

DRAFT - STUDY

# Good Governance in EU External Relations: What role for development policy in a changing international context?

## ABSTRACT

EU support for governance reforms has gained prominence in the EU's external relations and particularly in the EU's development policy. However, the EU's engagement in this field has come under considerable pressure in recent years. It is by no means automatic that the EU will continue and further increase its engagement in supporting governance reforms. In this context, the objective of this study is to summarise evidence from academic research on why the EU and other donors should support governance reforms and under which conditions EU support positively contributes to governance reforms. Moreover, the study analyses how the EU has aimed at contributing to governance reforms during the past decade, focusing in particular on the Development Cooperation Instrument (DCI) and the European Development Fund (EDF). The study puts emphasis on EU development policy, but places the analysis of governance support through development policy in the broader context of EU external relations. The study makes recommendations related to EU good governance support, to good governance support through the DCI and EDF, to ongoing strategy processes in EU external relations, and also in regard to the future of the EU's relations with the African, Caribbean and Pacific countries.

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## ACRONYMS

ACP	Africa, the Caribbean and the Pacific
BRICS	Brazil, Russia, India, China, South Africa
CSOs	Civil Society Organisations
DCI	Development Cooperation Instrument
DG DEVCO	Directorate-General for International Cooperation and Development
EEAS	European External Action Service
EDF	European Development Fund
EIDHR	European Instrument for Democracy and Human Rights
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EPRDF	Ethiopian People's Revolutionary Democratic Front
EU	European Union
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECD DAC	OECD Development Assistance Committee
OSCE	Organisation for Security and Co-operation in Europe
PFM	Public Financial Management
UK	United Kingdom
UN	United Nations
UNU-WIDER	United Nations University World Institute for Development Economics Research
USD	United States Dollar
SDGs	Sustainable Development Goals
TEU	Treaty of the European Union

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## EXECUTIVE SUMMARY<sup>1</sup>

EU support for governance reforms has gained prominence in the EU's external relations and particularly in the EU's development policy. In its most recent development policy strategy – the 'Agenda for Change' (2011) – the EU made support for governance reforms an important objective of its development policy.

However, the engagement of the EU (and other donors) in this field has come under considerable pressure in recent years. Domestic challenges in Europe question the EU's credibility and legitimacy to support governance reforms elsewhere. Shrinking spaces for civil society, the opposition and the media, as well as the rise of authoritarian powers, challenge the EU's policies. Moreover, uncertainty among policy-makers as to whether support for governance reforms is the right thing to do in fragile and authoritarian contexts, and a generally negative perception about the effectiveness of governance support, raise questions about the EU's endeavours. Even though the EU has gradually strengthened governance support as part of its development policy, there is thus no guarantee that this trend will continue in the future.

This study argues that EU support for governance reforms is not just a question of the EU being a normative power; support for governance reforms is in the EU's own political, economic and security interest. The study reviews academic research that shows that democracies invest more in the wellbeing of their citizens; they engage more in poverty reduction and public goods provision than non-democratic regimes. Democracies are more peaceful; they trade more and cooperate more easily with international partners. Despite widespread criticism, research shows that EU governance aid can contribute to governance reforms, if it is well targeted, consistently applied and not overly ambitious. Political transitions are not without risk, but EU governance aid can contribute to supporting political competition and to preventing civil conflict during periods of transitions.

There are thus a number of reasons why the EU should continue to make governance support a prominent part of its external relations in general and its development policy in particular. With the 2030 Agenda for Sustainable Development, the international community established a stronger global framework that the EU can draw upon.

Based on data from the OECD DAC and the European Commission, this study conducts a detailed empirical analysis of how the EU has used development aid funds, particularly those from the DCI and EDF, to contribute to governance reforms since 2005. The study finds that between 2005 and 2014 the EU has put a clear focus on its immediate neighbourhood and Sub-Saharan Africa to promote governance reforms. The largest recipients of EU governance aid are Turkey, Serbia, Afghanistan, Nigeria, the Democratic Republic of Congo and Jordan. Governance aid does not play any role in the EU's relations with the BRICS countries, with the exception of South Africa.

The EU gives strong priority to supporting the effectiveness of government institutions, in particular with regard to public sector reform and legal and judicial development. In its support for democratic governance, the EU focuses particularly on elections, human rights and support for civil society. The EU uses more funds from the EDF than from the DCI to promote reforms.

<sup>1</sup> The author would like to thank Dr. Kai Striebing for his valuable comments on an earlier draft version of the study. The usual disclaimer applies.

## Recommendations

The study makes several recommendations related to EU good governance policies in general, good governance support through the DCI and EDF, ongoing strategy processes in EU external relations and regarding the future of the EU's relations with the African, Caribbean and Pacific countries.

- The study argues that EU support for democracy, human rights and good governance should remain a key priority for the EU and gain further relevance. In light of recent controversial debates on governance support and a growing scepticism towards this agenda, the European Parliament should encourage the European Commission, External Action Service and the Council not to back down from the EU's previous commitments and recent policy reforms.
- Coherence between development policy and other policy fields should be further strengthened, in addition to existing commitments in the EU Action Plan for Democracy and Human Rights. Stronger coherence and closer engagement between development and other policy fields becomes even more important in light of the shrinking number of low-income and aid-dependent countries. The European Parliament should encourage the EEAS and the European Commission to take into account experiences from development policy for other policy fields.

## Governance support in the EDF and DCI

- The European Parliament should encourage the EU to strengthen in particular its instruments to support *democracy*. The EU puts emphasis on supporting the effectiveness of decision-making processes, elections, human rights and civil society. However, the EU should further strengthen support for *democratic* institutions and the separation of powers. In particular, the EU should engage more with parliaments in order to complement its cooperation with governments and (local) civil society.
- The European Parliament should resist pressure to use EU funds to promote short-term stability, for instance through support for the security sector, without trying to promote broader democratic reforms. Particularly in fragile contexts, the EU should combine support for security with support for inclusive political institutions, the media, civil society and the opposition in order not to further bolster authoritarian structures that are not stable in the medium to longer term.
- The Sustainable Development Goals, particularly Goal 5 and 16, should be used to support inclusive and accountable institutions and women's rights. These goals can serve as a common basis for strengthening dialogue and partnership on human rights and democracy, not only with aid recipient countries, but also with emerging economies and strategic partners, with whom the EU has often failed to engage effectively on these issues.
- The rights-based approach in EU development policy was agreed upon after the programming for the current EDF and DCI had already started. Its implementation in EU development policy is thus still in the early stages and should be further strengthened.
- EU human rights country strategies and democracy profiles should be merged and used more explicitly for the programming of EU governance aid provided through the EDF and DCI and for better coordinating activities of the EU institutions and member states.

## Governance support in EU external action strategies

- Support for democracy, human rights and good governance should take a more prominent place in the new EU Global Strategy on Foreign and Security Policy. The European Parliament's report on the Global Strategy focused mainly on security and defence policy; it is relatively silent



on whether and how the EU's objective to support democracy and human rights should be anchored in the strategy. The EP should make a strong case for putting democracy and human rights at the centre of the implementation of the EU Global Strategy.

- Support for democracy, human rights and good governance should also take a prominent position in a revised European Consensus on Development to be prepared by the end of this year. This will also allow for a strengthening of the coherence of the policies of the EU and member states in this area.

### **The future of EU–ACP relations**

- Debates have started on how the EU's relations with the African, Caribbean and Pacific countries could be reformed after 2020. Cooperation on democracy, human rights and good governance is one important element in the Cotonou Agreement, in particular with regard to political dialogue (Article 8) and potential suspension of the relations (Article 96). The EP should ensure that democracy and human rights continues to play an important role in the EU's future relation with African, Caribbean and Pacific countries after 2020. In particular, the EP should support the strengthening of the political dialogue.

# 1 INTRODUCTION

Since the turn of the century, support for governance reforms has become a prominent objective in the EU's external relations and particularly its development policy. In its most recent development policy strategy, the Agenda for Change, the EU has made support for democratic governance a main objective of its development policy. The EU has gradually increased the financial volume of its governance aid; and it has developed new instruments (such as the governance incentive tranche or the rights-based approach). In addition, the EU also made efforts to strengthen support for governance reforms through its foreign, security, trade and other policy fields.

However, the EU's engagement in this area is under considerable pressure. It is no guarantee that the EU will continue and further increase its engagement in supporting governance reforms. Four challenges stand out that make it difficult for EU institutions (and member states) to continue this agenda (see also Hackenesch and Castillejo 2016). First, domestic developments in Europe question the EU's credibility and legitimacy to support political reforms elsewhere. With the economic crisis in Europe, shrinking political spaces in some EU member states and the EU's response to the refugee crisis (particularly the deal with Turkey), the EU's normative power and legitimacy to support governance reforms has come under further pressure.

Second, the international context for supporting governance reforms has become more difficult. In many countries around the world, the EU is faced with shrinking spaces for civil society, the media and opposition parties. Very restrictive NGO laws have been passed in a number of countries; in Africa, debates on the 'third term' have gained prominence. Freedom House finds that political rights and civil liberties have been gradually eroding since 2005. At the same time, authoritarian powers such as China or Russia attempt to legitimise the autocratic model internationally and compete with the EU for political influence in world affairs.

Third, there is growing uncertainty among European policy-makers whether supporting governance reforms is the right thing to do. The Arab Spring has led to political and humanitarian crises, instability, and extremism. Some policy-makers and observers therefore argue that an opening up of political space goes hand in hand with further destabilisation, and that regime change as a possible outcome may make support for political openings too great a risk. Support for democracy and human rights are thus subordinated to more narrowly defined security and stability objectives. Moreover, some authoritarian regimes, such as Ethiopia, Rwanda (or China), have experienced strong economic growth and a good track record in poverty reduction. In these contexts, support for poverty reduction seems to conflict with support for political reforms.

Finally, there is generally a negative perception of the impact of the EU's support for governance reforms. Sanctions, other forms of negative conditionality or democracy aid are often perceived as ineffective. With the exception of the EU's enlargement policy, no 'carrot' appears big enough to support long-term political reforms. Security or economic interests often trump support for democracy and human rights. Some policy-makers and observers then tend to conclude that conditionality and governance aid are not working, instead of arguing for more consistent use of these measures.

While the EU has put more emphasis on promoting governance reforms since 2005, the EU's engagement in this area is now being questioned more strongly among European policy-makers. In this context, the objective of this study is to summarise evidence from academic research into why the EU and other donors should support governance reforms and under which conditions EU support positively contributes to governance reforms. Moreover, the study analyses how the EU has aimed at contributing to governance reforms during the past decade, focusing in particular on the Development Cooperation Instrument (DCI) and the European Development Fund (EDF). The study

puts emphasis on EU development policy, but places the analysis of governance support through development policy in the broader context of EU external relations.

The analysis shall thereby contribute to and inform ongoing discussions on the mid-term review of the EU's financial instruments, debates on the revision of the European Consensus on Development and the EU Global Strategy on Foreign and Security policy, on the mid-term review of the EU Action Plan on Democracy and Human Rights (scheduled for 2017) and the future of the EU's relations with African, Caribbean and Pacific (ACP) countries after the expiry of the Cotonou Agreement in 2020.

To assess the EU's strategies to promote governance reforms, the study builds upon existing research on EU good governance support that has used a very broad understanding of good governance, related to support for effective governance (e.g. transparency, public financial management, and the level of corruption) and democratic governance (e.g. accountability, elections, rule of law, human rights) (Börzel and Risse, 2009; Wetzel and Orbie, 2011). This broad understanding of good governance is also in line with the EU's own definition (see chapter 4.1).

The study proceeds as follows. The first section briefly analyses the concept of good governance. Based on findings from academic research, the section investigates how good governance relates to poverty reduction and the provision of public goods, and what we know about the relationship between (the EU's) governance aid and governance reforms. The second section analyses political commitments to good governance agreed upon at the international level, in particular within the international development system and the 2030 Agenda for Sustainable Development. The third section outlines how the EU has taken up the concept of good governance in its development and other external relations strategies. It examines empirical trends in the EU's allocation of governance aid (in particular through the DCI and EDF) since 2005 and discusses potential explanations for these trends. It investigates how the EU has aimed at supporting governance reforms in two particularly challenging cases – Ethiopia and Rwanda – and draws some lessons from these cases. The last section develops recommendations for the European Parliament and the EU more generally on how to further reform and strengthen EU support for governance reforms.

## **Methodology and data**

The study relies on an extensive review of academic literature to define the concept of good governance and the relationship between good governance, poverty reduction and EU support for governance reforms. The study reviews relevant EU strategies and policy documents to analyse how the EU conceptualises good governance and how the EU's understanding of good governance has evolved over time. Semi-structured interviews conducted with experts and EU officials from the European Commission (DG DEVCO) and the European External Action Service (EEAS) complement the analysis.

Moreover, the study uses data from the Development Assistance Committee (DAC) of the Organisation of Economic Cooperation and Development (OECD) and data provided by the European Commission to analyse the empirical trends in EU support for governance reforms. Data from the OECD DAC allow for a detailed analysis of EU governance support to different countries and sectors. OECD DAC data, however, do not allow for analysing EU governance aid provided through specific financing instruments. The analysis of governance aid through the EDF and DCI is thus based on data provided by the European Commission for the period 2009 to 2014.

## 2 CONCEPTUAL FRAMEWORK

### 2.1 The concept of good governance

The definition of 'good governance' has been widely debated (Kohler-Koch and Rittberger 2006). One can distinguish between a broad and a narrow definition of good governance (Börzel et al. 2008; Leftwich 1994; Robinson and Hout 2009). Many scholars and practitioners of democracy promotion have adopted the former; the development aid community and researchers working on development policy have initially advocated the latter (see also Börzel et al. 2008 for the following).

Some scholars adopt a narrow understanding of good governance that is limited to the efficient and effective functioning of the state. They closely associate good governance with the management and performance of the administration and the regulatory framework of the state. Principles such as efficiency and effectiveness, predictability, transparency, accountability, the level of corruption or sound financial management constitute important elements of this understanding (Conzelmann 2003; Faust 2004; Andrews 2013). This understanding of good governance has been strongly influenced by development policy, and notably by the World Bank (Kaufmann et al. 2003). In line with this understanding, the EU can support governance reforms by promoting the transparency of decision-making processes, the fight against corruption, the strengthening of public financial management, civil service and administrative reforms; or the EU can support governance reforms by strengthening the capacities of government institutions in order to improve the functioning of the administration.

