

# For the World, for Me or for Us?

## The European Development Aid Regime

*Kenneth Thomas Stiller*

“We know the costs of Europe. What are the benefits?”<sup>1</sup>  
Nigel Farage

Whereas poverty eradication is the primary official purpose of development aid disbursed by the EU, an analysis of official development assistance (ODA) flows between 1995 and 2014 suggests that recipients' needs are even less salient for aid by the EU than for the bilateral aid dispersed by its member states. Employing a dataset with pooled member state ODA disbursements, development aid disbursed by the EU is found to rather serve common European foreign policy goals, e.g. preparation for accession and geostrategic aims. Even though those states which acceded to the EU in 2004 received over proportional amounts of ODA both by the EU and its member states, current accession candidates and states of the EU's Eastern Partnership do not receive such a surplus of bilateral development aid from EU member states. These findings indicate an increasingly functional division of the two European channels for allocating ODA.

*Keywords: europeanization, development aid, EU, multilateralism, multi-level governance, ODA*



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Whilst in the past decades several states and international organisations emerged as major donors of aid, including United Nations agencies, Bretton Woods institutions and regional Development Banks, the European Union constitutes a special case regarding development policy. Even though the nation states of Western Europe have been responsible for major shares of global foreign aid flows since the very advent of the concept of development assistance, the European Union itself, too, has emerged as a major provider of foreign aid, even surpassing official development assistance disbursed by UN institutions by twice the entire UN system's aggregate disbursements.

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Interestingly, development cooperation is a policy area of shared responsibility between the EU and its member states, implying that both the EU and its individual member states govern formally independent policies in this field. However, since its member states exert significant influence on decision-making within the European Union's institutional design, it does not solely pose one additional donor, but rather a second level available for member state governments to allocate foreign aid through. Considering repeated attempts to shift more responsibility in this policy field to the European level and ongoing discussions on the distribution of competencies in this domain, understanding the interaction between those two levels will be essential to properly assess the consequences of potential changes. Hence, the aim of this article is to assess how member state preferences impact foreign aid allocations by the European Union as well as to identify the function EU aid fulfils in between the national level and global international organisations.

Contrary to many studies that focus on legal aspects and institutional adjustments in order to explain the European aid regime, an empirical approach will be employed. Whereas poverty eradication is declared the primary aim of all EU development assistance efforts<sup>2</sup>, closer scrutiny indicates that they are not more targeted at this aim than the efforts of EU member states are. As will be shown, development policy of the EU has historically strong linkages to the preferences and policies of its member states, albeit the interconnectedness seems to decrease in recent years. Furthermore, the structure of member states' preferences is a decisive determinant of foreign aid allocations by the Union, which, nevertheless, is subject to EU enlargement as well as the institutional design of the European Union. The results of the analysis conducted in this paper also provide hints of an emerging functional

division between European aid policies, with EU aid serving common European geopolitical interests, whereas member states increasingly employ bilateral aid to pursue European interests abroad.

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### **Why losing Control? The Concept of Multilateral Aid**

Maizels and Nissanke distinguish between bilateral and multilateral foreign aid and examine, in an analysis with a quite limited time frame, that the latter is allocated much more according to recipients' actual needs than bilateral flows, which, as they find, in most cases serve the interests of the donor.<sup>3</sup> Replicating Burnside and Dollar's study on aid<sup>4</sup> whilst employing different methods, results provided by Headey indicate that this might indeed be true, albeit bilateral aid seems to increasingly focus on recipients' needs after the end of the Cold War.<sup>5</sup> Easterly and Pfutze, more differentiated, conclude that development funds tend to implement a range of desirable practices of foreign aid best and United Nations institutions do worst, which are both multilateral donors, while bilateral aid ranks somewhere in between.<sup>6</sup> These results raise questions as multilateral aid is not different from bilateral aid in terms of real flows from donor to recipient, from tax-payers in a developed nation to the poor in a less developed state.

Allocating foreign aid flows multilaterally is *per definitionem* inevitably associated with a loss of control for donor countries, only the degree of loss being dependent on the institutional design of the international agency. The general public seems to at least implicitly recognise this condition as Milner and Tingley identify different preferences on multilateral aid spending among partisans in the case of the opponents' victory prior to the US presidential election in 2008.<sup>7</sup>

Why then, do governments choose to allocate foreign aid multilaterally and lose control? Scholars have examined two basic arguments on this issue. Firstly, Rodrik employs the institutional capacity of multilateral agencies in order to argue that they have advantages both in centralising information, thus being able to implement efficient aid policies in recipient states, and facilitating the implementation of aid conditionality, which makes aid payments dependent on policy changes in recipient states.<sup>8</sup> Hence, whereas bilateral aid seems to have a rather strategic and strong regional focus, e.g. US aid to the Middle East, Japanese spending in South East Asia or a European emphasis on Africa<sup>9</sup>, Rodrik argues that multilateral flows would be detached from these considerations.<sup>10</sup> In accordance with this consideration, Reins-

berg considers multilateral aid relationships to be less politicised after finding that multilateral donors hardly respond to political liberalisation of recipients.<sup>11</sup> Multilateral aid channelling depoliticises foreign aid and might thus allow punishing human rights violators collectively, argue Lebovic and Voeten.<sup>12</sup>

Moreover, it is argued that collusion by donors or the prevalence of a dominant donor might improve aid efficiency in recipients as aid projects are less fragmented, local wages are not perverted by competition, which otherwise might curb the recipient's bureaucratic quality, and expertise can be centralised and efficiently exploited.<sup>13</sup> Indeed, many recipient countries deem further cooperation among donors necessary for the effectiveness of foreign aid.<sup>14</sup>

Concerning the second explanation for multilateral aid, Milner bases her argument on the interest of donors both to employ foreign aid for strategic purposes and to ensure the legitimacy of aid at the same time.<sup>15</sup> Given that ordinary citizens have very little detailed information on development assistance, Milner argues, donors need to provide development-oriented multilateral aid in order to credibly signal the necessity and usefulness of foreign aid to their constituencies, even though multilateral aid 'is surely of less direct political utility to donor governments'.<sup>16</sup> Hence, the result would be coexistence of rather strategic bilateral aid and rather development-oriented multilateral aid. Indeed, arguments made for multilateral aid to be rather orientated towards recipient-side determinants have been supported by empirical findings in terms of focus on development needs<sup>17</sup> and human rights records in recipient states.<sup>18,19</sup>

However, even though multilateral agents tend to formalise the process of aid allocation, which can include the adoption of 'quasi-legal frameworks'<sup>20</sup>, multilateral aid can certainly also serve domestic interests, for instance by providing contracts for national companies.<sup>21</sup> The decision to use multilateral allocation channels of development assistance, nevertheless, seems to be dependent on national preferences and their congruence with multilaterally achievable outcomes, resulting in vastly differential significance of multilateral aid among donor nations.<sup>22,23</sup>

It is noteworthy that all of the above-mentioned explanations for the existence of multilateral aid do not actually derive from changes in the strategic interest of donors but rather either from the institutional decision-making procedure that tames the implementation of individ-

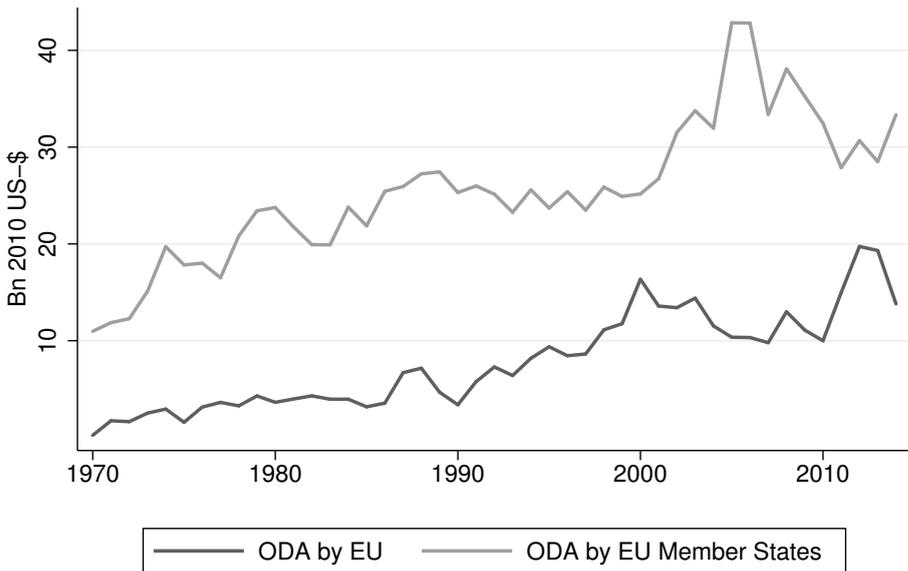
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ual strategic interests or from the necessity to partly signal development-oriented behaviour in order to maintain the pursuit of national interests through foreign aid. Thus, strategic donor interests are likely to be the main reason why bilateral aid remains to be the prevalent type of development assistance. Still, although the decision to channel aid through multilateral agencies might be strategic in intent, it could thoroughly foster development in consequence.

