Security Policy (who also serves as one of the vice-presidents of the European Commission), the creation of the European External Action Service and the merger of two separate Directorates-General into DG Development and Cooperation – EuropeAid (DEVCO in short) have been the most obvious changes in the area of development policy. The restructuring resulted, according to two analysts, in 'a complex programming process' (van Seters and Klavert 2011: 3). The European Council decided in July 2010 to reorganise policy-making responsibilities on development cooperation by making the EEAS responsible for preparing decision making in the Commission on country allocations, CSPs and MIPs (European Council 2010: article 9.3). Notwithstanding these responsibilities, the Commissioners for Development and Neighbourhood Policy have retained their powers, as 'any proposals' on the three development instruments that were mentioned above would need to be made jointly by the relevant departments of the EEAS and those of DG DEVCO 'under the responsibility of the Commissioner' and 'submitted jointly with the High Representative for adoption by the Commission' (European Council 2010: articles 9.4 and 9.5).

Building on an earlier statement of the European Council and the Commission (2000), the first major steps toward including a governance dimension in EU development assistance were set in 2003. A communication drafted by the European Commission, as well as ensuing conclusions formulated by the European Council, stressed the centrality of proper governance arrangements to securing positive development outcomes. The Commission, which interpreted governance primarily in terms of rules and processes guiding interest articulation, resource management and the exercise of power, argued that '[the] way public functions are carried out, public resources are managed and public regulatory powers are exercised is the major issue to be addressed in that context. The real value of the concept of governance is that it provides a terminology that is more pragmatic than democracy, human rights, etc.' (European Commission 2003: 3). The Commission and the Council agreed that good governance policies should not be 'one-size-fits-all', but rather recognised the distinction between 'effective partnerships' where conventional tools for governance reform would be feasible and 'difficult partnerships and post-conflict situations' (fragile states) that necessitate the adoption of more targeted approaches (European Commission 2003: 18; European Council 2003b: 4).

In an attempt to operationalise the governance approach adopted by the Council and Commission, the EuropeAid Cooperation Office drafted a handbook on promoting good governance. The Handbook argued that 'it is now recognised by all actors that governance, i.e. the state's ability to serve the citizens, is a key component of policies and reforms for poverty reduction and that good governance is key to the sustainable achievement of development objectives and to the effectiveness of development assistance' (EuropeAid Cooperation Office 2004: 5).' The handbook distinguished six 'core concerns' of good governance (EuropeAid Cooperation Office 2004: 8):

- democratisation and elections;
- promotion and protection of human rights;
- strengthening of the rule of law;
- enhancement of the role of civil society;
- reform of public administration, the civil service and public finance management;
- decentralisation and capacity building of local government.

EuropeAid argued that such core concerns would all warrant attention in their own right, but that attention for proper governance would also need to be 'mainstreamed'. For this to be done, the office formulated six 'guiding principles' that should be applied in a 'horizontal' fashion to ensure that 'all project and programmes, at every phase of their development, promote good governance practices': participation and ownership, equity, organisational adequacy, transparency and accountability, conflict prevention, and anti-corruption (EuropeAid Cooperation Office 2004: 9-10).

The 'European Consensus on Development', adopted by the European Council, Parliament and Commission in December 2005, contained a reaffirmation of the EU's orientation to governance: the document emphasised the promotion of governance, democracy, human rights and support for economic and institutional reforms among the EU's nine central activities, as it argued the Union had a 'comparative advantage' in these areas (European Parliament, Council and Commission 2006: C46/11, 13-14).[2] In this particular area,

> [t]he Community[3] will actively promote a participatory in-country dialogue on governance, in areas such as anti-corruption, public sector reform, access to justice and reform of the judicial system. … With a view to improved legitimacy and accountability of country-driven reforms, the Community will … also support decentralisation and local authorities, the strengthening of the role of Parliaments, promote human security of the poor, and the strengthening of national processes to ensure free, fair and transparent elections. The Community will promote democratic governance principles in relation to financial, tax and judicial matters.' (European Parliament, Council and Commission 2006: C46/13-14)

As a follow-up to the European Consensus, the European Commission published a communication in which it announced a more 'incentive-based approach' to governance in the context of its most important development relationship, namely its partnership with the group of ACP countries. As part of its so-called 'Governance Initiative', the Commission introduced a 'governance incentive tranche' during the tenth round of the EDF, amounting to €2.7 billion, or roughly 12 per cent of the funds made available for the 2008-13 period. The funds were distributed as 'additional financial support to countries adopting or ready to commit themselves to a plan that contains ambitious, credible measures and reforms' (European Commission 2006d: 10; European Commission 2009: 3-6).[4] In a similar vein, the

---

[2] The other areas were: trade and regional integration; environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; conflict prevention and fragile states; human development; and social cohesion and employment (European Parliament, Council and Commission 2006: C46/11-15).

[3] This terminology stems from the pre-Lisbon constitutional framework, when development cooperation, as per the Treaty of Maastricht, was part of the first 'pillar' of the European Union, and was regulated by title XX, articles 177-181 of the Treaty Establishing the European Community.

[4] (Molenaers and Nijs 2009, Molenaers and Nijs 2011) have presented critical analyses of the implementation of the governance incentive tranche. Also, a review done by the European Commission (2009: 9-12) highlights some of the difficulties, in particular regarding the size of the incentives involved. According to the Commission (2009: 12), 'the incentive created by the tranche is

ENPI for the 2007-10 period contained €50 million for a 'governance facility' (European Commission 2008b: 5). Of the three main instruments of EU development assistance, the DCI was the only one that did not contain an incentive-oriented mechanism; the DCI only expressed the intention of mainstreaming the attention for governance, democracy and human rights into various thematic programmes (European Parliament and Council 2006: L378/46).

In order to monitor the state and progress of governance reform in partner countries, and allocate funds, the Commission established a 'governance profile', consisting of nine indicators that should enable the establishment of the 'level' and 'trend' of the performance of aid-recipient countries. The profile contains the following elements: political/democratic governance, political governance/rule of law, control of corruption, government effectiveness, economic governance, internal and external security, social governance, international and regional context, and quality of partnership (European Commission 2006a: 13-29).

The latest communication on development policy published by the Commission focused on 'development impact'. This communication reiterated the Commission's focus on human rights, democracy and good governance among the EU's 'policy priorities' (European Commission 2011: 4-5), while emphasising that EU aid should be directed towards those countries with the greatest need for development assistance and countries where aid could have the biggest impact, such as fragile states. The communication also stressed 'incentives for results-oriented reform', for instance by introducing a clearer link to country performance with regard to its institutional reforms and policies and by suggesting a connection between the allocation of general budget support and a country's governance situation (European Commission 2011: 5, 9-10).

Arguably in recognition of the fact that democratisation and the protection of human rights are not well taken care of by partner governments in the developing world, the EU established the European Instrument for Democracy and Human Rights (EIDHR) in 2006. The instrument was a follow-up to operations 'contributing to the general objective of developing and consolidating democracy and the rule of law and to that of respecting

---

primarily political: encouragement for the partner country to engage in a political dialogue on governance and to formalise its political commitment for reform in a "contract".'

human rights and fundamental freedoms', started in 1999 (European Council 1999a, 1999b). The EIDHR, with an allocation of €472 million for the three-year period from 2011 to 2013, aim to support civil-society organisations in organising education, training and research activities in the areas of human rights and democratisation, as well as provide support to election observation missions (European Commission 2010b: 5, 10, 36).

Since the adoption of the European Security Strategy in 2003, fragile states[5] have occupied a special place in European development policy. The approach to fragile states was a clear case of the fusion of the development and security agendas of the European Union (European Council 2003a). State fragility was interpreted, in its operational features, as a phenomenon with clear governance overtones. According to the Commission (2007: 8), '[f]ragility is often triggered by governance shortcomings and failures, in form of lack of political legitimacy compounded by very limited institutional capacities linked to poverty'. In 2007, the European Council requested the Commission to choose a set of pilot countries to get experience with the EU response to fragile states. The Commission selected six countries (Burundi, Sierra Leone, Guinea Bissau, Haiti, Timor-Leste and Yemen), where lessons should be learnt for a more comprehensive approach, to be laid down in an *Action Plan for Situations of Fragility and Conflict* (European Commission 2010). To date, the preparation of the action plan has not proceeded as expected, as the newly created European External Action Service and the High Representative of the Union for Foreign Affairs and Security Policy appear to have had little direct interest in taking forward the fragile states approach (Castillejo 2011: 169).

Since the turn of the century, the European Union has been adopting comprehensive 'strategic frameworks' for the traditional arenas of its development policy that were outlined above (Latin America, Asia, Central Asia and the European Neighbourhood), as well as, in

[5] State fragility was defined by the European Council in reference to 'weak or failing structures and to situations where the social contract is broken due to the State's incapacity or unwillingness to deal with its basic functions, meet its obligations and responsibilities regarding the rule of law, protection of human rights and fundamental freedoms, security and safety of its population, poverty reduction, service delivery, the transparent and equitable management of resources and access to power' (European Council 2007b: 2).

the case of the ACP, specific sub-regions within the grouping.[6] Without exception, these documents include statements on the promotion of good governance, usually in the context of democratisation, the protection of human rights and strengthening of the rule of law. In many cases, regionally specific elements are included in the concept of good governance, thereby illustrating the elasticity of the term. The most comprehensive notion of governance is represented in the Africa-EU partnership document of 2007, which, apart from the conventional elements, mentions aspects such as gender equality, the management of natural resources, human security and corporate social responsibility (European Council 2007a: 8). Other dimensions brought under the rubric of good governance include (European Commission 2001a: 18; 2005: 8; 2006b: 6, 25; 2006c: 6-10; 2008a: 3, 10; European Commission and High Representative for Foreign Affairs and Security Policy 2011: 6, 11; European Council 2007c: 20, 23; 2010: 20; European External Action Service 2011: 7):

- the strengthening of civil society (Asia, the Caribbean, the Pacific Islands and the Mediterranean);
- taxation and fiscal policy making (Latin America, the Caribbean and the Pacific Islands);
- forestry management (Central Asia and the Pacific Islands);
- post-conflict reconstruction and conflict resolution (the Pacific Islands and the Sahel);
- economic reforms (the Mediterranean);
- the energy sector (Central Asia)
- financial management (Latin America);
- fisheries policy (the Pacific Islands); and
- water governance (Central Asia).