Other authors working in the field of democratisation and external democracy promotion adopt a broader definition of the concept with a stronger normative dimension relating to respect for human rights and democracy (Burnell 2000; Santiso 2003). In their understanding, good governance also entails political aspects; democratic structures are perceived as key components of good governance. In line with this understanding, the EU can support governance reforms by promoting competitive democratic politics, including the strengthening of electoral regimes, political and civil rights, the separation of powers, horizontal and vertical accountability.

This study uses the notion of 'effective governance' when referring to the first dimension and 'democratic governance' when referring to the second dimension. The study uses the concept of 'good governance' when referring to both of these dimensions.

### 2.2 Why should the EU support governance reforms?

Why should the EU engage in supporting good governance? This section will show that support for good governance contributes to global sustainable development and to promoting the EU's medium- to longer-term economic and security interests. Support for governance reforms is therefore not only a question of the EU's values and whether the EU is a normative power; it is in the EU's own economic, security and political interest.

*Do some political regimes provide more public goods?*

The relationship between political regimes and social and economic development has been contested for decades. In recent years, economic crisis within the EU (and the US), the rise of China, and economic progress in authoritarian regimes such as Ethiopia, Rwanda or Vietnam have given new impetus to the question whether authoritarian regimes (sometimes also called 'development dictatorships') perform as well as, or sometimes even better than, democracies in terms of poverty reduction and the provision of public goods.

Whether democratic regimes are associated with better provision of public goods is a key issue for the EU's decision to support governance reforms through the DCI and EDF. While the EU's agenda has a clear normative dimension, and good governance support has an intrinsic value, EU support also hinges on the assumption that democracies provide better services to their citizens. According to Article 208 of the Lisbon Treaty, poverty reduction is the primary objective of the EU's development policy (see also chapter 4.1). A positive correlation between governance reforms and poverty reduction is thus one important pre-condition for the EU to use aid funds for governance support.

Higher per capita income is generally associated with more democracy. Modernisation theory has long argued that higher income is closely linked to democracy (Lipset 1959). More recent research has controversially debated the exact causal relationship. The third wave of democratisation suggested that economic development is neither a necessary nor sufficient condition for democratisation; many of the democratising countries in the 1980s and 1990s ranged at the bottom of the Human Development Index (Przeworski and Limongi 1997). Moreover, rising income levels since the early 2000s in large parts of the developing world have not been associated with more political competition and more respect for political rights and civil liberties. On the contrary, while the number of middle-income countries grew to 104 by 2015, macro-level indicators such as Freedom House or the Worldwide Governance Indicators show stagnation, or even a decline, in political freedom since 2005. Some argue that higher income levels prevent a transition from democracy to authoritarianism, but do not necessarily lead to democracy (Przeworski et al. 2000).

On the other hand, existing research gives strong evidence that democracies provide more public goods when compared to authoritarian regimes (Lake and Baum 2001; Bueno de Mesquita et al. 2003; Deacon 2009). Regardless of the level of economic development, once a country has transitioned to democracy it provides more public goods to its citizens than an autocratic regime with a similar income level. There is widespread consensus that democracy prevents famine, even during periods of economic crisis (Sen 1983; Bardhan 1999; Banik 2007; Burchi 2011), because democracies allow for access to information and a free press, which gives citizens the possibility to monitor government action (D'Souza 1994). Democracies are found to have lower infant mortality rates than authoritarian regimes (McGuire 2013); longer-term democratic practice is associated with lower infant mortality rates (*ibid.*). In line with the democratic peace argument, democracies are expected to be more stable, and to produce fewer security externalities than autocracies (Owen 1994; Russett and O'Neal 2001).

Moreover, the volume of trade and economic cooperation is higher among democracies than among non-democratic regimes. Autocracies import less than democracies (Aidt and Gassebner 2010), trade levels between democracies are higher than among autocracies or between democracies and autocracies (Mansfield et al. 2000), and democracies attract more foreign direct investments (Moon 2015). It is easier for the EU to cooperate with democracies in international organisations as cooperation with autocratic regimes may result in reputational costs for the EU and joint interests may be more difficult to find (Leeds 1999). In climate change and environmental policy, for instance, macro-quantitative studies find that democracies are more likely to make ambitious commitments, sign and ratify international agreements (Neumayer 2002; Bättig and Bernauer 2009), making cooperation among democracies easier. In addition, development aid is found to have more impact on poverty reduction in better governed and more democratic countries (World Bank 1998).

However, considerable differences exist within the group of authoritarian regimes. Under certain conditions, some types of authoritarian regime, notably one-party and dominant-party regimes, can perform almost as well as democratic regimes in terms of public goods provision (Keefer 2007; Acemoglu and Robinson 2012; Bueno de Mesquita et al. 2003; McGuire 2013). In short, authoritarian

regimes with a well-institutionalised ruling party have relatively broad supporting coalitions. If these regimes do not have access to easy revenues (such as oil), they cannot afford to rely on private goods, but have to provide public goods to increase their chances of staying in power (Bueno de Mesquita et al. 2003).

Some autocratic regimes with specific institutional features (e.g. a functioning bureaucracy, and low corruption) also prevent famines (Burchi 2011). Single-party regimes are associated with lower infant mortality rates than other autocracies (McGuire 2013). Single-party and dominant-party regimes adopt more open trade policies than other autocracies (Hankla and Kuthy 2013); and can attract considerable volumes of FDI (Moon 2015).

However, authoritarian regimes that are almost as successful as democracies in poverty reduction and public goods provision are rare, and they emerge only under very specific structural conditions. Countries like Ethiopia, Rwanda or Vietnam have a strong development orientation and are successful in poverty reduction not *because* they are authoritarian, but *despite* being authoritarian (Acemoglu and Robinson 2012).

#### *Political transitions: the risk of civil war and backsliding to another form of authoritarianism*

Even if democracies provide more public goods to their citizens and cooperation is easier and more beneficial for the EU, periods of regime transition are often characterised by uncertainty, instability, sometimes even civil war. The political uprisings during the Arab Spring are the most recent example in this regard. Moreover, political transitions are no 'linear process'; authoritarian regimes are often followed by another form of authoritarianism and not by democracy. There are thus controversial debates among policy-makers whether governance reforms should be promoted. Put differently, if regime transitions result in another form of authoritarianism or even civil war, should the EU still support governance reforms from a normative and *Realpolitik* perspective?

Academic research gives some interesting insights for this debate. (For an overview on conflicting objectives in democracy promotion, see also Grimm and Leininger 2012). First, authoritarian regimes may be stable in the short to medium term, but not in the longer run. Party regimes are less likely to fall than military or personalist regimes. Yet, only very few authoritarian (single) party regimes have not experienced regime transitions over very long periods of time (Smith 2005; Escribà-Folch and Wright 2015).<sup>2</sup> Support for authoritarian stability thus is a short-to medium-, not a long-term, strategy.

Second, EU support for democratic reforms in post-conflict societies can contribute to reducing the risk of a renewed outbreak of conflict (Leininger and Ziaja 2014). Previous research had argued for 'sequencing' external support: donors should first promote stability and only in the medium term support democratisation. More recent research, however, has made the case for supporting democratisation alongside stability in post-conflict societies (ibid.; Carothers 2007; Cheeseman 2015).

Third, political openings and democratisation are less likely to cause civil war in party and military regimes than in personalist regimes or monarchies (Escribà-Folch and Wright 2015). Most authoritarian regimes today can be classified as party systems with formal democratic institutions (Hadenius and Teorell 2007; Magaloni and Kricheli 2010). EU support for civil society, the media, the opposition and the broader institutional framework can contribute in the short-to medium-term to party systems opening political spaces incrementally (or at least not closing them further). In the longer term, the EU could thereby make a small contribution to preventing political spaces from

<sup>2</sup> For instance, the Institutional Revolutionary Party ruled Mexico between 1929 to 2000, the Communist Party ruled the Soviet Union from 1917 to 1989, and the Chinese Communist Party has been in power since 1949.



reducing further, or even to increasing chances that these regimes transition to democracy and not another form of authoritarian rule.

Finally, research findings suggest that democratising countries that receive democracy aid are less likely to experience civil conflict than countries that do not receive this type of assistance (Savun and Tirone 2011). Democracy aid reduces the uncertainty about future political commitments and promises. The EU can thus make a direct contribution to reducing the likelihood of civil conflict during periods of transition.

## 2.3 How effective is external support for governance reforms? When and why?

The effectiveness of EU support for governance reforms is often questioned by policy-makers and in public debates. Sanctions, other forms of negative conditionality or democracy aid are generally perceived as ineffective. Security or economic interests often trump support for democracy and human rights and the EU has often been inconsistent in using its instruments to support democracy and human rights. Some observers and policy-makers then tend to conclude that external democracy support is not working instead of arguing for using it more consistently. This section will show that findings from academic research point to more mixed results; research findings suggest that governance aid can work, if well targeted to the local context and local conditions, consistently applied in close coordination with other donors (e.g. member states) and not overly ambitious.

During the past fifteen years, the impact of aid and governance aid on political reforms in third countries has been analysed from a macro-quantitative perspective and with regard to specific country cases. Early macro-quantitative studies were mostly interested in the effect of *general development aid* on the level of democracy. These studies assume that aid *directly* impacts on democracy through political conditionality, aid selectivity and governance aid, or impacts more *indirectly* by supporting economic development in the target country (Dietrich and Wright 2012; Knack 2004). The EU can thus impact on governance reforms with the EDF and DCI, for instance through the allocation of aid, by sending clear signals that improvements in the governance situation are rewarded with higher aid, by using budget-support conditionality, or through specific instruments such as the governance incentive tranche.

Studies on the effect of general development aid on the level of democracy come to mixed conclusions. Some find that general aid has no effect on political reforms (Knack 2004; Scott and Steele 2005), decreases the likelihood of democratisation or strengthens autocratic survival in the longer term (Kalyvitis and Vlachaki 2010; Bueno de Mesquita and Smith 2010; Morrison 2009; Kono and Montinola 2009). Others, however, identify a positive effect of aid on the level of democracy (Kersting and Kilby 2014), particularly in Africa, where aid dependence is comparatively high, and particularly in the post-cold war period when aid was less strongly driven by geo-strategic interests (Goldsmith 2001; Dunning 2004). Yet, all donors are apparently not the same. After the end of the cold war, the positive effect of aid on governance reforms in Africa was limited to multilateral donors, including the EU (Menard 2012) and some bilateral donors such as Sweden and the UK (Svensson 1999).

Research that has analysed the specific effect of *democracy aid* on political reforms has come to relatively positive conclusions. Kalyvitis and Vlachaki (2010) argue that democracy aid has a positive effect in aid-dependent countries that are already quite democratic. Some find that US democracy aid has a positive effect on the level of democracy (Finkel et al. 2007; Scott and Steele 2011), except for the countries of the former Soviet Union (Bosin 2012). Dietrich and Wright (2012), who expand the focus of their analysis to all donors but limit the geographic scope to African countries, detect a positive effect of democracy aid on democratic consolidation.

In addition to these macro-quantitative studies, case studies that assess the EU's or other donors' governance support for individual countries come to more mixed results. In the case of Ghana, Crawford (2007) reasons that the EU's and EU member states' democracy aid is "high on rhetoric but remains low on delivery". He explains this rhetoric–implementation gap by arguing that the EU is driven by self-interest rather than normative considerations.<sup>3</sup> On the other hand, a series of country case studies on democracy support in Africa, commissioned by UNU-WIDER in 2012, find that democracy aid has a positive effect on political reforms. De Zeeuw (2005) shows, in a cross-case comparison that governance aid is instrumental in setting up new institutions, but unsuccessful when it comes to consolidating democratic institutions in the longer term.

Recent research has also investigated whether it makes a difference in which political regimes donors seek to use aid or democracy aid to support reforms. Some argue that aid has an 'amplification effect', strengthening the regime that it encounters, making democratic regimes more democratic and autocratic regimes more autocratic (Dutta et al. 2012). Others find that the type of authoritarian regime makes a difference for the effect of aid on political reforms. It seems that development aid and democracy aid are more likely to support democratisation in dominant-party regimes than in other types of authoritarian regime (Wright 2009; Cornell 2012). In dominant-party regimes the ruler can afford higher levels of political liberalization, and is more likely to remain in an influential position even after regime breakdown; development aid and democracy aid thus produce lower costs for political leaders in dominant-party regimes than in other types of authoritarian regime (Wright 2009; Cornell 2012). Moreover, recent research suggests that the EU and other donors need to make a greater effort to understand the domestic logic of political survival in authoritarian regimes. Depending on how the target government is domestically challenged, it is more or less willing to engage with the EU on the implementation of governance aid (Hackenesch 2015a).

## 2.4 Conclusion

EU support for governance reforms is not without political risks. Regime transitions are not a linear process and support for regime transitions is challenging. However, findings from academic research suggest that beyond normative considerations there are a number of reasons why the EU (and other donors) should make some efforts to support good governance. Research shows that democratic regimes are more stable and peaceful and produce fewer security externalities; they invest more in poverty reduction, public goods provision, prosperity and welfare for their citizens. Periods of transition in the process of democratisation can lead to instability and insecurity. However, democracy aid can be one important factor preventing civil war during these periods of instability. The impact of aid on political reforms is contested. Findings from quantitative research, however, suggest that democracy aid can have positive effects on political reforms if well targeted to local needs and consistently applied.

<sup>3</sup> Interestingly, in the case of Ghana this implies that the EU does not put much emphasis on democracy promotion because it has very limited strategic interests. Brown (2001) shows for the case of Kenya that donors have contributed to supporting political liberalization, but subsequently impeded further democratisation processes by endorsing unfair elections.



