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Shaping the patterns of aid allocation: a comparative analysis of seven bilateral donors and the European Union

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Deutsches Institut für
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Institute

Discussion Paper

22/2018

Shaping the Patterns of Aid Allocation

A Comparative Analysis of Seven Bilateral Donors and the European Union

Rena Melis Baydag
Stephan Klingebiel
Paul Marschall

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Abstract

Partner country selection is one of the key elements of development policy. It lies at the centre of the development policy decision-making of donor countries and institutions, and plays a significant role in shaping the patterns of official development assistance (ODA) allocation. The existing literature on ODA allocation has either a focus on how it should be (normatively) organised, on which determinants are (ex post) responsible for aid flows by using regression analysis looking for causal relationships, or stands somewhere between them. We argue that there is a gap in the literature in terms of analysing whether the actual flows of ODA reflect donors' stated intentions in partner country selection. It is the aim of this paper to analyse the partner country selection approaches of selected members of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) during the last years, their principles in development policy-making and how their approach is reflected in the formulae applied. The European Union, France, Germany, Japan, the Netherlands, Sweden, the United Kingdom and the United States, which roughly share 70 per cent of the total ODA flows by all DAC donors, were chosen as case studies. In a descriptive analysis, we consider how aid allocation is organised by each donor, focusing on primary institutions/agencies, decision-making processes, and the principles/basic formulae applied in selecting partner countries. A map of the donors in terms of their intentions and allocation/actual flows is drawn. While principles are considered to shape intentions, interests and other confounding factors affect actual flows. In addition, the donors are compared by looking at three aspects of their approaches: firstly, whether donors are strategically-motivated (that is, whether they have security concerns, foreign policy and economic interests as the main motivation in their partner country selection) or follow development-oriented approaches (focusing on recipient-needs); secondly, whether they follow an explicitly stated agenda; and, thirdly, whether intentions are consistent with the actual ODA flows. Looking at these aspects, we suggest that 1) not every donor follows a clear approach in partner country selection; 2) actual ODA flows do not always reflect the stated intentions; and 3) most of the time, donors follow a mixture of development-oriented and strategic approaches.

Keywords: OECD/DAC, development cooperation, development policy, partner country selection, ODA

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Rena Melis Baydag, Stephan Klingebiel and Paul Marschall

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Abbreviations

AFD	Agence Française de Développement (France)
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (Germany)
DAC	Development Assistance Committee
DFID	Department of International Development (United Kingdom)
DRC	Democratic Republic of Congo
EC	European Commission
EU	European Union
GDP	gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (Germany)
JICA	Japan International Cooperation Agency
KfW	Kreditanstalt für Wiederaufbau (KfW Development Bank)
LDCs	least developed countries
LICs	lower-income countries
LMICs	lower-middle-income countries
MCC	Millennium Challenge Corporation (United States)
MENA	Middle East and North Africa
MFA	Ministry of Foreign Affairs
MICs	middle-income countries
NL	Netherlands
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PC	partner country
PPP	purchasing power parity
SIDA	Swedish International Development Cooperation Agency
SSA	Sub-Saharan Africa
UK	United Kingdom
UMICs	upper-middle income countries
US	United States
USAID	United States Agency for Development Cooperation
USD	United States dollar
WB	World Bank

1 Introduction

This paper analyses the partner country (PC) selection approaches of several providers of official development assistance (ODA), and compares the stated intentions with the actual ODA flows of the respective donors. The donor sample comprises eight members of the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC): France, Germany, Japan, the Netherlands, Sweden, the United Kingdom (UK), the United States (US) and the European Union (EU).

The focus of this paper is to analyse the differences between donor intentions and actual reality in selecting partner countries. This is in contrast to the existing literature. The latter can be divided into three main strands:

- The focus on a normative orientation (*How should aid be allocated?*) including the discussion about “aid orphans” and “aid darlings” related to the optimal provision of ODA resources; for instance, Pietschmann (2016) analyses the determinants of the allocation of aid.
- The analysis of *donor motivation* (Lancaster, 2007).
- Papers which stand somewhere between the two former approaches (Collier & Dollar, 2002).

Typically, a distinction is made between the three main starting points for explaining donor allocations: i) needs-based (*the partner country does not have sufficient resources*) (Lumsdaine & Schopf, 2007); ii) performance-based (*the partner country spends ODA resources in accordance with ODA intentions*) (Birdsall & Savedoff, 2011; Pearson, 2011), and iii) the strategic interests of donors (*namely to maintain a good relationship with former colonies, to develop trade relations, or to gain political support, and so on*) (Alesina & Dollar, 2000; Lancaster, 2007; Maizels & Nissanke, 1984; Morgenthau 1962). Alternatively, some research concentrates on selecting partner countries where *global public goods are provided efficiently*, rather than the ones which are the most in need (Bagchi, Castro, & Michaelowa, 2016); while others look at the determinants of ODA allocation in line with the *vulnerability to climate change* of the recipient (Betzold, 2015). Having said that, many scholars agree that research on ODA allocation is not conclusive (Faust & Ziaja, 2012; Nunnenkamp, Öhler & Thiele, 2011; Pietschmann, 2016).

Much research on ODA aims at contributing to a better understanding of the patterns of ODA allocation, motivation on the donor side, and the consequences of development cooperation for both donor and recipient (Klingebiel, 2014). Our focus – the selection of partner countries – is a crucial aspect of the overall rationale of development cooperation and the subsequent allocation of ODA resources. PC selection criteria set by the donors can say much about the objectives of ODA allocation and differing approaches in the implementation processes, as well as underlying concepts. For instance, lack of good governance in the recipient country is a determining factor for adopting certain delivery tactics on the part of the donor: donors can achieve more effective results from ODA allocation by delivering more aid through non-state actors, bypassing the recipient governments (Acht, Mahmoud, & Thiele, 2015; Dietrich, 2013). For another example, as Koeberle and Stavreski (2006) assert, the appropriateness of the development objectives and the recipient country’s capacity are crucial for the donors’ decision to use budget support as the mode of delivery

(Koeberle & Stavreski, 2006, p. 11). As there are a great many such examples, they are at the centre of the political economy of donor countries and organisations.

If donor intentions are to be better understood, it is important to take a look at the decision-making process in selecting PCs. To do this, we should consider the different approaches to PC selection of selected OECD/DAC members, their principles in development policy-making, and how their approach is reflected in the application of a certain formula. The contribution of this paper is threefold:

- Defining donors' stated approaches to PC selection criteria.
- Assessing donors' approaches by looking at actual flows; and therefore ranking donors according to the degree of strategic/development-orientation, as well as predictability.
- Assessing the findings according to the academic debate.

Here, each donor is analysed separately. Subsequently, a common framework is drawn by a comparative analysis based on the results of case studies. After providing empirical evidence for each case, we rank the donors according to the degree of the strategic/development orientation and predictability in their PC selection approaches: that is, to what extent their ODA allocations are development- or strategically-oriented, as well as whether they set certain criteria in PC selection and define priority PCs. While it is true that gaps between donors might lead to normative appraisals, it is not our intention to define the actions of donors as positive or negative.

2 Research design

This paper presents the latest available information from recent public documents (such as reports, annual reports, and charters), official documents and statements of ministries (for instance, the Ministry of Foreign Affairs, Ministry of Finance), institutions (such as the European Commission, Council of the European Union) and information provided by the official websites of the development agencies/ministries in charge. In addition we use the OECD/DAC Peer Reviews.¹

2.1 Methodology

The starting point that we refer to is how ODA is organised in each donor case by looking at:

- The institutions in charge
- Decision-making in ODA allocation/categories for PC selection
- The principles/formula applied.

This provides basic information about the general approach of the donors in development policy-making based on PC selection criteria. Accordingly, we created a table for each donor summarising six key aspects of ODA allocation to see whether a certain principle (such as aid allocation based on level of need, or priority income groups, etc.) is reflected in actual flows:

1 Reports are accessible via <https://www.oecd.org/dac/peer-reviews/>.

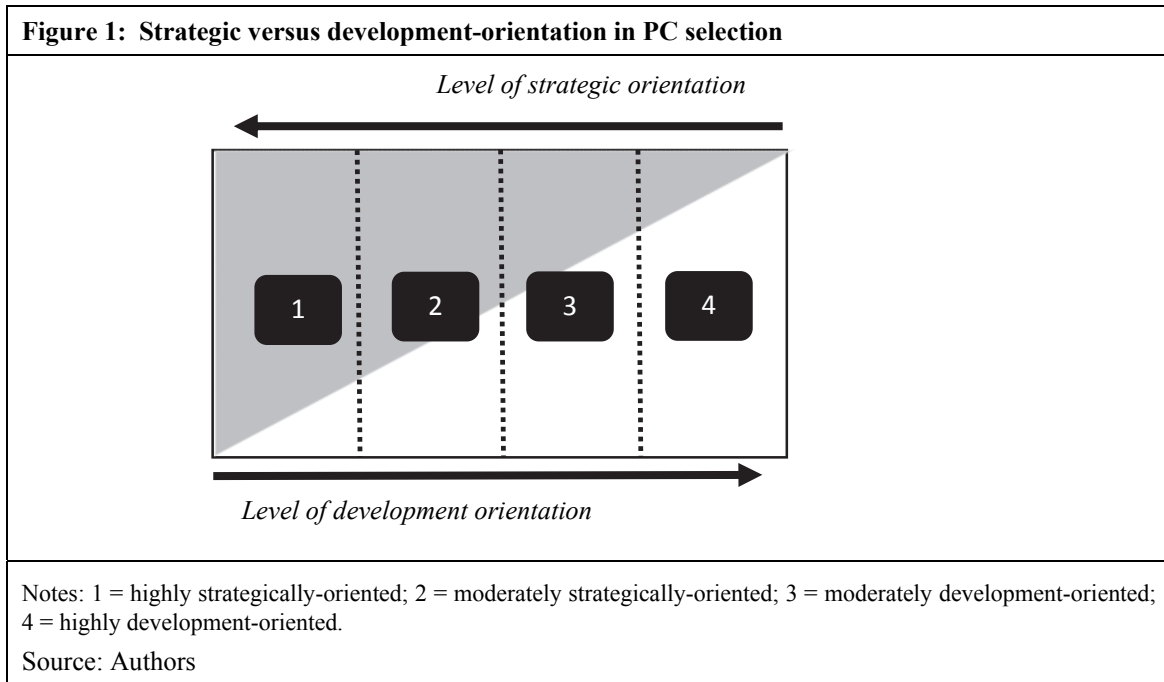
- Priority partner countries
- Top-ten recipients by donors
- Priority income groups
- Income groups (actual flows)
- Priority regions
- Regional divide on ODA allocation (actual flows).

Tables are used to compare priorities or a special formula in PC selection with the (absolute) actual flows to PCs, income groups and regions. To consider the size of the PCs, the absolute gross domestic product (GDP) and ODA numbers were adjusted by the total population size based on data from World Bank (WB) statistics (World Bank, n. d.) and OECD statistics (OECD, Stat, n. d.), respectively. Therefore, a second table was created for each case, which enabled a more in-depth analysis of the actual flows.

The results of the individual case studies are assessed according to the underlying approach in setting PC selection criteria. In this respect, we look first of all at the main principles that donors follow, and the compatibility of their approaches with the development and/or strategic-oriented motivation in ODA allocation. We do this to underline the main donor motivation behind aid provision to certain PCs.