**3. Theoretical Approaches and Hypotheses**

Explanations for patterns in development assistance policies have traditionally hovered between two poles, usually characterised using McKinlay and Little's classical dichotomy of

[6] The latter approach has led some commentators to talk about a 'regionalisation' of the EU's approach to the ACP group (van Seters and Klavert 2011: 14).

the recipient need and the donor interest models. Many studies performed since the end of the 1970s, including those done by McKinlay and Little, have reported findings pointing at the prevalence of foreign policy interests in the explanation of development aid relationships (McKinlay and Little 1979, cf. McKinlay and Little 1978a, McKinlay and Little 1978b). Later studies, such as Dollar and Levin (2006) and more recently Clist (2011), have found evidence of the influence of recipient needs, but continue to report the influence of donor interests, suggesting a much less neat distinction between the two types of motivations.

Donor interest models relate development assistance, or foreign aid more generally, to the foreign policy objectives of a donor government. In this sense, the model draws on classical realist notions of foreign policy making and international politics that see aid as one of the instruments of foreign policy. Thus, following the seminal work of realist scholar Hans Morgenthau, aid needs to be interpreted as 'an integral part of the political policies of the giving country' and thus subject to the policy objectives of that country (Morgenthau 1962: 309, cf. Packenham 1966). Empirical research on aid has tended to include variables on trade relations or colonial ties as indicators of donor interest (e.g., Dollar and Levin 2006).

In their approach to aid giving, recipient need models take a radically different starting point as compared to the donor interest approach. Informed by idealist views on international politics, models based on recipient need have stressed humanitarian motives related to conceptions of international justice and have emphasised that donor countries aim to improve the quality of life, in particular of the poor, in developing countries. Poverty reduction has generally been taken to be the main response to recipient need, and empirical studies have commonly been using gross national income or product *per capita* as the best proxy for the level of poverty (Clist 2011: 1726-8, e.g., Dollar and Levin 2006: 2037).

Applied to governance-focused development assistance policies, donor interest and recipient need models produce different expectations as to the orientations of donor agencies. Given that decisions at the level of the EU are not those of one single actor, but the result of more complex decision making structures, in many cases involving the Commission and the Council, the impact of donor interests and recipient needs cannot be established as straightforward as would seem to be possible in the case of national agencies. Yet, certain research hypotheses can be formulated on the basis of some commonly agreed interests expressed at the level of the EU and the member states, as well as on the basis of prevalent interpretations of recipient needs.

In relation to the EU's development policy, at least three sets of interests can be seen to dominate the discourse regarding the motivations for providing aid. In the first place, as analysed in Ravenhill's classical study on 'collective clientelism', the countries of the European Community, and later the European Union, have used the benefits provided to the ACP countries, concluded at Yaoundé, Lomé and Cotonou, as instruments to maintain their influence in the former European colonies (Ravenhill 1985: 324-33). The ACP countries' trading capacities have recently, for instance through the focus on the establishment of Economic Partnership Agreements (EPAs), received most attention. Secondly, particularly since '9/11', security considerations have entered the domain of EU development policies. As indicated above, the adoption of the European Security Strategy in 2003 (European Council 2003a) was a sign that the European Council perceived the danger of state fragility as a potential threat to the security interests of the European Union. The reconstruction of state capacities and security sector reform are the most important objectives of EU policies. Finally, a different type of security considerations has entered the discourse on the EU's relationship to its 'neighbourhood'. Despite the use of this convivial term in reference to the countries on the European rim, the issue of migration has been 'securitised' in the context of the European Neighbourhood Policy, one of the overt aims of which is to reduce illegal immigration into the European Union. The enhancement of the security capacity of neighbourhood countries was made into a conditionality for EU support through the neighbourhood instrument (Kausch and Youngs 2009: 965-8, cf. Buzan et al. 1998: 23-6).

Following Crawford's (2001: 98-101) example, the following three complementary hypotheses can be formulated to reflect the EU's donor interests:

*Hypothesis 1:* EU assistance for the business sector and regulatory reform will be concentrated on the ACP countries.

*Hypothesis 2:* EU assistance for security-sector governance and state building will be concentrated on fragile states.

*Hypothesis 3:* EU assistance for governance of home security (in particular in support of measures aimed at stemming migration flows) will be concentrated on countries in the European neighbourhood.

In contrast with the donor interest explanation of development assistance, the recipient need interpretation focuses on the extent to which the poverty level of developing countries is reflected in allocation decisions on aid. In reflection of the common assumption that the strengthening of governance of the public sector – in particular reflected in the strengthening of public administration and public finance management reform – would have a positive impact on poverty reduction, the recipient need model would predict that countries with the highest levels of poverty are the prime targets of EU governance-related development assistance. This expectation is reflected in two different hypotheses:

*Hypothesis 4a:* EU assistance for public sector reform will be concentrated on countries in Africa.

*Hypothesis 4b:* EU assistance for public sector reform will be concentrated on the least-developed countries.

The classical entry point into development assistance made up by the dichotomous donor interest and recipient need models has been supplemented by other types of explanations in more recent research on aid policies. Ideas and normative frameworks, in particular, have received ample attention in the scholarly literature on aid. For instance, Lancaster (2007: 18-19) ranged ideas, next to institutions, interests and organisations, among the central domestic political influences on aid giving. According to her, 'worldviews' ('widely shared values [based on culture, religion, ideology] about what is right and wrong, appropriate and inappropriate in public and private life') and 'principled beliefs' or 'norms' ('collective expectations about the proper behavior for a given identity') are important factors in the shaping of and decision making on foreign aid (Lancaster 2007: 18). Given the normative orientation of the governance agenda, the focus on ideas seems to be highly relevant for the possible explanation of aid flows in this domain.

In the context of EU development assistance, two important, and contradicting, interpretations of the impact of ideas and normative frameworks can be distinguished. The first interpretation, which could be labelled as 'liberal', focuses on the desire to promote democracy, human rights and good governance in the developing world with the help of EU aid policies. The underlying ideal is that of a liberal-democratic form of government, where the state is mainly an impartial arbiter between contending forces that regulates the struggle among interests on the basis of well-defined and protected individual rights (cf. Williams 2008: 13-14, Youngs 2010: 2-4). The concept of 'normative power Europe' was coined as an attempt to re-interpret the factors motivating the actions of the European Union (the original formulation was Manners 2002, a more recent interpretation is Sicurelli 2010: 13-32). According to Manners (2002: 242-3) , the *acquis communautaire* and the *acquis politique* contain five 'core norms' (peace, liberty, democracy, the rule of law and the respect for human rights and fundamental freedoms) and four 'minor norms' (social solidarity, anti-discrimination, sustainable development and good governance). On this basis, he claims that

> not only is the EU constructed on a normative basis, but importantly … this predisposes it to act in a normative way in world politics. … Thus my presentation of the EU as a normative power has an ontological quality to it – that the EU can be *conceptualized* as a changer of norms in the international system; a positivist quantity to it – that the EU *acts* to change norms in the international system; and a normative quality to it – that the EU *should* act to extend its norms into the international system. (Manners 2002: 252)

The second, more 'radical', interpretation emphasises that the use of development assistance for bringing about public sector reform, creating property rights and liberalising and opening up the economy is part of a neo-liberal ('Post-Washington Consensus') agenda that aims at reorganising, and limiting the role of, the state in the economy of developing countries. This radical interpretation (Williams 2008: 88-9, e.g., Craig and Porter 2005: 95-121, Hout and Robison 2009: 2-5, Hout 2007) has analysed the emphasis on good governance over the past fifteen years as a reflection of a more fundamental desire to bringing about market-oriented social transformation. Key instruments are seen to be the limiting of the role of the state (by liberalisation, deregulation and privatisation of the economy) and the establishment and protection of property rights as the main way of supporting citizens' participation in the market. Instead of seeing the normative orientation to political reform in developing countries as a sign of moral conviction – demonstrated among others in Manners' interpretation of normative power Europe – the radical position does not take the official policy at face value. Rather, in the words of a recent analysis, it provides 'a critical assessment of how norms can work to rationalise policy agendas which tangibly fall short of their nominal ethical objectives' (Langan 2012: 249). In the same vein, Chandler (2010) has analysed the EU's purposes in its relationship with various countries in Southeastern Europe, which aspire EU membership, as a situation of 'post-liberal governance'. He argued that the EU has imposed conditionalities on the states of the Balkans in order to 'reproduce' itself in the region (Chandler 2010: 80). Similarly, two analysts of the current attention for state building have claimed recently that this approach is intimately linked to development and that it can be interpreted as 'the repackaging of a long-term agenda for entrenching neoliberalism as the organising principle of developing economies and polities and the furthering of a putative "liberal peace"' (Marquette and Beswick 2011: 1705).

The liberal and radical positions relating to the application of ideas and normative frameworks in EU development assistance policies can be translated into the following two rivalling hypotheses:

*Hypothesis 5:* EU assistance for governance reform will be concentrated on countries that have introduced or strengthened liberal democracy, respect for human rights and good governance.