## 3 INTERNATIONAL FRAMEWORKS FOR SUPPORTING GOVERNANCE REFORMS

### 3.1 The international human rights system

The EU can draw on a number of international frameworks and agreements when cooperating with third countries on governance reforms. Compared to ‘democracy’ or ‘good governance’ more generally, human rights are probably the area most strongly regulated and legalised internationally. To support ‘democracy’ or ‘good governance’, the EU cannot rely on a similar international framework to that for human rights. The Universal Declaration of Human Rights adopted by the UN General Assembly in 1948 is the basic framework of reference. A number of (legally binding) treaties and agreements have evolved since then. The EU can refer to these agreements as a basis for its relations with individual countries; and it can use country commitments (made for instance during the UN Universal Periodic Review of the International Human Rights Council) for its bilateral relations and its development policy. International human rights treaties and agreements cover not only political but also economic, social and cultural rights, giving the EU a very broad framework of reference.

### 3.2 Good governance in the international development system

The Millennium Declaration agreed upon by the UN General Assembly in 2000 has made a strong call for promoting human rights, democracy and good governance. The Millennium Declaration has recognised the link between good governance, human rights, poverty eradication and long-term social and economic development. Moreover, section V of the Millennium Declaration aimed specifically at promoting ‘Human Rights, democracy and good governance’ as objectives in their own right. The Millennium Development Goals (MDGs) then put a strong focus on human development and wellbeing; political rights, however, were not part of the agenda.

The international aid system and notably the aid effectiveness agenda as it has evolved during the high-level fora in Rome (2003), Paris (2005), Accra (2008) and Busan (2011) has made reference to the Millennium Declaration. The Paris Agreement, Accra Agenda for Action and the Busan Partnership for Effective Development Cooperation, however, have focused particularly on strengthening the effectiveness of government institutions (e.g. transparency, PFM systems and fight against corruption) in order to make aid more effective and aid delivery more efficient. Democratic governance has not played a prominent role in these agendas.

### 3.3 The 2030 Agenda for sustainable development

In September 2015, the international community agreed upon the 2030 Agenda for Sustainable Development, with its 17 Sustainable Development Goals (SDGs). The EU has been very influential in shaping the 2030 Agenda. The EU has advocated for a close linkage of the poverty and sustainability agenda, for placing human development at the centre of the agenda and for developing a universal agenda that applies to all countries, including the EU and member states. Moreover, with regard to the instruments to achieve the goals, the EU argued for a broad agenda that goes beyond aid and for not only including traditional donors’ development aid but also public flows from emerging economies.

Compared to the MDGs, the 2030 Agenda provides a stronger international framework to promote good governance. Goal 16 in particular focuses on ‘peace, justice and strong institutions’. Its eleven targets – among others – aim to: end abuse, exploitation, trafficking and all forms of violence against and torture of children (16.2); promote the rule of law and equal access to justice (16.3); promote

effective, accountable and transparent institutions (16.6); ensure responsive, inclusive, participatory and representative decision-making (16.7); and ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements (16.10). Several of the proposed indicators give direct entry points to promote human rights and inclusive institutions.<sup>4</sup> However, information about all countries and a clear methodology does not exist for all of the proposed indicators.

During the negotiations, the EU and member states argued for making support for human rights, good governance and peace and security a prominent aspect of the agenda. The EU welcomed the fact that the promotion of peaceful and inclusive societies, access to justice and the support for accountable and inclusive institutions was to become a stand-alone goal (Council 2014). However, the EU urged that human rights should play a (more) prominent role. Given that the inclusion of human rights and peace and security in the agenda was strongly contested, the inclusion of Goal 16 has been seen as a success (even though the EU initially advocated for two separate goals and for putting more emphasis on human rights).

The implementation of the 2030 Agenda and its operationalisation for the EU's domestic and external policies is still at an early stage (Gavas et al. 2016; Hackenesch et al. 2016; Henökl and Keijzer 2016). The EU has strongly advocated for introducing an ambitious, comprehensive, and universal agenda. The EU's international credibility and legitimacy to engage with developing countries on the implementation of the 2030 Agenda therefore hinges on its own progress in implementing the agenda.

### 3.4 Conclusion

In short, the EU can draw on several international frameworks as a reference for its good governance support. Beyond the international human rights system, the 2030 Agenda and in particular Goal 16 and Goal 5 on gender equality can be used as a reference frame for cooperating with third countries on governance reforms. In this regard, however, the 2030 Agenda entails at least two risks. First, given its strong focus on security and fragile states and the current urgency and preoccupation with crises and conflict in the EU's neighbourhood, the Agenda could be interpreted too narrowly as focusing on fragility and conflict, leaving aside support for *inclusive* political institutions. Second, one has to bear in mind that the EU would have liked to see more ambitious goals on human rights and democratic participation. By limiting its support for governance reforms to interventions focused on Goal 16, the EU would fall short of its original ambitions.

## 4 GOOD GOVERNANCE IN EU DEVELOPMENT POLICY

### 4.1 Good governance in EU external relations: strategies and instruments

During the past decade, the EU has made support for governance reforms a stronger priority in its development policy and other areas of its external action. Support for democracy, human rights and the rule of law has been an objective in the EU's external relations since the Maastricht Treaty in the early 1990s.<sup>5</sup> Article 21 TEU stipulates that the EU shall promote principles and values that guide its

4 UN Statistical Commission, Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators, 19. February 2016, online: <http://unstats.un.org/unsd/statcom/47th-session/documents/2016-2-IAEG-SDGs-Rev1-E.pdf>

5 In the mid-1990s, the Lomé IVbis Convention (the precursor of the Cotonou Agreement) was then the first agreement between the EU and third countries that declared democracy, human rights and the rule of law 'essential elements'. Good

actions domestically (democracy, human rights and the rule of law) in its external relations. Article 208 TEU defines poverty reduction as the primary objective of EU development policy. Support for good governance makes an important contribution towards this objective. The EU's treaties do not mention 'good governance' as such.

Since the early 2000s, the EU has considerably broadened its understanding of good governance (see also Börzel and Risse 2009; and Carbone 2010 for the following). In the field of development policy, several communications and policy strategies that the European Commission has published (and that the Council has often endorsed) show that the EU has adopted a quite broad understanding of good governance. In its 2003 Communication on 'Governance and Development' the Commission established a definition that is still referred to:

*Governance concerns the state's ability to serve the citizens. Governance refers to the rules, processes, and behaviour by which interests are articulated, resources are managed, and power is exercised in society. [...] As the concepts of human rights, democratisation and democracy, the rule of law, civil society, decentralised power sharing, and sound public financial management gain importance and relevance, a society develops into a more sophisticated political system and governance evolves into good governance (European Commission 2003).*

The 2005 European Consensus on Development further strengthened the role of good governance as an objective of EU development policy. The Consensus presents good governance as a precondition for sustainable and equitable development as well as for providing effective development assistance. At the same time, support for governance reforms is put forward as an important objective of EU development policy and EU external relations in their own right.

In its Communication on 'Governance in the European Consensus' (European Commission 2006), the Commission further specified the role of good governance for EU development policy. In this Communication the Commission started speaking of *democratic* rather than *good* governance (ibid), indicating a quite broad understanding of the concept. With this communication, the EU also introduced the Governance Incentive Tranche for the 10th European Development Fund (EUR 2.7 billion for the period 2007 to 2013).

In the EU's most recent development policy strategy, the 'Agenda for Change' (European Commission 2011a), the EU has made support for democratic governance one of two main areas on which development policy should concentrate. The Agenda for Change confirmed that the EU views 'good governance' as a very comprehensive concept, stating that the EU aims at promoting "human rights, democracy and *other key elements of good governance*" (European Commission 2011a; emphasis author).

In parallel, the Commission's communication on general budget support has put more emphasis on democratic governance as a precondition for using budget support, particularly general budget support (European Commission 2011b). Moreover, the European Commission published a Communication, 'The Roots of Democracy and Sustainable Development: Europe's engagement with Civil Society in external relations' (European Commission 2012), with a view to strengthening

governance was separated from these political elements and conceived of narrowly, focusing on the effective management of natural resources and the fight against corruption. The Cotonou Partnership Agreement established good governance as a 'fundamental element'; it is restricted to the proper functioning of state administration. Democracy, human rights and the rule of law are enshrined as 'essential elements'.

its support for civil society. As a result, 'road maps' for engaging with civil society in third countries have been developed.<sup>6</sup>

In May 2014, EU development ministers agreed to introduce a 'rights-based approach' in EU development policy. The EU thereby aims at "integrating human rights principles into EU operational activities for development, covering arrangements both at headquarters and in the field for the synchronisation of human rights and development cooperation activities".<sup>7</sup> Moreover, the new regulation for the DCI for 2014–2020 states that at least 15 percent of the funding for the DCI geographic programmes (EUR 11.809 billion) should be spent on support for democracy, human rights and good governance.

Since the mid-2000s the EU has thus put increasing emphasis on supporting governance reforms through development policy. The EU has adopted a broad understanding of good governance that includes the effectiveness and inclusiveness of institutions and decision-making processes. Support for good governance through development policy was facilitated by the international aid effectiveness agenda and new aid modalities such as budget support. Moreover, some have argued that the EU has used the governance agenda to develop a distinctive profile in international development, different to that of the World Bank and the US (Carbone 2010).

In parallel to the growing importance of governance support in the EU's development policy, the EU has also made this a priority in other areas of its external action (see e.g. Koch 2015). During the Czech and Swedish presidencies in 2009, the Council has adopted two conclusions, 'Support to Democratic Governance – Towards an enhanced EU framework' (Council 2009a) and 'Democracy Support in EU External Relations – Towards increased coherence and effectiveness' (Council 2009b), re-emphasising its commitment to support for good governance. Moreover, with the establishment of the EEAS in 2011, more prominence has been given to this agenda. The Foreign Affairs Council adopted the first EU Action Plan for Democracy and Human Rights (2012 to 2014), together with the Strategic Framework for Democracy and Human Rights. The Action Plan was revised for the period 2015 to 2019.

Beyond foreign and security policy, the EU has also strengthened good governance support in its trade policy. Human rights and democracy clauses now form an integral part of all EU trade agreements with third countries. Beyond political rights, social and environmental standards gained importance through specific sustainable development chapters included in most trade agreements. The EU Action Plan for Democracy and Human Rights sets objectives on how to strengthen governance support in the EU's security, migration and counter-terrorism policies. Moreover, in its environment policy, the EU also seeks to use access to the European market to promote governance reforms (and sustainable development), particularly with the EU's Voluntary Partnership Agreements.

While governance support has become more prominent in different policy fields, policy coherence remains an important issue that needs to be addressed. The Action Plan for Democracy and Human Rights makes an attempt in this regard, defining the EU's priorities for different policy fields. However, more could and should be done. For instance, Human Rights Country Strategy Papers and Democracy Action Plans that were developed as a result of the 2009 Council Conclusions are somehow detached from the EDF and DCI programming processes. On the other hand, the rights-based approach in development is only loosely connected to other human rights initiatives in foreign, security and trade policy.

6 A list with all existing road maps can be accessed here: <http://capacity4dev.ec.europa.eu/public-governance-civilsociety/minisite/roadmaps>

7 [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/en/foraff/142682.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/foraff/142682.pdf)

## 4.2 Good governance in the EU's financing instruments: empirical trends

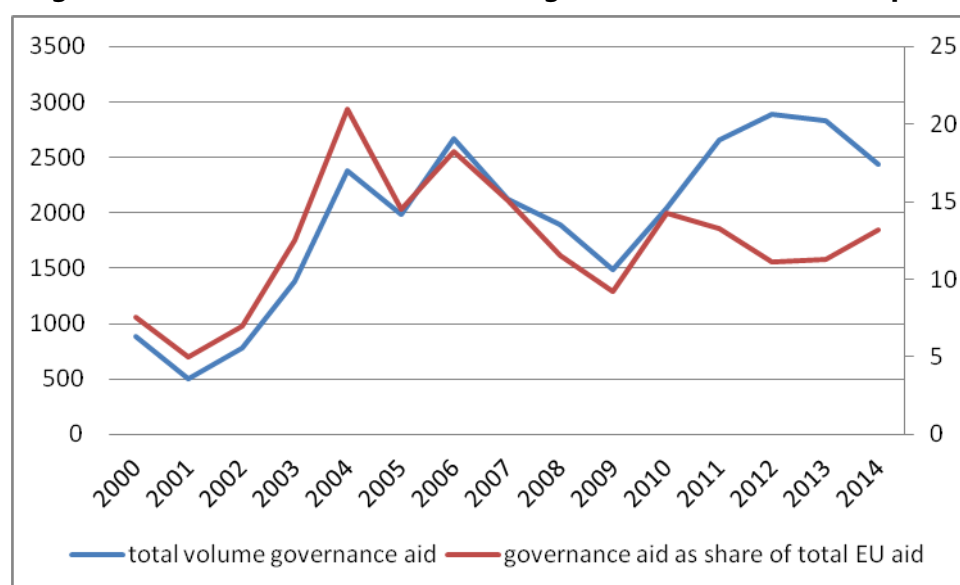
The EU institutions have put stronger emphasis on supporting governance reforms since 2005. This section analyses empirical trends in the EU's allocation of governance aid with a specific focus on the DCI and the EDF. The section analyses which dimensions of good governance the EU has been supporting and how the EU has engaged with countries across different regions on governance reforms.

The study builds on aid commitments reported to the OECD DAC Credit Reporting System for all EU external financing instruments for the period 2005 to 2014, in particular the sector code 151 (government and civil society). Moreover the analysis builds on data provided by the European Commission (DG DEVCO) on governance aid spent through the DCI and EDF for the period 2009 to 2014.

### 4.2.1 EU support for governance reforms: general assessment

The increasing importance that the EU institutions have attributed to supporting governance reforms is clearly reflected in the EU's aid budget. Since 2000 the absolute volume of EU governance aid as well as the percentage of governance aid as a share of total EU aid has gradually increased (figure 1). Governance support considerably increased between 2000 and 2005. In absolute (but not relative) terms governance support further gained importance between 2009 and 2014.