### The European Aid Regime

While many donor countries allocate development assistance both through bilateral and multilateral channels, member states of the European Union simultaneously and increasingly also disperse development assistance via the EU itself, thus effectively employing a third level in this policy area (Figure 1). Remarkably, even though the OECD considers EU aid to be multilateral in nature, some scholars label it bilateral aid.<sup>24</sup> However, neither of these is fully adequate if the institutional framework of the European Union is taken into account.

Figure 1: Total Foreign Aid Commitments to Specified Recipients over Time. [Source: Author]



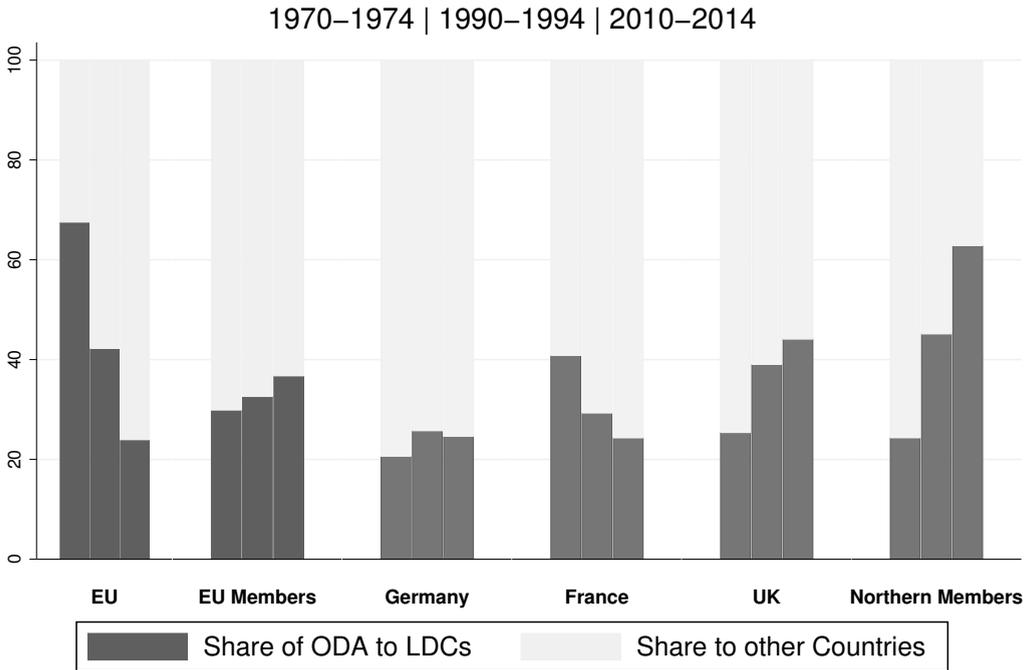
Source: Own calculation with OECD data

Up to the present, EU aid comprises two channels with distinct budgets. Firstly, the European Development Fund (EDF) serves as an aid instrument and is funded by contributions from member states in multiannual frameworks, which can voluntarily be increased. It was founded during the initial stages of European integration in 1958 and targeted at the especially indigent group of African, Caribbean and Pacific (ACP) countries as well as at oversea territories of member states. Although the European Commission, and to a lesser extent the European Investment Bank, as supranational institutions implement the fund, decisions are made by the so-called EDF committee, which consists of member state representatives, under the rule of qualified majority voting or unanimity for budget decisions and institutional changes, respectively.<sup>25</sup> While member states' individual contributions have been increasingly aligned to their corresponding general EU budget contributions and thus their economic capacities, repeated attempts to include the EDF into the Union's general budget have been rejected by member states for diverse reasons.<sup>26</sup> Secondly, several programmatic development policy instruments, most notably the Development Cooperation Instrument or the European Neighbourhood and Partnership instruments, are directly funded from the European Union's budget, which commands its own revenues since 1970.<sup>27</sup> This, of course, is not to say that these funds are therefore managed independently of member states' preferences and influences. Indeed, even though this aid channel is funded by the Union's own budget, its management is subject to the above-mentioned clash between intergovernmental and supranational influences, which is shaped by external influences like EU enlargement rounds or institutional advancement in the course of European integration.

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Maizels and Nissanke consistently conclude in their empirical analysis of donors' motivations for aid that French aid favours former colonies, whereas economic interests explain the bilateral aid allocation of Germany and, maybe surprisingly, Britain best.<sup>28</sup> Essentially, the Lomé Convention, which over decades governed the EDF, was an expression of special political relations of which aid was only one component.<sup>29</sup> Its direct and current successor, the Cotonou Convention, which was signed in 2000, continues to embed aid into a more general, economic and political partnership agreement, although being criticised for its neoliberal approach.<sup>30</sup>

Figure 2: Share of Foreign Aid directed to Least Developed Countries by various Donors over Time. [Source: Author based on OECD data]



Source: OECD–DAC

Northern Member States include Netherlands, Denmark, Sweden, Finland

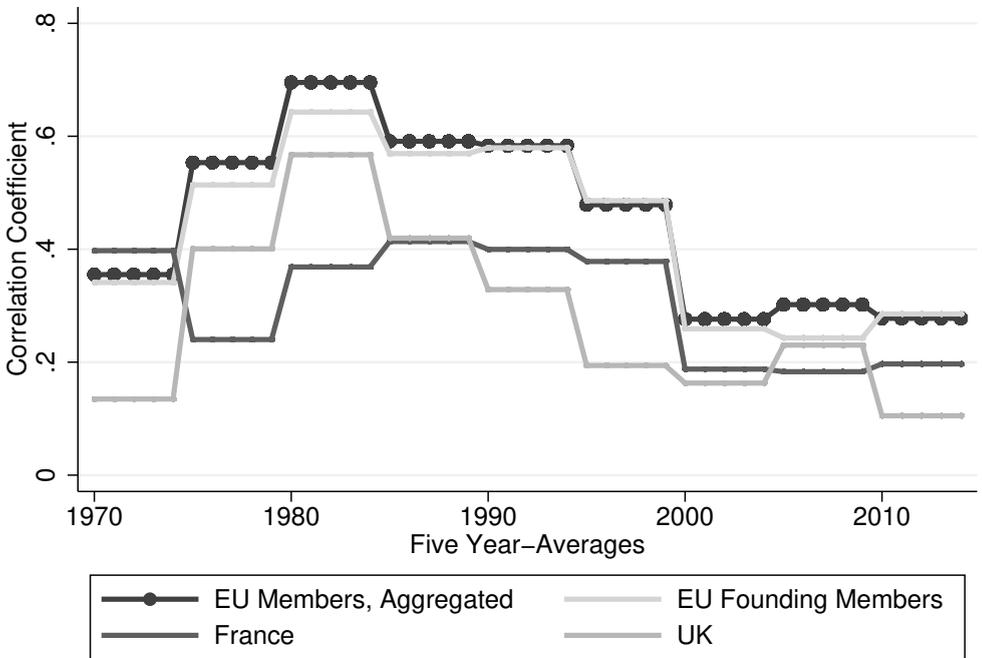
In fact, the share of EU aid attributed to least development countries with the strongest need for poverty reduction successively decreased over the past decades, even falling behind the share allocated by EU member states to these countries (Figure 2). Accordingly, in the context of foreign policy realignment in 1997 the European Commission declared the post-colonial era to be over, which some assign to the prevalence of globally-oriented member states over regionally-interested EU member states and the subsequent shift towards normalisation of relations to ACP countries.<sup>31</sup> It must be recalled that the initial setting of the European Community with six member states and a dominant French government was subject to continuing accession of states that had little strategic interest in Sub-Sahara Africa, beginning with Spain and Portugal, which emphasised ties to Latin America via Austria, Sweden and Finland until the Eastern European enlarge-

ment.<sup>32</sup> An interesting result of these paradigm changes is a sharp decline in relative EU aid flows also to ACP countries, despite their low level of development and the rhetoric focus on poverty alleviation.<sup>33, 34</sup>

Moreover, the linkage between EU aid and the national preferences of its member states seems to have significantly weakened in the course of the past decades as far as the correlation of aid allocations is concerned (Figure 3). Since then there seems to have emerged a new paradigm of EU development policy, of which a central aspect is the respect for normative values such as human rights.<sup>35, 36, 37</sup>

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Figure 3: Correlation between EU and selected Member State Aid Flows over Time. [Source: Author]



Source: Own calculation based on OECD data

### European Aid as a Two-Level Game

Furthermore, it seems reasonable to assume that EU aid policies might be more than solely an expression of aggregated member state preferences. The European Union was supposed to become and is a hybrid

type of aid allocating institutions as its institutional setting combines perks of multilateral agents like the relative depoliticization of aid relations for individual member states and formalisation of aid programmes, but also attributes of bilateral aid through members' comparatively strong impact on aid allocations and the embeddedness into a comprehensive political entity.