*Hypothesis 6:* EU assistance for governance reform will be concentrated on countries that have adopted or deepened market-oriented policies.

**4. Methodology and Data**

The analysis of this paper focuses on one of the three key instruments that the EU has available in its 'tool box for external action', namely assistance, conditionality and political dialogue. This paper relates to the financial assistance provided to 126 countries (see Appendices A and B), ranging from middle-income to least developed, that qualify for support under the EU's three main instruments: the European Development Fund (the ACP countries), the Development Cooperation Instrument (countries in Latin America, Asia and the Middle East) and the European Neighbourhood and Partnership Instrument (the countries on Europe's southern, eastern and southeastern rim).[7]

Data on EU assistance were obtained from the Country Strategy Paper (CSP) and/or the Multi-annual or National Indicative Programme (MIP or NIP) agreed between the European Commission and its partner governments. The analysis focuses on the allocations made for the period from 2007 to 2013. The reason for opting for an analysis of allocations rather than disbursements is that most scholars focusing on assistance agree that the former are generally a better approximation of donor intentions than realised payments, since various causes may lead to differences between allocations and actual disbursements.

Unclarity or vagueness in the Multi-annual or National Indicative Programmes about programme categories implied that, in some cases, additional assumptions needed to be made on the allocation of budgets to specific governance activities. In those cases where the MIP/NIP mentioned only broad governance categories without specifying the allocations to those targeted categories in more detail, allocations were assumed to be spread equally over the categories mentioned in the MIP/NIP. For the purpose of the current analyses, data on allocations to governance programmes were classified into seven categories of support of, respectively, human rights activities; public sector and public administration reform; decentralisation and local governance; public finance management; judicial reform and support to the justice sector; civil society and non-state actors; and elections and formal political institutions.

The first three hypotheses were tested using one single dependent variable: the aid allocations for improving the business environment (hypothesis 1); allocations to the security sector (hypothesis 2); and allocations for border control and migration policies (hypothesis 3). For the testing of the other three hypotheses, factor scores were calculated for three composite variables. Support of public sector reform, which was used in the analysis of the fourth hypothesis, is the composite of the allocations for public administration reform,

[7] The analysis excludes seven countries for which no Country Strategy Paper or Multi-annual or National Indicative Programme was available: Equatorial Guinea, Fiji, Guinea, Russia, South Sudan, Sudan and Zimbabwe.

decentralisation and local governance, public finance management and judicial reform. Political governance support, used for the testing of the fifth hypothesis, consists of three variables: support of human rights activities, support of civil society and support of elections and formal political institutions. Support of economic governance, which was applied in the testing of the sixth hypothesis, is made up of two variables: aid for the business environment and regulatory reform, and aid for regional cooperation. Details of the factor analyses are given in Appendix A.

Following previous analyses of aid selectivity (e.g., Neumayer 2003; Hout 2007; Clist 2011), a two-stage model is used to determine the impact of a set of explanatory variables on aid eligibility (the first stage) and the level of aid allocations (the second stage). The two stages reflect the analytical distinction between two types of decisions regarding the allocation of aid: which countries are selected for aid programmes and which are not (eligibility stage) and how much aid is allocated to countries that are considered eligible (level stage)? Aid eligibility is measured as a binary variable for the various categories of aid mentioned above. Aid level is measured as the absolute amount of aid for governance reform allocated to recipient countries. Because of the skewed distribution of aid allocation, logarithmic transformation was applied to the dependent variables expressing the level of aid.

The explanatory variables are expressed by a range of indicators. Data on these indicators have been included for 2007, if available. Appendix A lists the sources of the data, which relate to:

- *Income or poverty level*, measured as GDP per capita in purchasing power parity, and expressed in constant prices of 2005;
- *EU economic interest*, measured as the value of exports in millions of euros;
- *Country size*, measured as the size of the population in millions;
- *State fragility*, as measured by the Fund for Peace's *Failed States Index 2007*. The index includes 114 out of EU's 126 partner developing countries (with missing data mainly concerning smaller [island] states). A higher score on the index reflects that a country has more characteristics of state fragility.
- *Least Developed Country status*, as reported in UNCTAD's *Least Developed Countries Report 2007*. The criteria for inclusion among the least developed countries are: low

income (three-year average gross national income per capita below $900), limited human assets (measured with indicators on nutrition, health, school enrolment and literacy) and economic vulnerability (measured with indicators of natural shocks, trade shocks, exposure to shocks, economic smallness and economic remoteness).

- *Liberal democracy*, calculated by Freedom House as the average score on the political rights and civil liberties index, where 1 is the most free and 7 is the least free.
- *Market-oriented reform*, as measured by the World Bank's *Worldwide Governance Indicators*. This dataset includes an indicator of regulatory quality for 2007, capturing 'perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development'. Gwartney et al.'s *2011 Economic Freedom Dataset* contains an alternative indicator of market-oriented reform in its 'summary index of economic freedom'. The latter variable is available for far fewer countries than the indicator for regulatory quality from the *Worldwide Governance Indicators*. The correlation between the two indicators is .73 (significant at 0.01 level), which indicates that the index of economic freedom can serve as a useful validation of the results obtained with the indicator for regulatory quality.

In order to correct the skewed distribution of the data on income/poverty level, EU economic interest and country size, these three variables were entered into the analyses after logarithmic transformation.

The eligibility and level stages are analysed by performing two variants of regression analysis, based on the measurement levels of the dependent variables. The analysis of the eligibility stage is performed with logistic regression, while for the level stage ordinary least-squares regression is applied. The analyses of the level stage include only recipient countries, that is, countries that have been included as aid partners at the eligibility stage.

**5. Analysis of EU Allocation Patterns**

This section reports on the findings of the analysis of allocation patterns, in particular to governance instruments, that can be witnessed in EU external assistance policies in the 2007-13 period. The next sub-sections report on the hypotheses that were formulated in section 3.

### *5.1 Support of the Business Sector and Regulatory Reform in ACP Countries*

The results in table 1 relate to the first hypothesis, which concerns one of the aspects of EU donor interests. Given the role that ACP countries take in vis-à-vis the European Union, it was expected that support of the business sector and regulatory reform would be concentrated on this group of aid recipients. The tests of the eligibility and level stages indicate, however, that this type of aid was allocated less to ACP than to non-ACP countries: column 2 in table 2 indicates a strongly negative and significant impact of ACP membership on the eligibility for business-oriented support.[8] Although income per capita is not significant in equation (2), its positive coefficient indicates that countries with higher incomes were important targets for support of the business sector and regulatory reform.[9] Countries with more authoritarian political systems tend, on the whole, to be represented better among recipients of this type of aid.[10]

*Table 1 Aid for the business sector and regulatory reform*

| | Eligibility stage | | Level stage | |
|---|---|---|---|---|
| | (1) | (2) | (3) | (4) |
| ACP membership | –.808 | –.959** | –.264 | –.261* |
| Income per capita (log) | .472 | .442 | –.552 | –.556*** |
| EU economic interest (log) | –.168 | | .479** | .459*** |
| Population size (log) | .231 | | –.023 | |
| Liberal democracy | .297* | .226* | –.017 | .004 |
| Market orientation | .409 | | –.103 | |
| Constant | –2.956 | –3.102 | 2.058* | 2.065** |
| | | | | |
| N | 118 | 119 | 51 | 51 |
| Correctly classified (per cent) | 60.2 | 64.7 | | |
| $R^2$ | .15 | .14 | .40 | .42 |
| Hosmer-Lemeshow $\chi^2$ | 17.599** | 7.186 | | |
| (p-value) | (.024) | (.517) | | |
| F value | | | 6.481*** | 9.961*** |

Notes: Variables in columns 2 and 4 have been removed because of high multicollinearity (r>.40). Reported $R^2$ is Nagelkerke's pseudo $R^2$ at eligibility stage, and adjusted $R^2$ at level stage. * p<.10; ** p<.05; *** p<.01. P-values are given in brackets for the Hosmer-Lemeshow $\chi^2$ test.

[8] The Hosmer-Lemeshow $\chi^2$ test related to equation (1) is significant, which indicates that the model represented in column 1 does not fit the data sufficiently well.

[9] This impact is confirmed if ACP membership is replaced by an interaction term of ACP membership and income per capita: in that case the interaction term has a significantly negative impact on aid, indicating that richer non-ACP countries tend to be favoured over poorer ACP countries.

[10] Inclusion of a first-order interaction term of ACP membership and liberal democracy did not indicate a significant effect in equation (2).

Equations related to the level stage – indicating the relative allocations to measures aimed at stimulating the business environment – show that the level of allocations are also negatively impacted by ACP membership. Further, it is clear that countries with lower per capita incomes receive more, and that trade relations with the EU are a very important determinant of the level of aid for the business sector and regulatory reform.[11] The impact of liberal democracy appears to be negligible at the level stage.

The main conclusion from this test is that, although the first hypothesis is rejected, there are several variables that impact aid for the business sector and regulatory reform. The influence of the liberal democracy variable at the *eligibility* stage points at the seeming absence of ideational considerations, since countries with a liberal-democratic regime tend to receive less aid than more authoritarian countries. The actual *level* of aid allocations in this sector show, however, a balance between donor interests and recipient needs. Aid for business and regulatory reform is influenced clearly by per capita income in recipient countries alongside trade interests of the European Union, in the sense that poorer countries and important trade partners of the EU receive significantly more of this type of assistance.

### *5.2 Security in Fragile States*

Estimates in table 2 concern the second hypothesis, relating to EU aid for security-sector governance and state building. It was hypothesised that this type of assistance would reflect EU security interests and would hence be directed primarily at fragile states, since the potential problems deriving from fragility had been defined as a potential security threat in the European Security Strategy of 2003.