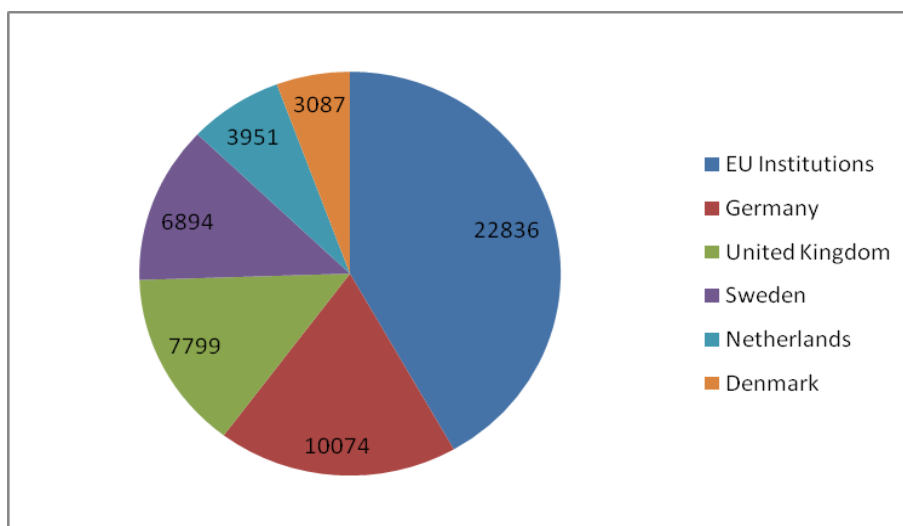
**Figure 1: EU governance aid commitments to all regions (in USD millions and percent)**



Source: OECD DAC 2016, own calculation

Between 2005 and 2014 the EU institutions allocated a total of USD 22,835 million to support governance reforms, accounting for about 13 percent of total EU development aid and providing more governance aid than any other member state (figure 2). All EU member states together have committed about USD 39,745 million. Germany provided the largest amount of governance aid (USD 10,074 million, 8 percent of German total aid) followed by the United Kingdom (USD 7,799 million, 10 percent of UK total aid) and Sweden (USD 6,893 million, 20 percent of total Swedish aid). By contrast, France is one of the largest EU donors together with Germany and the UK, but has used only 1 percent of its aid budget to support governance reforms (about USD 1,018 million); it is only the eighth-largest member state in terms of governance aid.

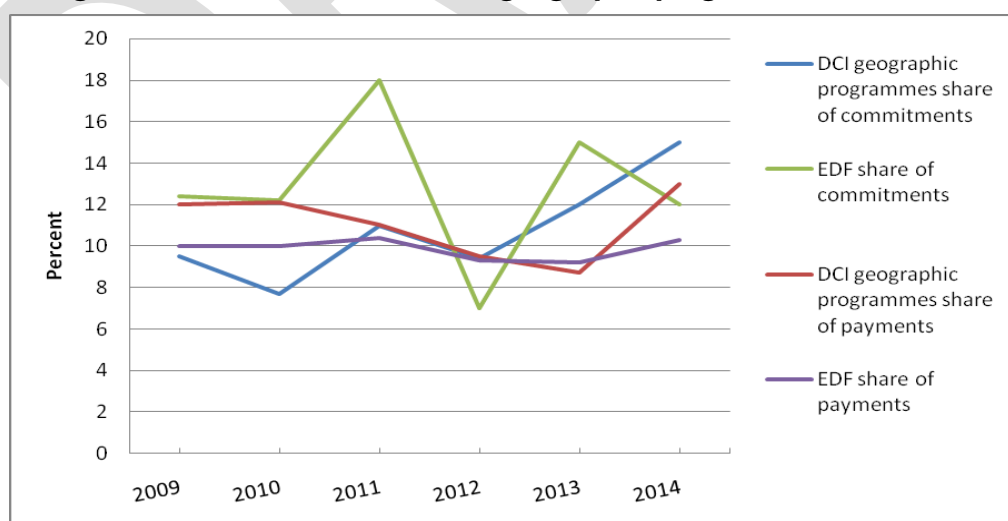
**Figure 2: The largest European governance aid donors (commitments in USD millions, 2005–2014)**



Source: OECD DAC 2016, own calculation

Clear differences exist in how the EU uses its financing instruments to support governance reforms. Between 2009 and 2014 the EU has used more funds from the EDF than from the DCI to support governance reforms (EUR 1,756 million compared to EUR 1,315 million). Slightly more support for governance reforms has been allocated through the DCI geographic programmes compared to the DCI thematic programmes (EUR 718 million compared to EUR 597 million).<sup>8</sup>In relative terms, the share of governance aid provided through the EDF has also been higher than for the DCI geographic programmes (about 13 percent compared to 11 percent between 2009 and 2014). Yet, the share of governance aid provided through the DCI geographic programmes has gradually increased to 15 percent in 2014. The EU would thus have to keep or exceed the 2014 level to comply with the schedule set by the new DCI regulation.

**Figure 3: EU governance aid as a share of DCI geographic programmes and the EDF**



Source: European Commission 2016 and EU annual aid reports, own calculation

<sup>8</sup> For the period 2007 to 2013 the DCI had a total volume of EUR 16,897 million. EUR 10,057 million should be used for the geographic programmes, the bilateral cooperation with specific countries. EUR 5,596 million should be used for specific thematic programmes, including EUR 1,639 million for 'non-state actors and local authorities'.



## 4.2.2 EU support for governance reforms: sectoral distribution

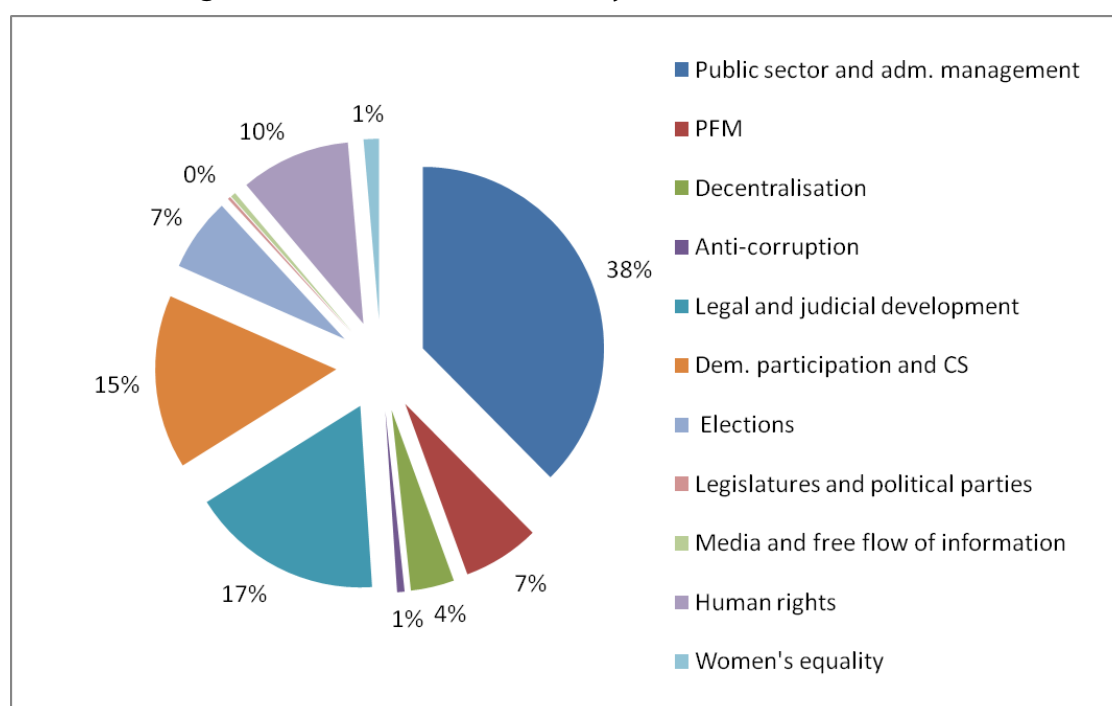
### Sectoral distribution – all EU external financing instruments

By far the majority of EU governance aid – about 67 percent between 2005 and 2014 – has been spent on supporting the effectiveness of government institutions (figure 4). Most EU governance aid was used to support public administration management and reform (about 38 percent) and legal and judicial development (about 17 percent); another 7 percent was spent on public financial management. EU support for legal and judicial development has gradually increased (figure 5) since 2005. EU assistance to fight against corruption (1 percent) and support decentralisation (4 percent) has remained limited.

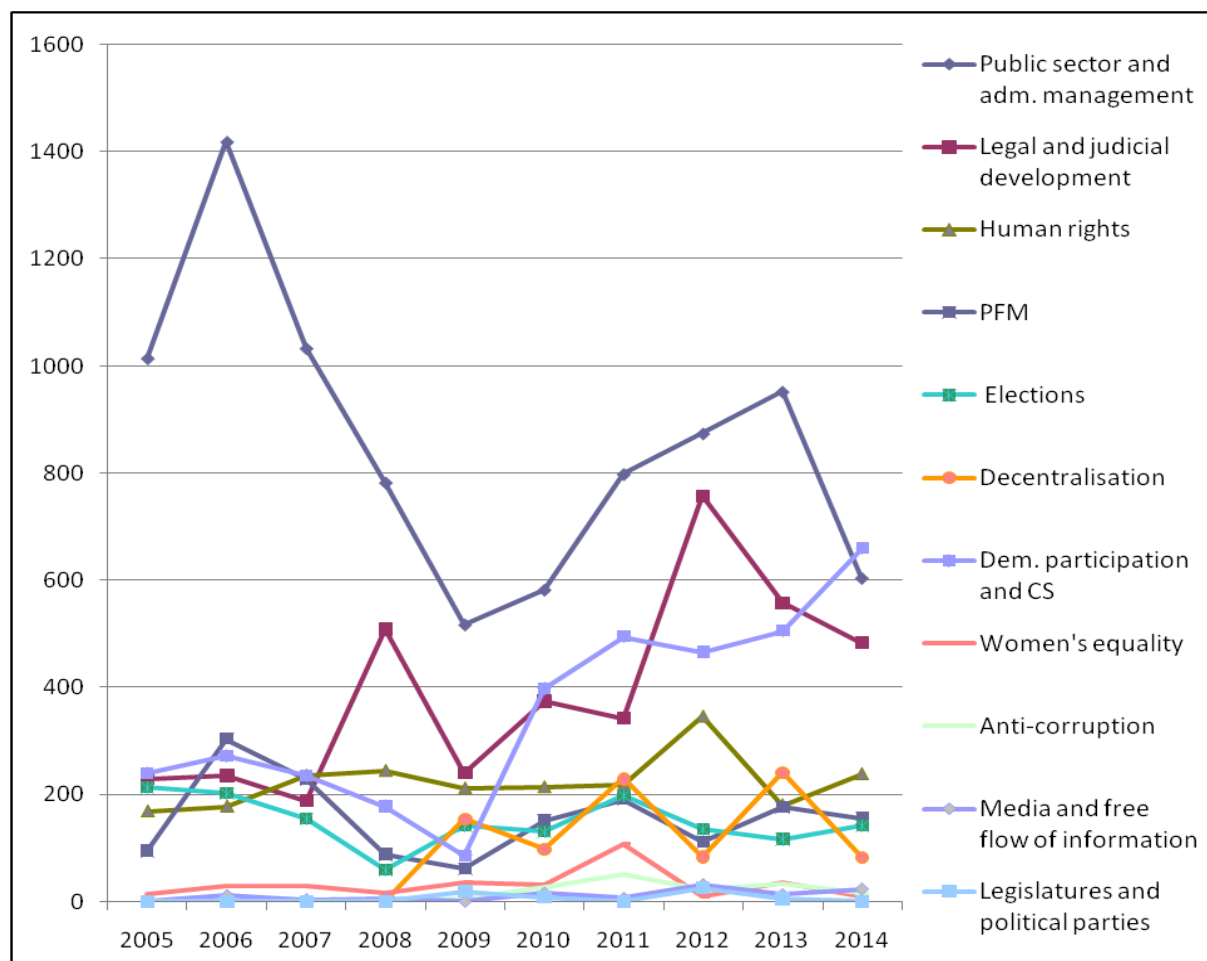
EU support for democratic governance accounted for about one-third of total EU governance aid between 2005 and 2014 (figure 4). The EU institutions' support for democratic participation and civil society constituted about 15 percent of EU governance aid between 2005 and 2014 (figure 4); it decreased until 2009 but then increased again (figure 5). Support for human rights represented about 10 percent of EU governance aid over the whole period; it gradually increased between 2005 and 2014 (figure 5). The EU allocated 7 percent of governance aid to elections; mostly in Sub-Saharan Africa and to a lesser extent in Asia. EU financial support for legislatures, parties, media and gender equality has remained very limited since 2005 (figure 4). The EU has channelled some parts of its governance aid to regional organisations, particularly in Europe, Sub-Saharan Africa and North Africa.

The DAC figures do not include democracy support provided by the European Parliament, funded directly from the EP budget. The EP has recently set up the 'Comprehensive Democracy Support Approach' that focuses the EP's democracy support on the electoral cycle and to a select number of priority countries. The EP contributes to many of the EU's election observation missions. Recommendations from the election observation may then be taken as a basis for further engagement with the parliament in the respective country.