The strategically-oriented approach in ODA allocation reflects security, foreign policy and/or economic self-interests of a donor, whereas the development-oriented approach reflects recipient needs by targeting development and poverty reduction (Apodaca, 2017). One should bear in mind that there is no clear-cut differentiation among the donors based on these two categories, since most of the time the two respective donor approaches overlap (see Figure 1). That is to say, donor behaviour – which is difficult to fully assess – is based both on acting in self-interest (*strategically-oriented*) as well as taking recipient needs into consideration (*development-oriented*) (Hoeffler & Outram, 2011). Nevertheless, one can still define the degree of the respective donor approaches studied in this paper between strategic- and development-orientations. According to the categorisation, the more donors are “development-oriented”, the more they are expected to provide aid to least-developed countries (LDCs) and to disregard the political, economic and regional importance (Berthélemy, 2006a, 2006b; Berthélemy & Tichit, 2004). Based on this, we define the following criteria:

- **Highly strategically-oriented:** The donor does not determine priority PCs, and explicitly states that it is strategically motivated, in terms of foreign security, political and economic interests which is reflected in actual flows.
- **Moderately strategically-oriented:** The donor determines priority PCs, yet provides less/not enough aid to LDCs and more/considerable amounts of aid to middle-income countries (MICs) or upper-middle-income countries (UMICs) according to actual flows; or there is a significant incompatibility between the priority PCs (if at all determined) and the actual flows stemming from its own interests in aid.
- **Moderately development-oriented:** The donor mostly provides aid to LDCs and implicitly follows some strategic interests when it comes to actual flows.
- **Highly development-oriented:** The donor provides aid to LDCs by prioritising the level of need which is reflected both in its intentions and in actual flows.



Secondly, donors are placed on a spectrum according to the predictability of their approach. The predictability scale is based on whether donors set certain criteria for ODA allocation and determine a list of priority PCs; as well as whether their criteria are reflected in the actual flows. Accordingly, the more a donor follows certain criteria that determine priorities in PC selection, the more predictable the donor is considered to be.

Here, the term “predictability” not only refers to the compatibility of the donor’s approach to the actual allocation, but also represents the clarity of the donor’s approach in PC selection. In other words, donors who do not have certain criteria and a list of PCs, even though they are still clear about their strategy of not setting some criteria, are considered non-predictable; this is because one cannot predict the interest(s) prioritised behind ODA allocation when donors do not follow a certain criteria or, as it is the case for certain donors, when they state that they allocate ODA according to their national interests.

Drawing on that, the study provides a descriptive overview of different varieties of PC selection criteria among various different donors, as well as a comparative analysis of those differing approaches. In this way it aims to contribute to a political-economy analysis of development cooperation. As qualitative research requires, it is based on understanding the differences among cases rather than measuring them; and on “exploring how the reasons for, or explanations of, phenomena, or their different impacts and consequences, vary” (Lewis, 2003, p. 50). However, it is important to distinguish between differences in levels.

2.2 Case selection

Eight OECD/DAC members – the European Union, France, Germany, Japan, the Netherlands, Sweden, the United Kingdom, and the United States – were selected to analyse

varieties in development policy-making and partner country selection.² The samples chosen represent a significant share of total OECD/DAC ODA. Moreover, these donors are also particularly important as they have long been active players in the field of international development and have a significant role in setting the standards of international principles in aid giving.

The donors chosen are the major contributors to international development constituting approximately 47 per cent of the average total ODA flows by all donors according to the 2013-2014 estimates (OECD.Stat, n. d.).³ France, Germany, the United Kingdom and the United States were chosen since they are the largest donor countries of the OECD/DAC (OECD.Stat, n. d.); and also because they are in general the major contributors to international development cooperation (Lancaster, 2007; Younas, 2008).

Some exceptional features of certain donors are also important factors for the cases selected. The EU, for instance, was selected for its status as a supranational organisation. This was expected to affect the overall approach of the EU in PC selection processes. Japan, on the other hand, was selected for its “non-Western approach”. Japanese aid is mostly included under the Asian model (Yamada, 2013) and is described as being more in line with strategic interests (Jain, 2016; Atkinson, 2017). Hence, Japanese aid has a distinct approach in comparison to traditional Western donors of the OECD.

The Netherlands was chosen because of its “agenda for aid, trade and investment”. This approach can exemplify how aid can be integrated into trade and investment relations whose implementation is organised in a well-structured way. Sweden, on the other hand, is considered more progressive compared to other DAC donors (Danielson & Wohlgemuth, 2003) as one of the example from Nordic countries whose approach is known for being altruistic. Thus, Sweden provides diversity among the approaches studied in this research.

Finally, certain development agencies of the cases selected are examined one by one, and are thus shown on separate tables. These are: the Department of International Development (DFID) of the United Kingdom; the United States Agency for International Development (USAID), and the Millennium Challenge Corporation (MCC) of the United States. The main reason is that these development agencies play a significant role in international development by being part of the important donors, and as a result have long-established development policies. These cases will be analysed in Section 3.

2.3 Limitations

Our research encountered several obstacles during the process of data collection. Firstly, it was sometimes the case that the implementing agency of a single donor was funded by several funding entities (such as ministries or development banks). Where several funding entities are

2 It is important to note that we refer to specific institutions and governments of individual donors as the bodies responsible for policymaking when stating the name of donors in the paper (for instance, “the EU” refers to EU institutions; “France” refers to the government of France, etc.).

3 The average total ODA flows by the eight providers were USD 115,315.76 million from the all donors’ average total of USD 172,807.30 million in 2013-2014 (current prices) (retrieved 29 June 2018 from <http://stats.oecd.org/Index.aspx>).

in charge, it is difficult to understand the decision-making on funding processes of a single donor. This affects partner country selection decisions, since these entities might have differing motives in providing funding for ODA. In addition, different implementing agencies may implement different policies, which makes it difficult to reach an overall judgement on a donor. As a result, the paper presumes that the important development agencies that implement development policy and the ministries or development banks that are in charge of funding and decision-making reflect the general development policy orientation of the cases.

The second constraint is the gap between the time the PC selection criteria are set by a donor and the implementation of the approach. Donors set their agenda for development policy on a medium- or long-term basis and then make the decisions by taking recent international political and economic environment into consideration. Therefore, it may take several years before a specific approach or an agenda for ODA allocation to PCs is implemented (disbursement of ODA flows, and so on). Sometimes, political or economic circumstances may change leading a donor to take some immediate measures which might be different from the original agenda set. For this reason, the actual flows of ODA allocation sometimes do not reflect the latest intended agenda.

Thirdly, some donors publish more information on their priorities in decision-making, while the process might not be so transparent for others. On the other hand, not all the information on the development policies of different donors on ODA allocation is based on the same year. This even differs for OECD/DAC peer reviews. This considerable challenge was met by only collecting up-to-date information on each donor; moreover, all the information is included in the footnotes, therefore comparisons can be easily made.

Fourthly, development policies and PC choices can change following domestic elections, where new governments set new priorities which might eventually differ from the practices and priorities of the previous government. Therefore, as the information provided in this paper refers to the 2013-2014 period, the current situation for certain governments may have already changed. For the donors where this may apply, we have added footnotes to clarify it.

Finally – yet importantly – our study does not deal with the *consequences* of PC selection patterns. Like other key terms and concepts (such as “the concept of fragmentation” (Klingebiel, Mahn, & Negre, 2016) in development cooperation, PC selection is expected to generate specific intended and unintended impacts (such as unbalanced support for several developing countries and neglecting of others). This important dimension is only partly covered by our analysis and discussion.

3 Empirical evidence from the case studies

The allocation of ODA resources to a specific partner country is at the centre of the political economy of the development cooperation of donors and organisations. In this paper, we raise the question of whether there is any explicit or implicit strategy in place for the selection of partner countries, what the patterns look like, and how they are formulated by the donors concerned. As the motives of aid giving vary from political to altruistic, it is difficult to identify clear guidelines for efficient and effective aid allocation. The following subsections provide donor profiles. These will subsequently be analysed.

3.1 Donor profiles at a glance

3.1.1 France

The French government is supportive in assisting LDCs from its former colonies. Moreover, development assistance is also used strategically in order to keep close ties with other partner countries, regardless of the income groups they belong to. The average total ODA flows by France were USD 10,979.62million (current prices) in 2013-2014 (OECD.Stat, n. d.).⁴

Institutions

The decision-making process of development policy involves several institutions. At the governmental level, the Ministry of Foreign Affairs and International Development, and the Ministry of Finances and Public Accounts are the two main ministries in charge of development policies. In addition, Agence Française de Développement (AFD) is responsible for the implementation of the development policies. AFD acts both as a public agency and as a development bank (Donor Tracker France, 2016a).

Decision-making in ODA allocation/categories for PC selection

There are four categories of PC selection (OECD [Organisation for Economic Co-operation and Development], 2014a, p. 37):

- Sub-Saharan Africa (SSA): level of need.
- Countries in the Mediterranean basin: MICs that have close relations with France, mostly supported in the form of loans (MFA France [Ministry of Foreign and European Affairs of France], 2011, p.7).
- Emerging countries: with global and regional importance, such as Brazil, China and Indonesia.
- Countries in crisis: particularly the Sahel, the Middle East, Haiti and Afghanistan for crisis and post-crisis management and prevention.

The percentage of French bilateral ODA in its total ODA budget was 67 per cent in 2013 (OECD, 2014a, p. 108). SSA receives at least 85 per cent of financial flows provided by AFD (France Diplomatie, 2013) to address the challenges emerging from population growth, and poverty (AFD [Agence Française de Développement], 2013, p. 8). The region received more than one-third of AFD budgetary approvals in 2015 (AFD, 2015, p. 16). In the second place, the Mediterranean and Middle East region received a 20 per cent share of the total approvals, compared to 16 per cent in 2014. Activities in the Middle East, especially in Jordan, Turkey and Morocco, have increased because of the ongoing situation in Syria (AFD, 2015). France does not have specific criteria for PC selection. In the OECD Peer Review (2014a), it is recommended that France come up with a more specific agenda, together with specifying projects and aid channels (OECD, 2014a, p. 15).

4 The average ODA flows in 2013-2014 for each donor is in current prices and retrieved on 29 June 2018 from <http://stats.oecd.org/Index.aspx>.

Principles/formula applied

In the Sub-Saharan region, the PCs are determined on the basis of their economic and social situations, that is, the level of needs, together with their geographical, cultural and linguistic ties to France and to immigrant communities (MFA France, 2011, p. 7). In the Mediterranean area, countries that have close relationship with France are prioritised. In fragile states and countries in crisis, assistance is provided when needed. In such countries, French bilateral ODA is mostly used for fighting terrorism and promoting stability (Donor Tracker France, 2016b). In emerging countries, French bilateral ODA is more in the form of cooperation than development assistance to be able to address global challenges (MFA France, 2011, p. 7).

Observations

LDCs in SSA are the primary partners receiving French aid. The 16 priority PCs as suggested by the OECD Peer Review 2013 are all from SSA and 14 of the PCs are from France's former colonies (OECD, 2014a). Regarding the top-ten recipients of French aid (2013-2014), not only LDCs (Côte d'Ivoire, Senegal, Vietnam, Cameroon) but also MICs from French former colonies (Morocco) and emerging economies (China, Mexico, South Africa) receive French bilateral ODA. The majority of bilateral ODA allocation to the LDCs from the top-ten PCs is greater in ODA per capita terms than to the MICs (see Tables 1 and 2).

