

Between values and interests: drivers of European Union aid

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This paper examines whether Official Development Assistance provided by the European Union aligns with its primary objective of poverty reduction. Using OECD data from 2005-2024, we distinguish between three categories of aid allocation determinants: recipient need, recipient merit and donor interests.

Our results show that EU aid remains poverty-targeted. Yet, strategic drivers such as migration flows, geopolitical alignment and access to critical raw materials are gaining ground, while the importance of democratic governance has declined. Several additional findings stand out. First, migration partnerships are associated with higher aid flows. Second, geopolitical competition with China has not been a major determinant of EU aid allocation, though this may have changed post-Global Gateway. Third, compared to major bilateral donors, EU aid is more linked to poverty alleviation and democratic governance. Fourth, the importance of different drivers evolves over time, especially after the launch of Global Gateway.

These findings point to a tension between the EU's normative commitments and the use of aid as an instrument of external policy, raising questions about the future direction and effectiveness of EU development cooperation.

The authors are grateful to Simone Tagliapietra and the participants in the Bruegel Research Meeting for their comments.

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Recommended citation:

Bahí, A., R. Dom, N. Poitiers and C. Reverdy (2026) 'Between values and interests: drivers of European Union aid,' *Working Paper 13/2026*, Bruegel, available at <https://doi.org/10.64153/JXET9395>

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1 Introduction

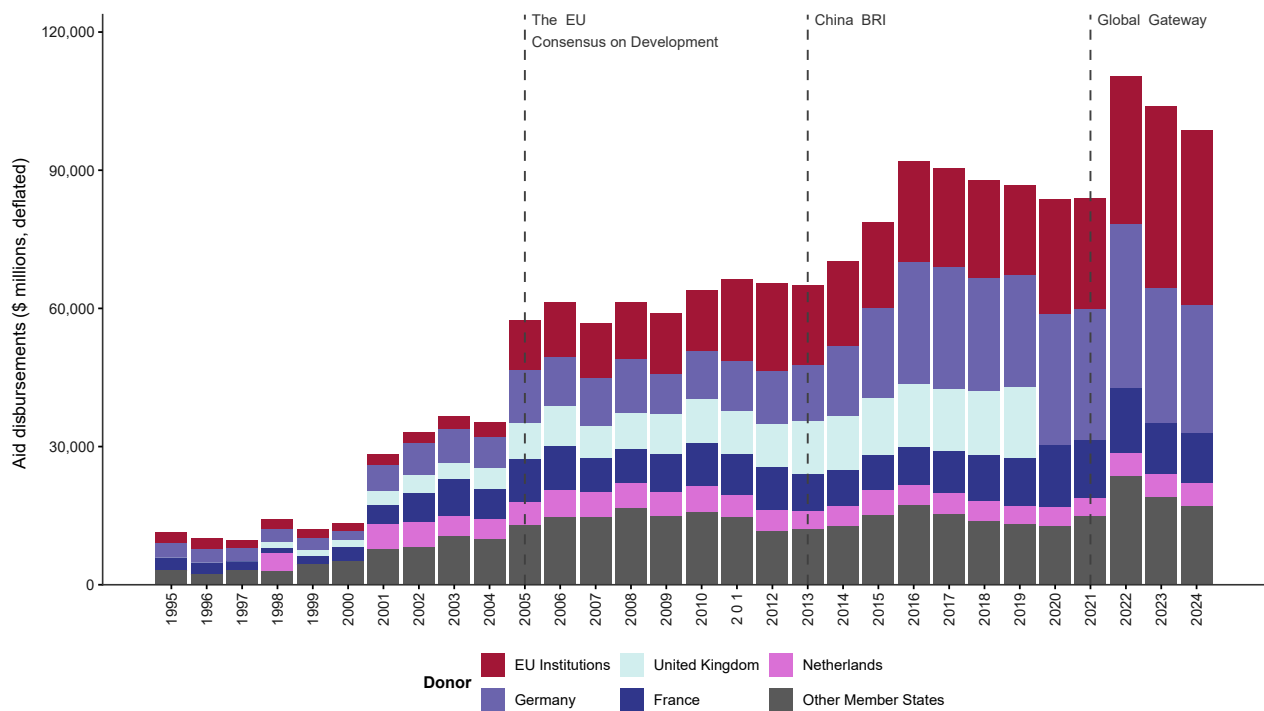
In a world marked by geopolitical competition, migration pressures and climate change, Official Development Assistance (ODA), or development aid, faces competition from other policy priorities in donor countries¹. In 2025, global ODA fell by 23.1 percent compared to 2024². While development aid from European Union institutions and EU countries has followed suit, EU aid³ has nevertheless grown considerably since 2005, when the EU Consensus on Development was announced (see Figure 1)⁴. Looking ahead, the European Commission has proposed increasing its international spending through the Global Europe instrument⁵. As major bilateral donors scale back their aid budgets, EU institutions are becoming an increasingly important development actor. Understanding the determinants of EU aid allocation is therefore crucial, as their decisions will have implications for the effectiveness and direction of global development efforts.