**Figure 4: Total EU governance aid commitments by sectors (2005–2014)**



Source: OECD DAC 2016, own calculation

**Figure 5: EU governance aid by sectors (commitments in USD millions, 2005–2014)**

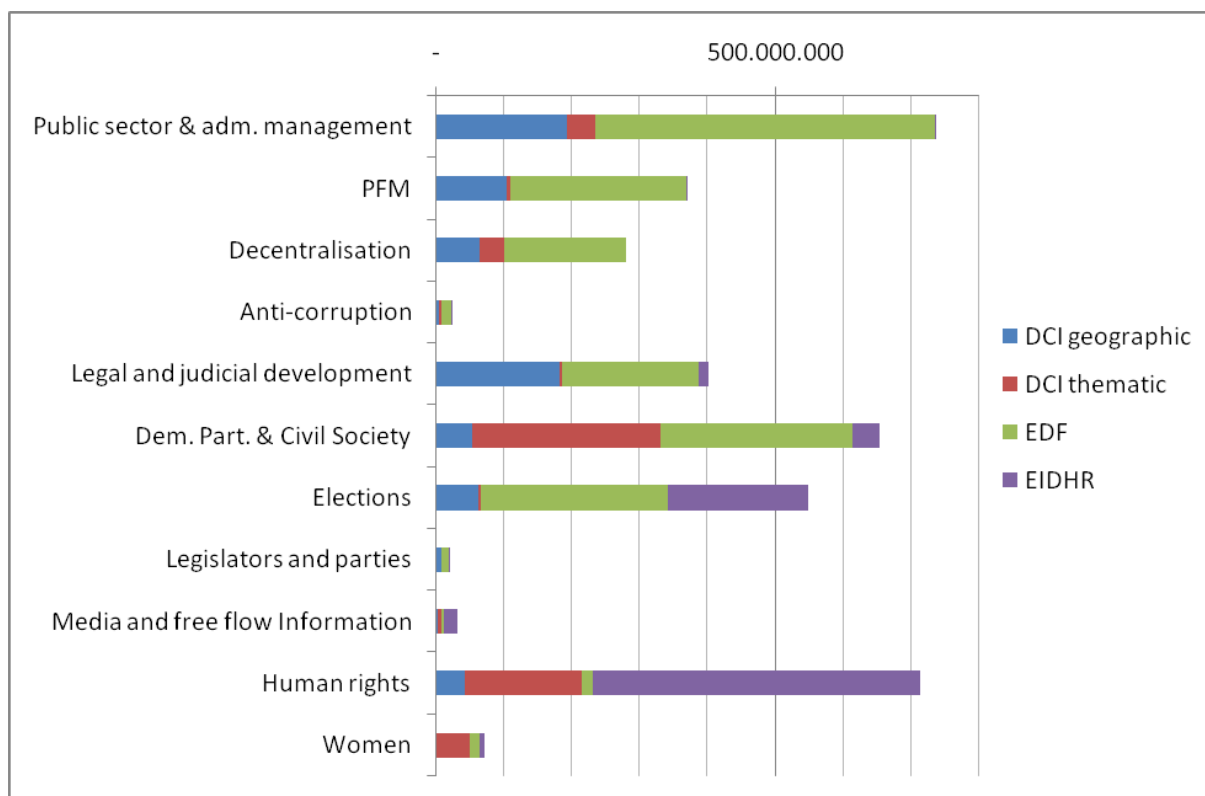
Source: OECD DAC 2016, own calculation

### Sectoral distribution of governance aid for DCI, EDF and EIDHR

Clear differences exist in how the EU uses its financing instruments to support specific areas of good governance (figure 6). The **DCI's geographic programmes** put a strong focus on legal and judicial development, public sector management and public financial management (PFM). Between 2009 and 2014 the largest recipients of support for public sector reform and legal and judicial development through the DCI geographic programmes were Afghanistan (about EUR 83 million) and South Africa (about EUR 55 million). Democratic governance and, in particular, elections, civil society and human rights received little support.

The **EDF** put a strong focus on the effectiveness of government institutions (public sector reform, PFM, decentralisation, legal and judicial development), but also supported civil society and elections. EDF aid to governance reforms was spread across a large number of countries, particularly in Sub-Saharan Africa. Interestingly, almost no support for human rights was provided through the EDF (even less than through the DCI geographic programmes).



**Figure 6: Sectoral distribution by EDF, DCI and EIDHR 2009–2014 (payments in EUR)**

Source: European Commission 2016, own calculation

The **DCI's thematic programmes** clearly focused on support for civil society organisations and human rights (figure 6). This focus is in line with the DCI regulation. In particular, the thematic programme for 'Non-state actors and local authorities in development' has been used to support governance reforms. It aimed at strengthening participatory development and capacity building in order to strengthen civil society and local authorities' engagement in development processes. It should complement not only the DCI geographic programmes but also the EIDHR, which has a stronger focus on supporting civil society to promote the inclusiveness and not just the effectiveness of decision-making processes. Almost all EU aid recipients (not only the countries covered by the DCI geographic programmes) have received some support through the DCI thematic programmes.

Funds from the **EIDHR** are strongly focused on human rights and elections (figure 6), as laid out in the EIDHR regulation and programming documents. The EIDHR spent more funds on human rights than the EDF and DCI combined. EIDHR funds were distributed across a large number of countries. Between 2009 and 2014 the three largest recipients of support for human rights through the EIDHR were Zimbabwe (EUR 11 million), Turkey (EUR 11 million) and China (EUR 10 million). The largest recipients of assistance for elections were Afghanistan (EUR 20 million), Nigeria (EUR 12 million) and Sudan (EUR 11 million).

#### 4.2.3 EU support for governance reforms: regional distribution

The total amount of EU support for governance reforms has varied quite considerably across different regions between 2005 and 2014 (figures 7 and 8).<sup>9</sup> The EU institutions have spent by far the

<sup>9</sup> The analysis does not follow the geographical distribution according to the EU's financial instruments. The Pre-accession instrument covers the Balkan countries and Turkey. The ENPI covers Northern Africa, Jordan, Lebanon, Palestine and Syria, the Ukraine, Moldova and Belarus, as well as Georgia, Azerbaijan and Armenia. The EDF is allocated to Sub-Saharan Africa, the Caribbean and Pacific countries. The DCI covers the remaining countries in Asia, the Middle East and Latin America.

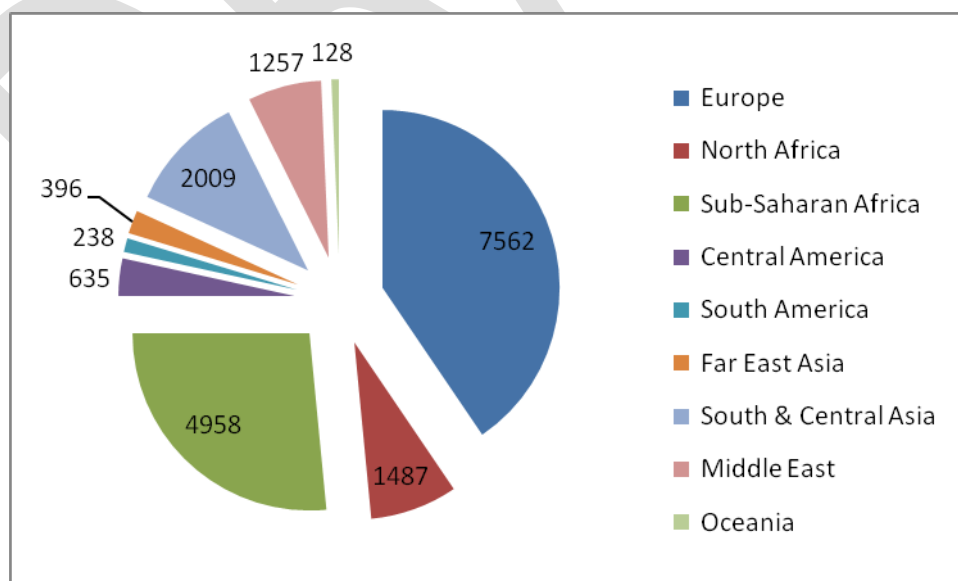
majority of their governance aid in Europe (USD 7,562 million or 33 percent of EU governance aid), particularly in the pre-accession countries (Turkey and the Balkan countries) and in the Ukraine (as part of the EU neighbourhood policy). The second most important region for EU institutions' governance aid was Sub-Saharan Africa (USD 4,958 million or 22 percent of total governance aid), followed by South & Central Asia (USD 2,008 million or 9 percent of governance aid).

Some de facto division of labour seems to exist between the EU institutions and member states. Between 2005 and 2014 EU member states spent by far the majority of their governance aid in Sub-Saharan Africa (USD 12,226 million or 31 percent) and South & Central Asia (USD 6,419 million or 16 percent). Member states' governance aid in Europe only amounted to USD 2,474 million (6 percent). In absolute volumes, Northern Africa, the Middle East and South America received relatively little governance aid from the EU institutions or from member states.

The bulk of EU governance aid is concentrated on a limited number of countries. In absolute terms, the largest recipients of EU governance aid between 2005 and 2014 were Turkey (USD 2,605 million) and Serbia (USD 1,032 million). Outside Europe, the largest recipients were Afghanistan (USD 659 million), Nigeria (USD 453 million), the Democratic Republic of Congo (USD 449) and Jordan (USD 413 million). These countries all received substantial support, particularly for building up their public administrations and the judicial sector.

With the exception of South Africa, governance aid has basically not played any role in the EU's relations with the B(R)ICS countries, even though Brazil, China and India were, until recently, important recipients of EU aid. The picture is more mixed in the EU's relations with the 'second tier' of emerging economies. As a pre-accession country, Turkey has been the largest recipient of EU governance aid. A number of other countries, such as Nigeria and Indonesia, received some support. Some countries, such as Mexico, received some general development aid but no governance support.

**Figure 7: Regional distribution of EU governance aid by all EU instruments (commitments in USD millions, 2005–2014)**

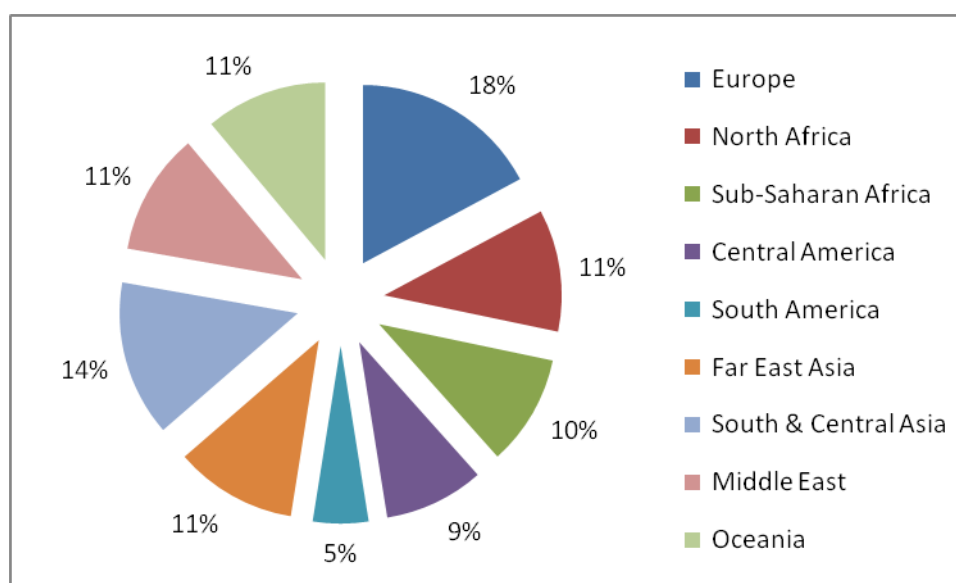


Source: OECD DAC 2016, own calculation

Interestingly, EU governance aid as a share of total aid to individual regions is relatively similar across the different regions (figure 8). For most regions, the EU spends about 10 percent of its total aid on supporting good governance. Three exceptions stand out. The share of governance aid is

considerably higher for Europe (pre-accession countries and the Ukraine); governance aid to Europe has gradually increased since 2009. The share of governance aid is slightly higher for South and Central Asia. The share of governance aid is considerably lower for South America; EU governance aid to South America is by far the lowest in absolute and relative terms.

**Figure 8: EU governance aid as a share of total EU aid per region (2005–2014)**

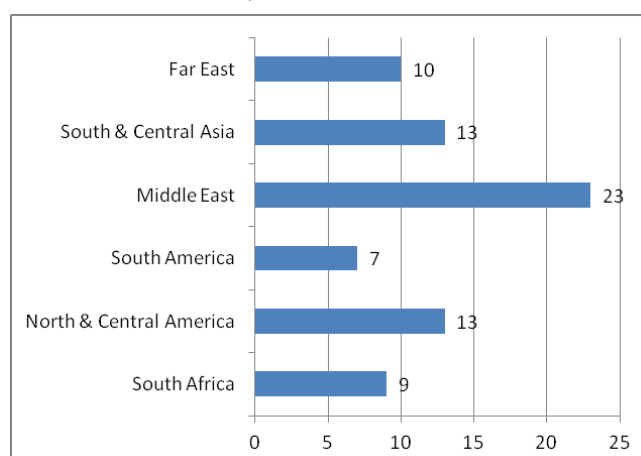


Source: OECD DAC 2016, own calculation

### Regional distribution of governance aid: DCI geographic and thematic programmes

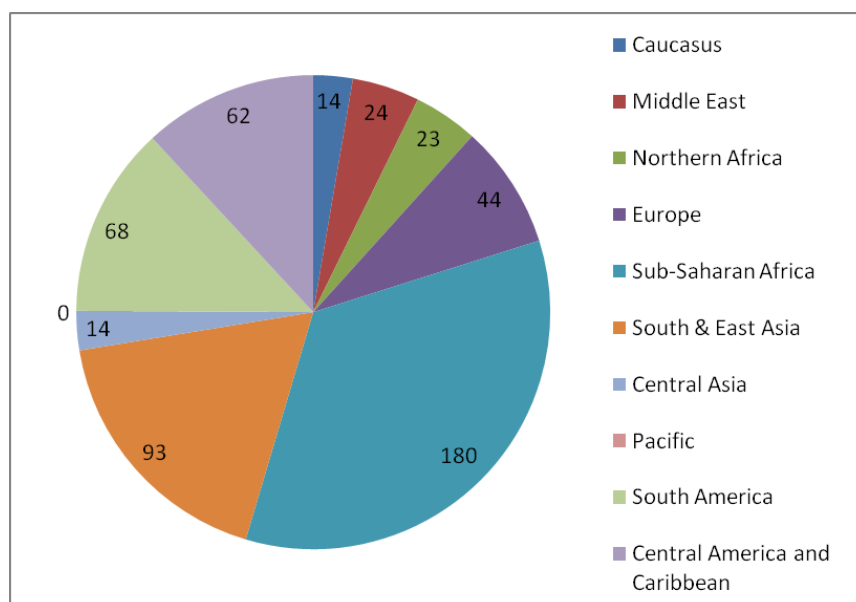
Governance aid as a share of the DCI's geographic programmes has been particularly high in the Middle East, South and Central Asia as well as Central America (figure 9). These figures, however, are somehow misleading. In the Middle East, the DCI geographic programmes cover only two countries – Iraq and Yemen (the other countries are covered by the ENPI). In South and Central Asia, Afghanistan has received by far the most funds (EUR 140 million, or about half of all governance aid to South and Central Asia). The DCI thematic programmes have put a strong focus on Sub-Saharan Africa and Asia (figure 10). The high share of governance aid for South and East Asia is, again, driven by EU aid to Afghanistan.