Priority PCs	Top-ten recipients (2013-2014)^a	Priority income groups	Other income groups	Priority regions	Regional divide on aid allocation (2013-2014)^b
Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo (DRC), Djibouti, Ghana, Guinea, Madagascar, Mali, Mauritania, Niger, Senegal, and Togo	Morocco Colombia Myanmar Côte d'Ivoire Senegal South Africa Mexico China Cameroon	LDCs and fragile states in SSA	MICs Emerging economies	SSA Mediterranean basin	SSA 33% MENA 18% Latin America & Caribbean 12% Other Asia & Oceania 11% South & Central Asia 9% Europe 4%
Source: OECD, 2014a, p. 42	Source: OECD, 2016b, p. 196	Source: AFD, 2015	Source: MFA France, 2011	Source: AFD, 2015	Source: OECD, 2016b, p. 196
Notes:					
^a Priority income groups determined by the AFD. Retrieved from http://www.afd.fr/lang/en/home/publications/Publications-institutionnelles/documents-reference					
^b Priority					

Top-ten of the bilateral ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)	GDP per capita, purchasing power parity (PPP) (2013-2014/current USD)
Morocco	1	Morocco 23.05	Mexico 16,976.70
Colombia	2	Senegal 18.21	Colombia 13,047.00
Myanmar	3	Côte d'Ivoire 12.80	China 12,890.95
Côte d'Ivoire	4	Cameroon 9.20	South Africa 12,889.05
Senegal	5	Colombia 7.34	Morocco 7,341.15
South Africa	6	Myanmar 5.79	Vietnam 5,367.40
Mexico	7	South Africa 4.80	Myanmar 4,814.15
Vietnam	8	Vietnam 2.66	Cameroon 3,284.40
China	9	Mexico 2.07	Côte d'Ivoire 3,095.85
Cameroon	10	China 0.16	Senegal 2,302.50

3.1.2 Germany

Germany was the fourth largest donor with the average total ODA flows of USD 15,392.23million (current prices) in 2013-2014 (OECD.Stat, n. d.). The German approach to PC selection is fairly strategic, especially when it comes to actual ODA flows to its top-ten recipients. Moreover, Germany's stated intentions are in some cases incompatible with the actual flows.

Institutions

The Ministry for Economic Cooperation and Development (BMZ) is in charge of making policy decisions on German development assistance, regarding priority areas, PCs and financing (BMZ [Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung], 2014, p. 32). The KfW Development Bank and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) are the two main agencies responsible for implementing policies. GIZ is a government-owned technical cooperation agency (OECD, 2015), whereas KfW is both a bank and an institution with expertise on financing (KfW [Kreditanstalt für Wiederaufbau], n. d.). The BMZ manages more than half of the total German ODA budget of Germany (51 per cent in 2014) (Donor Tracker Germany, 2017).

Decision-making in ODA allocation/categories for PC selection

Germany determines two categories of partner countries (Bohnet, 2017):

- PCs with bilateral cooperation (50 countries)
- PCs with regional and thematic focus (29 countries).⁵

The BMZ determines 50 PCs (BMZ, n. d. a), and does not set specific criteria for its priorities among them. However, 25 of the PCs are selected from LDCs; and 22 of the PCs are in the African region (OECD, 2015, p. 47). In 2013, German bilateral ODA amounted to 71 per cent of its total ODA budget (OECD, 2015, p. 96). Germany reduced the number of PCs from 57 in 2010 to 50 in 2015 (OECD, 2015, p. 46).

Based on BMZ guidelines, there are two categories of PCs (Bohnet, 2017): i) LDCs, fragile states affected by violent conflicts and refugee movements, and countries that are particularly affected by natural disasters and climate change; and ii) emerging economies: Brazil, Indonesia, India, Mexico and South Africa. Africa is the main regional focus, whereas emerging countries are important for the protection of global public goods (for instance, tackling climate change, reducing CO₂-emissions, or protecting rainforests). In addition, the UN Agenda 2030 plays an important role in setting the development policy agenda (Bohnet, 2017).

Principles/formula applied

PCs are selected according to the “Catalogue of Criteria” in terms of: “i) pro-poor and sustainable policy design; ii) respecting, protecting and guaranteeing all human rights, democracy and the rule of law; iii) state effectiveness and transparency; and iv) co-operative behaviour within the international community” (OECD, 2015, p. 36).

Observations

Germany does not set a clear agenda for PC selection: First of all, the number of PCs is quite high so that it is difficult to make an assessment as regards donor profile in PC selection. Second, the BMZ’s priorities are not reflected in the top-ten recipient list, even though it is the primary actor in decision-making processes. Half of the top-ten recipients (China, Côte d’Ivoire, Myanmar, Syria and Turkey) are not among those 50 PCs determined by the BMZ (OECD, 2015, p. 46). Third, German aid does not seem to implement “level of need” fully as a principle because of the number of PCs from MICs (see Tables 3 and 4).⁶

5 PCs with regional and thematic focus: Asia (Myanmar, Timor Leste, Philippines, Sri Lanka, multi-country cooperation with Central Asia including Kazakhstan and Turkmenistan); South Eastern Europe/Caucasus (Bosnia and Herzegovina, Armenia, Azerbaijan, Georgia, Moldova); Latin America and the Caribbean (Dominican Republic, Haiti, Cuba, Costa Rica, El Salvador, Nicaragua, Paraguay); Middle East (Iraq, Jordan, Lebanon, Syria); Africa (Algeria, Central African Republic, Chad, Côte d’Ivoire, Sierra Leone, Liberia, Guinea, Libya, Madagascar, Nigeria, Senegal, Somalia, Tunisia). See BMZ, n. d. b.

6 For a more detailed discussion of the political economy of German development cooperation, see Bohnet, 2017.

Priority PCs of BMZ^a	Top-ten recipients (2013-2014)	Priority income groups	Income groups (2012-2013)	Priority regions	Regional divide (2013-2014)^b
Asia: Afghanistan, Bangladesh, India, Indonesia, Cambodia, Kyrgyzstan, Laos, Mongolia, Nepal, Pakistan, Tajikistan, Uzbekistan, Vietnam South Eastern Europe/Caucasus: Albania, Kosovo, Serbia, Ukraine Latin America & the Caribbean: Bolivia, Brazil, Ecuador, Guatemala, Honduras, Colombia, Mexico, Peru Middle East: Palestinian Territories, Yemen Africa: Egypt, Ethiopia, Benin, Burkina Faso, Burundi, Ghana, Cameroon, Kenya, DRC, Mali, Malawi, Morocco, Mauritania, Mozambique, Namibia, Niger, Rwanda, Zambia, South Africa, South Sudan, Tanzania, Togo, Uganda	India People's Rep. of China Afghanistan Myanmar Brazil Turkey Morocco Syria Egypt Côte d'Ivoire	LICs	LMICs LDCs UMICs	Africa	South & Central Asia 19% SSA 15% Latin America & Caribbean 14% MENA 13% Other Asia & Oceania 12% Europe 7%
	Source: OECD, 2016b, p. 200	Source: OECD, 2015, p. 47	Source: OECD, 2015, p. 9	Source: OECD, 2015, p. 47	Source: OECD, 2016b, p. 200
Notes: ^a Priority PCs determined by the BMZ under "Bilateral development cooperation in the context of country programs" (BMZ, n. d. b) ^b In 2013-2014, 19 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

Top- ten of the bilateral ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)		GDP per capita PPP (2013-2014/current USD)	
India	1	Afghanistan	16.73	Turkey	23,170.10
China	2	Syria	15.08	Brazil	16,064.34
Afghanistan	3	Côte d'Ivoire	11.86	China	15,534.70
Myanmar	4	Myanmar	10.19	Egypt	10,271.80
Brazil	5	Morocco	8.78	Morocco	7,341.15
Turkey	6	Turkey	4.91	India	5,458.60
Morocco	7	Egypt	3.05	Myanmar	4,814.15
Syria	8	Brazil	1.93	Côte d'Ivoire	3,095.85
Egypt	9	India	0.61	Afghanistan	1,923.30
Côte d'Ivoire	10	China	0.48	Syria	No data available

3.1.3 Japan

Japan is the non-western DAC member with the average total ODA flow of USD 10,476.19million (current prices) in 2013-2014 (OECD.Stat, n. d.). More than half of Japanese aid goes to Asia, and Japan preserves its Asian characteristic as a donor which is shaped by a regional strategy that prioritises political, economic and security interests.

Institutions

The Ministry of Foreign Affairs is in charge of development policy-making, while the Japan International Cooperation Agency (JICA) is responsible for the implementation of grant aid, technical cooperation and loans (OECD, 2014b, p. 17). JICA has been an independent administrative institution since 2003 (Government of Japan, 2003) and administers approximately 60 per cent of Japan's total ODA budget (Donor Tracker Japan, 2017).

Decision-making in ODA allocation/categories for PC selection

In 2015, 67.3 per cent of Japan's total ODA budget consisted of bilateral ODA (JICA [Japan International Cooperation Agency], 2016, p. 18). Poverty reduction is the primary determinant of PC selection criteria (MFA Japan [Ministry of Foreign Affairs of Japan], 2010). However, Japan's development policy does not set criteria for selecting priority PCs. The Japanese government prioritises Asian recipients because of their close relations with Japan and their importance for Japan's own security and prosperity (Government of Japan, 2015, p. 7). In addition, Japanese aid primarily targets MICs in Asia (OECD, 2014b, p. 16). The OECD Peer Review (2014b) suggests that the Japanese government is continuing increasing aid allocation to the PCs most in need, especially in Africa (OECD Peer Review, 2014b, p. 16).

Principles/formula applied

Japan cites three policy decisions on the Development Cooperation Charter adopted by the Cabinet in 2015: Contributing to peace and prosperity through cooperation for non-military purposes; promoting human security; cooperation aimed at self-reliant development through assistance for self-help efforts as well as dialogue and collaboration based on Japan's experience and expertise (Government of Japan, 2015, p. 4). Based on these principles, the Japanese government sets three primary policies: i) "quality growth" and poverty eradication through such growth; ii) sharing universal values and realising a peaceful and secure society; iii) building a sustainable and resilient international community through efforts to address global challenges (Government of Japan, 2015).

Observations

Japan is fairly strategic in its approach: Asia, especially South-East Asia, is the primary region receiving Japanese aid with the exception of Iraq from the Middle East and North Africa (MENA) region, which is an important ODA recipient of Japan according to the gross ODA in per capita terms in 2013-2014. Our results show that Japan maintains its Asian characteristic as a donor by providing ODA with a region-specific approach (see Tables 5 and 6).

Priority PCs	Top-ten recipients (2013-2014) ^a	Priority income groups	Income groups (2011-2012)	Priority regions ^b	Regional divide on aid allocation (2013-14) ^c
Not indicated	Myanmar Vietnam India Indonesia Afghanistan Iraq Thailand Bangladesh Philippines Sri Lanka	LDCs Fragile states	LMICs LDCs UMICs	Asia	South & Central Asia 38% Other Asia & Oceania 28% SSA 13% MENA %7 Latin America & Caribbean 3% Europe 2%
	Source: OECD, 2016b, p. 220	Source: OECD, 2014b, p. 34	Source: OECD, 2014b, p. 9	Government of Japan, 2003, p. 4	Source: OECD, 2016b, p. 220
Notes:					
^a Retrieved from http://www.keepeek.com/Digital-Asset-Management/oecd/development/development-co-operation-report-2016_dcr-2016-en#page22					
^b Retrieved from http://www.mofa.go.jp/policy/oda/reform/charter.html					
^c In 2013-2014, 10 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

Top-ten of the bilateral ODA recipients (2013-2014/gross disbursements)	ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)		GDP per capita, PPP (2013-2014/current USD)	
	Rank	Country	Country	Value
Myanmar	1	Myanmar	Iraq	15,527.65
Vietnam	2	Vietnam	Thailand	15,454.80
India	3	Afghanistan	Sri Lanka	10,951.45
Indonesia	4	Iraq	Indonesia	10,246.65
Afghanistan	5	Sri Lanka	Philippines	6,725.40
Iraq	6	Thailand	India	5,458.60
Thailand	7	Philippines	Vietnam	5,367.40
Bangladesh	8	Indonesia	Myanmar	4,814.15
Philippines	9	Bangladesh	Bangladesh	3,030.15
Sri Lanka	10	India	Afghanistan	1,923.30

3.1.4 The Netherlands

The Netherlands follows quite a unique approach. Prioritising the continuity of economic relations with the recipients, the Netherlands pursues a strategy of “aid, trade, and investment”. The average total ODA flows by the Netherlands in 2013-2014 were USD 5,504.21million (current prices) (OECD.Stat, n. d.).