According to Article 208 of the Treaty of the Functioning of the EU (TFEU) “*European Union development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty*”. Yet, in practice, EU aid has become increasingly embedded within a broader set of strategic priorities. The launch in 2021 of the Global Gateway, the EU's flagship development strategy, aimed to mobilise €300 billion by 2027, mainly for infrastructure investment⁶. It was framed as the European option in a ‘battle of offers’, which includes China’s Belt and Road Initiative⁷. The strategy is emblematic of a shift towards using EU aid to advance geopolitical and economic objectives, potentially giving rise to a clash of priorities within EU development policy (Grabbe et al, 2024)⁸. While the Global Gateway may rationalise EU aid, support partner

- 1 ODA is government aid, in the form of grants or concessional loans, provided by official agencies with the promotion of the economic development and welfare of developing-country recipients as its primary objective (OECD, 2024).
- 2 OECD, ‘A historic decline in foreign aid: Preliminary 2025 ODA data’, *Data explainer*, 9 April 2026, Organisation for Economic Co-operation and Development, <https://www.oecd.org/en/data/insights/data-explainers/2026/04/a-historic-decline-in-foreign-aid-preliminary-2025-oda-data.html>. See also Table A.2 in the appendix which shows the evolution of aid disbursements among the main donors between 1995 and 2024.
- 3 ‘EU aid’ is defined as official development assistance provided by EU institutions, composed of the European Commission, the European Development Fund, EIB, the Humanitarian Aid Office of the European Commission, and the EU’s Macro-Financial Assistance.
- 4 See the European Commission website, ‘The European Consensus on Development’, undated, <https://eur-lex.europa.eu/EN/legal-content/summary/the-european-consensus-on-development.html>.
- 5 The Global Europe instrument is the European Commission’s proposed replacement for the current patchwork of EU external action instruments under the MFF 2028–2034. The proposal remains subject to negotiations with the Council and European Parliament, with a final agreement targeted by end-2027. See the Commission website ‘Global Europe’, 17 July 2025, https://commission.europa.eu/publications/global-europe_en.
- 6 The Global Gateway initiative operates through a Team Europe approach, bringing together EU institutions, its EU countries and their financial and development institutions. For this paper, we focus on aid provided by the EU institutions. See European Commission (2021).
- 7 See the European External Action Service blog post of 27 October 2023, ‘Global Gateway, EU’s proposal in the global “battle of offers”’, https://www.eeas.europa.eu/eeas/global-gateway-eus-proposal-global-battle-offers_en.
- 8 Roel Dom, ‘Europe’s geoeconomic and development objectives clash in Goma’, *First Glance*, 3 February 2025, Bruegel, <https://www.bruegel.org/first-glance/europes-geoeconomic-and-development-objectives-clash-goma>.

countries' infrastructure development and improve the EU's position in the global infrastructure and connectivity race (Tagliapietra, 2021), it also risks diverting resources towards strategically attractive recipients at the expense of the most vulnerable countries (Pérez *et al*, 2025).

Figure 1: Evolution of Team Europe's aid



Source: Bruegel based on OECD CRS Data. Note: Team Europe is defined as the EU institutions, EU countries and their implementing agencies and public development banks, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD)⁹. We adopt a time varying definition of Team Europe and include EU countries from the year they join and drop them from the year they leave the EU.

This reorientation raises a central question: to what extent does the allocation of EU aid remain consistent with its treaty-based mandate? This paper investigates the drivers of EU aid allocation and their evolution over time. We rely on data from the OECD Creditor System to measure aid disbursed by the EU institutions between 2005 and 2024. In line with the literature, we distinguish between three categories of drivers of aid: (i) recipient need, (ii) recipient merit, and (iii) donor interest (Dreher *et al*, 2018, 2024; Hoeffler and Sterck, 2022). To identify the main determinants, we employ two complementary empirical strategies: a between-country specification exploiting cross-country variation over time, and a within-country specification assessing how these drivers evolve within recipient countries. All variables are standardised to ensure the comparability of coefficient magnitudes, and explanatory variables are lagged by one year to mitigate potential simultaneity bias.