The results that are summarised in table 2 indicate that the state fragility variable does indeed have a significantly positive effect on the choice of countries that the EU has selected for security-related assistance. This implies that fragile states tend, on the whole, to be favoured for aid to the security sector and state building. At the same time, equation (6)

[11] Inclusion of first-order interaction terms of ACP membership, income per capita and EU economic interest did not produce a significant change to equation (4).

suggests that important trade partners of the EU also tend to be included for this type of aid, although the effect of this variable is not significant.[12]

At the level of aid allocation for security-sector governance and state building, effects differ quite considerably from those related to aid eligibility, as is demonstrated by equation (8). State fragility appears to have a negligible effect on the decision affecting the amount of aid in this category. Allocation is mainly effected by political regime and country size, in the sense that more liberal-democratic partners and more populous countries tend to receive a higher allocation of assistance for security-sector governance and state building. The introduction of an interaction term in equation (9) demonstrates that more populous liberal democracies, in particular, are the target of aid in this domain. Trade relations appear to have an overall negative impact on aid allocation, signalling that security-related assistance is mainly flowing to countries where economic interests of the EU are less pronounced.[13]

*Table 2 Aid for security-sector governance and state building*

| | Eligibility stage | | Level stage | | |
|---|---|---|---|---|---|
| | (5) | (6) | (7) | (8) | (9) |
| State fragility | .119*** | .086*** | .010 | | |
| Income per capita (log) | .168 | | .720* | | |
| EU economic interest (log) | .535 | .568 | –.230 | –.228 | –.280** |
| Population size (log) | –.054 | –.153 | .378** | .441*** | .857*** |
| Liberal democracy | –.283 | | –.221** | –.114* | –.028 |
| Market orientation | .510 | | –.427* | | |
| Population size*liberal democracy | | | | | –.128** |
| Constant | –11.883*** | –9.901*** | –1.073 | 2.001*** | 1.969*** |
| N | 111 | 113 | 24 | 26 | 26 |
| Correctly classified (per cent) | 82.9 | 83.2 | | | |
| $R^2$ | .25 | .22 | .28 | .20 | .34 |
| Hosmer-Lemeshow $\chi^2$ | 3.507 | 11.373 | | | |
| (p-value) | (.899) | (.181) | | | |
| F value | | | 2.465* | 3.116** | 4.165** |

Notes: Variables in columns 6 and 8 have been removed because of high multicollinearity (r>.40).
Reported $R^2$ is Nagelkerke's pseudo $R^2$ at eligibility stage, and adjusted $R^2$ at level stage.
* p<.10; ** p<.05; *** p<.01. P-values are given in brackets for the Hosmer-Lemeshow $\chi^2$ test.

[12] Inclusion of a first-order interaction term of state fragility and EU economic interest did not lead to a significant alteration of equation (6).

[13] These results are not changed significantly by the introduction of a first-order interaction term of EU economic interest and liberal democracy, nor of EU economic interest and population size.

The main conclusions that can be drawn on the basis of the analyses presented in table 2 are that quite different logics appear to be at play at the eligibility and level stages concerning EU aid allocations for security-sector governance and state building. The second hypothesis, regarding the impact of state fragility on security-related assistance given by the EU, is clearly corroborated at the eligibility stage. Given the selection of partners at the eligibility stage, the distribution of aid funds over those partners appears to have been determined primarily by the nature of the political regime (liberal democracy) and the relative importance of the country, expressed by the size of the population. In particular, larger, more liberal democratic countries seem to have been the target of security-oriented aid. Trade relations with the EU appear not to have been an overriding concern in allocating this type of aid. The most important conclusion of this section is that, where donor interests seem to play a crucial role at the stage of the selection of recipients, more ideational considerations, related to the nature of the political regime, appear to have dominated the actual distribution of aid over the selected recipients.

### *5.3 Homeland Security and Migration in the European Neighbourhood*

The third hypothesis, related to the provision of EU aid for home security governance (particularly aimed at migration flows), is analysed in the equations presented in table 3. The basis of the hypothesis was that the EU is concerned about migration flows stemming in particular from Northern Africa and from countries on its eastern border. The protection of borders in countries in the European neighbourhood would, for this reason, be a priority in the EU's aid for enhancing homeland security governance.

The results summarised in equation (11) in table 3 indicate that membership of the European Neighbourhood and Partnership Instrument is the prime predictor for being selected by the European Union as a recipient of aid in the domain of homeland security and migration. Next to ENPI membership, all other variables have non-significant coefficients, although the negative impact of per capita income and the positive effect of EU economic interest is in line with some of the effects that were reported above and that follow from the combination of donor-interest and recipient-need influences on EU aid policy.[14]

At the level stage, ENPI membership appears to be the single most important explanatory variable for aid on homeland security and migration: 54 per cent of the variance in the dependent variable is explained by the predictors in equation (13). Of the 10 countries that have been receiving assistance under this instrument, four were part of ENPI. They appeared to have received much more significant allocations of aid for the purpose of stemming migration flows than other countries.

*Table 3 Aid for governance of homeland security and migration*

| | Eligibility stage | | Level stage | |
|---|---|---|---|---|
| | (10) | (11) | (12) | (13) |
| ENPI membership | 1.515 | 2.092** | 2.049* | .654*** |
| Income per capita (log) | –2.352* | –1.611 | –8.443 | |
| EU economic interest (log) | 1.573 | .642 | 3.845 | |
| Population size (log) | –1.011 | | –.789 | |
| Liberal democracy | –.102 | –.225 | 1.392 | |
| Market orientation | .132 | | 1.931 | .144 |
| Constant | 3.771 | 1.747 | 13.427* | .611*** |
| N | 118 | 119 | 10 | 10 |
| Correctly classified (per cent) | 91.5 | 91.6 | | |
| $R^2$ | .19 | .17 | .71 | .54 |
| Hosmer-Lemeshow $\chi^2$ | 10.431 | 13.005 | | |
| (p-value) | (.236) | (.112) | | |
| F value | | | 4.582 | 6.331** |

Notes: Variables in columns 11 and 13 have been removed because of high multicollinearity (r>.40).
Reported $R^2$ is Nagelkerke's pseudo $R^2$ at eligibility stage, and adjusted $R^2$ at level stage.
* p<.10; ** p<.05; *** p<.01. P-values are given in brackets for the Hosmer-Lemeshow $\chi^2$ test.

The analyses reported in this section do clearly lend support to the hypothesis on the considerations for governance assistance in the fields of homeland security and migration. In this domain, aid can clearly be seen to stem from the self-interest of the European Union, which is aimed at restricting the inflow of people from bordering countries into its territory.

[14] Various first-order interaction terms of ENPI membership (with per capita income, EU economic interests and liberal democracy) were included, but appeared to have no significant impact on equation (11).

### *5.4 Public Sector Reform in Africa and the Least Developed Countries*

Table 4 provides an overview of the outcomes of the analyses on the fourth hypothesis, which concerns the allocation of support to the public sector in EU partner countries. The hypothesis was that the paradigm shift in development assistance concerning governance and the public sector would have impacted EU development assistance and would have led to a redirection of such aid to the countries most in need of it. Thus, two variants of the hypothesis – one focused on countries in sub-Saharan Africa, and the other related to least developed countries – was formulated.

The results in the first four equations in table 4 suggest that three variables play a key role at the eligibility stage: development level (measured by variables on sub-Saharan Africa and least developed country status), liberal democracy and EU economic interest.[15] Of these, development level clearly has the strongest impact on the choice to include developing countries for EU support to the public sector. Yet, also liberal democracy and EU economic interest exert influence on aid eligibility in this domain: countries selected for assistance to public sector reform tend, on the whole, to have less democratic political systems and be more important for the EU in terms of trade opportunities. Thus, the hypothesis is partly corroborated, in the sense that recipient needs play an important role in the selection for this type of assistance, but is also qualified because of the apparent impact of EU interests and attention to non-democratic regimes.

At the level stage, represented by equations (18) to (21), the explanation of public sector support is dominated by a smaller number of variables. Equation (19) shows that the location in sub-Saharan Africa has a negative impact on the level of allocations for public sector reform, although the coefficient for this variable is not significant. Replacement by other indicators of development level (least developed country status and income per capita) in equation (21) shows that per capita income has a strong and highly significant impact on the allocation, signalling that poorer developing countries receive more EU support for public sector reform than relatively richer ones. As at the eligibility stage, EU economic interests are also highly important as explanation for the aid allocation in this domain: more important trade partners receive more public sector assistance than less important ones. The

[15] None of the first-order interactions among least developed country status, EU economic interest and liberal democracy appeared to have significant impact in equations (15) and (17).

standardised regression coefficient indicates that economic interest is twice as important as predictor of public sector support than per capita income. This result indicates that the hypothesis that recipient needs, as operationalised by level of development, impact aid allocations, is seriously qualified: although development level is shown to have an impact on the allocation of public sector aid, its impact is greatly influenced by EU economic interests.[16]

The conclusion with regard to the fourth hypothesis is that there is evidence that recipient needs do play a role in EU aid allocations on public sector reform, and tend to be an important consideration particularly at the eligibility stage. Results described in this section show, however, that such a conclusion needs to be immediately qualified, because donor interests have a serious impact as well. These interests have some influence on decisions which countries receive EU development assistance in this sector, but are particularly strong when exact allocations of such support are determined. The evidence presented seems to indicate that aid allocations benefit primarily two groups of developing countries: these are the poorer countries, on the one hand, and the richer developing countries where the EU has significant trade interests, on the other.