Based on these institutional implications, the theory employed in this paper is rooted in preference structures of involved stakeholders and mechanisms that interfere in the process of preference aggregation. As Putnam describes in his "two-level game", interaction between the domestic and foreign policy can be exploited by actors in order to generate more preferable outcomes, thus 'enabling them to achieve otherwise unattainable objectives'.<sup>38</sup> While member state governments, of course, do not have to find an agreement for European aid policies on a national level, they can be assumed to behave respectively as they attempt to implement their preferences through the EU budget, seeking to shape EU aid flows as suitable as possible to their own preferences. Hence, transmitting Putnam's general concept to the issue at hand, the European aid regime can be described to be an interacting two-level game, which, given the institutional order, results in three stages of policy-adaptation to actors' preferences.

Firstly, individual national strategies and interests shape national aid programmes and bilateral flows as these states are sovereign to disburse aid to whomever they want to, for arbitrary reasons. Secondly, with increasing common aid volumes disbursed and, as stated above, mediated by European institutions, EU development policies allow member states to implement their preferences and interests through this channel, too. Although individual states may articulate their interests, bargain accordingly and more or less succeed in shaping aid allocations, final EU aid flows are a product of the aggregation of member states' interests and consensus-making in the council in consideration of agenda setting by the European Commission and the EU bureaucracy. Furthermore, EU aid has to be distinguished from typical multilateral aid concerning the amount of detailed reliable information that is available to member states as a result of common negotiations.

Hence, thirdly, member states could take these results into account when adopting their final foreign aid allocations, which would make EU decisions impact bilateral foreign aid flows disbursed by member states. The salience of this effect, nevertheless, might strongly vary

among member states depending on tendencies of EU aid or national strategies and preferences or their involvement in a particular recipient state.

Two dimensions of development aid policy, which are conditioned by the mechanisms that rule aggregation of national preferences and are represented by the second stage in the above mentioned interacted two-level game, could be decisive for the structural shape of EU aid allocations. The underlying effect on EU aid regarding this dimension is caused by the sheer process of preference aggregation. While member states might allocate aid in order to objectively foster development in recipient states, they are very likely to also employ development aid as a foreign policy tool to a certain extent. However, some strategic purposes of foreign aid like support of arms trade deals, securing military relationships (as is argued the US did<sup>39</sup>) and generating benefits for national companies are not applicable for EU aid, due to the mere fact that the EU is solely a confederation of states as well as the aggregation of these states' preferences, which might be diametrically opposed. In addition, while strategic aid policies might be rooted in the preferences of governments, the Council of the European Union and its 28 members are subject to high levels of fluctuation. To sum up, the mechanism for common decision-making establishes implicit mutual control that is expected to tame national non-programmatic self-interest, analogous to similar observations concerning compliance with human rights in Europe due to the establishment of mutual control mechanisms.<sup>40</sup> EU aid, then, should be less influenced by strategic interests as compared to member states' foreign aid and rather be driven by recipient needs. Hence, referring to the above-mentioned continuum, the first hypothesis is derived, which can be described as EU-development hypothesis:

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*H1: Lack of development is a stronger predictor of EU aid flows than of member state aid.*

While development-oriented aid should then be expected to be in the focus of European Union institutions, relative strong involvement of member states in the decision-making process on the European level could potentially introduce some more typical aspects of bilateral aid flows, making EU aid taking a position between more strategic bilateral aid flows, on the one hand, and flows disbursed by more independent multilateral agencies on the other. As opposed to the effect that is

claimed to cause the focus of EU aid on development-oriented purposes, the reason here rather concerns the decision-making mechanism in the Council of the European Union than the sole existence of inter-governmental negotiations. For instance, while a qualified majority is necessary in the Council, the existence of a 'culture of consensus'<sup>41</sup> as well as the fact that many decisions are made unanimously even without institutional need to do so, highlight the importance of national interests and informal bargaining power. In consequence, to a certain extent European aid is likely to resemble the aggregation of national aid allocations. Since policies with higher chances to be agreed on are those in the interest of EU members, the member state-interest hypothesis states:

*H2a: The higher member state aid flows to a certain recipient, the higher can EU development aid flows be expected.*

Note that while the first hypothesis states that strategic intentions are expected to be less salient for EU aid, this might not be valid in special cases, namely if many EU member states have a common strategic interest in recipient countries. In such a case, the second determining dimension of EU aid would be decisive, namely the structure of member state preferences. If member states' interests in a particular recipient are quite homogeneous, they might be able to jointly push for increased aid flows to this very recipient. The realisation of national strategies through EU aid is much harder or even impossible if members' interests in a certain state are very heterogeneous, as incentives for delegation are higher and delegation therefore more likely if principals' preferences are close to each other.<sup>42</sup> The reasoning behind this point is that not only the absolute amount of member state aid to recipients indicates member state interests and shapes EU disbursements, but also its composition. If, for instance, one member donates 10 million € to an arbitrary recipient state, it will be less likely to impact common decision-making and to have this interest reflected in European aid contributions than if ten member states donate 1 million € each. In consequence, if a broad coalition of member states enters negotiations with strong preferences towards a single recipient of aid, these members should be able to shape negotiations. Hence, in the case of disagreements, aid is likely to end up being spent on those interests that are broadly represented in the Council, for which reason the member state-preference hypothesis states:

*H2b: EU aid allocations will be higher if member state interests in a certain recipient state are more homogeneous ceteris paribus.*

However, as has been mentioned, EU enlargement rounds and resulting diversification of interests have the ability and do alter the internal dynamics of decision-making processes in the European Union. Giving the increasing and quite pronounced programmatic formalisation of EU development policies, it is possible that member states have lost their grip on the allocation of EU development aid. While it is quite complex to establish meaningful absolute relationships between member states' actual flows and EU development policies in order to evaluate this explanation, it might be insightful to analyse their congruency over time in order to identify major tendencies in influence of member states on EU development aid. As shown above, despite its rhetoric focus the share of EU aid directed to least developed countries has decreased over the past years, possibly indicating that development might actually have become a less salient determinant of aid flows and raising the question whether this change rather follows member state aid flows or diverges from them. The Union's enlargement as well as the strengthening of EU institutions in legal terms might have caused an intra-EU power shift towards supranational institutions. Thus, the following supranationality-hypothesis follows from these considerations:

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*H3: EU aid flows are decreasingly determined by aid allocations of EU member states.*

If EU aid is indeed increasingly detached from member states' national foreign aid flows than a mere aggregation, it remains unclear what purpose EU aid would serve then. Nielson and Tierney argue that if principals cannot agree on proposed policy changes, the agent's own position becomes more favourable as it might exploit the preference structure due to the principal's lacking ability to act unified.<sup>43</sup> Thus, EU aid should be expected to aim at fulfilling the Commission's policy goals, which is above all the eradication of poverty, as has been repeatedly stated. A second potential explanation would be that EU member states engage in 'laundering'<sup>44</sup>, namely shifting policies to another level or agency if they are unfavourable for bilateral relations. Regarding such considerations, it seems reasonable that certain states play a superior role for common foreign policy targets of the European Union and EU member states are willing to support these nations.

However, bilateral aid might seem inappropriate for this purpose to some governments. Recalling Milner's point of multilateral aid as a signal to constituencies<sup>45</sup>, European aid might indeed be exploited to prove development commitments of member states, while in fact it serves geopolitical interests. Given the EU's official rhetoric on development policy and emphasis on poverty eradication, it does not surprise that although Europeans know less about the actual flows of common European development aid than about national aid policies, significantly more advocate for increases in European aid than in national aid according to the Eurobarometer.<sup>46</sup> Hence, it might be that member states employ this channel of foreign aid as strategic foreign policy instrument, resulting in disproportionately high amounts of aid allocated to recipients of geopolitical interest. It is noteworthy that while the preceding two hypotheses refer to EU aid as a function of member state preferences and their structure, this argument does base on a superordinate preference outside the set of national development policy preferences, but on selective delegation by member states to the European level. Thus, if the predicted effect indeed exists, this would indicate that member states are aware of the common need to engage in those interests even though they do not provide bilateral aid accordingly. In consequence, this hypothesis might be called the EU-interest hypothesis:

*H4: If a recipient state is of major importance for the EU's foreign policy goals, it will receive larger shares of EU aid ceteris paribus.*

As far as the third stage of the theory on European multi-level aid is concerned, an effect of the existence of multilateral aid disbursed by the EU on member states' policies and their bilateral foreign aid flows could be possible. This might possibly be realised by common actions towards certain recipient nations or implicitly by independent but systematically differing policies. As has been ruled by the European Court of Justice, furthermore, development aid policies of member states may not exert adverse consequences on respective EU policies.<sup>47</sup> Concerning the interaction of foreign aid flows disbursed by different donors and their economic properties more generally, Frey raises the question whether foreign aid can be considered to be a public good.<sup>48</sup> He models the interaction between the aid flows of a small and large donor under the presumption that donors' utility is a function both of their own and other countries' aid. As a result, the small country would

be expected to decrease its spending to a certain recipient if a total amount which is perceived to be sufficient can be reached given aid flows by the large country. If aid was such a good and oriented towards the recipient's basic needs for development, he states, the marginal benefit of aid would decrease with increasing total aid, resulting in mutual substitution effects by donors and therefore making their aid flows responsive to each other. However, in his analysis Frey finds that such a perception of foreign aid is not appropriate as donors do not consider others' contributions, but apparently allocate aid for strategic reasons.