We find that EU aid allocation reflects a combination of development and strategic

⁹ See European Commission website, 'Team Europe Initiatives', undated, https://international-partnerships.ec.europa.eu/policies/team-europe-initiatives_en.

EU aid remains strongly focused on poverty alleviation but strategic considerations are gaining prominence

motivations. EU aid remains strongly focused on poverty alleviation, both across and within countries, but strategic considerations are gaining prominence¹⁰. Across countries, recipient need, proxied by the level of GDP *per capita*, and recipient merit, measured by their level of democracy, emerge as the most important drivers. At the same time, geopolitical interests, especially in resource rich and politically aligned partners, play a significant role in shaping allocation patterns. However, when studying the evolution of aid drivers over time within a given country, migration flows to the EU emerge as the most important driver of EU aid allocation. These findings are robust to alternative specifications, but a disaggregation by aid type reveals that grants drive the main results, while the allocation of loans is dominated by the geopolitical shock of Russia's invasion of Ukraine.

Extensions to our baseline models yield four additional findings. First, countries in EU migration partnerships are consistently associated with higher aid allocation, pointing to the growing importance of migration management as a policy objective. Second, we find little evidence that EU aid systematically responds to Chinese aid, suggesting that direct geopolitical competition with China is not a primary determinant of EU ODA allocation prior to the Global Gateway. However, since the introduction of the Global Gateway strategy, greater political alignment with China is associated with lower levels of EU aid. Third, EU aid appears more strongly targeted at poverty alleviation than that of the largest European bilateral donors (ie France, Germany, the Netherlands and the United Kingdom), which are more responsive to commercial interests and conflict. Fourth, the importance of different drivers has evolved over time, particularly since 2021, coinciding with the launch of the Global Gateway. While poverty targeting has remained stable, the influence of democratic governance has weakened and strategic considerations, notably migration and, more recently, access to critical raw materials have gained prominence.

These developments carry important implications for policy and may explain why the geography of EU aid has changed. For instance, sub-Saharan Africa's share of EU aid has decreased from over 90 percent in the early 2000s to 15 percent today, while the share flowing to European and Central Asian recipients has increased to 58 percent¹¹. Perhaps more importantly, it highlights a tension between the EU's normative commitments and the use of aid as an instrument of external policy. While strategically motivated aid can contribute to poverty reduction, this is not a guarantee. Therefore, it is important to monitor both whether EU aid allocation continues to shift towards strategic objectives, particularly as the Global Gateway matures and bilateral donors retrench, and whether strategically motivated investments generate meaningful poverty-reduction and development outcomes in recipient countries. In this context, embedding explicit poverty-targeting commitments in the next Multiannual Financial Framework (ie the 2028-2034 EU budget) can ensure that the world's poorest countries do not become the quiet casualties of Europe's geopolitical turn.

This paper contributes to several strands of the literature. We first relate to the

10 Throughout this paper, 'poverty-focused' refers to targeting aid at countries with lower levels of income and, therefore, higher development needs, as proxied by GDP *per capita*.

11 See Table A.3 in the appendix for a geographical breakdown of EU aid.

extensive body of literature on the determinants of foreign aid (Alesina and Dollar, 2000; Alesina and Weder, 2002; Bermeo 2017; Dreher *et al*, 2024; Hoeffler and Justino, 2024; Hoeffler and Outram, 2011). In particular, we contribute to the literature on the determinants of EU aid (Carbone, 2007; Schneider and Tobin, 2013; Carbone and Keijzer, 2016; Kim and Jensen, 2017; Olivié and Pérez, 2021; Hoekman and Shingal, 2024). Building on the distinction between recipient need, recipient merit and donor interest, we document how the balance between developmental and strategic motivations has shifted over time as well as between and across recipient countries and provide the first evidence on how this shift relates to the introduction of the Global Gateway in 2021.

Second, we contribute to the literature at the intersection of aid and migration (Bermeo and Leblang, 2015; Clemens and Postel, 2018). We provide new quantitative evidence that EU aid is increasingly shaped by migration issues, particularly through policy instruments such as EU Migration Partnerships.

Third, we contribute to the literature assessing differences in aid allocation patterns across donors. While Hoeffler and Sterck (2022) compare Chinese aid allocation with that of major OECD donors, we focus on heterogeneity within the EU by contrasting allocation patterns between EU institutions and EU countries (Dollar and Levin, 2006; Hoekman and Shingal, 2024).