### *5.5 Aid for Political Governance Reform*

The results of the analysis of hypothesis 5 are summarised in table 5. Together with the sixth hypothesis, which is discussed in the next section, this hypothesis focuses on the impact of ideas and normative frameworks on aid policies adopted by the EU. Hypothesis 5, in particular, attempts to assess the impact of what is referred to as 'normative power Europe'. The tests reported in table 5 measure to what extent allocation decisions on support for political governance programmes (aimed at human rights activities, civil society and electoral processes and formal political institutions) can be explained with reference to the character of the political system of aid-recipient developing countries, particularly in the areas of civil rights and political liberties.

[16] Inclusion of an interaction term of per capita income and EU interests shows that this has a strong impact and replaces the effect of the two separate variables, but leads to a serious reduction of the $R^2$ value of the equation. This finding illustrates that the effect of per capita income and EU interests are mutually reinforcing, in that EU trade interests are very strong particularly in developing countries with higher levels of income.

*Table 4 Aid for public sector reform*

| | Eligibility stage | | | | Level stage | | | |
|---|---|---|---|---|---|---|---|---|
| | (14) | (15) | (16) | (17) | (18) | (19) | (20) | (21) |
| Sub-Saharan African country | 1.320* | 2.210*** | | | –.569** | –.118 | | |
| Least Developed Country | | | .333 | 1.946*** | | | .173 | |
| Income per capita (log) | –3.692*** | | –4.424*** | | –1.138** | | –.452 | –.571** |
| EU economic interest (log) | 1.815*** | .224 | 2.219*** | .587** | .704*** | .506*** | .591** | .663*** |
| Population size (log) | –1.565** | | –1.941*** | | –.102 | | .096 | |
| Liberal democracy | .268 | .414*** | .234 | .311** | .048 | .059 | .061 | .025 |
| Market orientation | –.637 | | –.661 | | .225 | | .205 | |
| Constant | 8.717** | –2.214*** | 10.871** | –2.835*** | 2.778* | –1.026** | .143* | .546 |
| | | | | | | | | |
| N | 118 | 124 | 118 | 124 | 75 | 75 | 75 | 75 |
| Correctly classified (per cent) | 78.0 | 76.6 | 76.3 | 74.2 | | | | |
| $R^2$ | .50 | .37 | .47 | .31 | .24 | .17 | .20 | .22 |
| Hosmer-Lemeshow $\chi^2$ | 6.362 | 8.814 | 6.636 | 3.787 | | | | |
| (p-value) | (.607) | (.358) | (.576) | (.876) | | | | |
| F value | | | | | 4.977*** | 5.969*** | 3.985*** | 7.851*** |

Notes: Variables in columns 15, 17, 19 and 21 have been removed because of high multicollinearity (r>.40).
Reported $R^2$ is Nagelkerke's pseudo $R^2$ at eligibility stage, and adjusted $R^2$ at level stage.
* p<.10; ** p<.05; *** p<.01. P-values are given in brackets for the Hosmer-Lemeshow $\chi^2$ test.

The equations on the eligibility stage reported in table 5 show that decisions on aid for political governance seems to have been determined, first and foremost, by the relationship of developing countries to the EU under its main partnership instruments: ACP and ENPI. The findings show a positive relationship of membership of ACP and ENPI, as well as of location in sub-Saharan Africa, on the inclusion in aid frameworks for political governance.[17] The coefficient of the liberal democracy indicator appears to be positive – which indicates that less democratic countries had a greater likelihood of being selected than more democratic ones – but is not significant. This finding casts serious doubt on approaches that point at the importance of normative factors when explaining the selection for aid programmes aimed at political governance.

*Table 5 Liberal democracies and aid for political governance*

| | Eligibility stage | | Level stage | |
|---|---|---|---|---|
| | (21) | (22) | (23) | (24) |
| ACP membership | 1.386* | | .056 | |
| Sub-Saharan African country | .363 | 1.917*** | .351 | .510** |
| ENPI membership | 1.748** | 1.336* | 1.197*** | .656* |
| Income per capita (log) | –2.007* | | –.186 | |
| EU economic interest (log) | .001 | –.182 | –.114 | .570*** |
| Population size (log) | .088 | | .825*** | |
| Liberal democracy | .213 | .144 | –.005 | .064 |
| Market orientation | .764 | | .344 | |
| Constant | 6.116* | 2.913** | .552 | –1.603*** |
| | | | | |
| N | 120 | 124 | 74 | 75 |
| Correctly classified (per cent) | 72.9 | 69.4 | | |
| $R^2$ | .31 | .24 | .50 | .36 |
| Hosmer-Lemeshow $\chi^2$ | 5.605 | 5.366 | | |
| (p-value) | (.691) | (.718) | | |
| F value | | | 10.213*** | 11.370*** |

Notes: Variables in columns 22 and 24 have been removed because of high multicollinearity (r>.40).
Reported $R^2$ is Nagelkerke's pseudo $R^2$ at eligibility stage, and adjusted $R^2$ at level stage.
* p<.10; ** p<.05; *** p<.01. P-values are given in brackets for the Hosmer-Lemeshow $\chi^2$ test.

At the level stage, explanations on assistance for political governance prove to be once more different from those pertaining at the eligibility stage. Equation (24) shows that the

[17] The multicollinearity between ACP membership, on the one hand, and sub-Saharan African country and ENPI membership, on the other, appeared to be relatively high. The equation with ACP membership instead of the other two groupings is not reported because the Hosmer-Lemeshow $\chi^2$ statistic indicated that the model fit was insufficient. First-order interaction effects are not reported because those involving the four variables in equation (22) proved all to be not significant.

allocation of support for political governance is explained first and foremost by different factors than the normatively inspired level of liberal democracy in EU partner countries. Countries in sub-Saharan African and members of the European Neighbourhood and Partnership Instrument receive considerably more in aid for political governance than developing countries outside these frameworks. In addition to these factors, EU economic interests do again appear to have an overriding influence on aid allocations: the standardised effect of trade relations appears to be double that of the two other main explanatory variables.[18]

The conclusion on the fifth hypothesis, related to aid for political governance, is that decisions on this variety of aid programmes tends to be influenced primarily by political and economic interests instead of normative considerations. The favouritism vis-à-vis the its main collaboration partners in the developing world seems to reflect the EU's age-old bias towards particular groups of partners, described as 'collective clientelism' by Ravenhill (1985). This type of political considerations, which appears to work both in decision-making on the selection of development partners and on the allocation of specific volumes of aid, is reinforced by economic interest calculations at the level stage. Thus, instead of being 'normative power Europe', in the case of assistance to political governance 'economically interested Europe' seems to be the main driving force for decisions on aid.

### *5.6 Aid for Market-oriented Governance Reform*

The main findings related to the sixth hypothesis, concerning more 'radical' interpretations on EU development assistance, are summarised below in table 6. This hypothesis was formulated in relation to views that understand the use of development assistance as part of a neo-liberal agenda, which aims to deepen markets and lock in pro-market reforms in developing countries. The model tested in the equations reported in table 6 focus on the extent to which aid for economic governance (related to the business environment, regulatory reform and regional cooperation) can be understood as a 'reward' of the market-oriented reforms that had been implemented by EU development partners.

---

[18] Interaction effects were included between EU economic interests, sub-Saharan African country and ENPI membership, but were not significant.

The findings reported in table 6 on the eligibility for economic governance assistance indicate that the overall strength of the explanation is rather limited, as the $R^2$ value of equations (25) and (26) hovers around .10. Equation (26) shows that only ENPI membership has a significant impact on the choice of countries for this type of support from the European Union. Although market-oriented reform in developing countries has a positive impact in the selection process, the value of its coefficient is not significant.[19] The results therefore cast doubt on the hypothesis that neo-liberal policy preferences have impacted the selection process for economic governance assistance in a significant way.

*Table 6 Market-oriented regimes and aid for economic governance*

| | Eligibility stage | | Level stage | |
|---|---|---|---|---|
| | (25) | (26) | (27) | (28) |
| ACP membership | –1.268 | | .234 | |
| Sub-Saharan African country | 1.227 | .656 | –.432 | .030 |
| ENPI membership | .963 | 1.483** | 1.168*** | 1.416*** |
| Income per capita (log) | –.279 | | –.630 | |
| EU economic interest (log) | –.226 | | .485 | |
| Population size (log) | .082 | | .134 | .529*** |
| Liberal democracy | .098 | | –.013 | |
| Market orientation | .538 | .255 | –.122 | –.008 |
| Constant | 1.933 | 2.122 | 1.189 | –.126 |
| | | | | |
| N | 118 | 124 | 70 | 70 |
| Correctly classified (per cent) | 63.6 | 58.9 | | |
| $R^2$ | .11 | .07 | .44 | .45 |
| Hosmer-Lemeshow $\chi^2$ | 1.630 | 9.631 | | |
| (p-value) | (.990) | (.292) | | |
| F value | | | 7.767*** | 14.903*** |

Notes: Variables in columns 26 and 28 have been removed because of high multicollinearity (r>.40).
Reported $R^2$ is Nagelkerke's pseudo $R^2$ at eligibility stage, and adjusted $R^2$ at level stage.
* p<.10; ** p<.05; *** p<.01. P-values are given in brackets for the Hosmer-Lemeshow $\chi^2$ test.

Results pertaining to the level stage show slightly better statistical results than those on the eligibility stage, as reflected in the last two columns of table 6. The results indicate that ENPI membership and population size are the only significant predictors of the level of economic governance support. These results indicate that considerations of political and economic interest may be at play in the allocation of funds to strengthen markets and enhance regional (trade) cooperation, since countries in the ENPI framework are an obvious

[19] When entered in equation (26) the first-order interaction terms of sub-Saharan African country, ENPI membership and market orientation did not have a significant coefficient.

strategic focus for EU policies.[20] The low to very low values of the coefficient for market orientation indicates that neo-liberal policy frameworks cannot be used to account for the allocation of this type of assistance to developing countries.