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If European aid serves foreign policy purposes and member state interests are indeed selectively delegated towards the European level, member states could be expected to anticipate the flow of EU aid they jointly adopted and to reduce their own contributions to this group of recipients. In fact, assuming that rational interests drive member state aid policies, incentives to exploit European foreign aid policies would be provided. In such a case, EU aid might have a substitution effect and crowd out member states' bilateral aid flows. Thus, the fifth and last hypothesis states:

*H5: Member states' aid contributions to recipients of common European interest decrease over time.*

### **Data and Operationalisation**

In order to test the aforementioned hypotheses, a new dataset was compiled that includes aid flows from 1970 onwards until 2014. A case is defined as recipient-year and comprises all recipients which received any amount of ODA by the OECD's Development Assistance Committee, with the exception of EU members' overseas territories and small island states that do not provide comparable data. In total, these are 154 states and 5,889 cases, with a small share of these not receiving any aid by the EU and its members. On the donor side, all EU member states are included that report their aid flows to the OECD, which are all except Bulgaria, Croatia, Latvia and Malta.

The dependent variables are operationalised as total commitment of ODA in constant 2011 US-\$ by the EU and EU member states as retrieved from the OECD. Since original data are generally reported in US-\$, they are not converted to euros as this might cause potential distortions. In order to be able to compare EU aid flows with those

of its member states, a variable that contains aggregated aid commitments by EU member states is created, which is subject to a changing composition and only includes states that were EU members at time of the commitment. This measure is preferred over actual aid disbursements as commitments closer approximate the intention of donors to provide development assistance to a certain recipient state, irrespective of possible obstacles in its implementation<sup>49</sup>. Since the range of aid flows is quite large and would render estimates being highly sensitive to few observations, the variables were transformed with the natural logarithm having been taken. Since no constant has been added before, cases without any aid flows received are transformed into missing values, which, however, is acceptable for the theoretical framework in this paper<sup>50</sup>. In addition, a variable for the annual growth rate of aid committed by the EU or its member states, respectively, is included in order to account for the fact that aid increases to a recipient might only reflect a higher general budget. Given that development policies are often part of long-term relations, most models include lagged dependent variables as independent variables because it is adequate to assume that attitudes of donors towards recipient states do not comprehensively change every year.

In order to account for the heterogeneity of member state preferences toward recipients, the author constructed a variable that aggregates the vote share in the Council of the European Union of all member states that in the same year also made any commitment to a respective recipient, irrespective of the amount. While the disregard of the amounts of aid is necessary in order to solely focus on the structure of preferences, the consideration of donors' vote shares in the Council discriminates between typically larger and smaller donors, thus preventing high sensitivity of the measurement to marginal amounts contributed by small member states. Data on Council vote weights originate from Jakob Lempp.<sup>51</sup>

Concerning explanatory variables, several motivations for providing aid are considered. Beginning with recipient-based explanations, the level of development is operationalised by including GDP per capita of recipient states, values having been retrieved from the World Bank and provided in constant 2011 US-\$ PPP<sup>52</sup>. Since it is possible that larger states receive preferential treatment by donors, the absolute number of population, also retrieved from the World Bank, is included in the models as well. Controlling for recipient-based factors that might

shape the flow of development aid, two more variables are included. Firstly, human rights violations might result in ceasing aid efforts by donors in order to sanction respective regimes instead of potentially securing their liquidity, even though the standard of development is quite low. Human rights violations in recipient states are operationalised with higher scores on the Political Terror Scale (PTS)<sup>53</sup>, using values from Amnesty International, as far as these are available, and values from the US State Department otherwise. Since it is unlikely that there are linear relationships between aid commitments and human rights violations but donors might react to a threshold, the author included dummy variables for each stage of the PTS that does not indicate a good human rights record. Using PTS data aims to identify solely political violence and basic human rights violations committed by state parties. The separation between human and political rights has to be considered as the policy goals of poverty alleviation and sanctioning of autocratic regimes can be diametrically opposed to each other. In order to acknowledge this potential trade-off, the variable Polity2 from the Polity IV project<sup>54</sup> is employed.

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Since supporting economic ties might be one of the main determinants to shape foreign aid flows, data on bilateral exports from European Union member states are included in the analysis<sup>55</sup>. Furthermore, since IMF export data for the EU comprise exports of all 28 EU member states, irrespective of their actual date of accession, an aggregated EU export variable was constructed that only includes exports of states that have been EU members at the time when goods have been exported. While the EU itself does not export any goods, the Union's volume of exports is a reasonable proxy for the salience of economic relations between the EU and recipient states and thus for economic interest in developing countries. All data on exports have been log-transformed as well. As the historical relation between donor and recipient, most notably by former colonial ties<sup>56,57</sup>, tends to be salient, dummy variables for former colonies are included. Data are retrieved from Paul Hensel's data on colonial history.<sup>58</sup> Only states that have still been colonised after WW2 are included. Based on the evolution of European development policy, two country groups can be identified to be potentially of significant foreign policy interest for the European Union. Firstly, the group of African Caribbean and Pacific states (ACP) played a major role in the emergence of a common European development policy and might still be in the focus of the Union's aid focus.

Table 1: Descriptive Statistics of Continuous Variables (1995-2014)

<i>Variable</i>	<i>Obs</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min</i>	<i>Max</i>
ODA by EU (ln)	2487	17.351	1.767	9.21	22.129
ODA by EU members (ln)	2794	18.055	1.903	9.21	22.989
Annual growth of ODA by EU	2816	4.438	20.246	-28.686	48.632
Annual growth of ODA by members	2816	2.138	12.414	-22.029	34.083
GDP per capita (ln)	2660	8.508	1.074	5.508	11.644
Population (ln)	2800	15.824	1.752	11.211	21.029
Polity2	2576	2.044	6.319	-10	10
Council Share	2816	.639	.201	0	1
EU Exports (ln)	2783	20.615	2.02	14.067	26.034

Hence, a dummy variable for all ACP countries is used, which includes all current ACP states. Secondly, a dummy variable *EU Interest* has been created that includes all former aid recipients that would eventually become EU member states, as well as states that have accession candidate status or a part of the Eastern partnership programme of the EU, no matter at which point in time agreements were signed or came into force, because the point made in this paper is that the EU has a permanent geostrategic interest in these states which precedes any formal agreement. It is noteworthy, nonetheless, that this category includes only states that are officially linked to the EU. While, of course, these states might be of different levels of interest for the EU, for instance depending on whether a state is a potential member or solely a partner, they all have a pronounced special importance for the Union's foreign policy, constituting its political 'backyard'.<sup>59</sup>

### **Methodology and Analysis**

It is worthwhile having a closer look at the pattern of aid commitments by European donors, which is adequate for the purpose of analysing the coordination between the EU and its member states (Table 2). It is noteworthy that during the whole period comprised by the data set, which begins in 1970, only four cases appear in which the European Union provided aid to a state that did not receive any foreign aid by EU member states through bilateral channels, from which fact can be inferred that member state aid commitments are generally a precondition for allocating EU development aid. In three of those cases, however, member states resumed aid commitments the following year.

Table 2: European Aid Allocations 1970-2014

ODA received by EU	ODA received by EU Members		
	No	Yes	Total
No	2.45%	19.12%	21.75%
Yes	0.07%	78.37%	78.43%
Total	2.51%	97.49%	100%

N=5,889

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The focus of the analysis in this paper primarily concerns the amount of foreign aid that is allocated by the European Union and its member states. Analyses are restricted to the time frame between 1995 and 2014 as a significant amount of data is not available beforehand as well as for theoretical reasons as most European donors only in 1995 began to provide aid to former Soviet and communist states, which constitute a significant number of recipients. Regarding the research design as well as model specifications employed, the data set contains some flaws. Even though the relatively large number of observations is an advantage in dealing with such a data set, the problems of heteroscedasticity and autocorrelation still appear in the analyses conducted. In order to account for these problems as well as for the fact that the assumption of independence of errors is most likely violated among observations of the same country, regressions are conducted as pooled OLS models with clustered standard errors, thus allowing for non-independent standard errors within the clusters<sup>60</sup>. Nevertheless, since the data set virtually contains the entire population of European aid flows and the primary purpose of this paper consists of identifying patterns in these flows and not transposing the results, concerns regarding external validity of the results are less worrisome.

In order to assess the first hypothesis of EU development aid being more directed at the alleviation of poverty and development interests than aid by EU member states, a regression model is employed that solely includes explanatory variables that are recipient-based. Besides GDP per capita as proxy for development needs, the model includes the logged size of population, the PTS scale dummies as well as the Polity2 variable, thus controlling for human rights violations and untrustworthy political regimes, respectively (Table 3 in the Appendix).

Indeed, whereas wealth has an expected negative impact on the quantity of development aid, the result cannot find significant differences in the relevance of recipient states' wealth as determinant of aid flows by the EU or its member states. While the point estimates of the regressions imply that EU aid decreases by 2.7 percent and EU member states' aggregated aid by 4.4 percent if GDP per capita increases by 10 percent *ceteris paribus*, the estimations confidence intervals overlap and impede to conclude that EU member states commit significantly less aid to poorer recipient states. Given that poverty eradication is the superordinate goal of EU development policy, this finding provides hints that rhetoric and actual policy diverge.