Finally, we contribute to the growing literature on the geopolitical dimensions of development finance (Aiyar *et al*, 2024; Haroche, 2023; Mohr and Trebesch, 2025). We examine the role of geopolitical alignment, both with the EU and with China, in shaping EU aid allocation.

The remainder of the paper proceeds as follows. Section 2 describes the data and presents some stylised facts while section 3 presents the empirical strategy. Section 4 discusses the main results, section 5 explores the potential mechanisms and section 6 concludes.

2 Data

This section describes the data used to assess the impact and importance of different drivers of EU aid.

Building on the existing literature, we group these drivers into three categories: recipient need, recipient merit and donor interest (Dreher *et al*, 2018, 2024; Hoeffler and Sterck, 2022). Recipient need captures the developmental characteristics of the recipient country that motivate aid for humanitarian reasons, such as poverty. Recipient merit reflects the extent to which aid is likely to be used effectively, proxied by measures of governance quality. Donor interest captures the strategic, political and economic motivations of the EU as a donor.

2.1 Dependent variable

To study the determinants of EU aid allocation we rely on project-level data from the OECD Creditor Reporting System (CRS), which records official flows from donor governments and institutions to developing countries, covering both ODA and other official flows that do not meet the ODA threshold¹². The database covers aid flows from 1973 to 2024 and includes 40 donors and 195 recipient countries. Both commitments and disbursements are recorded. We restrict the sample to flows classified as ODA, which mainly take the form of grants or concessional loans, and to the period after 2005. EU aid flows have increased significantly since 2005 (Figure 1)¹³. Moreover, the adoption of the EU Consensus on Development in 2005 established, for the first time, a common strategic framework jointly endorsed by the Commission, Council and EU countries. Prior to this, EU coordination of development policy was limited. Although the Maastricht Treaty (1992) had introduced a formal EU competence in development cooperation, this remained complementary to EU country policies. The 2005 Consensus marked the culmination of successive Commission efforts to build a shared vision, setting out common objectives and principles binding for all three institutions (Carbone, 2007; Steingass *et al*, 2021).

Aggregating the project-level data, our dependent variable represents total bilateral ODA (in constant 2024 US dollars) disbursed by EU institutions to a recipient country in a given year. We rely on disbursement rather than commitments in our baseline models because commitment data does not necessarily correlate to received aid¹⁴. Committed amounts may be delayed, cancelled or partially disbursed. Disbursements, by contrast, capture the funds that are actually transferred to recipients in a given year, and therefore more accurately reflect the resources available to recipient governments. That said, we test the robustness of our results with commitment data in section 4.3.1.

Table 1 shows the descriptive statistics. On average, a recipient country received \$114 million from the EU in a given year. However, the median country only received \$40 million, suggesting that the distribution of aid is strongly skewed. Moreover, in some cases countries received no aid despite positive aid commitments by donors¹⁵. The skewed distribution and zero values justify the methodological choice to transform the aid variable using the inverse hyperbolic sine (IHS) transformation, discussed in more detail later.

12 Flows are considered as ODA if (i) they are provided by official agencies, and (ii) if each transaction is administered with the primary aim of promoting economic development and welfare of *developing* countries; and is concessional in character, ie implying a grant element ranging from 10 to 45 percent (OECD, 2024).

13 For instance, disbursements by EU institutions amounted to \$3,299.8 million in 2004, but increased by about 232 percent reaching \$10,956.9 million in 2005, highlighting the larger role of the EU Institutions from 2005 onwards.

14 However, the evolution of commitments and disbursements closely tracks each other (Figure 1).

15 We set negative ODA disbursement values to zero, in line with common practice in the literature (eg Hoeffler and Sterck, 2022). Negative ODA disbursement values arise primarily from loan repayments.

Table 1: Summary statistics on EU aid drivers

Variable	Mean	Median	Std. Dev.	Min.	Max.	Obs.
EU ODA (\$ million)	113.86	39.22	602.16	0	20,566	2,876
GDP <i>per capita</i>	4,220	3,090	3,933	250.88	37,466	2,694
Democracy Index	0.44	0.43	0.21	0.02	0.91	2,483
CRM Exports (\$ million)	1,703	72.90	5,631	0	76,232	2,859
UN Votes EU	-0.48	-0.53	0.54	-2.37	0.89	2,583
UN Votes China	0.50	0.65	0.49	-2.41	1	2,564
Conflicts	7.22	0	18.63	0	180	2,860
Migration Flow	12,419	2,381	45,677	0	1,895,332	2,726
Chinese ODA (\$ million 2021)	143.78	18.15	808.74	0	24,834	1,854
Chinese BRI (\$ million)	452.53	304.17	550.18	100	7,070	606
Distance (km)	7,167	7,178	3,685	1,136	16,764	2,859
Exports (\$ million)	3,893	42,295	214,366	0.19	3,607,439	2,859
Population (million)	43.80	9.45	163.40	0.01	1,451	2,760
Migration Partnership	0.08	0	0.27	0	1	2,876
Critical Partnership	0.01	0	0.08	0	1	2,876

Source: Bruegel.