The conclusion of the analyses reported in this section is that the impact of neo-liberal policy preferences, operationalised by an indicator on regulatory reform, on EU aid for economic governance seems to have been almost negligible. As was the case in the previous section, on aid for political governance reform, findings suggest that political and economic interests may have been at play in policies in this area. The strategic importance of the 'neighbourhood' to the European Union can be understood as a crucial factor in the EU's decisions to allocate aid monies to programmes that aim to strengthen markets, both at the national and the regional level in the ENPI area.

## 6. Conclusions

This paper has attempted to provide an interpretation of the 'governance turn' that is witnessed in the development policies adopted by the European Union during the first decade of this century, more in particularly since the adoption of the 'European Consensus on Development'. Governance reform, captured in the notion of 'good governance' was shown to be an important element in the EU's policies on poverty reduction across the developing world.

The discussion of the evolution of notions of good governance and development at the level of the European Union demonstrated that the quality of governance in countries was seen to be a vital (co-)determinant of development outcomes. Governance, according to a handbook published by the EuropeAid Cooperation Office in 2004, relates to at least six main dimensions: democratisation and elections, human rights, the rule of law, the role of civil society, public sector reform and public finance management, and decentralisation and local government. In relation to the assumed impact of good or bad governance on development processes, the EU felt that the allocation of a substantial part of its development budget would be warranted to foster positive change in developing countries.

[20] The first-order interaction of market orientation with the other predictors did not provide significant results.

The focus of this paper has not been on the level of policy formulation, but rather on the allocation of funds through the EU's main policy instruments: the European Development Fund for countries in Africa, the Caribbean and the Pacific, the European Neighbourhood Partnership and Instrument for countries on the southern, eastern and southeastern 'rim' of the European Union, and the Development Cooperation Instrument for countries in Latin America, Asia and the Middle East. The central research question of the paper was whether any dominant explanation, or combination of explanations, provided in the literature on development assistance, would be able to account for the distribution of over €50 billion in assistance provided by the European Commission over the 2007-13 period. Three sets of explanations have been placed centrally: donor interest models, recipient need interpretations and constructivist explanations focusing on ideas and norms.

The empirical analysis in the second half of the paper involved a quantitative test of six hypotheses derived from the three central explanations. Three hypotheses related to donor interest models posited that EU funds would be allocated to economic governance in the ACP countries, security-sector governance and state building in fragile states, and home security in and the curbing of migration flows from countries in the 'neighbourhood'. Two hypotheses, derived from recipient need models, made a link between the allocation of EU funds and poverty levels in partner countries. Two final hypotheses, linking to constructivist notions on the impact of ideas and worldviews, related allocation patterns to the desire to, respectively, further the spread of liberal democracy and the deepening of market-oriented development.

The empirical analyses reported in this paper lead to the conclusion that European aid in the 2007-13 period seems to have been dominated by economic and political interests, with some additional influence stemming from recipient needs. The impact of ideas and normative considerations appears to have been either very weak or outright negligible.

Donor interests have been the red thread running through all the different aid modalities implemented by the European Union in the period under analysis. These interests seem to have taken different forms in different programmes. Economic interests, operationalised as trade relations between the EU and developing countries, have been found to be associated with allocation decisions (the level stage) on business sector support, aid for public sector reform and political governance. The EU's donor interests have played out in other ways in different programmes: fragile states were found to be the focus of support for security sector assistance, while aid for homeland security and economic governance programmes were concentrated on members of the ENPI.

It would be one-sided, however, if the account of EU aid programmes were limited to a discussion of donor interests. Considerations of recipient needs do also appear clearly in EU development assistance frameworks, although they often seem to take a back seat to economic and political interests. Analyses show that per capita income, least developed country states and location in sub-Saharan Africa played a role in explanations of business-sector support, aid for public-sector reform and political governance programme, but always in conjunction with donor interest variables.

Finally, the variables that were used to test the impact of ideas and normative frameworks on the selection of countries for aid programmes and the specific allocation patterns, did not lend much support to constructivist explanations of EU aid allocation. Indicators of liberal democracy and market-oriented reform played only a marginal role in the explanations of EU development assistance.

The current paper set out to analyse whether explanatory models of development assistance, formulated primarily for application to bilateral donors, would work in the context of EU aid. This paper seems to demonstrate that similar logics can be applied to the EU as to other donors. More work needs to be done, particularly for analysing the impact of ideas and normative frameworks on EU aid.

**References**


Börzel, T.A., Y. Pamuk and A. Stahn (2008) 'The European Union and the Promotion of Good Governance in its Near Abroad. One Size Fits all?', No. 18. Berlin: Research Center (SFB) 700: Governance In Areas of Limited Statehood - New Modes of Governance.

Buzan, B., O. Wæver and J. De Wilde (1998) *Security: A New Framework for Analysis.* Boulder: Lynne Rienner.

Carbone, M. (2007) *The European Union and International Development: The Politics of Foreign Aid.* London: Routledge.

Castillejo, C. (2011) 'Improving European Policy Towards Fragile States', *Interdisciplinary Political Studies* 1(2): 169-172.

Chandler, D. (2010) 'The EU and Southeastern Europe: The Rise of Post-Liberal Governance', *Third World Quarterly* 31(1): 69-85.

Clist, P. (2011) '25 Years of Aid Allocation Practice: Whither Selectivity?', *World Development* 39(10): 1724-1734.

Craig, D. and D. Porter (2005) 'The Third Way and the Third World: Poverty Reduction and Social Inclusion Strategies in the Rise of "Inclusive" Liberalism', *Review of International Political Economy* 12(2): 226-263.

Crawford, G. (2001) *Foreign Aid and Political Reform: A Comparative Analysis of Democracy Assistance and Political Conditionality.* Houndmills: Palgrave.

Dollar, D. and V. Levin (2006) 'The Increasing Selectivity of Foreign Aid, 1984-2003', *World Development* 34(12): 2034-2046.

EuropeAid Cooperation Office (2004) *Handbook on Promoting Good Governance in EC Development and Co-operation,* Brussels: European Commission.

European Commission (2001a) *Europe and Asia: A Strategic Framework for Enhanced Partnerships*, Communication from the Commission, 4 September, COM(2001) 469 final.

European Commission (2001b) *The European Union's Role in Promoting Human Rights and Democratisation in Third Countries*, Communication from the Commission to the Council and the European Parliament, 8 May, COM(2001) 252 final.

European Commission (2003) *Governance and Development*, Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, 20 October, COM(2003) 615 final.

European Commission (2005) *A stronger partnership between the European Union and Latin America*, Communication from the Commission to the Council and the European Parliament, 8 December, COM(2005) 636 final.

European Commission (2006a) *Commission Staff Working Document Accompanying the Communication 'Governance in the European Consensus on Development: Towards a Harmonised Approach within the European Union'*, 30 August, SEC(2006) 1020.

European Commission (2006b) *An EU-Caribbean Partnership for Growth, Stability and Development*, Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, 2 March, COM(2006) 86 final.

European Commission (2006c) *EU Relations with the Pacific Islands: A Strategy for a Strengthened Partnership*, Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee, 29 May, COM(2006) 248 final.

European Commission (2006d) *Governance in the European Consensus on Development: Towards a Harmonised Approach within the European Union*, Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, 30 August, COM(2006) 421 final.
European Commission (2007) *Towards an EU Response to Situations of Fragility: Engaging in Difficult Environments for Sustainable Development, Stability and Peace*, 25 October, COM(2007) 643 final.
European Commission (2008a) *Barcelona Process: Union for the Mediterranean*, Communication from the Commission to the European Parliament and the Council, 20 May, COM(2008) 319 final.
European Commission (2008b) *Principles for the Implementation of a Governance Facility under ENPI*, http://www.enpi-info.eu/enpidoc/content/principles-implementation-governance-facility-under-enpi, accessed 30 January 2012.
European Commission (2009) *Supporting Democratic Governance Through the Governance Initiative: A Review and the Way Forward*, Commission Staff Working Paper, 19 January, SEC(2009) 58 final.
European Commission (2010a) *Addressing Situations of Fragility*, 31 December, http://ec.europa.eu/europeaid/what/development-policies/intervention-areas/governance/fragile_states_en.htm, accessed 7 February 2012.
European Commission (2010b) *European Instrument for Democracy and Human Rights (EIDHR): Strategy Paper 2011 – 2013*, 21 April, C(2010)2432.
European Commission (2011) *Increasing the Impact of EU Development Policy: An Agenda for Change*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 13 October, COM(2011) 637 final.
European Commission (2012a) *Africa, Caribbean & Pacific: Country Cooperation*, 17 February, http://ec.europa.eu/europeaid/where/acp/country-cooperation/index_en.htm, accessed 15 March 2012.
European Commission (2012b) *Country Strategy Papers – 10th EDF*, 17 February, http://ec.europa.eu/europeaid/where/acp/overview/csp/csp_10th_edf_en.htm#pw, accessed 15 March 2012.
European Commission (2012c) *Our Neighbourhood & Russia: Country Cooperation*, 17 February, http://ec.europa.eu/europeaid/where/neighbourhood/country-cooperation/index_en.htm, accessed 15 March 2012.
European Commission (2012d) *Where We Work*, 17 February, http://ec.europa.eu/europeaid/where/index_en.htm, accessed 15 March 2012.
European Commission and High Representative for Foreign Affairs and Security Policy (2011) *A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean*, Joint Communication to the European Council, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 8 March, COM(2011) 200 final.
European Council (1999a) 'Regulation (EC) No. 975/1999 of 29 April 1999 Laying down the Requirements for the Implementation of Development Cooperation Operations which Contribute to the General Objective of Developing and Consolidating Democracy and the Rule of Law and to that of Respecting Human Rights and Fundamental Freedoms', *Official Journal of the European Union*, 8 May: L120/1-7.