In order to also examine the impact of strategical determinants of foreign aid, which are not directly related to lack of development or needs in recipient states, a general model is compiled that accounts for these factors (Table 4). The first and second models provide independent analyses of the determinants of aggregated foreign aid committed by EU member states and the EU itself, respectively. The third model accounts for the possibility that EU member state aid allocations shape aid disbursed by the EU and the last one is compiled in order to test the impact of preference heterogeneity among member states on the distribution of development aid by the EU. If employed as an independent variable, the aggregated amount of member state aid and the Council vote share of countries that provided aid to a recipient are not lagged as it is assumed that commitments on the national level and the European level in the same year are driven by the same set of member state preferences. Interestingly, exports to development aid recipient countries seem to be connected to increased aid allocations by both the EU and its member states, with this effect being more pronounced for member state aid flows.

Furthermore, less authoritarian recipient states can be expected to be rewarded with an aid surcharge by both the EU and aggregate-ly through EU member states' bilateral aid flows. In addition, while ACP countries still receive a higher amount of aid by the EU than non-ACP countries in equal conditions, there is no such additional amount awarded by EU member states<sup>61</sup>. Lastly, both the EU and its member states allocate higher amounts of aid to countries that are likely to be of strategic importance for European foreign policy. It is noteworthy, however, that the quantitative dimension of this effect is vastly higher for aid committed by the EU than for aid by member states, with

Table 4: Base Model

<i>ODA (ln)</i>	(1)	(2)	(3)	(4)
	Member States	EU Basic Model	EU Member Impact	EU Member Heterogeneity
ODA <sub>t-1</sub> (ln)	0.781*** (0.0238)	0.412*** (0.0417)	0.350*** (0.0388)	0.327*** (0.0377)
ODA growth	0.00278*** (0.000961)	0.00394*** (0.00136)	0.00430*** (0.00133)	0.00412*** (0.00132)
GDP <sub>pc,t-1</sub> (ln)	-0.184*** (0.0376)	-0.275*** (0.0874)	-0.127 (0.0793)	-0.148* (0.0791)
Population <sub>t-1</sub> (ln)	0.0889*** (0.0270)	0.139* (0.0782)	0.0631 (0.0716)	-0.00672 (0.0702)
PTS <sub>2,t-1</sub>	0.0278 (0.0577)	0.120 (0.122)	0.0559 (0.122)	0.125 (0.122)
PTS <sub>3,t-1</sub>	0.0701 (0.0610)	0.263** (0.121)	0.194 (0.124)	0.249** (0.125)
PTS <sub>4,t-1</sub>	0.0402 (0.0633)	0.201 (0.151)	0.170 (0.152)	0.216 (0.152)
PTS <sub>5,t-1</sub>	0.0863 (0.0740)	0.282 (0.194)	0.234 (0.180)	0.297 (0.184)
Polity <sub>2,t-1</sub>	0.00690** (0.00328)	0.0203** (0.00955)	0.0172* (0.00919)	0.0166* (0.00883)
EU Exports (ln)	0.0712*** (0.0257)	0.117* (0.0641)	0.0347 (0.0543)	0.0644 (0.0533)
EU_Interest	0.116** (0.0512)	0.965*** (0.242)	1.122*** (0.223)	1.124*** (0.210)
ACP	-0.00156 (0.0558)	0.340** (0.147)	0.352** (0.146)	0.310** (0.145)
ODA Members (ln)			0.279*** (0.0481)	-0.0865 (0.0991)
Council Share				-10.80*** (2.633)
ODA Members (ln) * Council Share				0.627*** (0.144)
Constant	2.585*** (0.482)	7.310*** (0.912)	4.965*** (1.041)	12.16*** (1.947)
Observations	2,421	2,093	2,092	2,081
R-squared	0.845	0.382	0.406	0.418

Robust standard errors in parentheses

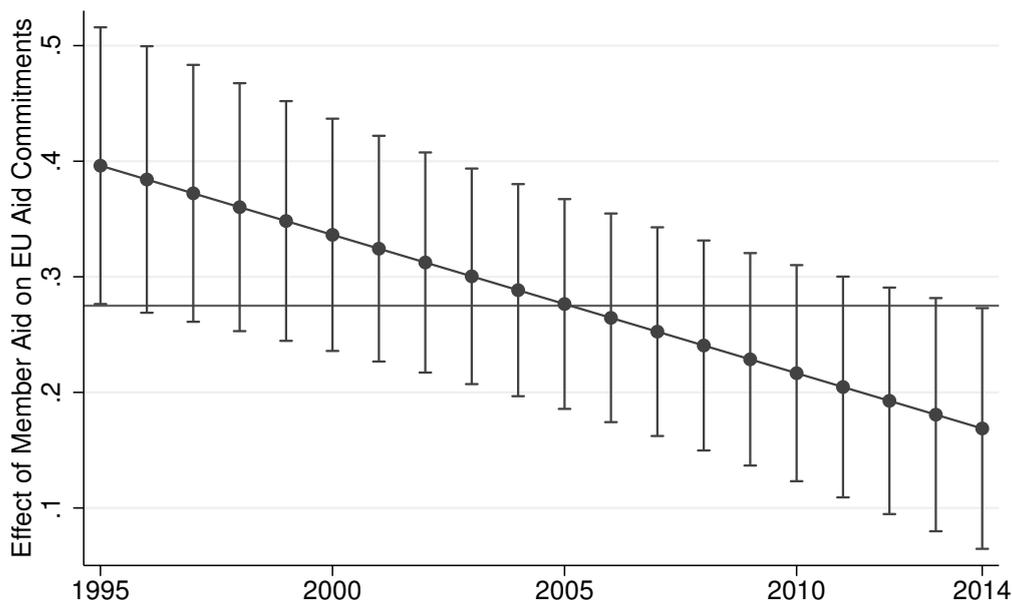
\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

[Outlier (Solomon Isl.) excluded from fourth model]

those states receiving *ceteris paribus* about 160 percent more foreign aid from the European Union than aid recipients without geostrategic importance according to the base model for EU aid. The third model includes the aggregated amount of aid committed by EU member state as an explanatory variable for EU aid allocations. Indeed, if this interconnection is acknowledged, recipients' GDP per capita, population size and the value of exports by EU member states do not exert significant impact on the allocation of EU aid, whereas the amount

of foreign aid committed to a certain recipient by member states does meaningfully determine the amount of aid allocated by the European Union. The fact that GDP per capita ceases to be a significant predictor could potentially be a cautious confirmation of EU aid being indeed not more aimed at poverty alleviation than bilateral aid disbursed by its member states. Moreover, the effect of geostrategic importance on EU aid allocations even increases.

Figure 4: Member State Aid Flows as Predictor of EU Aid over Time. [Source: Author]



Estimates and 95% confidence intervals

Table 5 and 6 in the Appendix provide regression results of the same models for temporal subsamples from 1995-2003 and 2004-2014, respectively<sup>62</sup>. The results of the member state impact-model in these subsamples and the impact of member state aid commitments for EU aid indicate that the salience of aid by member states as determinant for EU aid flows has declined, while still being an important determinant. The effect of member state aid commitments on those by the EU over time based on the member state impact model is visualised in Figure 4. While aggregated aid commitments are a substantially posi-

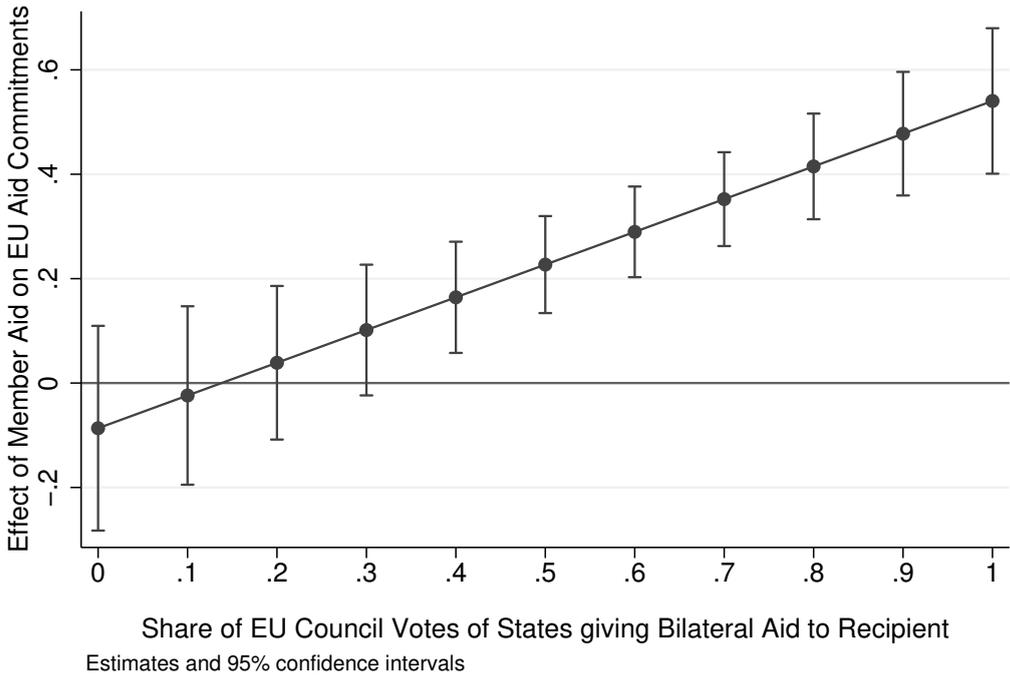
tive and significant determinant of EU aid flows throughout the whole period, their salience declines over time, as suggested by the regression analyses of the subsamples. In fact, the linear estimation of the effect over time indicates that the decline has been statistically significant, even though only by a minor margin. In consequence, hypotheses 2a and 3 cannot be rejected, albeit the latter one must be understood in the context that member state aid flows still substantially impact aid commitments made by the EU. However, while the EU did not allocate significantly more aid to less developed states between 1995 and 2004 if member state aid flows are considered, there is such an effect since 2004. This might partly have been caused by the detachment of EU and member state aid, considering that the subsample after 2004 shows no major differences between the EU basic and member state impact models.