2.2 Explanatory variables

To examine the drivers of EU aid allocation, we rely on proxy variables capturing recipient need, recipient merit and donor interest.

Recipient need is proxied by GDP *per capita*, which is drawn from the World Bank's World Development Indicators. GDP *per capita* captures a country's level of economic development but also correlates with poverty. It is also more consistently available than poverty measures, both across time and across countries.

To proxy recipient merit, we rely on a measure of democracy: the electoral democracy index from the Varieties of Democracy (V-Dem) dataset, constructed by Pemstein *et al* (2025). It ranges from 0 to 1, with higher values indicating stronger electoral democratic institutions.

The final category consists of five variables that capture different elements of donor interest. The first variable is the value of the recipient country's exports of critical raw materials (CRMs). This data comes from the CEPII BACI database developed by Gaulier and Zignago (2010)¹⁶. This serves as a proxy for the EU's commercial interests in the

16 Critical raw materials are defined following the Critical Raw Minerals Act official list. See https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials/critical-raw-materials-act_en.

country, particularly when accounting for the increasing importance of securing access to CRMs in EU external policy (European Union, 2024). The second and third variables are chosen to capture the political alignment of the recipient country with the EU. We include two variables on a recipient country's voting alignment at the UN with the EU and with China, respectively. The former tests direct alignment, while the latter captures whether EU aid responds strategically to a recipient country's alignment with China. This data was obtained from the Harvard UN voting dataset, developed by Voeten *et al* (2009). The UN voting variables use ideal point estimates from Voeten (2009)¹⁷. Higher values indicate stronger political alignment with the EU or China. We also include the number of conflicts in a country drawing on the UCDP Georeferenced Event Dataset (GED), introduced by Sundberg and Melander (2013) and extended in recent work by Davies *et al* (2025)¹⁸. Finally, we include a variable capturing migration flows from the recipient country into the EU in a given year, using data from the OECD International Migration Database.

Following the same analytical categories as the literature on the allocation of aid (Dreher *et al*, 2024), the donor interest variables reflect distinct policy logic. Access to critical raw materials and UN voting alignment capture economic and geopolitical self-interest, whereas reactions to conflict events may reflect self-serving concerns about negative spillovers (eg terrorism) or a values-based concern with promoting peace (Rohner, 2024). Migration flows, in turn, may capture either a management logic, whereby the EU responds to migration pressure through aid-based cooperation, or a prevention logic, whereby aid targets the root causes of emigration. These distinctions are worth bearing in mind when interpreting the results.

In an extension of our baseline models, we further explore potential competition effects between the EU and China, as well as the impact of the EU's partnership agreements on aid allocation. Therefore, we include data on Chinese ODA from the AID Database, developed by Custer *et al* (2023) and Dreher *et al* (2022), and data on Chinese investment into recipient countries under China's Belt and Road Initiative (BRI) from the AEI China Global Investment Tracker, established by the American Enterprise Institute and Heritage Foundation. As shown in Table 1, BRI investment data is not available for all country-year observations in our sample, covering only 606 of the 2,876 observations, which reflects the fact that BRI engagement is concentrated in a subset of countries and the initiative itself only gained momentum after its launch in 2013. To assess the impact of EU partnership policies we collect information from the European Commission and construct two dummy variables. The first captures whether the EU has signed a migration partnership with the recipient country; the second is equal to one if the EU has signed a strategic partnership with the recipient country (Tables A.4 and A.5 in the appendix)¹⁹.

17 As the EU does not vote at the UN, we proxy EU voting alignment as the average vote similarity of the recipient country with EU countries.

18 More than half of the country-year observations in our sample report no conflict events, while the maximum value of 180 reflects that several conflicts may occur within a country in the same year. The highest number of events is recorded for Ukraine in 2022 (180), followed by Syria in 2015 and 2017 (170).

19 The migration partnership includes EU mobility partnerships, EU migration partnership frameworks, migration partnership and dialogue, migration cooperation deals and migration partnership facilities. Critical partnership includes strategic partnerships on raw materials, strategic partnerships on sustainable critical and strategic minerals, strategic partnerships and partnerships on sustainable raw materials.