**Figure 9: Regional distribution governance aid as a share of DCI geographic programmes (2012–2014, in percent calculated on payments)**



Source: European Commission 2016, own calculation

**Figure 10: Regional distribution of governance aid of DCI thematic programmes 2009–2014 (payments in EUR millions)**



Source: European Commission 2016, own calculation

#### 4.2.4 Sectoral distribution of eu governance aid across different regions

The sectoral distribution for EU governance aid is relatively similar across different regions. In general terms, most funds are allocated for supporting the effectiveness rather than the inclusiveness of decision-making processes. In Sub-Saharan Africa the share of EU support for democratic governance is slightly higher than in other regions.

In **Europe** most governance aid was spent through the pre-accession instrument in Turkey and Serbia as well as through the ENPI in the Ukraine. Almost all governance aid (74 percent) has been allocated to public sector and administration reform as well as legal and judicial development. About half of all EU aid to legal and judicial development has been spent in Europe (accession and neighbourhood countries). In Europe, the EU used only 14 percent of funds to support democratic participation and civil society organisations and only 3 percent of governance aid funds to support human rights. Almost no aid was allocated to support elections. Within Europe, the OSCE is leading election observation missions (with contributions from the European Parliament).

The **South Caucasus** countries (Armenia, Azerbaijan and Georgia), which are covered by the ENPI, received a lower share of aid and of governance aid compared to Turkey, Serbia or the Ukraine. Among the South Caucasus countries, Georgia has been the largest recipient of EU good governance support (USD 386 million).

In the **Middle East**, most EU governance aid was allocated to Jordan (USD 413 million), followed by the West Bank and Gaza (USD 229 million) and Lebanon (USD 221 million).<sup>10</sup> In terms of sectoral distribution, almost all aid (73 percent) was provided to public sector and administration reform, judicial and legal development as well as PFM. At the same time, support for the inclusiveness and democratic accountability of decision-making processes was minimal. Only 6 percent of aid was allocated for elections, 7 percent for human rights and 8 percent for democratic participation and

<sup>10</sup> Several countries in the Middle East are high-income countries and thus not eligible to receive EU aid. Iran was subject to sanctions.

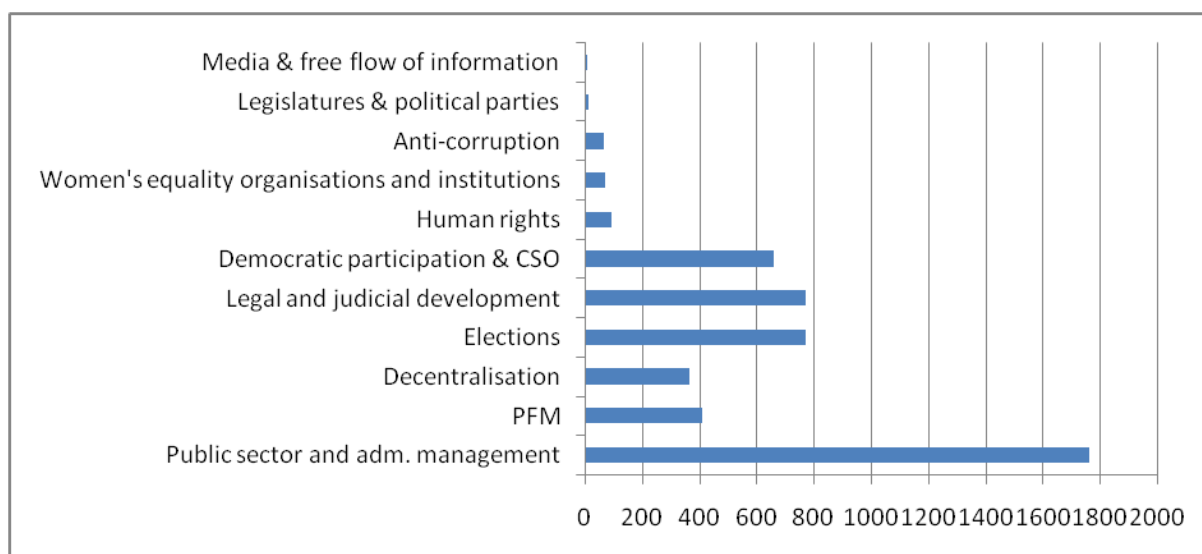
civil society. Almost no governance aid was allocated to support gender equality. (Only one project, of USD 2 million in Iraq, was committed to this, according to the OECD DAC credit reporting system.)

In **Northern Africa** most governance aid was provided to Morocco (USD 622 million). EU governance aid to Northern Africa slightly increased after the beginning of the Arab Spring in December 2010. The EU has provided by far the majority of its aid to support public sector and administration reform and judicial and legal development in the region. Only 5 percent of governance aid was allocated to support democratic institutions and civil society. Support for human rights and for elections was particularly low (3 percent and 1 percent). No aid was provided to decentralisation and anti-corruption policies, and only one project of USD 4 million supported the parliament and political parties in Morocco in 2013, according to the OECD DAC credit reporting system. Aid for PFM reform was provided only before the Arab Spring.

In **Sub-Saharan Africa**, the EU has spent about 10 percent of its total aid on supporting governance reforms (USD 5,753 million) between 2005 and 2014. The largest recipient of EU governance aid was Nigeria (USD 453 million), followed by the Democratic Republic of Congo (USD 450 million) and Mali (USD 318 million, most of which was allocated before the coup d'état in 2012). Among the largest recipients of EU governance aid are countries that are considered relatively democratic, such as South Africa (USD 187 million, through DCI and EIDHR) or Benin (USD 176 million). Ethiopia has been the second-largest recipient of total EU aid in Africa since 2005 (after the Democratic Republic of Congo), but the EU used only 3 percent of its aid to Ethiopia to support governance reforms.

Among EU member states, the largest providers of governance aid to Sub-Saharan Africa have been the United Kingdom (USD 3,437 million), followed by Germany (USD 2,492 million) and Sweden (USD 1,740 million). Between 2005 and 2014, the EU institutions thus spent as much governance aid in Sub-Saharan Africa as the UK and Germany combined.

**Figure 11: Sectoral distribution of EU governance aid to Sub-Saharan Africa (commitments in USD millions, 2005–2014)**



Source: OECD DAC 2016, own calculations

In terms of sectors, in Sub-Saharan Africa the EU has put more emphasis on supporting democratic governance compared to other regions. The share of support for the effectiveness of government institutions is still relatively high; about 60 percent of governance aid funds were allocated to public sector and administration reform, judicial and legal development, and PFM. Most of EU aid to decentralisation was spent in Sub-Saharan Africa (USD 362 million or 41 percent of total EU aid to

decentralisation between 2005 and 2014). However, in Sub-Saharan Africa the EU also spent 13 percent of its governance aid on democratic participation and civil society and 16 percent on elections. Sub-Saharan Africa was the region that received most EU human rights aid between 2005 and 2014.

In **Asia**, EU total aid and EU governance aid have been much more limited. In **East Asia** no country has been a major recipient of EU governance aid. Countries in the region have also received considerably less development aid than African countries, for instance. Most aid was allocated to public sector reform and legal and judicial development; the EU did not support decentralisation or anti-corruption policies. Very little assistance was provided to the various dimensions of democratic governance, including human rights.

Governance aid in **Central and South Asia** also focused on support to public sector reform and legal and judicial development. Much less support was provided to democratic governance. Moreover, compared to other regions, the EU provided very little aid to democratic institutions and civil society. Afghanistan has been by far the largest recipient of EU aid (USD 3,609 million) and also of EU governance aid (18 percent of total aid). The second- and third-largest aid recipients in the region – Pakistan and India – received almost no governance aid. Other aid recipients, such as Nepal or Sri Lanka, also received very little to no good governance support. In Myanmar, EU good governance support started when sanctions were lifted in 2012. Little governance aid was provided to **Central Asia**.

EU governance aid to **Central America and the Caribbean** has been very limited. Most EU governance aid and total EU aid (including humanitarian aid) has been provided to Haiti, followed by Dominican Republic. Honduras has been the second-largest recipient of EU aid, but received just one large governance project to support access to justice in 2013 as well as some support for elections, according to the OECD DAC credit reporting system. Mexico received about USD 380 million in total aid between 2005 and 2014, but almost no support for governance reforms. In Central America and the Caribbean, the EU provided support to public administration, legal and judicial development and democratic participation across a number of countries between 2005 and 2014. Elections were also supported in several countries. The EU provided no support to political parties and the legislator as well as anti-corruption organisations.

In absolute and relative terms, **South America** was the region that received by far the smallest share of EU governance aid between 2005 and 2014 (only 5 percent of total aid). EU support for governance reforms gradually decreased after 2005, even though overall EU aid to South America slightly increased during the same period. Colombia has been the largest recipient of EU governance aid (USD 80 million), followed by Uruguay (USD 47 million). The EU's largest aid recipients in the region, Brazil (USD 713 million between 2005 and 2014) and Bolivia (USD 590 million), have basically not received good governance support. The EU supported public sector and administration management in several countries in South America. Very few countries received assistance for legal and judicial development and gender equality. The EU provided no support to the media, political parties, parliaments and PFM.

#### 4.2.5 Outlook: the EU's multiannual financial framework 2014–2020

The programming process for the EU's financial instruments has only recently been completed. At this stage it is still difficult to analyse whether and how the 'Agenda for Change', with its strong focus on democratic governance, as well as the threshold in the DCI regulation to spend 15 percent of the funds for the geographic programmes on governance reforms, impact on the EU's aid allocation in the Multiannual Financial Framework for 2014 to 2020.



The EU's definition of democratic governance, in the 'Agenda for Change', is very broad. Many sectors are identified as contributing to democratic governance: civil society; democracy, human rights, rule of law; public sector management, tax, corruption; development and security nexus; budget support. A cursory analysis of the EU's country strategy papers for the DCI and EDF suggests that support for good governance takes a prominent place in the majority of EU relations with countries covered by the DCI and EDF. For the DCI, the EU has identified support for governance reforms as a focal sector for many countries; exceptions include countries in Central America and Latin America (Cuba, El Salvador, Guatemala, Peru) as well as in Central Asia and other parts of Asia (Sri Lanka, Tajikistan, Turkmenistan).

If the Agenda for Change definition of democratic governance is applied, more than half of all ACP countries (about 45) will receive support for democratic governance through the 11th EDF. However, only in 18 ACP countries, will the EU provide support for "human rights, democracy and rule of law" in a more narrow sense. Most of the ACP countries where the EU will not provide support for democratic governance as defined in the Agenda for Change are located in the Pacific and the Caribbean. In Africa, only in the case of Ethiopia (one of the largest recipients of EU aid), some middle-income countries (Angola, Gabon, Mauritius, Namibia) or Djibouti and Gambia has good governance not been identified as a focal area.

### 4.3 Tentative analysis of these empirical trends

The cross-regional and cross-sectoral analyses show that the EU has put most emphasis on supporting governance reforms in its immediate neighbourhood (in the accession countries, countries of the EU's neighbourhood policy, as well as in Sub-Saharan Africa). The EU has used more funds from the EDF to support governance reforms compared to the DCI, in absolute and relative terms. Regarding the sectors, the EU has used about two-thirds of its governance aid to support the effectiveness of government institutions – mostly for public sector reform and administration management. In terms of support for democratic governance, most of EU aid is used for supporting civil society, elections and human rights. By contrast, almost no assistance is provided to parliaments, parties, or the media and the free flow of information. Direct financial support for gender equality is also very limited (but is a mainstreaming issue in most country strategies).

Why the EU gives priority to specific countries and regions and why the EU promotes a specific 'content' or 'substance' of good governance has been a widely debated topic in research on EU external governance and democracy promotion (Jünemann and Knodt 2007; Börzel et al. 2008; Börzel and Risse 2009; Kotzian et al. 2011; Wetzels and Orbie 2011; van Hüllen 2012; Börzel and Hackenesh 2013; van Hüllen 2015).

Some suggest that the EU has very similar strategies across various countries and regions (Bicchi 2006). This argument is somewhat supported by findings in this study. Across all countries and regions, the EU clearly prioritises support for the effectiveness of government institutions compared to the inclusiveness of decision-making processes. In all regions, the EU spends most of its governance aid on public sector and administration management. In most regions, the EU spends about 10 percent of its general development aid on governance reforms. This study thus gives some support for the argument that the EU uses a 'blueprint' for its support for good governance.

#### **Analysis of regional distribution**

However, some differences across countries and regions also exist. Some argue that the EU's strategies vary with regard to the domestic setting in the target country and the level of interdependence with the EU (Jünemann and Knodt 2007; Börzel et al. 2008; Börzel and Risse 2009; Kotzian et al. 2011; Wetzels and Orbie 2011; van Hüllen 2012; van Hüllen 2015).

The EU is expected to put more emphasis on governance reforms, where the EU (including member states) do not have economic, political or security interests and where the country depends on the EU, for instance in terms of development aid (Jünemann and Knodt 2007; Börzel and Risse 2009; Börzel and Hackenesch 2013; van Hüllen 2015). Moreover, the domestic setting in the target country, in particular the level of statehood and stability as well as the level of political liberalization are expected to shape the EU's policies (ibid). The EU generally gives priority to state-building over democracy promotion (Kopstein 2005; Jünemann and Knodt 2007). Particularly in fragile states with low levels of political competition, the EU is therefore expected to engage mainly in supporting the effectiveness of decision-making structures. The EU is expected to put more emphasis on the inclusiveness of decision-making processes in countries with higher levels of political competition, where democratic institutions have already started taking root.

Findings from the empirical analysis of the regional distribution of EU governance aid largely support these expectations and findings from previous research. In South America, many countries are relatively democratic, and aid dependency on the EU is often limited. The EU does not make support for governance reforms a high priority. In Sub-Saharan Africa, on average, the level of political liberalisation is lower than in most other regions, and many countries still depend considerably on the EU as a donor. The EU puts a much stronger emphasis on governance reforms, including democratic governance. In Central Asia and some parts of East Asia and South East Asia, the EU has little leverage to push for reforms.

On the other hand, the B(R)ICS countries are considered strategic partners of the EU, the EU has economic and political interests in engaging with these countries, and these countries clearly do not depend on EU aid. Regardless of whether these countries are considered democratic (Brazil and India) or not (China), governance aid does not play any role in bilateral relations. Only in the case of South Africa, where aid is still a relevant part of bilateral relations, and where political competition is relatively high, does the EU also continue to support governance reforms.