Institutions

The Ministry of Foreign Affairs (MFA) is in charge of policymaking on development cooperation. The Minister for Foreign Trade and Development Cooperation leads the MFA's work on development policy. There is no implementing agency, hence embassies are responsible for strategic planning and the administration of bilateral programmes (Donor Tracker Netherlands, 2016).

Decision-making in ODA allocation/categories for PC selection

The Dutch government has “an agenda for aid, trade and investment”, which is a strategy to combine aid and trade relationships for mutual benefit (MFA Netherlands [Ministry of Foreign Affairs of the Netherlands], 2013, p. 40). Under this agenda, the government defines three categories of relationships in PC selection (MFA Netherlands, 2013):

- *An aid relationship* is established with fragile states affected “by war, weak governance, and major ethnic and political tensions” (Government of the Netherlands, n. d. a).
- *A transitional relationship* covers LICs and MICs with whom the Netherlands aims to reduce poverty and increase their market access, so that the relations are based on aid and trade (MFA Netherlands, 2013, p. 27).
- *A trade relationship* includes its former-aid recipients, along with other trade partners such as EU countries (Government of the Netherlands, n. d. a).

In 2009, 35 per cent of the Dutch total ODA budget were used for its bilateral ODA (OECD, 2011, p. 43). The OECD Peer Review (2011) indicated that the Dutch government intended to reduce the number of bilateral partners from 33 to 15 by 2015 (OECD Peer Review, 2011, p. 25). As of today, the Dutch government keeps the number of PCs at 15 in its bilateral relations.⁷ The government names its strategy as inclusive development through aid, trade, and investment (MFA Netherlands, 2015). As can be inferred from the priority PCs in Table 7, these 15 countries are included in the list of aid and transitional relations (MFA, 2013, p. 22).

Principles/formula applied

The main priority of its development cooperation policy is fighting poverty in fragile states, conflict-affected and post-conflict countries that cannot tackle the challenges themselves (MFA Netherlands, 2013, p. 34). The Netherlands focuses on aid relations with Africa, since a broader regional approach is needed to tackle challenges such as security and the environment (MFA Netherlands, 2013). Partner countries with an income group ranging from LICs to MICs are located in Central America, Guatemala, Honduras, Nicaragua and El Salvador (MFA Netherlands, 2013, p. 27).

⁷ See the Dutch government's web page “Partner and focus countries in development cooperation”, retrieved from <https://www.government.nl/topics/development-cooperation/partners-in-development>.

Observations

Level of need, and fragility are the priorities for Dutch aid. These are determined according to the recipient's lack of capacity to reduce poverty effectively without outside help (Government of the Netherlands, n. d.). Cooperation based on a need-centred approach later evolves into trade relations after a transitional period (where LICs and MICs receive aid for poverty reduction and increasing market access). In this way, the continuity of economic relations is prioritised for mutual benefit. The Netherlands implements this strategy with regard to its 15 priority PCs. As can be inferred from Table 8, the top-ten recipients (2013-2014) in gross ODA per capita terms are the PCs from aid and transitional relations – with the exception of Syria – (see Tables 7 and 8).

Priority PCs^a	Top-ten recipients (2013-2014)	Priority income groups	Income groups (2008-2009)	Priority regions^b	Regional divide on aid allocation (2013-2014)^c
<p>Aid: Afghanistan, Burundi, Mali, the Palestinian Territories, Rwanda, South Sudan and Yemen</p> <p>Transitional: Bangladesh, Benin, Ethiopia, Ghana, Indonesia, Kenya, Mozambique and Uganda</p> <p>Trade: Colombia, South Africa and Vietnam</p>	Ethiopia Bangladesh Afghanistan South Sudan Mozambique Mali Rwanda Syria Benin Indonesia	LDCs Fragile states, conflict-affected and post-conflict countries	LDCs LMICs Other LICs	Africa Great Lakes Region The Horn of Africa	SSA 20% South & Central Asia 4% MENA 3% Latin America & Caribbean 2% Other Asia & Oceania 1% Europe 1%
Source: MFA Netherlands, 2013, pp. 27-28	Source: OECD, 2016b, p. 232		Source: OECD, 2011, p. 4	Source: MFA Netherlands, 2013, p. 34	Source: OECD, 2016b, p. 232
Notes: ^a Retrieved from https://www.government.nl/documents/letters/2013/04/05/global-dividends-a-new-agenda-for-aid-trade-and-investment ^b Retrieved from https://www.government.nl/documents/letters/2013/04/05/global-dividends-a-new-agenda-for-aid-trade-and-investment ^c In 2013-2014, 69 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

Top- ten of the bilateral ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)	GDP per capita, PPP (2013-2014/current USD)		
Ethiopia	1	South Sudan	4.84	Indonesia	10,246.65
Bangladesh	2	Rwanda	4.47	Bangladesh	3,030.15
Afghanistan	3	Benin	3.96	South Sudan	2,073.20
South Sudan	4	Mali	3.13	Benin	2,053.00
Mozambique	5	Syria	2.33	Afghanistan	1,923.30
Mali	6	Mozambique	2.05	Mali	1,908.60
Rwanda	7	Afghanistan	2.03	Rwanda	1,645.65
Syria	8	Ethiopia	0.87	Ethiopia	1,434.85
Benin	9	Bangladesh	0.45	Mozambique	1,103.00
Indonesia	10	Indonesia	0.14	Syria	No data available

3.1.5 Sweden

Sweden's approach to partner countries is based on needs, even though its foreign assistance policy does not provide a well-structured formula. The average total ODA flows by Sweden were USD 6,030.00 million (current prices) in 2013-2014.

Institutions

The Ministry of Foreign Affairs, under the authority of the Prime Minister, plays the leading role in determining development policy and financing (Donor Tracker Sweden, 2016). The Swedish International Development Cooperation Agency (SIDA), working under the MFA, implements development policies in cooperation with civil society organisations (CSOs), consultants and other government agencies (Donor Tracker Sweden, 2016). Half of the total ODA budget of Sweden is administered by SIDA (SIDA [Swedish International Development Agency], 2017).

Decision-making in ODA allocation/categories for PC selection

The primary objective of Swedish aid is to achieve internationally agreed poverty reduction objectives (Government of Sweden, 2014, p. 14). There is no specific list of PCs determined by the government, other than the list indicated in the OECD/DAC Peer Review of 2013. According to the OECD Peer Review (2013), Swedish bilateral ODA requires clarification in terms of PC selection criteria (p. 38).

The focus region of SIDA is Sub-Saharan Africa, because the region has the highest proportion of poor people (SIDA, 2015). Political circumstances are also the determining factors for the PC selection process (OECD, 2013, p. 41). In this respect, according to the OECD/DAC Peer Review 2013, decision-making on Swedish bilateral ODA allocation takes a flexible approach and is not always transparent (p. 41). For instance, Swedish aid has recently shifted towards conflict-affected areas because of the refugee crisis in Europe;

consequently, USD 247 million was allocated for the Syrian crisis for the period 2016-2020 (Donor Tracker Sweden, 2016).

In each year since 2009, 65 per cent of total Swedish aid consisted of bilateral ODA (OECD, 2013, p. 41). The Swedish government reduced the number of PCs to 33 in 2007 (SIDA, 2014), since 33 is considered an optimal number when the size of Swedish bilateral programmes are taken into consideration (OECD, 2013, p. 41).

Principles/formula applied

The government has four criteria to be implemented in partner countries: “a focus on results,⁸ active anti-corruption measures, and an efficient use of funding, and transparent accounting systems” (Government of Sweden, 2014, p. 42).

Observations

Sweden can be considered as one of the good examples among the donor cases in ODA provision based on development-needs. Sweden’s ODA allocation is assessed according to two important aspects of its need-based approach: First, both the primary PCs list mentioned in the OECD Peer Review (2013) and the top-ten recipients are composed of LDCs. Second, the majority of Swedish bilateral ODA is allocated to SSA (see Tables 9 and 10).

Priority PCs	Top-ten recipients (2013-2014)	Priority income groups	Income groups (2013-2014)	Priority regions^a	Regional divide on aid allocation (2013-2014)^b
Afghanistan, Burma, Central African Republic, Colombia, DRC, Ethiopia, Haiti, Iraq, Yemen, Kenya, Mali, North Korea, the occupied Palestinian Territories, Pakistan, the Sahel crisis (Burkina Faso, Chad, Mauritania, Niger, Mali) South Sudan, Somalia and the Syria crisis	Afghanistan Mozambique Tanzania Kenya DRC Somalia West Bank & Gaza Strip South Sudan Zambia Bangladesh	LDCs	LDCs LMICs UMICs	SSA	SSA 25% South & Central Asia 7% MENA 6% Europe 4% Latin America & Caribbean 3% Other Asia & Oceania 3%
Source: OECD, 2013, p. 104	Source: OECD, 2016b, p. 264	Source: OECD, 2013, p. 115	Source: OECD, 2016b, p. 264	Source: SIDA, 2015	Source: OECD, 2016b, p. 264
Notes:					
^a Retrieved from http://www.sida.se/English/where-we-work/Africa/Regional-co-operation-in-Africa/					
^b In 2013-2014, 51 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

8 This research reflects Swedish development policy in PC selection until mid-2017. As a consequence of the recent elections, the new government is no longer expected to implement a result-based approach to ODA allocation in the following years.

Top- ten of the bilateral ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)	GDP per capita PPP (2013-2014/current USD)		
Afghanistan	1	West Bank Gaza Strip	15.26	West Bank Gaza Strip	4,598.25
Mozambique	2	South Sudan	5.49	Zambia	3,760.25
Tanzania	3	Somalia	5.30	Bangladesh	3,030.15
Kenya	4	Mozambique	4.78	Kenya	2,835.45
DRC	5	Afghanistan	4.11	Tanzania	2,461.35
Somalia	6	Zambia	3.34	South Sudan	2,073.20
West Bank Gaza Strip	7	Tanzania	1.75	Afghanistan	1,923.30
South Sudan	8	Kenya	1.70	Mozambique	1,103.00
Zambia	9	DRC	1.01	DRC	736.00
Bangladesh	10	Bangladesh	0.30	Somalia	No data available

3.1.6 United Kingdom

With the average total ODA flows of USD 18,567.28million (current prices), the United Kingdom was the second largest donor in 2013-2014 among the OECD/DAC members. The UK pursues a well-structured development cooperation policy in that its PC selection approach is based on pre-determined criteria. LDCs and fragile states are the primary partner countries for the UK, as the majority UK's assistance goes to its former colonies.

Institutions

The Department of International Development (DFID) is the primary ministerial department of development cooperation regarding decision-making processes on strategy planning and funding. According to 2015 statistics, DFID controlled 80 per cent of ODA, while 20 per cent were managed by non-DFID ministries: the Foreign and Commonwealth Office (3.3 per cent), the UK's contributions to the European Union institutions (4.4 per cent) (these contributions are managed by DFID too), the Department of Energy and Climate Change (2.7 per cent), the Department for Business, Innovations, and Skills (1.6 per cent) (Donor Tracker United Kingdom, 2016).