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To control for the heterogeneity of member state preferences, an interaction term of the total amount of member state aid and the vote share in the Council of the European Union of all member states that committed any amount of foreign aid to the recipient is included. The member state impact model is extended with this term, which results in the fourth model of Table 4. The coefficients of the interaction term appear to be both statistically and substantially significant both for the whole period under consideration and the temporal subsamples. A linear estimation of the results of the fourth base model helps to clarify the substantial meaning of the effect of member state preference heterogeneity on member state aid flows as predictor of EU aid flows (Figure 5). The voting share of member states that gave aid to a recipient are indicated on the horizontal axis, while the vertical axis shows the coefficient of the effect of member state aid flows on EU aid flows over different magnitudes of the Council share.

A higher vote share of EU member states that gave foreign aid to a certain aid recipient country is associated with a stronger impact of member state aid on aid commitments made by the European Union. If, for example, the mean value of member state aid commitments of about \$69 million (or 18.06 as logged variable) is considered, an increase in the Council vote share of donors to this recipient from 50 percent to 70 percent is assumed. Calculating the impact of this change on EU aid flows under consideration of the marginal effects of Figure 6 and the coefficient for the Council vote share-variable from the regression table, it can be concluded that such an increase in Coun-

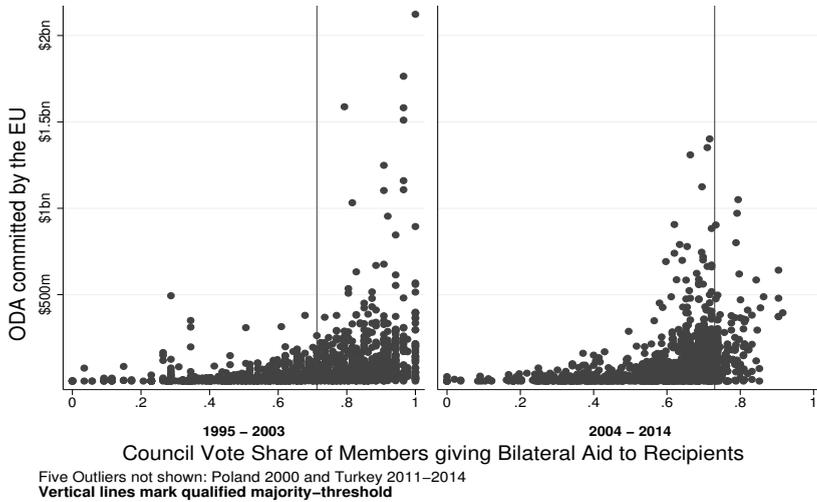
Figure 5: Effect of Member State Aid as Predictor of EU Aid for varying Levels of supportive Council Vote Share. [Source: Author]



cil support would be associated with an increase of about 10 percent in EU aid. The difference between 20 percent and 70 percent support in the Council is even more pronounced, resulting in EU aid increasing by approximately 30 percent, even if the total amount of bilaterally allocated foreign aid to this recipient by all EU member states would remain the same. Hence, there is strong evidence that the pattern of development aid allocated by EU member states is a strong predictor for the shape of EU aid flows, but not necessarily the total amount of aggregated aid.

Furthermore, it seems worthwhile to have a closer look at the quantity of EU development aid commitments and the preference structure of EU member states, which is shown in Figure 6 with separate graphs for the period before and after the EU's Eastern enlargement in 2004. The red vertical lines in both plots indicate the threshold for reaching a qualified majority in the Council<sup>63</sup>. It

Figure 6: EU Aid and Member State Preference Structure. [Source: Author]



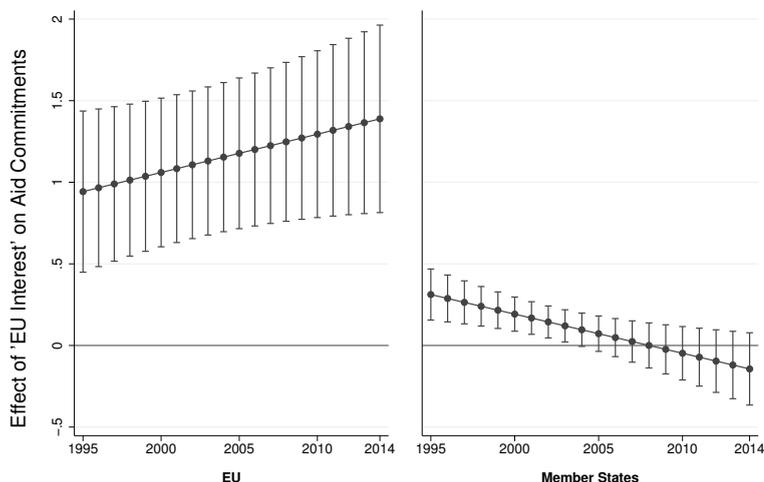
is apparent that prior to 2004, the qualified majority threshold also constituted a barrier for high quantities of development aid disbursed by the European Union. In fact, there is only one case that falls below this threshold with an aid quantity of more than \$500 million, namely Ukraine in 1995. Interestingly, most cases that stand out due to high aid payments below the threshold are Eastern European countries, hinting at a motivation to provide foreign aid to these states, independently of member states' preferences. Likewise, the overwhelming majority of cases above the threshold that are associated with outstandingly high aid transfers are Eastern European countries, of which many are EU members by now. After 2004 and the EU's enlargement, this clear pattern has changed. There are no cases in which all EU member states would have allocated aid to a recipient state. This arises due to the fact that not all new member states of the EU actually provide ODA and, if they do, the number of their recipients is quite limited. In addition, the graph shows that there are several states which have received more than \$500 million in foreign aid even though EU member states giving aid to this country did not constitute a qualified majority in the Council. While these states, again, are primarily (South-) Eastern European states and EU accession candidates, these also include some African states as well as recipients in the Middle East.

Regarding the fact that the threshold for reaching a qualified majority in the Council does not pose a barrier anymore, two circumstances are likely to affect this change. Firstly, most countries that accessed to the EU in 2004 and thereafter had been aid recipient states prior to their accession. In consequence, these countries, if they did at all, created their own national development aid policies only slowly. Given these countries' level of development, the dimensions of those national policies are hardly comparable to those of Western European states. Hence, when these states became members of the EU, they not only had virtually no experience on being on the donor side of development aid policies, but also hardly commanded national policies to be pursued in the Council of the European Union. Thus, it might be possible that these states remained rather silent in negotiations and were not substantially involved in decision-making. Secondly, the institutional setting might explain the shifting pattern. Nearly simultaneously to the Eastern enlargement, the Treaty of Nice substantially altered the voting procedure in the Council. In the aftermath of the enlargement qualified majority-voting did not only concern the votes in the Council, but also required a majority of member states to agree to policies.<sup>64</sup> Indeed, in most of the cases above \$500 million aid without the voting weight reaching the threshold, the majority or at least close to the majority of EU members provided some amount of ODA to the recipients. In addition, these donors almost exclusively include the major three donors, namely France, Germany and the UK, who can be assumed to possess overwhelming bargaining power in the Council and alone almost have the power to block decisions. Hence, even though the threshold for Council votes cannot be reached, member states are able to implement their preferences through the European level, especially if they act as large interest coalitions. Nevertheless, a vast number of recipients that receive over proportional amounts of development aid by the European Union are Eastern and South-Eastern European states. As the regression results indicate, recipient states that are assumed to be of special interest for European foreign policy can be expected to receive a much higher amount of aid than other states, with the supplement allocated by the EU being vastly higher than the additional amount provided by EU member states and amounting to about 200 percent of aid to similar countries of no interest. Hence, the EU allocates three times as much development aid to countries of interest than to a similar country of no political interest for the EU, everything

else being equal. Furthermore, whereas this effect as determinant of EU aid flows is significant and relatively constant throughout the periods of both subsamples, strategically important recipient states are expected to have received increased amounts of aid by EU member states until 2003, but not thereafter according to the regression analysis conducted<sup>65</sup>. This finding might not be surprising considering that the composition of the countries captured by the dummy variable EU Interest changed after ten Eastern European states became ineligible for receiving aid by joining the EU in 2004. Therefore, in the period prior to 2004, this variable included states with a highly realistic accession perspective. As indicated by the regression results, these states have been rewarded with increased amounts of ODA by both the EU and its member states. After 2004, however, several accession candidates, albeit with a more distant accession prospect, as well as the countries of the EU's Eastern Partnership remained to be included in the variable and still received additional amounts of foreign aid by the EU, which are of quite similar quantity as those committed before 2004 when eventual member states were part of this set of recipient states. Thus, it can be inferred that current accession candidates and partners in the Eastern Partnership gained in importance for the EU's development policy, even though the overall effect remained constant over time. The significance of this finding only becomes fully clear, however, if the diverging attitudes of the EU and its member states towards these countries are assessed. The plots in Figure 7 show the changing impact of variable EU Interest on the amount of development aid committed

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Figure 7: EU Interest as Predictor of Foreign Aid Commitments over Time.  
[Source: Author]



by the EU and its member states over time, based on the first and second base models.