### **Analysis of sectoral distribution**

The empirical analysis has shown that the EU clearly puts more emphasis on promoting the effectiveness of government institutions than the inclusiveness of decision-making processes. Moreover, the analysis suggests that the EU focuses on particular areas of democratic governance (elections, human rights and civil society). These findings are largely in line with previous research that has analysed the 'content' or 'substance' of EU governance support (Börzel and Risse 2009; Wetzels and Orbie 2011; Börzel and Hackenesch 2013).

EU support for the effectiveness of government institutions, transparency of decision-making processes and the fight against corruption has partly been driven by the international aid effectiveness agenda. With the 'governance turn' in the early 2000s, the EU and other donors came to the conclusion that development aid is more effective when provided to well-governed countries. The stronger emphasis in the Paris Declaration on Aid Effectiveness on 'using country systems' and on the rise of budget support, required more investment in effective government institutions, such as PFM systems or anti-corruption policies.

With regard to support for democratic governance, some earlier research argued that the EU operationalizes 'democracy', with a strong focus on **elections** (Crawford 2000). This study has shown that support for elections is an important aspect in the EU's support for democratic governance. EU financial aid for elections is concentrated in Africa and to some extent Asia. EU election observation missions to which the European Parliament makes important contributions take place in all regions.

However, the findings of this study suggest that the EU's support for democratic governance clearly goes beyond elections. The EU has also put a strong focus on human rights and civil society



organisations across all regions and most countries. At the same time, the EU hardly engages with parliaments, the media and political parties. It focuses on capacity building for democratic institutions (e.g. human rights commissions or the Ombudsman) rather than the political and institutional context in which these organisations operate. It puts little emphasis on horizontal accountability and the separation of powers.

Why did the EU give limited priority to parliaments, media and parties? Limited support for **parliaments** may at least partly be linked to the EU's cooperation structures in development policy: when negotiating and programming its development aid funds, the EU mainly engages with *governments*. Moreover, the EU has made some efforts to associate civil society organisations more closely to its cooperation dialogue (e.g. within the Cotonou Agreement), at least partly in response to requests and lobbying from civil society organisations. In addition, parliaments in developing countries are often perceived as relatively weak actors and the functions of parliaments in non-democratic regimes has been the subject of debate in recent years (Gandhi 2008; Schedler 2006).

The EU has probably not engaged with **political parties** as it is supposed to be non-partisan, and support for political parties is politically sensitive (even if provided to all and not just one or two parties). Although some EU member states, however, are very active in this field; the German political foundations, for instance, have close cooperations with both ruling and opposition parties. But most EU member states probably have no interest in the EU starting to engage in this area.

The EU has engaged with partner governments on the legal and institutional framework guaranteeing the **freedom of information** and public speech. Press and media laws are discussed during political dialogue meetings, for instance. Yet, the EU provides very limited direct financial support for the media.

On the other hand, the EU has put a strong focus on human rights and support for civil society organisations. Within the EU's policies, support for **human rights** has received special attention. The Action Plan for Democracy and Human Rights, for instance, gives prominence to human rights and entails only a few objectives specifically targeted at supporting democracy. Support for human rights is facilitated by the strong international framework to which the EU can refer. Due to the (quasi) universal acceptance of human rights, EU engagement in this area is less controversial (also with EU member states) than EU measures to support principles of democracy. A number of influential international NGOs lobby the EU and other donors to engage more actively in this field.

Finally, the EU has put a strong focus on supporting **civil society organisations**. The EU engages with civil society organisations to implement general development aid programmes. Particularly in contexts where state structures are weak or non-existent, NGOs take over basic functions in terms of service provision. Moreover, the EU engages with civil society organisations to strengthen their role in decision-making processes. Donor support for civil society (not just by the EU) has greatly increased since the early 1990s and again since 2000. In contexts with weak state structures, high levels of corruption or a lack of political will by the government to implement reforms, civil society actors are seen as an alternative way to channel aid or influence reforms (despite recent critical debates on the role of donor aid to civil society).

## 4.4 Supporting governance reforms: lessons from country cases

With a view to complementing the cross-country and cross-sectoral analysis, this section will zoom into country cases and very briefly assess how the EU has been using aid funds to support governance reforms in specific contexts. Within debates on good governance support, the question how to engage with autocratic regimes is particularly controversial. The study thus focuses on

Ethiopia and Rwanda as two of the most challenging contexts for EU governance support,<sup>11</sup> thereby covering two African countries that are supported by the EDF, the EIDHR and funds from the thematic programmes of the DCI. Lessons learned from these cases can be extended to countries covered by the DCI geographic programmes.

## Rwanda

During the past couple of years, the Rwandan government has shown a strong interest in building an effective state, reducing poverty and improving public goods provision. Rwanda is rated above the regional average in terms of the 'effectiveness of government institutions' and the fight against corruption, as measured by the Worldwide Governance Indicators. Rwanda is one of few African countries that has reached most MDGs. At the same time, political competition in Rwanda is low; spaces for the opposition, the media and civil society have been reducing further since 2006. Rwanda is rated well below the regional average in terms of 'voice and accountability'; Freedom House classifies Rwanda as 'not free'. Rwanda's aid dependence is high. The EU has been one of the largest donors to Rwanda and has gradually increased aid to Rwanda since 2006.

**Figure 12: EU governance support in Rwanda 2005–2014 (payments in USD millions)**



Source: OECD DAC 2016, own compilation

Since the mid-2000s, the EU has aimed at promoting the effectiveness of government institutions as well as the inclusiveness of decision-making processes. Between 2005 and 2014, the EU used 8 percent of its total aid to support governance reforms, mostly for sectoral budget support to the justice sector (figure 12). Moreover, the EU has supported PFM, the Rwandan Institute for Statistics and the National Authorising Officer. Some assistance was allocated to support the national electoral commission and for an election observation mission for the parliamentary elections in 2008. The EU provided small volumes of funds to support the capacities of the parliamentary committees in fulfilling their oversight functions and for a vocational training centre for journalists. EU assistance for civil society remained limited and focused on NGOs involved in the delivery of basic services, including access to justice (European Commission 2009a).

11 For a more detailed analysis of Ethiopia and Rwanda see also Hackenesch (2015a & 2015b).

Moreover, since 2006 the EU has not used aid funds to pressure the government to open up political spaces or at least not reduce them further. EU overall aid to Rwanda has increased, signalling that the EU rewards Rwanda's good performance in terms of poverty reduction. General budget support has remained the EU's preferred modality until 2012.<sup>12</sup>

What has EU good governance support achieved in the case of Rwanda? Rwanda is an example of a country where the EU's strategies for supporting governance reforms largely converged with the preferences of the government. The Rwandan government had a strong interest in improving the effectiveness of government institutions and reforming the judicial sector, and welcomed EU support in this area.<sup>13</sup> Since the mid-2000s, the Rwandan government has experienced a period of stability and has hardly been challenged by the domestic opposition. The government has thus been relatively open to engagement with the EU in the implementation of governance aid. The government agreed to allocate and implement aid to support the justice sector, the media, the parliament, as well as the 2008 parliamentary and 2010 presidential elections. The government asked the EU and other donors to jointly conduct a governance assessment.<sup>14</sup> Even if the annual review process has been quite difficult and led to considerable tensions between the government and donors, it is still noteworthy that Rwanda is the only African country that has invited donors to jointly analyse the governance situation.

## Ethiopia

As is the case with Rwanda, Ethiopia has also invested in the effectiveness of government institutions, poverty reduction and public goods provision in recent years. And, as with Rwanda, Ethiopia is rated above the regional average in terms of the effectiveness of government institutions and below the regional average in terms of the level of corruption. On the other hand, the Ethiopian government does not allow for meaningful political competition. In contrast to Rwanda, the Ethiopian government was seriously challenged by the opposition during the 2005 parliamentary elections, since when the government has further reduced political space for the opposition, the media and civil society. A series of laws to regulate civil society and the media, and to fight against terrorism has limited spaces in which regime opponents can engage. During the 2010 parliamentary elections, the EPRDF gained all but one seat; during the 2015 parliamentary elections, the EPRDF gained all seats.

Ethiopia is strongly dependent on aid. In the early 2000s, the EU became one of the largest donors to Ethiopia. In the aftermath of the 2005 election crisis, Ethiopia's aid dependence slightly increased as the EU increased aid levels, and output legitimacy became more important for the government.

What has EU good governance support achieved in the case of Ethiopia? Since 2005, the EU has sought to promote the effectiveness of government institutions as well as the inclusiveness of decision-making processes. However, the EU has faced considerable challenges to make good governance reforms a prominent part of its bilateral relations with Ethiopia. EU governance aid as a share of total aid has remained minimal, at least partly because of the Ethiopian government's resistance to cooperate on the implementation of governance aid. Between 2005 and 2014 the EU used only 3 percent of its total aid to Ethiopia to support governance reforms. The 11th EDF does

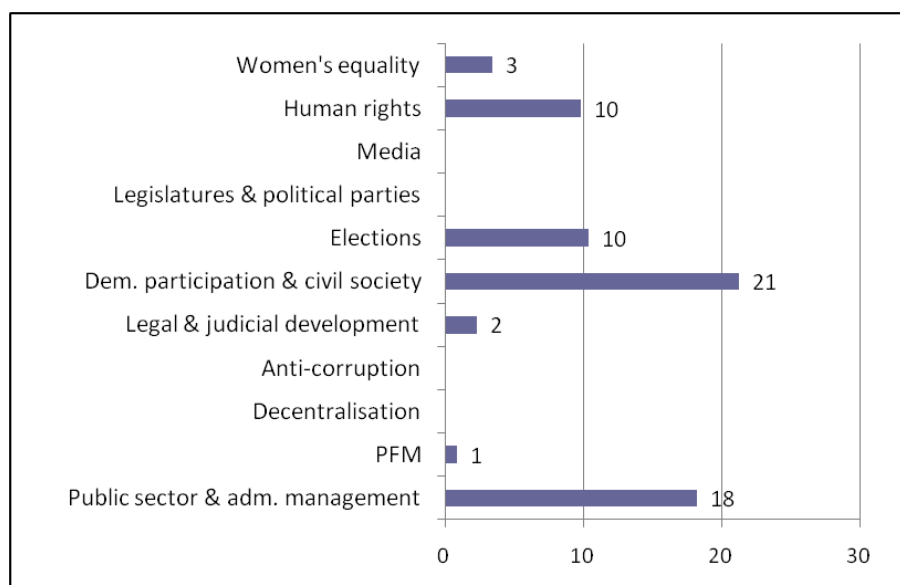
<sup>12</sup> Budget support was only put on hold in 2012 in response to a report by the UN expert group that accused the Rwandan government of being involved in the conflict in the Eastern part of the Democratic Republic of Congo.

<sup>13</sup> Rwanda's 2006 aid strategy, for instance, asked the EU to remain a key donor in the sector, whereas other donors, such as Sweden, were asked to shift their aid to other sectors. See: GOVERNMENT OF RWANDA. 2006. Rwanda Aid Policy. Kigali. [http://www.minecofin.gov.rw/fileadmin/documents/Aid\\_Policy.pdf](http://www.minecofin.gov.rw/fileadmin/documents/Aid_Policy.pdf)

<sup>14</sup> Refer to: JGA STEERING COMMITTEE 2011. Joint Governance Assessment (JGA) Review 2008/2009. Kigali: Rwanda Governance Advisory Council

not include governance support as a focal sector, even though Ethiopia is one of the largest recipients of aid funds through the EDF.

**Figure 13: EU governance support in Ethiopia 2005–2014 (payments in USD millions)**



Source: OECD DAC 2016, own compilation

The EU has allocated EUR 3 million from the 10th EDF for the democratic institutions programme, which was jointly managed by the Ethiopian government and UNDP. The programme supported capacities of the human rights commission, the parliament, and the Federal Ethics and Anti-corruption Commission (European Commission 2008). The EU and the Ethiopian government finally agreed to allocated EUR 10 million from the 10th EDF to strengthen the capacities of the Justice Organs Professional Training Centre (European Commission 2009b). The EU sent an election observer mission to the 2010 parliamentary elections. However, the Ethiopian government did not allow the observer mission to present its final report in Addis Ababa (European Union 2010). For the first time in the history of EU election observation, the final report was only presented in Brussels and not directly to an Ethiopian audience.

The EU also provided some support for civil society. The EU launched a civil society fund, financed through the 10th EDF, that seeks to support the capacities of CSOs and empower them to engage in dialogue with the government at the local, regional and national level (Ethiopia and European Community 2007). The implementation of the civil society fund was considerably challenged by a law restricting NGO activities that was passed in 2009. However, the EU finally managed to negotiate a legal exception for the fund. With the civil society fund, the EU is currently one of the very few international actors able to provide direct support to CSO in Ethiopia. The second phase of the civil society fund was launched in 2012 with a budget of EUR 12 million from the 10th EDF. On the other hand, funds from the EIDHR can hardly be used for projects in Ethiopia because of the NGO law. No support for democratic institutions and civil society has been provided through the EIDHR since 2010. Some assistance was allocated for human rights, albeit mainly for international NGOs.

### Lessons from Ethiopia and Rwanda

The EU and other donors face tough choices when engaging with countries like Ethiopia and Rwanda that make progress in poverty reduction and invest in public goods provision but do not allow for political competition. In both cases, the EU has sought to combine general development aid, governance aid, and political dialogue to support political liberalisation. However, whereas Rwanda

has been willing to engage with the EU on the implementation of governance aid since the mid-2000s, Ethiopia has been very reluctant, giving the EU limited entry points to support reforms.

The cases of Ethiopia and Rwanda show that the domestic logic of political survival in authoritarian regimes has important consequences for what the EU and other donors can achieve with governance aid at a certain point in time. The case studies suggest that policy-makers (and academics) should pay more attention to periods when governments use low-intensity coercion to gradually close political spaces for the opposition, the media or civil society in order to minimise challenges from the opposition or civil society.