Decision-making/categories for PC selection

62.9 per cent of total UK ODA goes to bilateral ODA (DFID [Department of International Development], 2015, p. 7). Decisions on bilateral ODA allocation are based on levels of need and fragility. The UK focuses highly on least developed countries (LDCs) for poverty reduction and fragile states where conflict prevention is the main strategy as an extension of its national security strategy (OECD, 2014c, p. 16). There is not an official quantitative target for those income groups. However, the government committed to direct 30 per cent of the ODA budget to those states (Government of the United Kingdom, 2015, p. 5).

Moreover, the UK government committed to spending at least 50 per cent of DFID budget on fragile states and regions on a yearly basis (DFID, 2017, p. 23).

Principles/formula applied

The UK expects PCs to be committed to the UK's Partnership Principles and to "the shared objectives on poverty reduction, security, resilience and prosperity" (DFID, 2016a, p. 37). The UK has four Partnership Principles: "reducing poverty; respecting human rights and other international obligations; improving their own financial management, governing well and transparently, and fighting corruption; and being accountable to their citizens" (OECD, 2014c, p. 68).

Observations

LDCs are the primary PCs of the UK as decisions are made on the basis of the level of need and fragility where conflict prevention is the main strategy as an extension of national security interests. DFID defines fragile states according to the three most widely accepted criteria set by World Bank's Country Policy and Institutional Assessment (CPIA) indicators, the Fund for Peace's Failed States Index (FSI) and the Uppsala Conflict Database (DFID, 2012, p. 3). Apart from that, the refugee crisis in Syria led to a 99 per cent increase in aid allocation in Syria by DFID in 2015, which amounted to around 405 million USD (DFID, 2016c, p. 35) (see Tables 11, 12 and 13).

Priority PCs	Top-ten recipients (2013-2014)	Priority income groups	Income groups (2011-2012)	Priority Regions (2009-2015) ^a	Regional divide on aid allocation (2013-2014) ^b
Afghanistan, Bangladesh, Burma, DRC, Ethiopia, Ghana, India, Kenya, Kyrgyz Republic, Liberia, Malawi, Mozambique, Nepal, Nigeria, Occupied territories of the Palestinians, Pakistan, Rwanda, Sierra Leone, Somalia, South Africa, South Sudan, Tajikistan, Tanzania, Uganda, Yemen, Zambia, Zimbabwe	Ethiopia Pakistan India Nigeria Bangladesh Afghanistan DRC Tanzania Sierra Leone South Sudan	LDCs Fragile states or countries at risk from fragile neighbours	LDCs LMICs	Africa Asia	SSA 35% South & Central Asia 18% MENA 8% Other Asia & Oceania 3% Latin America & Caribbean 2% Europe 0.4%
Source: DFID, n .d.	Source: OECD, 2016b, p. 272	Source: OECD, 2014c, p. 39	Source: OECD, 2014c, p. 9	Source: DFID, 2016c, Table 5	Source: OECD, 2016b, p. 272
Notes:					
^a Retrieved from https://www.gov.uk/government/statistics/statistics-on-international-development-2016					
^b In 2013-2014, 34 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

Top-ten recipients (2015)	Priority income groups	Income groups (2015)^a	Priority regions (2009-2015)^b	Regional divide on aid allocation (2015)^c
Pakistan, Ethiopia, Afghanistan, Nigeria, Syria, Sierra Leone, South Sudan, Tanzania, India, Bangladesh	LDCs Fragile states	LDCs 58.6% LMICs 28.1% UMICs 7.0%	Africa Asia	SSA 59.7% South & Central Asia 38.6% Others 1.7%
Source: DFID, 2016a	Source: OECD, 2014c, p. 16	Source: DFID, 2016b	Source: DFID, 2016c, Table 5	Source: DFID, 2016c, p. 31
Notes: a,b,c Retrieved from https://www.gov.uk/government/statistics/statistics-on-international-development-2016				

Top- ten of the bilateral ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)	GDP per capita, PPP (2013-2014/current USD)	
Ethiopia	1	Sierra Leone	35.80	Nigeria 5,816.65
Pakistan	2	South Sudan	21.54	India 5,458.60
India	3	Afghanistan	10.34	Pakistan 4,715.45
Nigeria	4	Ethiopia	5.46	Bangladesh 3,030.15
Bangladesh	5	Tanzania	5.05	Tanzania 2,461.35
Afghanistan	6	DRC	3.70	South Sudan 2,073.20
DRC	7	Pakistan	2.64	Afghanistan 1,923.30
Tanzania	8	Bangladesh	2.43	Sierra Leone 1,745.90
Sierra Loren	9	Nigeria	2.31	Ethiopia 1,434.85
South Sudan	10	India	0.35	DRC 736.00

3.1.7 United States

The United States is the largest donor among all donors with a share of 19 per cent (USD 32,161.08 million – current prices) of the average total ODA flows by OECD/DAC donors in 2013-2014 (OECD.Stat, n.d.). As the largest donor, the US mostly follows a strategic development policy which is in line with its national interests.

Institutions

The major bodies responsible for the majority of the US bilateral ODA allocation are the US Agency for Development Cooperation (USAID), the State Department, and the Millennium Challenge Corporation (MCC) (OECD, 2016a). USAID, which is a member of the National Security Council, plays the leading role in decision-making on development cooperation policy and budgeting processes (OECD, 2016a, p. 18).

Decision-making in bilateral ODA allocation/categories for PC selection

USAID plays a significant role in promoting US foreign policy interests (USAID [United States Agency for Development Cooperation], n. d.), and decision-making is first arranged according to national security priorities (US Department of State, 2016, p. 2). The USAID mission statement sets two important priorities: ending extreme poverty, and promoting resilient and democratic societies (USAID, 2015, p. 8). One of the main priorities of the administration for development assistance funding in Fiscal Year 2016 was given to the Government's Global Hunger and Food Security Initiative "Feed the Future" (US Department of State, 2016, p. 74). The core USAID interventions and partnerships in 43 countries are supported by this funding, which is primarily based on levels of need (Feed the Future, n. d. a).

The MCC selects its PCs from LICs that are committed to "good governance, economic freedom, and investing in their citizens" (MCC [Millennium Challenge Corporation], n. d. a). World Bank criteria are one of the bases for determining LICs and LMICs (MCC, 2016), which have a per capita income that is not greater than the WB's LMICs threshold for the said fiscal year. MCC programmes are called "compact programmes". The MCC also implements threshold programmes to help PCs become eligible for compact programmes (CGD [Centre for Global Development], n. d.). Finally, 83 per cent of the US total ODA disbursements went to its bilateral channels in 2014 (OECD, 2016a, p. 114).

Principles/formula applied

For the US government, development assistance is seen as the third essential component of American foreign policy together with defence and diplomacy (USAID, n. d.).

Observations

USAID, whose agenda for PC selection is designed to be flexible according to the US changing national interests, has more than 100 PCs (USAID, n. d.).⁹ This makes it difficult to make an assessment of its PC selection approach. The agency plays a significant role in advancing US interests and enhancing its national security (US Department of State, 2016). Relatively speaking, the MCC has a very transparent and well-structured approach to PC selection based on results. The majority of MCC partners are LDCs from Africa (see Tables 14-17).

9 The names of the PCs are available on the official website of the USAID. No year or time-period is specified for the PCs.

Priority PCs	Top-ten recipients (2013-2014)	Priority income groups (2010-2014)	Income groups (2013-2014)	Priority regions	Regional divide on aid allocation (2013-2014) ^a
Not indicated	Afghanistan Jordan Kenya West Bank and Gaza strip Pakistan Syria Ethiopia Tanzania South Sudan Nigeria	LDCs	LDCs LMICs UMICs	SSA South & Central Asia	SSA 34% MENA 13% South & Central Asia 13% Latin America & Caribbean 7% Other Asia & Oceania 4% Europe 3%
	Source: OECD, 2016b, p. 276	Source: OECD, 2016a, p. 115	Source: OECD, 2016a, p. 9	Source: OECD, 2016a, p. 115	Source: OECD, 2016b, p. 276
Notes:					
^a In 2013-2014, 28 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

Priority PCs	Priority income groups ^d	Priority regions	Regional divide on aid allocation ^e
Based on national security interests:^a Afghanistan and Pakistan ^b Iraq (Source: US Department of State, 2016)	LDCs Fragile states	Not indicated	Africa Asia Latin America & Caribbean
Based on the level of need:^c Bangladesh, Cambodia, Ethiopia, Ghana, Guatemala, Haiti, Honduras, Kenya, Liberia, Malawi, Mali, Mozambique, Nepal, Rwanda, Senegal, Tajikistan, Tanzania, Uganda, Zambia (Source: Feed the Future, n. d. b)			(Source: Feed the Future, n. d. b)
Notes:			
^a Retrieved from https://www.usaid.gov/sites/default/files/documents/9276/FY16CBIStateFORP.pdf			
^b USAID categorises two fragile states – Afghanistan and Pakistan – separately from their regions because they are considered important to US national security. These two largest assistance programmes aim at long-term stability and human progress (USAID, 2016).			
^c 19 priority PCs are determined by the “Feed the Future Initiative” (Feed the Future, n. d. b)			
^d See Feed the Future (n. d. b) and https://www.usaid.gov/sites/default/files/documents/9276/FY16CBIStateFORP.pdf			
^e Feed the Future (n. d. b)			

Currently funding^a	Priority income groups^b	Priority regions	Regional divide on aid allocation according to the number of current programmes^c
Compact programmes (30 PCs): Armenia, Benin, Burkina Faso, Capo Verde, Côte d'Ivoire, El Salvador, Georgia, Ghana, Indonesia, Jordan, Lesotho, Liberia, Madagascar, Malawi, Mali, Moldova, Mongolia, Morocco, Mozambique, Namibia, Nepal, Nicaragua, Niger, Philippines, Senegal, Sri Lanka, Tanzania, Tunisia, Vanuatu, Zambia Threshold programmes (16 PCs): Albania, Guatemala, Guyana, Honduras, Kenya, Kosovo, Kyrgyz Republic, Paraguay, Peru, Rwanda, Sao Tome and Principe, Sierra Leone, Timor-Leste, Togo, Uganda, Ukraine	LICs and LMICs determined by WB income threshold	Not indicated	Africa (24) Europe, Asia and the Pacific (15) Latin America (7)
Source: MCC, n. d	Source: MCC, 2016		Source: MCC, n. d.
Notes: ^a Retrieved from https://www.mcc.gov/where-we-work ^b Retrieved from https://www.mcc.gov/resources/doc/report-candidate-country-fy-2017 ^c Retrieved from https://www.mcc.gov/where-we-work			

Top-ten of the bilateral ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)		GDP per capita, PPP (2013-2014/current USD)	
Afghanistan	1	West Bank Gaza Strip	177.75	Jordan	9,063.50
Jordan	2	Jordan	100.43	Nigeria	5,867.10
Kenya	3	Afghanistan	56.50	Pakistan	4,715.45
West Bank and Gaza Strip	4	South Sudan	53.17	West Bank Gaza Strip	4,598.25
Pakistan	5	Syria	36.17	Kenya	2,835.45
Syria	6	Kenya	18.80	Tanzania	2,461.35
Ethiopia	7	Tanzania	12.10	South Sudan	2,073.20
Tanzania	8	Ethiopia	7.01	Afghanistan	1,923.30
South Sudan	9	Pakistan	3.96	Ethiopia	1,434.85
Nigeria	10	Nigeria	2.96	Syria	No data available

3.1.8 European Union

The reason why it is worthwhile taking the European Union's development cooperation with its multilateral characteristics into consideration is because it is an example of a supra-national entity composed of different individual donor countries. The share of the EU's ODA flows (excluding the EU member states) is approximately 9 per cent of the total of all donors – which is quite high, as it was the third largest donor overall with an average total ODA flow of USD 16,205.15million (current prices) in 2013-2014 (OECD.Stat, n. d.). As per the EU Treaty, the EU's development policy promotes the reduction and ultimate eradication of poverty.