While the linear estimates indicate that the surcharge amount allocated by the EU has more or less remained constant over time, the additional amount of aid provided by EU member states to these countries of geostrategic interest for Europe has significantly decreased. Indeed, there is no significant preferential treatment given to those states any longer. These diverging developments might hint towards an increasingly functional division among the EU and its member states after 2004, which shifts most responsibility for those countries of geostrategic interest to the sphere of the EU, allowing for a unified approach towards these states that are assumingly a common interest of the EU, and therefore for all its member states.

Clearly, member state foreign aid flows to these countries do not cease to exist and approaches of EU member states towards these nations differ substantially. The salience of the variable for individual member states' bilateral aid flows is indicated in Figure 8 in the Appendix<sup>66</sup>. For countries with a traditional policy focus on Eastern Europe such as Austria, Germany and Greece as well as Sweden, recipient countries of geostrategic interest have even gained in importance regarding bilateral aid allocations. On the other hand, quite clear decreases of the surcharge to these recipient countries can be observed in the cases of Belgium, Denmark and the Netherlands. For other EU member states the effect of European geopolitical interests on bilateral aid flows did not alter significantly in the course of time and remains either insignificant or even negative, which is notably the case for Spain and Italy, which have traditionally less interest in Eastern European affairs. Nevertheless, while individual member state preferences diverge, in their entirety bilateral aid flows by EU member states and EU aid flows increasingly diverge regarding aid to relatively developed recipients that might be of geopolitical interest to Europe.

## Discussion

Common European development policy has undergone a process of formalisation and separation into diverse policy tools in the past decades, with the focus of rhetoric being directed on its primary goal of poverty eradication and aid effectiveness by augmenting policy coherence. While the formalisation of aid programmes can indeed contribute to

increasing the effectiveness of foreign aid and preventing development aid to be employed as a tool of non-transparent foreign policy goals, the European Union's relatively clear distinction into different development policy instruments remains questionable. Overall, foreign aid given by the European Union is not more oriented towards the poorest recipient states than aid allocated by its member states, with the Union's share of aid to least developed countries massively decreasing during the past decades. In this context, the formalisation of development policies might raise concerns that more politicised purposes are explicitly identified and served through separate development assistance programmes. The exclusion of these policy goals from the communicated superordinate aim of poverty eradication is apparently justified by doing so. Since bilateral aid is less structured in these terms, one of the major differences between the EU and its member states concerns this formal and rhetoric separation of policy goals to be achieved by allocating foreign aid, even though at the end of the day the European Union's development policy seems to be neither more oriented at recipient needs nor less strategic than those disbursed bilaterally by its member states, revealing a gap between declared goals and reality. These circumstances might partly be caused by the continuously high influence that member states exert on EU development policies through the Union's institutional design. In fact, EU members aim at remaining in charge and repeatedly prevented further integration in the field of development assistance, indicating that the dual institutional design of the EU in this policy area is a result of feasible integration in some areas, namely regarding aid to ACP countries which France was able to enforce several decades ago and that still is subject to an enhanced relationship, and the unfeasibility of Europeanisation in other domains of development policy. The congruency of foreign aid provided by the EU and by its member states is therefore a logical consequence.

*For the World,  
for Me or  
for Us?*

As has been shown, not only do members' bilateral aid flows reasonably well predict the shape of the common European foreign aid policy, but also does the heterogeneity of member state preferences towards recipients determine the amount of aid provided by the EU. Nonetheless, repeated EU enlargement rounds and increasingly diverse bilateral aid policies have meaningfully reduced the link between bilateral and EU aid flows.

However, as EU aid becomes less dependent on member state aid flows, where does it go then? The analysis conducted in this paper has

indicated that states of geopolitical interest for Europe are - independent of member state preferences - over proportionally favoured by foreign aid provided by the EU, whereas these recipients continuously experience less special treatment by the entirety of all EU member states, albeit individual foreign aid contributions to these countries differ among member states. In consequence, it seems that the EU's development policy has, to a limited extent, evolved from being shaped by dominant national interests into the direction of becoming a foreign policy tool of the Union and common interests. This development might be best described as EU foreign aid becoming rather a club good than a public good, which allows implementing common European interests that are implicitly shared by all member states. This level of aid allocation allows for separating foreign aid from member states' political relations to respective recipient countries. By doing so, potential coordination dilemmas are prevented and the European bargaining position can be substantially improved, thus strengthening the EU as coherent political entity in terms of political relations to these countries of interest.

In the context of Milner's theory of multilateral aid as mechanism to signal commitment to development goals, this finding might be interpreted insofar as EU member states, especially if they have traditionally insignificant ties to Eastern Europe, might shift this more politicised part of their foreign aid policies to the European level. By doing so, these interests are subject to public scrutiny to a far lesser extent, given that foreign aid disbursed by the EU experiences surprisingly high approval ratings, even though it is under less public scrutiny than bilateral aid flows of respective member states. By communalising this strategic component of European aid and correspondingly acting as unitary actor, member states' political costs can be reduced. While the results of the analysis at hand seem to show a potential change in the direction that coordination in the European aid regime primarily signifies functional division, it will be up to future research to identify in more detail how the EU impacts individual member state policies, especially in regard to those recipients of political interest for the European Union.

Furthermore, an analysis of formation of national foreign aid policies of Eastern European EU member states and their targets might be of particular interest for future research. These states developed national policies almost from scratch while being simultaneously involved in the EU's development policy.

Finally, the results of this paper indicate that EU foreign aid is increasingly not merely the aggregation of its members' aid flows, but rather adds another dimension to them. This should be kept in mind for upcoming decisions regarding the institutional setting of EU development policy, for instance, concerning the potential unionisation of the European Development Fund after the Cotonou Agreement will expire in 2020.

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## Appendix

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Table 3: Recipient-Need Model

<i>ODA (ln)</i>	(1)	(2)
	EU	Member States
GDP <sub>pc,t-1</sub> (ln)	-0.292*** (0.0901)	-0.471*** (0.0662)
Population <sub>t-1</sub> (ln)	0.321*** (0.0602)	0.558*** (0.0549)
Polity2 <sub>t-1</sub>	0.0522*** (0.0151)	0.0434*** (0.0141)
PTS2 <sub>t-1</sub>	0.228 (0.204)	0.142 (0.136)
PTS3 <sub>t-1</sub>	0.293 (0.234)	0.295* (0.169)
PTS4 <sub>t-1</sub>	0.152 (0.266)	0.211 (0.190)
PTS5 <sub>t-1</sub>	0.359 (0.299)	0.256 (0.217)
Constant	14.30*** (1.390)	13.05*** (0.964)
Observations	2,192	2,405
R-squared	0.130	0.512

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Outlier (Solomon Isl.) excluded from Member State regression

Table 5: Base Model Specifications (1995-2003)