European Council (1999b) ‘Regulation (EC) No. 976/1999 of 29 April 1999 Laying down the Requirements for the Implementation of Community Operations, Other than those of Development Cooperation, which, within the Framework of Community Cooperation Policy, Contribute to the General Objective of Developing and Consolidating Democracy and the Rule of Law and to that of Respecting Human Rights and Fundamental Freedoms in Third Countries’, *Official Journal of the European Union*, 8 May: L120/8-14.

European Council (2003a) *A Secure Europe in A Better World: European Security Strategy*, Brussels, 12 December, http://ue.eu.int/uedocs/cmsUpload/78367.pdf, accessed 30 January 2012.

European Council (2003b) *Governance in the Context of Development Cooperation*, Council Conclusions, 19 November, No. 14453/03.

European Council (2007a) *The Africa-EU Strategic Partnership: A Joint Africa-EU Strategy*, 9 December, No. 16344/07, http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/er/97496.pdf, retrieved 10 February 2012.

European Council (2007b) *An EU Response to Situations of Fragility*, 19 November, No. 15118/07.

European Council (2007c) *European Union and Central Asia: Strategy for a New Partnership,* Brussels: European Communities.

European Council (2010) *Relations with Central Asia,* Joint Progress Report by the Council and the European Commission to the European Council on the Implementation of the EU Strategy for Central Asia, 14 June, No. 11402/10, http://register.consilium.europa.eu/pdf/en/10/st11/st11402.en10.pdf, retrieved 10 February 2012.

European Council and Commission (2000) *The European Community's Development Policy – Statement by the Council and the Commission*, 10 November, No. 12929/00.

European External Action Service (2011) *Strategy for Security and Development in the Sahel*, http://eeas.europa.eu/africa/docs/sahel_strategy_en.pdf, accessed 10 February 2012.

European External Action Service (2012) *Country Strategy Papers 2007-2013*, http://eeas.europa.eu/sp/index_en.htm, accessed 15 March 2012.

European Parliament and Council (2006) ‘Regulation (EC) No. 1905/2006 of 18 December 2006 Establishing a Financing Instrument for Development Cooperation’, *Official Journal of the European Union*, 27 December: L378/41-71.

European Parliament, Council and Commission (2006) ‘The European Consensus on Development’, Joint Statement by the Council and the Representatives of the Governments of the Member States Meeting within the Council, the European Parliament and the Commission, *Official Journal of the European Union*, 24 February: C46/1-19.

Eurostat (2012) ‘Extra-EU Trade by Partner’, *International Trade Database,* http://epp.eurostat.ec.europa.eu/portal/page/portal/international_trade/data/database, accessed 1 October 2012.

Freedom House (2012) *Freedom in the World: Country Ratings, 1973-2011*, http://www.freedomhouse.org/report-types/freedom-world, accessed 15 March 2012.

Fund for Peace (2007) *The Failed States Index 2007*, http://www.fundforpeace.org/global/?q=fsi-grid2007, accessed 15 March 2012.

Gwartney, J., Hall, J. and Lawson, R. (2011) *2011 Economic Freedom Dataset,* Vancouver: Economic Freedom Network, http://www.freetheworld.com, accessed 15 March 2012.

Hout, W. (2007) *The Politics of Aid Selectivity: Good Governance Criteria in World Bank, US and Dutch Development Assistance.* London: Routledge.

Hout, W. and R. Robison (2009) *Governance and the Depoliticisation of Development.* London: Routledge.

Kausch, K. and R. Youngs (2009) 'The End of the "Euro-Mediterranean Vision"', *International Affairs* 85(5): 963-975.

Lancaster, C. (2007) *Foreign Aid: Diplomacy, Development, Domestic Politics.* Chicago: University of Chicago Press.

Langan, M. (2012) 'Normative Power Europe and the Moral Economy of Africa–EU Ties: A Conceptual Reorientation of "Normative Power"', *New Political Economy* 17(3): 243-270.

Manners, I. (2002) 'Normative Power Europe: A Contradiction in Terms?', *Journal of Common Market Studies* 40(2): 235-258.

Marquette, H. and D. Beswick (2011) 'State Building, Security and Development: State Building as a New Development Paradigm?', *Third World Quarterly* 32(10): 1703-1714.

McKinlay, R.D. and R. Little (1978a) 'A Foreign Policy Model of the Distribution of British Bilateral Aid, 1960-70', *British Journal of Political Science* 8(3): 313-331.

McKinlay, R.D. and R. Little (1978b) 'The French Aid Relationship: A Foreign Policy Model of the Distribution of French Bilateral Aid, 1964–70', *Development and Change* 9(3): 459-478.

McKinlay, R.D. and R. Little (1979) 'The US Aid Relationship: A Test of the Recipient Need and the Donor Interest Models', *Political Studies* 27(2): 236-250.

Molenaers, N. and L. Nijs (2011) 'Why the European Commission Fails to Adhere to the Principles of Good Donorship: The Case of the Governance Incentive Tranche', *European Journal of Development Research* 23(3): 409-425.

Molenaers, N. and L. Nijs (2009) 'From the Theory of Aid Effectiveness to the Practice: The European Commission's Governance Incentive Tranche', *Development Policy Review* 27(5): 561-580.

Morgenthau, H. (1962) 'A Political Theory of Foreign Aid', *The American Political Science Review* 56(2): 301-309.

Neumayer, E. (2003) *The Pattern of Giving Aid: The Impact of Good Governance on Development Assistance.* London: Routledge.

O'Sullivan, D. (2011) *Setting Up the EEAS*, speech at IIEA, Dublin, 14 January, http://www.eeas.europa.eu/speeches/2011_1201_dos_iiea_en.pdf, accessed 30 January 2012.

Packenham, R.A. (1966) 'Foreign Aid and the National Interest', *Midwest Journal of Political Science* 10(2): 214-221.

Ravenhill, J. (1985) *Collective Clientelism: The Lomé Conventions and North-South Relations.* New York: Columbia University Press.

Sicurelli, D. (2010) *The European Union's Africa Policies: Norms, Interests and Impact.* Farnham: Ashgate.

UNCTAD (2007) *The Least Developed Countries Report 2007: Knowledge, Technological Learning and Innovation for Development*, New York: United Nations.

Van der Veen, A.M. (2011) *Ideas, Interests and Foreign Aid.* Cambridge: Cambridge University Press.

Van Seters, J. and H. Klavert (2011) 'EU Development Cooperation After the Lisbon Treaty: People, Institutions and Global Trends', No. Discussion Paper No. 123. Maastricht: European Centre for Development Policy Management.

Williams, D. (2008) *The World Bank and Social Transformation in International Politics: Liberalism, Governance and Sovereignty.* London: Routledge.
World Bank (2011) *Worldwide Governance Indicators, 1996-2010*, http://info.worldbank.org/governance/wgi/index.asp, accessed 15 March 2012.
World Bank (2012) *World Development Indicators*, version December 2011, http://data.worldbank.org/data-catalog/world-development-indicators, accessed 15 March 2012.
Youngs, R. (2010) *The EU's Role in World Politics: A Retreat from Liberal Internationalism.* London: Routledge.

## Appendix A: Countries and data

### *Countries in the analysis*

The analyses in the paper include all countries (1) with a relationship with the European Union under one of the three development-related instruments: the European Development Fund (EDF), the Development Cooperation Instrument (DCI) and the European Neighbourhood and Partnership Instrument (ENPI) for the 2007-13 period, and (2) with a Country Strategy Paper.

The following 126 countries met the criteria and were included in the analyses: Afghanistan, Algeria, Angola, Antigua and Barbuda, Argentina, Armenia, Azerbaijan, The Bahamas, Bangladesh, Barbados, Belarus, Belize, Benin, Bhutan, Bolivia, Botswana, Brazil, Burkina Faso, Burundi, Cambodia, Cameroon, Cape Verde, Central African Republic, Chad, Chile, People's Republic of China, Colombia, the Comoros, Democratic Republic of Congo, Republic of Congo, Cook Islands, Costa Rica, Cuba, Djibouti, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Eritrea, Ethiopia, Gabon, Gambia, Georgia, Ghana, Grenada, Guatemala, Guinea-Bissau, Guyana, Haiti, Honduras, India, Indonesia, Iraq, Israel, Ivory Coast, Jamaica, Jordan, Kenya, Kiribati, Laos, Lebanon, Lesotho, Liberia, Libya, Madagascar, Malawi, Malaysia, Maldives, Mali, Marshall Islands, Mauritania, Mauritius, Mexico, Micronesia, Moldova, Mongolia, Morocco, Mozambique, Myanmar, Namibia, Nauru, Nepal, Nicaragua, Niger, Nigeria, Niue, Pakistan, Palau, Panama, Papua New Guinea, Paraguay, Peru, The Philippines, Rwanda, Samoa, São Tomé e Principe, Senegal, Seychelles, Sierra Leone, Solomon Islands, Somalia, South Africa, Sri Lanka, St. Kitts and Nevis, St. Lucia, St. Vincent and The Grenadines, Suriname, Swaziland, Syria, Tanzania, Thailand, Timor-Leste, Togo, Tonga, Trinidad and Tobago, Tunisia, Tuvalu, Uganda, Ukraine, Uruguay, Vanuatu, Venezuela, Vietnam, Yemen, Zambia.