Institutions

The European Commission's (EC) Directorate-General for International Cooperation and Development (DG DEVCO) is in charge of making the EU's development policy decisions and delivering foreign aid (EC [European Commission], 2017b). A second Directorate-General, the Directorate-General for Neighbourhood and Enlargement Negotiations (DG NEAR), takes forward the EU's neighbourhood and enlargement policies, as well as coordinating relations with European Economic Area-European Free Trade Association (EEA-EFTA) countries in as far as Commission policies are concerned. Both work together with the European External Action Service (EEAS) and relevant line DGs in charge of thematic priorities.

Decision-making in ODA allocation/categories of PC selection

EU development assistance policy sets two different categories of PCs: First, there is a group of countries (17 countries of the EU's closest eastern and southern neighbours) with whom relations are governed under the European Neighbourhood Policy (ENP). Development policies and programming with these countries are designed “to help them connect and align with EU policies, systems and rules” (EC, 2017a). The ENP aims at political, economic and security-related stabilisation of the region (EC, 2017d). It is funded by the European Neighbourhood Instrument (ENI), which for the period 2014-2020 was mostly used for bilateral cooperation (EC, 2017d).

Secondly, EU development assistance primarily targets countries most in need, that is, LDCs, with a particular focus on Africa (Council of the European Union, 2012, p. 4). In addition, the EU pursues “a medium-term strategy for EU enlargement policy”, which aims at supporting candidate countries in their accession processes to address the core issues and meet requirements (EC, 2016, p. 4). For instance, UMICs such as Turkey, Bosnia and Herzegovina, and Serbia are among the top-ten recipients because they are candidates, or potential candidates, for EU membership (OECD, 2012, p. 57).¹⁰ As a result, these countries sometimes receive more aid than countries more in need. For instance, in 2010, the aid provided to MICs was only slightly more than LDCs (OECD, 2012, p. 57).

10 Candidate countries: Albania, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey (candidate countries), and potential candidates: Bosnia and Herzegovina, as well as Kosovo (EC, 2017e).

Principles/formula applied

Based on the EU Treaties, the EU's development policy requires both its member states and PCs to commit "shared values of human rights, democracy and the rule of law as well as the principles of ownership and of mutual accountability" (Council of the EU, 2012, p. 2). In other words, the EU's development policy is committed to progress in these values (Council of the EU, 2012). Because of the various interests of the EU's 28 member states, the legal instruments governing the distribution of the EU's development budget over the various different PCs tend to use specific allocation formulas to this end.

Observations

The EU's ODA allocation can be summarised as follows: First, the EU does not prioritise LDCs, thus its donor profile is not considered development-oriented. The priority among the top-ten recipients of EU aid in the years 2013-2014 according to ODA in per capita terms is given to MICs or UMICs – with the exception of the West Bank and Gaza Strip – from the PCs in the accession process or potential candidates. Moreover, neighbouring countries are prioritised over some LDCs among the top-ten recipients that are further away such as Mali, Afghanistan or the Democratic Republic of Congo (DRC). This means that the EU's priorities are primarily shaped by the allocation of strategic ODA in its own region (see Tables 18 and 19).

Priority PCs	Top-ten recipients (2013-2014)	Priority income groups ^a	Income group (2009-2010)	Priority regions ^b	Regional divide on aid allocation (2013-2014) ^c
Neighbourhood: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria, Tunisia, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine and Russia (Source: EC, 2017c)	Turkey Serbia Morocco Tunisia Ukraine West Bank Gaza Strip Bosnia and Herzegovina Afghanistan Mali DRC	Income groups of neighbouring countries are not indicated "LDCs elsewhere"	LICs UMICs	European neighbourhood SSA	Europe 32% SSA 28% MENA 15% South & Central Asia 7% Latin America & Caribbean 6% Other Asia & Oceania 3 %
Other recipients: LDCs (priority PCs are not indicated.) EU candidates	Source: OECD, 2016b, p. 188	Source: Council of the EU, 2012, p. 4	Source: OECD, 2012, p. 4	Source: Council of the EU, 2012, p. 4	Source: OECD, 2016b, p. 188
Notes: ^a Retrieved from https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/130243.pdf ^b Retrieved from https://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/130243.pdf ^c In 2013-2014, 9 per cent of bilateral ODA allocated was unspecified by region (OECD, 2016b).					

Top- ten of the ODA recipients (2013-2014/gross disbursements)		ODA per capita of the top-ten recipients/gross disbursements (2013-2014/current USD)	GDP per capita, PPP (2013-2014/current USD)		
Turkey	1	West Bank Gaza Strip	99.50	Turkey	23,170.10
Serbia	2	Bosnia and Herzegovina	98.02	Serbia	13,765.75
Morocco	3	Serbia	82.75	Tunisia	11,125.75
Tunisia	4	Tunisia	46.31	Bosnia and Herzegovina	10,995.00
Ukraine	5	Turkey	37.80	Ukraine	8,648.25
West Bank and Gaza Strip	6	Mali	18.11	Morocco	7,341.15
Bosnia and Herzegovina	7	Morocco	16.77	West Bank Gaza Strip	4,598.25
Afghanistan	8	Ukraine	9.47	Afghanistan	1,923.30
Mali	9	Afghanistan	9.44	Mali	1,908.60
DRC	10	DRC	3.96	DRC	736.00

3.2 Implications from the donor cases

Based on the above analysis, Table 20 provides an overview of the following: i) the primary development agency, ii) priority approach to PC selection, iii) number of PCs, iv) share of bi- and multilateral ODA, and v) the basic formula of the development policies of the donors.

Firstly, the majority of donors take “level of need” as their starting point, and set their development policy agenda so as to achieve poverty reduction. Yet, “level of need” does not always provide clear information about PCs, unless it is determined according to income groups, level of fragility, or a specific region. In addition, the approaches that donors chose in selecting PCs are reflected in certain formulae that they apply. Most donors use more or less the following formula: strategy for poverty reduction, sustainable development, and security.

Secondly, PC selection processes vary from one donor to another. Sometimes different budgeting and implementing agencies are involved in ODA allocation and these set different criteria for the selection of PCs. For instance, there are two US development agencies: USAID is the leading development agency and also regulates budgeting processes but follows a different approach from the MCC, the other agency: while the former does not set a clear agenda and prioritises national security interests in decision-making, the latter sets an agenda relying on a results-approach and the level of need in LICs according to the WB indicators. One might argue that this creates a difficulty in interpreting a consistent overall US approach in PC selection.

Thirdly, some ministries or implementing agencies – in some cases the latter may be also in charge of budgeting – control the whole respective ODA budget or a clear lion’s share of ODA resources. As a result, this affects the overall evaluation of the PC selection approach of the donor in question. To give an example, the UK’s DFID as a ministry is in charge of

80 per cent of the total ODA budget, which is quite a high share. Those donors with a high level of ODA budget concentration provide a better starting point for creating a donor profile and performance assessment because it reflects mostly one ministry's or one development agency's preferences in practice. Nevertheless, the responsibility in ODA allocation must be distinguished from the political responsibility of the ministries or development agencies of certain donors, because the latter does not always reflect the actual percentage of the ODA flows. For instance, although the BMZ was politically responsible for about 80 per cent of German aid, only about 37 per cent of ODA were channelled via this ministry in 2015 (Bohnet, 2015).

Fourthly, sometimes – even though a donor sets selection criteria or provides a list of PCs – the agenda is not fully implemented, especially when we look at top-ten recipients in average years of aid allocation or priority income groups and regions. For instance, four PCs receiving German bilateral ODA are not on the list of the 50 priority PCs determined by the BMZ. In addition, the Japanese approach to PC selection focuses very much on MICs in Asia even though the Japanese government primarily aims at poverty reduction in LDCs. To some extent, this aspect might be related to a time gap between the selection of PCs and the disbursement of ODA flows. It might also be the result of new challenges that arise over time, reflecting gaps between lip service and reality.

Fifthly, we see variations in numbers of partner countries from 15 (the Netherlands) to 50 (Germany) and even more than 100 as in the case of the USAID and JICA. Some donors aim at reducing the number of PCs in order to achieve more leverage in the selected PCs and thereby improve aid effectiveness. In addition, needs may change. To some extent, the number of PCs may depend on the overall donor budget. Based on this assumption a larger donor might maintain a longer list of PCs. However, not every donor with a similar size of ODA provides bilateral aid to a similar number of PCs. For instance, the DAC members Sweden (33 PCs) and the Netherlands (15 PCs) are donors of similar stature but their number of PCs differ.

Sixthly, some donors may arrange their development policies according to certain specific categories of PC selection that follow a similar agenda but differ in terms of implementation. In this regard, one might argue that donors' focus may differ, even though they implement a similar agenda; or that they are not always committed to their stated intentions in their ODA allocation (see the next section).

Table 20: An overview of donors' PC selection approaches							
Donor	Agency in focus and the percentage of their budget estimate in total ODA	Priority approach to PC selection	Number of PCs^a		Share of aid		Basic principles
			Objectives	Reality	Bilateral	Multilateral	
European Union	DG DEVCO	Level of need in "LDCs elsewhere"	–	> 100			Commitment and progress in shared values of human rights, democracy and the rule of law as well as the principles of ownership and of mutual accountability
	DG NEAR	European Neighbourhood policy	17	17	98% (in 2010)	2% ^b	
		EU accession process	7	7			
France	AFD	Level of need and fragility/cultural and linguistic ties	17 ^c	>70 ^d	67% (in 2011)	33%	Poverty reduction, crisis and post-crisis management and prevention, continuation of economic and political ties
Germany	BMZ (51% in 2014)	Level of need	50	85 ^e	71% (in 2013)	29%	Pro-poor and sustainable development policy; complying with human rights, democracy and the rule of law; transparency; and cooperative behaviour within the international community
Japan	JICA (approximately 60%)	Level of need	–	> 100	67.3% (in 2015)	32.6%	Priority given to four main issues: poverty reduction, sustainable growth, addressing global issues and peacebuilding
Netherlands	MFA (67% in 2017)	An agenda for aid, trade and investment	15	15	35% ^f (in 2009)	26%	Strategy for reducing poverty and increasing market access of developing countries, as well as increasing the Netherlands' market access
Sweden	SIDA (50% in 2017)	Complying with internationally agreed poverty reduction objectives	33 ^g	35 ^h	65% (in 2013)	35%	A focus on results, active anti-corruption measures, an efficient use of funding and transparent accounting systems
United Kingdom	DFID (80% in 2015)	Level of need and fragility (criteria set by international indicators)	19	19	62.9% (in 2015)	37.1%	Four principles: poverty reduction, security, resilience and prosperity
United States	USAID	National security priorities	–	> 100	83% (in 2014)	17%	Promoting US foreign policy and security interests; ending extreme poverty, and promoting resilience and democracy
	MCC	Level of need (threshold set according to WB's LMIC definition)	–	45			Providing assistance to the LICs that comply with good governance, economic freedom, and investing in their citizens

Notes:

^a Determined by the respective agency, unless stated otherwise.