<i>ODA (ln)</i>	(1)	(2)	(3)	(4)
	Member States	EU Basic Model	EU Member Impact	EU Member Heterogeneity
ODA <sub>t-1</sub> (ln)	0.760*** (0.0365)	0.477*** (0.0473)	0.399*** (0.0459)	0.375*** (0.0461)
ODA growth	0.00518*** (0.00194)	0.00729*** (0.00254)	0.00734*** (0.00246)	0.00663*** (0.00242)
GDP <sub>pc,t-1</sub> (ln)	-0.211*** (0.0605)	-0.190* (0.0992)	-0.0467 (0.0816)	-0.0622 (0.0824)
Population <sub>t-1</sub> (ln)	0.104*** (0.0376)	0.213** (0.0834)	0.119 (0.0725)	0.0341 (0.0697)
PTS2 <sub>t-1</sub>	-0.0824 (0.0796)	-0.162 (0.148)	-0.188 (0.150)	-0.140 (0.157)
PTS3 <sub>t-1</sub>	-0.0312 (0.0852)	-0.0557 (0.159)	-0.146 (0.164)	-0.147 (0.172)
PTS4 <sub>t-1</sub>	-0.0893 (0.0826)	-0.197 (0.181)	-0.225 (0.185)	-0.189 (0.191)
PTS5 <sub>t-1</sub>	-0.0114 (0.107)	-0.212 (0.250)	-0.226 (0.233)	-0.182 (0.248)
Polity2 <sub>t-1</sub>	0.00418 (0.00472)	0.0195* (0.0106)	0.0195* (0.00989)	0.0168* (0.00953)
EU Exports (ln)	0.0742* (0.0439)	0.0723 (0.0705)	-0.00502 (0.0552)	0.0195 (0.0562)
EU Interest	0.211*** (0.0642)	0.865*** (0.245)	1.049*** (0.224)	1.003*** (0.222)
ACP	-0.00985 (0.0799)	0.383** (0.160)	0.360** (0.155)	0.320** (0.157)
ODA Members (ln)			0.342*** (0.0569)	-0.0278 (0.114)
Council Share				-7.323** (2.871)
ODA Members (ln) *				0.478*** (0.158)
Council Share				9.448*** (2.266)
Constant	2.997*** (0.802)	5.428*** (0.927)	2.415** (1.099)	
Observations	1,156	991	990	990
R-squared	0.842	0.432	0.465	0.477

Robust standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

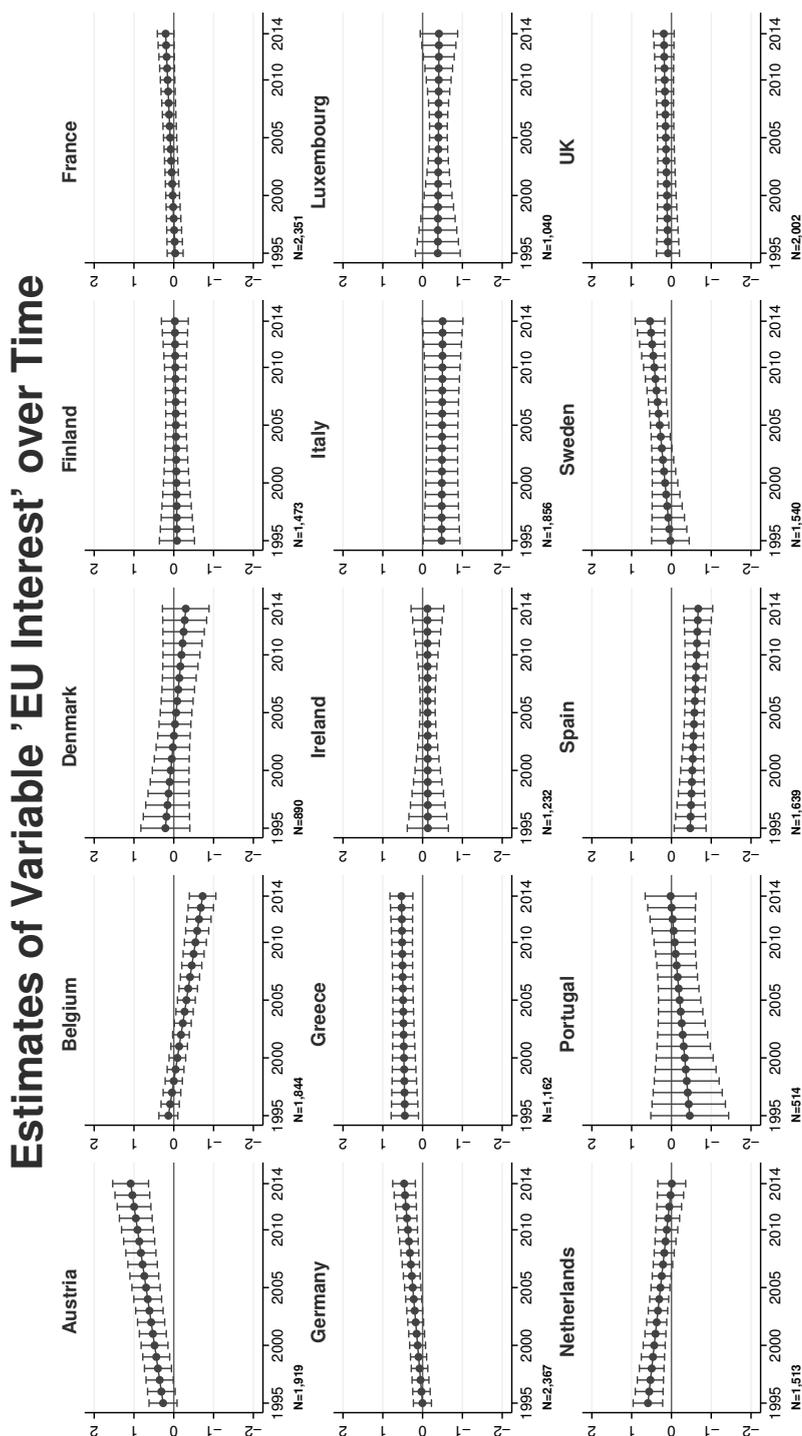
Table 6: Base Model Specifications (2004-2014)

<i>ODA (ln)</i>	(1)	(2)	(3)	(4)
	Member States	EU Basic Model	EU Member Impact	EU Member Heterogeneity
ODA <sub>t-1</sub> (ln)	0.812*** (0.0221)	0.352*** (0.0502)	0.299*** (0.0478)	0.257*** (0.0459)
ODA growth	0.00217* (0.00114)	0.00325** (0.00153)	0.00372** (0.00153)	0.00476*** (0.00150)
GDPpc <sub>t-1</sub> (ln)	-0.154*** (0.0309)	-0.385*** (0.0992)	-0.238** (0.101)	-0.232** (0.0982)
Population <sub>t-1</sub> (ln)	0.0626** (0.0247)	0.0532 (0.0865)	-0.0163 (0.0822)	-0.117 (0.0812)
PTS2 <sub>t-1</sub>	0.141** (0.0695)	0.421** (0.189)	0.320* (0.189)	0.380** (0.183)
PTS3 <sub>t-1</sub>	0.197*** (0.0750)	0.559*** (0.174)	0.488*** (0.178)	0.524*** (0.170)
PTS4 <sub>t-1</sub>	0.191** (0.0862)	0.619*** (0.209)	0.579*** (0.209)	0.606*** (0.206)
PTS5 <sub>t-1</sub>	0.174* (0.103)	0.890*** (0.220)	0.817*** (0.216)	0.804*** (0.213)
Polity2 <sub>t-1</sub>	0.00881*** (0.00307)	0.0181 (0.0110)	0.0129 (0.0109)	0.00903 (0.0104)
EU Exports (ln)	0.0700*** (0.0187)	0.169** (0.0705)	0.0851 (0.0675)	0.0972 (0.0639)
EU_Interest	-0.0398 (0.0659)	1.063*** (0.293)	1.195*** (0.275)	1.165*** (0.265)
ACP	0.00389 (0.0503)	0.286* (0.169)	0.317* (0.167)	0.295* (0.160)
ODA Members (ln)			0.244*** (0.0570)	-0.302** (0.144)
Council Share				-16.28*** (4.339)
ODA Members (ln) *				0.995*** (0.246)
Council Share				18.16*** (2.930)
Constant	2.104*** (0.385)	9.379*** (1.211)	7.448*** (1.330)	18.16*** (2.930)
Observations	1,265	1,102	1,102	1,102
R-squared	0.849	0.351	0.371	0.390

Robust standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

Figure 8: Salience of EU Interest as Predictor of EU Members' Bilateral Aid. [Source: Author]



New Member States excluded due to insufficient numbers of observations

## Notes

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- 60 This method provides substantially the same key results as regressions with panel-corrected standard errors and random-effects GLS regressions with clustered standard errors, in many models even calculating equal

coefficients. The only major difference is that these methods identify the Polity2 variable to be most often significant to the 95% level.

- 61 Neither is there an aggregated member state bonus if ACP countries are replaced with a dummy that includes former colonies of EU member states.
- 62 The volatile effect of the stages of the Political Terror Scale should be mentioned. These dummy variables describe significant deviation in the amount of aid as compared to the first level of the scale, which indicates a very good human rights record and only accounts for about 10% of all observations in the data set, even less after 2004. Therefore, regression results for this variable should be interpreted quite carefully, especially given the fact that all PTS dummies exert a positive and significant impact on aid allocations in the analysis restricted to the time period after 2004.
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$$\text{ODA}(\ln) = \beta_1 \text{ODAt-1}(\ln) + \beta_2 \text{GDP per capitat-1}(\ln) + \beta_3 \text{Populationt-1}(\ln) + \beta_4 \text{PTS}_{2_{t-1}} + \beta_5 \text{PTS}_{3_{t-1}} + \beta_6 \text{PTS}_{4_{t-1}} + \beta_7 \text{PTS}_{5_{t-1}} + \beta_8 \text{Polity}_{2_{t-1}} + \beta_9 \text{National Exports}(\ln) + \beta_{10} \text{Former Colony} + \beta_{11} \text{ACP} + \beta_{12} \text{EU Interest} + \beta_{13} \text{EU Interest*Year} + \beta_{14} \text{Year}$$

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