In countries like Rwanda, where the government has not been politically challenged domestically since 2005, and where the government was generally willing to engage with the EU on the implementation of governance aid, the EU and other donors may have had some room to manoeuvre in urging for reforms. However, the EU has been very reluctant to pressure the government not to further reduce political spaces. As with other donors, the EU thus contributed little to prevent the gradual closure of political spaces since 2006 and to prevent the constitutional change that allows President Kagame to continue in power.

As is the case with Rwanda, in Ethiopia political spaces have also gradually reduced since the mid-2000s. However, in contrast to Rwanda, the Ethiopian government was much less willing to engage with the EU (and other donors) on the implementation of governance aid. The Ethiopian government thus made it very hard for the EU (and other donors) to put governance reforms on the agenda of bilateral relations. Given that the Ethiopian government considerably depends on output legitimacy for which EU aid also plays a prominent role, the EU institutions, in close cooperation with member states and other donors, might apply more pressure to the government to bring governance aid onto the agenda of bilateral relations.

Providing large sums of development aid to Ethiopia without trying to pressure for political reforms, while the government gradually closes political spaces and does not allow for any opposition, engagement of CSOs or debates in the media, raises serious question regarding the medium- to longer-term prospects of inclusive and sustainable development in the country.

## 5 CONCLUSIONS AND RECOMMENDATIONS

The EU has placed considerably more emphasis on supporting governance reforms in third countries since 2005. The EU is uniquely placed to take forward this agenda, given its own experiences of democratisation; its long history of engagement in this area; its commitment to support a broad range of rights, including in the most challenging contexts; and, of course, its potential weight to promote political reforms through its aid, trade and other relationships. The creation of the EEAS and the recent attempts to better link foreign policy, trade, development and other policy fields in supporting governance reforms create the potential for the EU to become a politically effective player in this field. By contrast, individual EU member states alone can do little to promote this agenda, and many member states have lent little support to this agenda.

### Summary of main findings

EU support for governance reforms is not just a question of the EU being a normative power. Section 2 has shown that support for governance reforms is in the EU's own political economic and security interest. Democracies invest more in the wellbeing of their citizens; they engage more in poverty reduction and public goods provision than non-democratic regimes. Democracies are more peaceful; they trade more and cooperate more easily in international affairs. Despite widespread criticism, research shows that EU governance aid can contribute to governance reforms if it is well

targeted to local conditions, consistently applied and not overly ambitious. Political transitions are not without risk, but EU governance aid can contribute to preventing declines in political competition and it can contribute to preventing civil conflict during periods of transitions.

There are thus a number of reasons why the EU should continue to make governance support a prominent part of its external relations in general and its development policy in particular. With the 2030 Agenda for Sustainable Development, the international community established a stronger global framework that the EU can draw upon for its engagement with third countries on governance reforms.

The EU has considerably developed its instruments and increased aid funds to support governance reforms since 2005. The EU puts a clear focus on its immediate neighbourhood and Sub-Saharan Africa to support good governance. The largest recipients of EU governance aid are Turkey, Serbia, Afghanistan, Nigeria, the Democratic Republic of Congo and Jordan. With the exception of South Africa, governance aid does not play any role in the EU's relations with the BRICS countries. The EU gives priority to supporting the effectiveness of government institutions, in particular with regard to public sector reform and legal and judicial development. In its support for democratic governance it focuses on specific elements (elections, human rights and civil society). More funds from the EDF compared to the DCI are used for promoting reforms.

## **Recommendations**

**Lead by example and restore the credibility of the EU as an actor in this field.** In EU member states where political freedoms are at risk the EU should apply convincing measures to reverse this trend. Moreover, the EU should assure that basic human rights of migrants and refugees coming to Europe are not violated. Credibility and legitimacy of EU measures in third countries hinges on the success of its own model!

**Support for democracy, human rights and good governance should remain a key priority for the EU and further gain relevance.** Since 2005, the support for democracy, human rights and good governance has gained relevance for the EU institutions. In its strategy papers, by establishing new instruments and through increases in governance aid, the EU institutions have shown that they consider support for democracy and human rights a key priority. The European Parliament should encourage the European Commission, EEAS and the Council not to distance itself from these achievements, particularly in light of recent controversies about governance support and a growing scepticism towards this agenda.

**Coherence between development policy and other policy fields should be further strengthened.** Strengthening coherence across EU policy fields and instruments was identified as an objective in the first and particularly the second EU Action Plan for Democracy and Human Rights (2015 to 2019). This is an important step in the right direction. However, more would need to be done to integrate democracy and human rights coherently and strategically across all external policy domains – trade, migration, or climate, for example – in order to leverage the cumulative impact of EU external action to promote political reforms. Stronger coherence and closer engagement between development and other policy fields becomes even more important in light of the shrinking number of low-income countries and reducing aid dependency in the developing world. The European Parliament should encourage the EEAS and the European Commission to take into account experiences from development policy for other policy fields.



### **Governance support in EU development policy – DCI and EDF**

**The European Parliament should encourage the EU to strengthen in particular support for *democracy through the DCI and EDF*.** Democratic state structures and institutions are an important pre-condition for the respect of human rights. The EU puts emphasis on supporting the effectiveness of decision-making processes, elections, human rights and civil society. However, the EU should further strengthen support for *democratic* institutions and the separation of powers. In particular, the EU should allocate more funds and engage more with parliaments to complement its cooperation with governments and (local) civil society (see also recommendation below on the EU Human Rights and Democracy Action Plan 2015–2019).

**The European Parliament should resist pressure to use EU funds to promoting short-term stability, for instance through support for the security sector, without trying to promote broader democratic reforms.** Deteriorating stability and security in a range of countries also beyond the neighbourhood (e.g. Cameroon, Kenya, Nigeria) is a key concern. The EU has increased support for security sector reforms (from USD 250 million in 2007 to USD 450 million in 2013 according to OECD DAC statistics). However, in fragile contexts, in particular, the EU should combine support for security with strong support for inclusive political institutions, the media, civil society and the opposition in order not to further bolster authoritarian structures that are unstable in the medium- to longer-term. In the mid-term review of the EU's financing instruments, the European Parliament should ensure that funds are not shifted towards promoting security without a parallel strengthening of support for democratic reforms.

**The Sustainable Development Goals, particularly Goal 5 and 16, should be used to increase support to inclusive and accountable institutions and gender equality.** SDGs 5 and 16 are an important benchmark against which EU actions can be measured. It can serve as a common basis for strengthening dialogue and partnership on human rights and democracy, not only with aid-recipient countries, but also with emerging economies and strategic partners, with whom the EU has often failed to engage effectively on these issues (see also Castillejo 2015).

**The rights-based approach in EU development policy** was agreed upon after the programming for the current DCI and EDF had already started. Its implementation in EU development policy is thus still in the early stages. The European Parliament should use the mid-term review of the financial instruments for a critical assessment of the implementation of the rights-based approach and for encouraging the European Commission, the EEAS and the EU member states to strengthen the rights-based approach in the development policies of the EU and member states.

**EU country strategies for democracy and human rights:** The EU has developed human rights country strategies for about 150 countries; it has developed democracy strategies and action plans for a select number of pilot countries. Whereas these two initiatives have evolved largely in parallel so far, with the next generation of human rights country strategies they should be closely linked. The new country strategies should include a strong democracy dimension. These documents could then become important tools for programming EU governance aid provided through the DCI and EDF and for better coordinating activities of the EU institutions and member states in development and other policy fields.

**Revision of the Financial Instruments in 2020:** The negotiations on the next multiannual financial framework for the period 2021 to 2027 may include a more general revision of the EU's financial instruments. The EU should use the opportunity to further strengthen support for democracy, human rights and good governance in the geographic programmes (e.g. the new development cooperation instrument) and the successor to the EIDHR.

### **Ongoing debates on EU external action strategies**

**Support for democracy, human rights and good governance should take a prominent place in the new EU Global Strategy on Foreign and Security Policy.** The High Representative and Vice President Federica Mogherini presented the EU Global Strategy to EU leaders during the European Council in June. The European Parliament prepared a report on the strategy and discussed it with Federica Mogherini. However, the EP's report focuses mainly on security and defence policy; it is silent on whether and how the EU's objective to support democracy and human rights should be anchored in the strategy. Chapter 2 has shown that it is not only a question of the EU's values but that it is in the EU's own security, economic and political interest to support democracy and human rights elsewhere. The European Parliament should make a strong case for putting democracy and human rights at the centre of the implementation of the EU Global Strategy.

**Support for democracy, human rights and good governance should also take a prominent position in a revised European Consensus on Development.** A revision of the European Consensus on Development is scheduled for this year. The Consensus will set priorities for development policies of the EU and member states for the next few years. Support for democracy, human rights and good governance should be a strong priority in the revised European Consensus. This would also allow for a strengthening of the coherence of the policies of the EU and member states in this area.

**The European Parliament should encourage the EEAS and European Commission to include stronger measures to support democracy (and not only human rights) in the EU Human Rights and Democracy Action Plan.** The action plan is valid for the period 2015 to 2019; a mid-term review is planned for 2017. The European Parliament should use the mid-term review to strengthen EU support for democracy in the Action Plan.

In particular, the EP may monitor progress related to the objectives in the Action Plan that refer to parliaments. The Action Plan's section on 'Boosting ownership of local actors' outlines two main objectives for parliamentary support. First, the EU should support the capacities of parliamentary institutions with regard to the legislative, budgetary and oversight prerogative and public debates on key reforms. Second, the EU should place greater emphasis on the parliamentary dimension in the EU and member states' governance programmes. With regard to the first objective, the EP could further strengthen its own activities in this area and continue to improve their coherence with the development programmes of the EU and member states. With regard to the second objective, the EP should use its oversight function of the EU's financing instruments to contribute to making support for parliaments a more prominent aspect in the EU's development policy.

### **The future of EU-ACP relations**

**Future of the Cotonou Agreement and the EU's relations with the ACP countries:** The Cotonou Agreement will expire in 2020. Debates have started on how the EU's relations with the African, Caribbean and Pacific Countries could be reformed. Cooperation on democracy, human rights and good governance is one important element in the Cotonou Agreement, in particular with regard to political dialogue (Article 8) and potential suspension of relations (Article 96). The EP should ensure that democracy and human rights continues to play an important role in the EU's future relations with African, Caribbean and Pacific countries after 2020. In particular, the EP should support the strengthening of the political dialogue.



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## 7 ANNEX

**Table 1: EU governance aid through different instruments 2009–2014 (payments in EUR)**

	DCI geographic programmes	DCI thematic programmes	DCI total geographic & thematic	EDF	EIDHR
Public sector & adm. management	192.311.202	42.327.922	234.639.124	499.426.396	489.447
PFM	103.534.646	5.258.944	108.793.590	260.329.558	30.379
Decentralisation	63.821.676	37.057.010	100.878.686	178.976.086	
Anti-corruption	3.982.213	3.474.221	7.456.434	15.143.225	1.441.870
Legal & judicial development	182.381.159	2.895.190	185.276.349	201.695.233	14.762.584
Democratic Part. & Civil Society	54.139.885	277.134.771	331.274.656	282.377.901	39.406.778
Elections	62.906.808	3.465.204	66.372.012	275.997.841	205.468.287
Legislators and parties	7.368.581	322.403	7.690.984	11.559.900	586.761
Media & free flow Information	3.432.076	5.362.468	8.794.545	3.134.272	19.783.982
Human rights	42.961.460	172.042.655	215.004.115	16.326.767	481.784.188
Women's equality	1.657.000	48.135.074	49.792.074	14.997.333	6.632.516
<b>Total</b>	<b>718.496.706</b>	<b>597.475.862</b>	<b>1.315.945.568</b>	<b>1.759.964.513</b>	<b>770.386.791</b>

Source: European Commission 2016, own compilation

**Table 2: Governance aid through DCI geographic programmes 2009–2014 (payments in EUR)**

### Alphabetic order

Afghanistan	142.913.325
Argentina	2.852.698
Bangladesh	45.734.691
Bhutan	3.048.599
Bolivia	60.749
Brazil	958.610
Cambodia	30.804.943
Chile	9.840.676
China	29.677.266
Colombia	25.675.099
Costa Rica	3.445.525
Cuba	903.860
Dominica	118
Ecuador	466.263
El Salvador	25.111.287
Guatemala	26.589.682
Honduras	22.115.740
India	386.414
Indonesia	17.688.759

### Order according to volume of funds

Afghanistan	142.913.325
South Africa	82.388.480
Bangladesh	45.734.691
Cambodia	30.804.943
China	29.677.266
Guatemala	26.589.682
Colombia	25.675.099
El Salvador	25.111.287
Iraq	24.958.080
Honduras	22.115.740
Kazakhstan	20.680.424
Indonesia	17.688.759
Uruguay	15.865.716
Kyrgyz Republic	14.464.937
Yemen	13.782.829
Uzbekistan	13.424.260
Nicaragua	11.449.491
Pakistan	10.245.656
Chile	9.840.676



Iraq	24.958.080	Viet Nam	9.780.727
Kazakhstan	20.680.424	Nepal	9.378.643
Kyrgyz Republic	14.464.937	Philippines	9.336.732
Laos	4.982.277	Turkmenistan	8.662.154
Malaysia	32.672	Tajikistan	8.640.084
Maldives	359.270	Peru	7.515.109
Mexico	322.999	Laos	4.982.277
Mongolia	116.192	Myanmar	4.238.106
Myanmar	4.238.106	Panama	4.221.382
Nepal	9.378.643	Venezuela	3.736.145
Nicaragua	11.449.491	Costa Rica	3.445.525
Pakistan	10.245.656	Paraguay	3.132.868
Panama	4.221.382	Bhutan	3.048.599
Paraguay	3.132.868	Argentina	2.852.698
Peru	7.515.109	Sri Lanka	1.030.113
Philippines	9.336.732	Brazil	958.610
South Africa	82.388.480	Cuba	903.860
Sri Lanka	1.030.113	Thailand	746.018
Tajikistan	8.640.084	Ecuador	466.263
Thailand	746.018	India	386.414
Turkmenistan	8.662.154	Maldives	359.270
Uruguay	15.865.716	Mexico	322.999
Uzbekistan	13.424.260	Mongolia	116.192
Venezuela	3.736.145	Bolivia	60.749
Viet Nam	9.780.727	Malaysia	32.672
Yemen	13.782.829	Dominica	118

*Source: European Commission 2016, own compilation*