2.3 Control variables

In our empirical analysis, we introduce a number of control variables, such as distance to the EU and colonial links – a dummy variable equal to one if a recipient country was ever a colony of an EU country. These variables are obtained from the CEPII Gravity dataset Conte *et al* (2022). Additional variables include the value of a recipient country's total exports from BACI export data developed by Gaulier and Zignago (2010), and a country's total population from the World Bank Development Indicators.

3 Empirical strategy

This section outlines the approaches used to estimate the impact and relative importance of the different drivers of EU aid. We first estimate the main motives driving aid allocation between countries by highlighting the reasons why one country might be favoured over another. We then estimate the impact of the different drivers over time within a country, showing whether motives driving aid for a country changed during our period of interest.

3.1 Aid allocation *between* countries

To investigate the possible drivers of EU aid between countries, we first estimate the following linear regression model:

$$\text{ashin}(EU_ODA_{j,t}) = \beta_1 \text{Recipient Needs}_{j,t} + \beta_2 \text{Recipient Merit}_{j,t} + \beta_3 \text{Donor Interest}_{j,t} + \beta_4 \text{Controls}_{j,t} + \gamma_t + \epsilon_{j,t} \quad (1)$$

$\text{ashin}(EU_ODA_{j,t})$ is the amount of ODA disbursed by EU institutions to recipient country j in year t . We use the inverse hyperbolic sine transformation as an alternative to the log transformation for two reasons. First, like the log transformation, it addresses the heavily skewed distribution of aid flows. Second, unlike the log transformation, it accommodates zero values (Bellemare and Wichman, 2020; Mullahy and Norton, 2022). As a proxy for $\text{Recipient Needs}_{j,t}$ we include the level of GDP *per capita*. $\text{Recipient Merit}_{j,t}$ on the other hand comprises a recipient-level variable measuring whether aid will be put to good use. For this we include a democracy index. The third category, $\text{Donor Interest}_{j,t}$ captures the EU's strategic interest when allocating aid. We include additional variables for: voting alignment with the EU and China at the UN, conflict events, flow of migration and CRM exports.

Equation 1 is estimated using a recipient country-level panel dataset, exploiting variation across country and over time in aid flows. We include year fixed effects, γ_t to absorb common time shocks affecting all recipients simultaneously, such as shifts in the overall EU aid budget or global economic downturns, ensuring that our estimates are not conflated with aggregate time trends. We deliberately exclude country-fixed effects, as much of the meaningful variation in aid allocation is expected to occur across rather than

within countries²⁰. Structural characteristics such as income level, governance quality and geographic proximity change slowly over time, if at all. The coefficients on the drivers therefore capture what characteristics make one country more likely to receive EU aid than another, reflecting the cross-country logic of donor allocation decisions.

Since we do not include country-fixed effects, time-invariant characteristics such as colonial history and geographical distance, as well as time-varying factors such as population size, can also play an important role and are thus included in the *Controls* (j, t).

3.2 Aid allocation *within* countries

Secondly, to capture the main drivers of EU aid allocation to a given recipient country over time, we estimate the following model:

$$\begin{aligned} \ln(EU_ODA_{j,t}) = & \beta_1 \text{Recipient Needs}_{j,t} + \beta_2 \text{Recipient Merit}_{j,t} \\ & + \beta_3 \text{Donor Interest}_{j,t} + \beta_4 \text{Controls}_{j,t} + \eta_j + \gamma_t + \epsilon_{j,t} \end{aligned} \quad (2)$$

This specification is similar to Equation 1, but we include recipient country-fixed effects η_j to account for any country-level time-invariant characteristics. By absorbing all fixed differences across countries, this specification exploits the within-country variation over time, effectively asking: when conditions in a given recipient country change, does EU aid respond accordingly. As a result, the coefficients on the time-varying drivers capture the extent to which fluctuations in recipient need, merit and donor interest within a country are associated with changes in aid disbursements to that country. Controls that are time-invariant, such as colonial history and distance to the EU, are subsumed by the country-fixed effects and are therefore excluded from this specification, but measures of total exports and of the country's population are still included.

3.3 Further modelling choices

Both models share a number of common estimation choices, which we describe in turn. The standard errors of the coefficients for all estimations are clustered at the recipient country level (j), ie at the level of the treatment assignment. The standard errors thus account for the possibility that aid received by a given country may be correlated across time²¹.