### *Aid data*

Data on the allocations of EU aid to recipient countries were obtained from CSPs and MIPs/NIPs for the countries mentioned above, through the website of the DG Development and Cooperation–EuropeAid (European Commission 2012d) or the European External Action Service (2012).

### *Other data: definitions and sources*

*ACP group membership:* Source: European Commission (2012a and 2012b).
*ENPI membership:* Source: European Commission (2012c).
*DCI group:* Source: European Commission (2012d).
*State fragility:* Fund for Peace's Failed States Index 2007. Source: Fund for Peace (2007).
*Income/poverty level:* GDP per capita in purchasing power parity, 2007, constant prices (2005 international dollars). Source: World Bank (2012), series NY.GDP.PCAP.PP.KD.
*Country size:* Population in millions. Source: World Bank (2012), series SP.POP.TOTL.
*EU economic interest*: EU27 exports in millions of euros (2007). Source: Eurostat (2012).
*Least Developed Country status:* Source: UNCTAD (2007: iii).
*Liberal democracy:* The average score on the political rights and civil liberties index for 2007. Source: Freedom House (2012).
*Market-oriented reform:* Indicator for regulatory quality for 2007. Source: World Bank (2011).

*Factor analyses*

### Support of governance reform

| | Factor loading |
|---|---|
| Support of public administration reform | .760 |
| Support of decentralisation and local governance | .742 |
| Support of public finance management | .653 |
| Support of judicial reform | .851 |
| Eigenvalue | 2.279 (57.0%) |

### Political governance support

| | Factor loading |
|---|---|
| Support of human rights activities | .612 |
| Support of civil society | .730 |
| Support of elections and formal political institutions | .755 |
| Eigenvalue | 1.479 (49.3%) |

### Support of economic governance

| | Factor loading |
|---|---|
| Support of the business environment and regulatory reform | .770 |
| Support of regional cooperation | .770 |
| Eigenvalue | 1.185 (59.3%) |

**Appendix B: EU aid allocations under 10th EDF, ENPI or DCI, 2007-13**

| | 2007-10 | 2011-13 | 2007/8-13 | Total |
|---|---|---|---|---|
| Afghanistan | 610.0 | 600.0 | | 1210.0 |
| Algeria | 220.0 | 172.0 | | 392.0 |
| Angola | | | 214.0 | 214.0 |
| Antigua and Barbuda | | | 3.4 | 3.4 |
| Argentina | | | 65.0 | 65.0 |
| Armenia | 98.4 | 157.3 | | 255.7 |
| Azerbaijan | 92.0 | 122.5 | | 214.5 |
| Bahamas | | | 4.7 | 4.7 |
| Bangladesh | 205.0 | 198.0 | | 403.0 |
| Barbados | | | 0.2 | 0.2 |
| Belarus | – | 56.7 | | 56.7 |
| Belize | | | 11.8 | 11.8 |
| Benin | | | 334.0 | 334.0 |
| Bhutan | 8.0 | 6.0 | | 14.0 |
| Bolivia | 134.0 | 115.0 | | 249.0 |
| Botswana | | | 73.0 | 73.0 |
| Brazil | 39.65 | 21.35 | | 61.0 |
| Burkina Faso | | | 529.0 | 529.0 |
| Burundi | | | 188.0 | 188.0 |
| Cambodia | | | 152.0 | 152.0 |
| Cameroon | | | 239.0 | 239.0 |
| Cape Verde | | | 51.0 | 51.0 |
| Central African Republic | | | 137.0 | 137.0 |
| Chad | | | 299.0 | 299.0 |
| Chile | | | 41.0 | 41.0 |
| China | 128.0 | | | 128.0 |
| Colombia | 104.0 | 59.0 | | 163.0 |
| Comoros | | | 45.0 | 45.0 |
| Congo, Democratic Republic | | | 514.0 | 514.0 |
| Congo, Republic | | | 85.0 | 85.0 |
| Cook Islands | | | 3.0 | 3.0 |
| Costa Rica | | | 34.0 | 34.0 |
| Cuba | – | 20.0 | | 20.0 |
| Djibouti | | | 40.5 | 40.5 |
| Dominica | | | 5.7 | 5.7 |
| Dominican Republic | | | 179.0 | 179.0 |
| Ecuador | 75.0 | 66.0 | | 141.0 |
| Egypt | 558.0 | 449.3 | | 1,007.3 |
| El Salvador | 72.6 | 48.4 | | 121.0 |
| Eritrea | | | 122.0 | 122.0 |
| Ethiopia | | | 644.0 | 644.0 |
| Gabon | | | 49.0 | 49.0 |
| Gambia | | | 76.0 | 76.0 |
| Georgia | 120.4 | 180.3 | | 300.7 |
| Ghana | | | 367.0 | 367.0 |
| Grenada | | | 6.0 | 6.0 |
| Guatemala | 87.9 | 47.1 | | 135.0 |
| Guinea-Bissau | | | 100.0 | 100.0 |

| | | | | |
|---|---|---|---|---|
| Guyana | | | 51.0 | 51.0 |
| Haiti | | | 291.0 | 291.0 |
| Honduras | 127.5 | 95.5 | | 223.0 |
| India | 260.0 | 210.0 | | 470.0 |
| Indonesia | 248.0 | 200.0 | | 448.0 |
| Iraq | 65,8 | 58.7 | | 124,5 |
| Israel | 8.0 | 6.0 | | 14.0 |
| Ivory Coast | | | 218.0 | 218.0 |
| Jamaica | | | 110.0 | 110.0 |
| Jordan | 265.0 | 223.0 | | 488.0 |
| Kenya | | | 383.0 | 383.0 |
| Kiribati | | | 12.7 | 12.7 |
| Laos | 33.0 | 36.0 | | 69.0 |
| Lebanon | 187.0 | 150.0 | | 337.0 |
| Lesotho | | | 136.0 | 136.0 |
| Liberia | | | 150.0 | 150.0 |
| Libya | | 60.0 | | 60.0 |
| Madagascar | | | 577.0 | 577.0 |
| Malawi | | | 436.0 | 436.0 |
| Malaysia | | | 17.0 | 17.0 |
| Maldives | 4.0 | 6.0 | | 10.0 |
| Mali | | | 533.0 | 533.0 |
| Marshall Islands | | | 5.3 | 5.3 |
| Mauritania | | | 156.0 | 156.0 |
| Mauritius | | | 51.0 | 51.0 |
| Mexico | | | 55.0 | 55.0 |
| Micronesia | | | 8.3 | 8.3 |
| Moldova | 209.7 | 273.1 | | 482.8 |
| Mongolia | 14.0 | 15.0 | | 29.0 |
| Morocco | 654.0 | 580.5 | | 1,234.5 |
| Mozambique | | | 622.0 | 622.0 |
| Myanmar | 65.0 | 33.0 | | 98.0 |
| Namibia | | | 103.0 | 103.0 |
| Nauru | | | 2.7 | 2.7 |
| Nepal | 60.0 | 60.0 | | 120.0 |
| Nicaragua | 114.4 | 99.6 | | 214.0 |
| Niger | | | 458.0 | 458.0 |
| Nigeria | | | 677.0 | 677.0 |
| Niue | | | 3.0 | 3.0 |
| Pakistan | 200.0 | 198.0 | | 398.0 |
| Palau | | | 2.9 | 2.9 |
| Panama | 14.5 | 23.5 | | 38.0 |
| Papua New Guinea | | | 130.0 | 130.0 |
| Paraguay | 64.0 | 53.0 | | 117.0 |
| Peru | 85.8 | 49.2 | | 135.0 |
| Philippines | 61.0 | 69.0 | | 130.0 |
| Rwanda | | | 290.0 | 290.0 |
| Samoa | | | 30.0 | 30.0 |
| São Tomé e Principe | | | 17.1 | 17.1 |
| Senegal | | | 288.0 | 288.0 |
| Seychelles | | | 5.9 | 5.9 |

| | | | | |
|---|---|---|---|---|
| Sierra Leone | | | 242.0 | 242.0 |
| Solomon Islands | | | 13.2 | 13.2 |
| Somalia | | | 212.0 | 212.0 |
| South Africa | | | 980.0 | 980.0 |
| Sri Lanka | 52.0 | 60.0[21] | | 112.0 |
| St Kitts and Nevis | | | 4.5 | 4.5 |
| St Lucia | | | 8.1 | 8.1 |
| St Vincent and The Grenadines | | | 7.8 | 7.8 |
| Suriname | | | 19.8 | 19.8 |
| Swaziland | | | 63.0 | 63.0 |
| Syria | 130.0 | 129.0 | | 259.0 |
| Tanzania | | | 555.0 | 555.0 |
| Thailand | 8.0 | 9.0 | | 17.0 |
| Timor-Leste | | | 63.0 | 63.0 |
| Togo | | | 123.0 | 123.0 |
| Tonga | | | 5.9 | 5.9 |
| Trinidad and Tobago | | | 25.5 | 25.5 |
| Tunisia | 300.0 | 240.0 | | 540.0 |
| Tuvalu | | | 5.0 | 5.0 |
| Uganda | | | 439.0 | 439.0 |
| Ukraine | 494.0 | 470.0 | | 964.0 |
| Uruguay | | | 31.0 | 31.0 |
| Vanuatu | | | 21.6 | 21.6 |
| Venezuela | | | 40.0 | 40.0 |
| Vietnam | 160.0 | 144.0 | | 304.0 |
| Yemen | 60.0 | –[22] | | 60.0 |
| Zambia | | | 475.0 | 475.0 |

[21] The 2011-13 period has not been considered for Sri Lanka, as no Multiannual Indicative Programme seemed to be available for the period beyond 2010.
[22] The 2011-13 period has not been considered for Yemen, as no Multiannual Indicative Programme seemed to be available for the period beyond 2010.