^b 1 per cent to UN agencies, 1 per cent to other multilateral agencies.

^c Determined by the French government (see OECD, 2014a, p. 42).

^d These are PCs where the AFD works (retrieved from <http://www.afd.fr/lang/en/home/pays>).

^e 50 priority PCs are followed by 35 PCs under "Bilateral development cooperation in the context of regional/thematic programmes" (BMZ, n. d. b).

^f Together with other costs 10 per cent, enterprise 6 per cent, civil society 22 per cent, debt reduction mechanisms 1 per cent (see OECD, 2011, p. 43).

^g The Swedish government's objective.

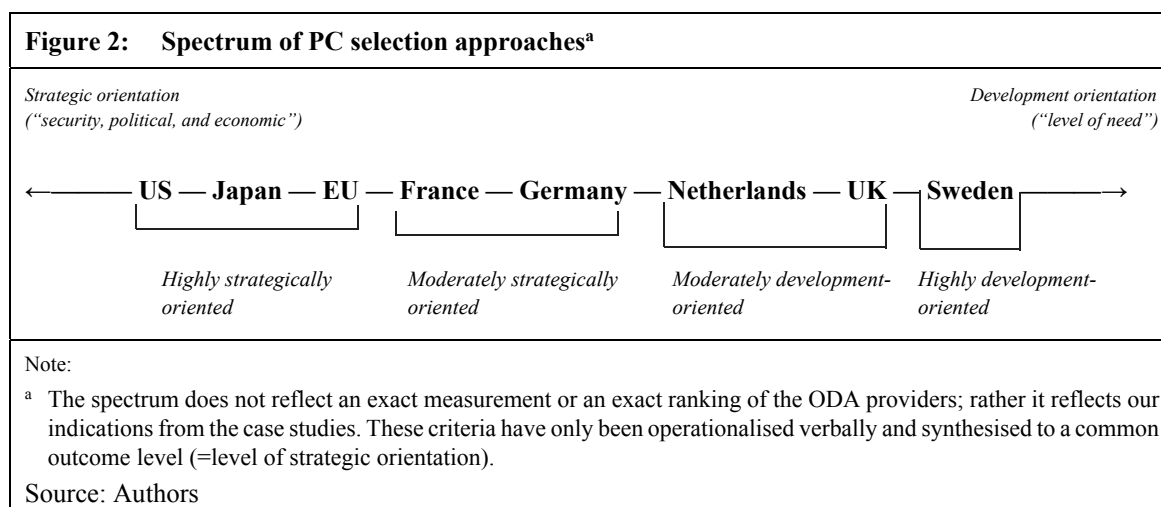
^h More than 33 PCs are targeted on SIDA's website section as "Where we work" (retrieved from sida.se/English/where-we-work/).

4 Stated intentions versus actual flows

Based on the findings in Section 3 it can be said that, overall, all providers of aid have a certain strategy in determining their partner countries but that this is different from their concept of strategic orientation. To a large extent, the implicit or explicit criteria for the selection of PCs and the level to which they are used reflect donor priorities, motivations and interests. That is why we now wish to go beyond the direct implications of PC selection approaches (as discussed in subsection 3.2) and reflect to a larger extent on the *overall* conceptual and theoretical debate presented in the Introduction.

4.1 Implicit conceptual approaches to PC selection: strategic versus development-oriented

For the most part, donors set their approach to PC selection according to certain principles. However, either the donors' understanding of these principles differs, or their implementation differs; or they do not follow their stated intentions. While some donors explicitly state their strategy behind their PC selection approach, the actual intentions of other donors with regard to ODA allocation to PCs remain merely implicit. Figure 2 ranks donors along specific points of a spectrum according to their approaches. These range from *highly driven by strategic interests* ("security, political and economic interests") to *highly driven by development concerns* ("level of need").



The US and Japanese approaches to PC selection are *high strategically-oriented* compared to other donors. The US approach is quite “realistic” because it sees foreign aid as the third pillar of its foreign policy together with diplomacy and security (similar in many aspects to the realist scholar Morgenthau (1960) who reflected on this in his classic article “A Political Theory of Foreign Aid”) and defines USAID as the main institution to realise this approach (US Department of State, 2016, p. 74). USAID selects PCs according to their importance to security interests, such as Afghanistan and Pakistan. Even though the level of need of PCs is also prioritised under some assistance programmes of USAID (for instance, “Feed the Future” determines 19 priority PCs), the top recipients of the gross bilateral ODA in per capita terms are those of strategic interest to the United States: Jordan, Nigeria, Pakistan, and the West Bank and Gaza Strip.

Japan, on the other hand, pursues a more regional approach, and therefore maintains its Asian donor characteristic that, together with some other features of Japanese ODA, leads to criticism of its aid for being commercial and mercantilist and for mainly prioritising Asia (Jain, 2016; Atkinson, 2017). According to the findings of this study, the majority of Japan's top-ten PCs are from South-East Asia. The Japanese government explicitly emphasises the importance of Asia because of the close relationship and because it is important to Japan's own security and prosperity (Government of Japan, 2015, p. 7).

In addition to these two donor countries, the European Union's ODA is considered *strategic* because of focusing on its neighbouring regions (where it can sustain regional security and stability), countries in the EU accession process (disregarding income groups, for instance, Turkey) and not indicating specific criteria for LDCs. This approach is reflected in the EU's top-ten recipients in terms of ODA per capita, where LDCs such as Mali, Afghanistan and the DRC receive less aid compared to the UMICs such as Tunisia, Serbia and Turkey. The EU's presence as a supranational organisation is highly dependent upon its foreign and security policy in the region. Because of this, it is to a certain extent a necessity for the EU to retain its position by focusing more on regional affairs. Thus, the regulation of ODA and PC selection set clearer priorities for specific purposes in comparison to determining PCs on account of need.

We consider France and Germany to be *moderately strategic* in terms of setting a specific agenda for their own interests but not setting a clear agenda and/or providing considerable amount of ODA to MICs. French development assistance is used strategically in order to keep close connections with partner countries with which France once shared linguistic and historical ties. Correspondingly, the majority of French aid in Africa goes to LDCs from former colonies, and MICs from the Mediterranean basin. Moreover, France also prioritises ODA allocation to emerging economies and MICs, respectively. Not all of France's top-ten recipients are from its priority PCs. Our findings suggest that France pursues development policy in accordance with its national interest of keeping ties with its former colonies and other partners important to French political and economic interests.

German aid, on the other hand, has some inconsistencies in its agenda. First, the 50 PCs determined by the BMZ are not fully reflected in its top-ten recipients where non-priority PCs (such as China, Côte d'Ivoire, Myanmar, Syria, and Turkey) also receive significant shares of German ODA in absolute terms.¹¹ German aid is mostly allocated to MICs, rather than to LDCs. According to an OECD report, another reason is that loans to MICs dilute the ODA allocation to the LDCs, where Germany only provides grant aid (OECD, 2015, p. 17). This might also create confusion in terms of setting criteria for PC selection. In addition, regardless of their being among the priority PCs or not, Germany maintains close cooperation with emerging economies such as Brazil, Mexico, and India. The BMZ identifies Global Development Partners, a core group of emerging countries consisting of Brazil, India, Indonesia, Mexico and South Africa, which are considered vital for

11 For instance, the Syrian refugee crisis led to changes in Germany's priorities. Syria receives German aid through activities in neighbouring countries: Turkey, Lebanon and Jordan. As a result, German aid to Turkey has increased, even though Germany's development cooperation with Turkey already came to an end in 2008. Retrieved from http://www.bmz.de/en/countries_regions/naher_osten_mittelmeer/syrien/index.html?follow=adword; http://www.bmz.de/en/countries_regions/Central-Eastern-and-South-Eastern-Europe/tuerkei/index.html

sustainable global development (BMZ, 2015). In consequence, partnership with them aims at addressing their domestic challenges through bilateral programmes and projects, as well as at building strategic partnerships for global sustainable development (p. 7).

The Netherlands and the United Kingdom are relatively more development-oriented in their PC selection approach and can be categorised as *moderate development-oriented*. When we look at the Netherlands' criteria for selecting PCs, we see a combination of "level of need" and trade-oriented approaches, which is reflected in actual flows. Even though this approach can be considered strategic with regard to securing Netherlands' market access, the approach still targets PCs in need and supports others economically in their development process through trade relations.

When we look at the UK example, "level of need" is the primary stated objective in selecting PCs. For this reason, the focus of the UK is on LDCs and fragile states determined according to certain criteria (including WB indicators). The UK approach can also be considered as strategic in the sense that former colonies constitute an important part of its priority PCs. For instance, the top three recipients of UK ODA in per capita terms are former colonies, as are half of the priority PCs determined by DFID. Yet, the UK approach is still more development-oriented than certain donors (such as France and Germany) because of at least being compatible with its formula of putting emphasis on LDCs and fragile states.

Sweden is the most *highly development-oriented* donor among the cases studied. Even though decision-making on bilateral ODA follows a flexible approach in PC selection (OECD, 2013, p. 41), Sweden sticks to its development policy of ODA provision to LDCs (mostly in SSA). Swedish aid is flexible with regard to ODA allocation to countries which are not its priority PCs. For instance, some LDCs (Mozambique, Zambia, Tanzania and Bangladesh) in the top-ten recipient list (2013-2014) are not from the 33 priority PCs. Yet, our analysis takes on board that following a development-oriented approach does not necessarily mean that the donor has set a clear agenda for PC selection and that such an exception does not necessarily reflect certain strategic calculations, as in the case of some other donors. However, since Swedish aid cannot be associated directly with a clearly self-interested strategy (for example, former colonies, security interests, and so on), it is considered more development-oriented in comparison.

A certain strategy behind PC selection approach is related to what extent donors explicitly state their intentions in ODA allocation. As can be inferred from the above spectrum, strategically motivated donors tend to be more implicit in their approaches in terms of not stating primary PCs; on the other hand, more development-oriented donors are clear in setting an agenda even though their agenda still contains a certain level of strategy, such as retaining economic and political ties with the former colonies, or combining aid with trade relations. Whether donors are explicit or implicit must also be assessed in accordance with the extent to which donors explicitly set criteria in PC selection and ultimately allocate ODA according to their intended approach. In this regard – according to the definition of predictability used in this paper – the more donors set certain criteria in PC selection, the more they determine priority PCs and the more they are at the same time consistent with their approach, the more predictable they are considered.

4.2 Reflections on the donor approach to actual flows

Based on the above conclusions, Table 21 indicates the predictability of PC selection approaches by referring to what extent donors set clear criteria for PC selection and follow an explicit agenda in ODA allocation.¹² Accordingly, the United States and Japan are two cases of donors who explicitly state that their PC selection in ODA allocation is strategic, and who do not have a list of priority partner countries. For this reason, we consider the United States and Japan as the *least predictable* donors because they do not set priority PCs and define their approaches only in terms of the level of importance to national security, which is not clear and subject to change.

The EU approach is only partly predictable because, while the EU sets clear priorities under the European neighbourhood and accession policy, it does not determine a clear approach in PC selection based on “level of need” and only mentions these groups of PCs as “LDCs elsewhere” (Council of the European Union, 2012, p. 4).

A similar approach is followed by Germany. Even though Germany sets 50 priority PCs (which would appear quite predictable), there is inconsistency in the actual flows. Moreover, the high number of PCs can also be considered another implication of a non-predictable approach and this makes Germany also closer to *non-predictable* on the scale.