A key methodological concern in cross-country panel regressions is the potential for simultaneity bias, whereby the outcome variable may itself influence the regressors, rendering OLS estimates inconsistent. To address this, we introduce the lagged values of the different variables, in line with the literature (Hoeffler and Sterck, 2022). By measuring predictors at time $t-1$ rather than contemporaneously, we ensure that the right-hand side variables are predetermined with respect to the outcome, reducing the risk of reverse causality, ie that causality runs in the opposite direction and lending a cleaner temporal interpretation to the estimated relationships. A lagged structure thus mitigates the strong (and likely unrealistic) assumption that drivers exert their influence on aid allocations

²⁰ This is not uncommon in the literature; see for instance Hoeffler and Sterck (2022).

²¹ Abadie *et al* (2023) discuss this experimental design reason for clustering, which is when clusters of units, rather than individual units, are assigned to a treatment.

within the same year, reflecting the possibility that such effects take time to materialise (Dreher *et al*, 2018; Hoeffler and Sterck, 2022).

In addition, we standardise all variables by subtracting the mean and dividing by the standard deviation, transforming each into units of standard deviations. This addresses the comparability problem inherent in raw regression coefficients: when predictors are measured in different units (eg years, dollars, kilometres or headcounts) their coefficients are incommensurable and ranking predictors by magnitude is meaningless. Standardisation places all variables on a common scale, so that each coefficient can be interpreted as the change in the outcome, in standard deviation units, associated with a one-standard-deviation increase in the predictor. This allows us to directly and transparently compare the relative importance of the different drivers included in the model. Larger absolute coefficients straightforwardly indicate stronger associations, without conflation from differences in variable dispersion or measurement scale²².

4 Baseline results

This section presents the baseline results on the drivers of EU aid allocation across and within countries, before assessing their robustness. We test the robustness of these findings by replacing disbursements with commitments and by disaggregating ODA into grants and loans, which may respond to different underlying motives.

4.1 Drivers across countries

The estimation of EU aid drivers across countries is presented in Table 2. Column (1) highlights the recipient need driver, while column (2) shows the recipient merit driver and column (3) focuses on the donor interest drivers. Column (4) integrates all the drivers to compare the size of their effect. GDP *per capita* is the largest driver of EU ODA across countries; specifically, a one standard deviation increase in GDP *per capita* is associated with a 0.22 standard deviation (SD) decrease in ODA ($\approx$ -\$0.17 million)²³. The second largest drivers explaining aid allocation across countries are the level of democracy in the recipient country, the level of political alignment with the EU, and exports of CRMs, where a SD increase in these variables is associated with around a 0.09 SD increase in ODA ($\approx$ +\$0.07 million)²⁴. Finally, the number of conflicts positively influences the level of ODA received, +0.05 standard deviation increase ($\approx$ +\$0.04 million). Thus, recipient need and merit as well as donor interest appear to drive the allocation of EU aid across countries. The strongest predictors of EU aid allocation are poverty and democratic governance,

22 The real-world magnitude of any effect can be recovered by reversing the standardisation. Specifically, the effect of a one-unit change in x on y in original units is given by $\hat{\beta} \times (\sigma_y / \sigma_x)$, where σ_y and σ_x are the standard deviations of the outcome and the predictor respectively, and $\hat{\beta}$ is the standardised coefficient. The effect of a one standard deviation change in x simplifies to $\hat{\beta} \times \sigma_y$.

23 The effect in \$ millions is obtained by multiplying $\hat{b}_x$ by σ_y and taking the Inverse Hyperbolic Sine, $\sinh^{-1}$ (-0.225×0.75).

24 The standard deviations of each variable are available in Table A.1.

followed by political alignment, CRM endowments and conflict.

Table 2: Estimation of the effect of aid drivers on EU flows across countries

	(1) Recipient needs	(2) Recipient merit	(3) Donor interest	(4) All
GDP <i>per capita</i>	-0.160*** (0.045)			-0.225*** (0.055)
Democracy Index		0.125*** (0.037)		0.093*** (0.034)
CRM exports			0.058 (0.041)	0.087** (0.037)
UN votes EU			0.144*** (0.036)	0.091** (0.040)
UN votes China			0.030 (0.032)	-0.037 (0.036)
Conflicts			0.056*** (0.020)	0.047*** (0.018)
Migration flow			-0.012 (0.050)	-0.009 (0.055)
Observations	2,690	2,475	2,684	2,359
Year FE	Yes	Yes	Yes	Yes
Country FE	No	No	No	No
Control variables	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (4) report results for the inverse hyperbolic transformation of EU ODA disbursement. All variables are lagged and standardised. All regressions include time fixed effects, as well as control variables (colonial link, distance, export value and population). Standard errors are clustered at the recipient country level. Statistical significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