Two donors, namely France and the United Kingdom, can be seen as partly predictable – but at the same time as relatively *more* predictable than the former donors: The UK sets its PC selection criteria according to several indicators, together with implementing a “needs-based” approach to its priority PCs and top-ten recipients. In this way, the UK’s profile is fairly transparent as the GDP per capita of the UK’s PCs also proves the need-based approach that the UK implements. Yet, the UK government does not explicitly state why some LDCs from its former colonies are prioritised over non-former-colonies.

Looking at French aid, one might argue that its approach based on its strategic interests is more or less justified by its actual flows. On the one hand, the French ODA allocation approach lays emphasis on the level of need in Africa together with the importance of historical and linguistic ties with recipients from the Mediterranean area. Moreover, the list of top-ten recipients in 2013-2014 shows that French aid is also provided to emerging countries such as South Africa, China and Mexico, which are also indicated among France’s priorities. What makes both approaches of the two donors partly predictable is that they do not explicitly mention the reason for prioritising their former colonies.

12 The interpretations of the donor approaches according to their scale of predictability can be considered a preliminary categorisation with a view to better understanding the donors. They facilitate a better understanding of the strategic motivation behind donor approaches; they highlight the differences between their approaches and actual flows of aid; and, in certain cases, they clarify the difference between donors’ intentions beyond the actual ODA flows.

Table 21: Predictability of donors' PC selection approaches				
← Non-predictable		Partly predictable		Predictable →
←Non-predictable		Predictable→		
Japan	EU	France	Netherlands	
US	Germany	UK	Sweden	
Source: Authors				

Finally, among the donor cases, the Netherlands and Sweden pursue a relatively more predictable approach in PC selection. The Netherlands, above all, can be considered as the *most predictable* in selecting PCs. Its agenda is reflected both in its statements and in the actual flows in such a way that the first half of the aid (according to the ODA per capita) goes to the PCs considered under the aid relations (with the exception of Syria, which is normally not among priority PCs). The other half goes to the PCs in transitional periods with which the Netherlands has both aid and trade relations.

Sweden, on the other hand, is predictable enough not to be considered *partly-predictable*, even though it does not set a well-structured PC selection formula. It determines 33 priority PCs, which are subject to change over time. ODA allocation to PCs in per capita terms does not say much about priorities, since recipients have more or less the similar GDP per capita. In this sense, Sweden is predictable in implementing its approach to help PCs most in need, providing aid to LDCs and fragile states and not prioritising certain states over others unless the level of need necessitates it (as in, for instance, increasing aid allocation to Syria due to the recent refugee crisis).

4.3 Assessing the results according to academic debate

The literature focusing on donor motivation in the provision of aid based on regression methods offers a variety of descriptive analyses of donor motivation in ODA allocation. These studies mainly discuss motivations in accordance with security, political and commercial interests as well as altruistic concerns. They suggest a wide range of comparative analyses of the donors, yet do not compare the donors' intentions with the results of the actual flows. The present study attempts to explain donor vis-à-vis ODA allocation in order to clarify some missing points emerging from the gaps in the literature.

This paper suggests that each donor has a certain degree of strategic motivation in PC selection (see Figure 1). In this regard there are some connections between the findings of the paper and the existing literature using regression methods: First, ODA allocation to certain PCs would appear to be shaped by the security and political interests of the donors. In other words, the geopolitical importance of the PCs is one of the determining factors because it has an effect on donors' political and security interests (Alesina & Dollar, 2000; Winters & Martinez, 2015). As our research has concluded, security interests can indeed be an explicit reason for selecting PCs when a donor is strategically motivated to allocate ODA to a certain region (such as in the case of US and Japan). Prioritising fragile states, as in the case of the UK, can also be considered as part of security interests, since fragile states pose a threat by creating a power vacuum in their region, such as in the case of Afghanistan or Syria.

Secondly, the existing literature also suggests that one political motivation of aid giving is sometimes based on “buying” votes in the United Nations (UN) (Alesina & Dollar, 2000; Hoeffler & Outram, 2011; Kuziemko & Werker, 2006). Our findings seem to indicate generally that ODA allocation is used to gain political support. The US recently set a concrete example of strategic-orientation in ODA allocation, when the US President threatened to cut aid from those who rejected the US decision on the recognition of Jerusalem as the capital of Israel by voting in favour of the UN resolution of non-recognition (Beaumont, 2017). Even though this is not the main policy of the US in ODA provision, it still exemplifies the use aid as a political tool for manipulating UN votes.

Third, many studies suggest that colonial ties play a role in donor motivation in allocating ODA to certain PCs (Alesina & Dollar, 2000; Berthelemy & Tichit, 2004). To a large extent, ODA allocation to former colonies reflects the commercial interests of the donors (Berthélemy, 2006b; Berthelemy & Tichit, 2004). The two cases focused on in this study, France and the UK, mirror this aspect as some former colonies are among the priority PCs or are on the top-ten recipient list. Nevertheless, such an approach is not a stated intention in the selection process. That is why aiding former colonies is identified in this study as an implicit strategy.

Fourth, commercial interests in aid giving reflect another wide range of studies in the relevant literature. For instance, a study has suggested that the top six OECD bilateral donors (that is, Canada, France, Germany, Japan, the United Kingdom and the United States) increased real aid per capita allocation when their PCs imported more machinery and transportation products from them (Younas, 2008, p. 672). In this respect, ODA allocation to trade partners can be considered strategic (Berthélemy, 2006a) or at least self-interested (Hoeffler & Outram, 2011) as it secures donors’ market access (Maizels & Nissanke, 1984). Furthermore, the growing demand for natural resources such as minerals and oil also has an effect on donor motivation (Klingebiel, 2014). Having said this, in none of the cases except for the Netherlands, are trade relations clearly integrated into the development strategy and the stated criteria for PC selection. Moreover, although the Netherlands *do* follow such an agenda, its approach is nevertheless fairly development-oriented (that is, altruistic, as Berthélemy (2006a) suggests) when one looks at the priority PCs from LDCs and ODA recipients in per capita terms.

Fifth, some studies argue that the development-oriented approach in PC selection is the determining factor for ODA allocation. According to research conducted by Lumsdaine & Schopf (2007), the majority of the priority PCs of the OECD donors are from low-income countries with high population figures (p. 225). Consequently, ODA allocation by the OECD to LDCs increased from 35 per cent to 43 per cent in the period 1994-2004 (Lumsdaine & Schopf, 2007). Our findings support this assessment when looking at stated intentions, the majority of which are development-oriented. In addition, even though some OECD/DAC donors are strategically motivated in certain aspects, they still show a tendency to allocate more aid to LDCs.

Finally, some scholars argue that development can be encouraged, if donors set certain conditionalities. Traditionally, political conditionalities refer to the promotion of democracy and the first generation of human rights, namely political and civil rights (Koch, 2015). For some scholars, donors can get better results if they reinforce the liberal values of democracy, human rights and the rule of law (Easterly, 2007b; Svensson, 2003; Zanger, 2000). Others

argue that good governance is a key for development. For instance, Pronk (2001) emphasised that the conditionality of good governance is crucial if economic development is to take place.

The findings of Alesina and Weder (2002) claimed that there is no evidence that less corrupt governments receive more foreign aid; although some others argued that bilateral donors tend to allocate ODA to relatively better governed PCs (Winters & Martinez, 2015). The evidence is rather mixed. Acht et al. (2015) stated that the quality of governance hardly affects the amount of actual aid committed and disbursed, which applies especially in the case of corruption (see Clist, 2011; Easterly, 2007a; Nunnenkamp & Thiele, 2013, p. 20).

Bueno de Mesquita and Smith (2009) argued that aid transfers help political leaders in (both the donor and) recipient states to survive, disregarding the autocratic leadership in the recipient (p. 337); while for other scholars, very few donors take recipient merit into consideration. For instance, Hoeffler and Outram (2011) analysed 22 DAC donors and found that between 1980 and 2004 only the UK and Japan provided more aid to countries with higher democracy scores (p. 249). There is also a relatively large volume of literature that shows that conditionalities have largely failed (see Öhler, Nunnenkamp, & Dreher, 2012).

Today, conditional aid is integrated into donor priorities in various policies: trade, foreign, security, energy, and climate (Koch, 2015). Yet, one cannot clearly infer this from donors' general approach to PC selection, because setting conditionalities is fairly country-specific, changing according to domestic dynamics in the recipient countries. For instance, in her analysis on the EU's democracy promotion to Africa, Hackenesch (2015) asserts that the success of the EU conditionalities in Africa depends on the willingness and active engagement of the PCs, as well as their domestic political dynamics (p. 86). Regarding the cases we have chosen, the MCC is the only example of a donor which sets conditions for the recipients' eligibility for development cooperation and monitors them through a results-based approach.

5 Conclusions

Analysing donor approaches in PC selection is crucial for understanding the political economy of donors and development cooperation as such. PC selection is, for example, an important indicator for donor intentions in development policy decision-making. To better understand donor intentions in ODA provision, it is not sufficient only to look at actual flows as most of the studies in the literature do. On the contrary, it is more important to see the extent to which the actual flows reflect the stated intentions on the part of the donor. Only that way can one better explain actual flows of ODA and why certain decisions are prioritised over another.

Our study has a different focus from the existing studies which are often mainly based on regression methods by offering a comprehensive method of analysis. We provide a qualitative assessment of donor motivations by comparing the stated intentions on the part of the donor and the actual flows. Contrary to most of the literature which often refers to strategic orientation as a non-stated strategy on the donor side, our findings suggest that donors' strategic orientation integrated into the ODA provision – that is, security, political and commercial interests – can be an explicitly-stated strategy. Some of our donor cases openly

pursue security interests leading to a more strategic approach in certain regions (as in the case of the US approach to the Middle East), a regional approach (as in the case of Japan in Asia), or commercial interests linked to development concerns (as in the case of the Netherlands). While the stated intentions are explicit policies, yet not predictable, the actual flows are both explicit and reflected in terms of ODA allocation in per capita terms.

However, some of the descriptive analyses may miss the point that a donor's being self-interested based on specific political and commercial interests – or egoistic as some scholars call it (Berthélemy, 2006a) – does not necessarily mean that the approach is less development-oriented. There may also still be certain intersections between development- and strategic-orientation in ODA allocation. In other words, strategic interest in aid giving does not always mean that the outcome of the ODA allocation is less development-oriented. The best example is the UK which targets LDCs on a needs-based approach, yet follows certain political or economic interests by aiding its former colonies. The UK aid is considered strategic because it prioritises some LDCs from its former colonies over other LDCs. Yet, its approach is more development-oriented because – compared to other donors who do not pursue such strategy (such as Germany or Japan) – it aids LDCs. The Netherlands can be cited as another example because it links its aid strategy to trade relations where mutual benefits are prioritised – yet the Netherlands' approach is still more altruistic than many other donors mentioned in this paper.

This paper does not include an assessment of the importance of performance criteria in PC selection. Nevertheless, we understand that – along with strategic and need considerations – an analysis of performance/merit is also important. For this reason, we suggest that further research should also include such criteria for a broader assessment of the donor approaches in ODA allocation.

All in all, this study aimed at contributing to the literature on donors' decision-making processes in development policy. PC selection approaches are an integral part of decision-making in development cooperation and say a lot about donor intentions and actual flows of ODA. Not only do certain development decisions lead to the selection of certain PCs, but partner countries should also be able to influence how development policy is structured. Development institutions and development cooperation platforms such as the OECD, the UN Development Cooperation Forum (DCF) and the Global Partnership for Effective Development Cooperation (GPEDC) could use the topic to a larger extent as an entry point to discuss aid effectiveness aspects and respective rules and norms for the selection of partner countries and the composition of partner country lists.

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