4.2 Drivers within countries

The estimation of EU aid drivers within countries is presented in Table 3. Column (1) highlights the recipient need drivers, while column (2) shows the recipient merit drivers and column (3) focuses on the donor interest drivers. Column (4) integrates all drivers. When estimating the evolution of EU aid within countries, migration appears as the largest driver, followed closely by GDP per capita. Specifically, a one standard deviation increase in GDP *per capita* results in a 0.24 standard deviation increase in ODA ($\approx +0.18$ million US dollars). This finding, in line with the broader literature, suggests that reducing migration flows is part of the motivation for donors to provide aid (Bermeo and Leblang, 2015; Dreher *et al*, 2024). Like the across-countries specification, recipient need, merit, number of conflicts and the recipient's political alignment with the EU also matter. Within

country estimation suggests that the EU's own economic interests are increasingly driving its aid allocation.

Table 3: Estimation of the effect of aid drivers on EU flows within countries

	(1) Recipient needs	(2) Recipient merit	(3) Donor interest	(4) All
GDP per capita	-0.227* (0.128)			-0.212* (0.115)
Democracy Index		0.074** (0.032)		0.089*** (0.029)
CRM exports			-0.006 (0.040)	0.007 (0.041)
UN votes EU			0.052 (0.032)	0.048* (0.026)
UN votes China			-0.006 (0.017)	0.003 (0.018)
Conflicts			0.052*** (0.015)	0.046*** (0.014)
Migration flow			0.227*** (0.071)	0.237*** (0.060)
Observations	2,690	2,475	2,684	2,359
Year FE	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (4) report results for the inverse hyperbolic transformation of EU ODA disbursement. All variables are lagged and standardised. All regressions include time and recipient country fixed effects, as well as control variables (export value and population). Standard errors are clustered at the recipient country level. Statistical significance: *** p < 0.01, ** p < 0.05, * p < 0.1.

4.3 Robustness

4.3.1 Disbursements vs commitments

As a first robustness check, we compare our baseline results with the results obtained when using ODA commitments instead of disbursements. While committed amounts may be only partially disbursed, delayed, or cancelled, disbursements capture the funds that are actually transferred to recipients in a given year. If the two measures yield similar results, this increases confidence that our findings are not an artifact of the particular outcome measure chosen.

Table 4: The effect of drivers on disbursement vs commitment

	<i>Between countries</i>		<i>Within countries</i>	
	(1) Disbursement	(2) Commitment	(3) Disbursement	(4) Commitment
GDP per capita	-0.225*** (0.055)	-0.249*** (0.069)	-0.212* (0.115)	-0.128 (0.162)
Democracy Index	0.093*** (0.034)	0.086** (0.041)	0.089*** (0.029)	0.134*** (0.048)
CRM exports	0.087** (0.037)	0.058 (0.044)	0.007 (0.041)	-0.046 (0.060)
UN votes EU	0.091** (0.040)	0.107** (0.052)	0.048* (0.026)	0.020 (0.034)
UN votes China	-0.037 (0.036)	-0.040 (0.047)	0.003 (0.018)	-0.023 (0.029)
Conflicts	0.047*** (0.018)	0.068*** (0.022)	0.046*** (0.014)	0.078*** (0.017)
Migration flow	-0.009 (0.055)	-0.080 (0.067)	0.237*** (0.060)	0.182* (0.101)
Observations	2,359	2,359	2,359	2,359
Year FE	Yes	Yes	Yes	Yes
Country FE	No	No	Yes	Yes
Control variables	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) and (3) report results for the inverse hyperbolic transformation of EU ODA disbursement, while columns (2) and (4) refer to the inverse hyperbolic transformation of EU ODA commitment. Columns (1) and (2) correspond to the 'between countries' specifications, while columns (3) and (4) display 'within countries' specification. The 'between countries' regressions include time fixed effects, as well as control variables (colonial link, distance, export value and population), while 'within countries' regressions also include country-fixed effects and control variables (export value and population). All variables are lagged and standardised. Standard errors are clustered at the recipient country level. Statistical significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table 4 shows our baseline results in columns (1) and (3) while columns (2) and (4) display the results for ODA commitments. Across countries, the drivers of ODA commitments are largely similar to the drivers of disbursements. Recipient need, merit and political alignment with the EU show the largest response, closely followed by the number of conflict events. However, the value of past CRM exports is not a significant driver for ODA commitments, suggesting that mineral resources play a role in determining disbursements but not commitments.

Within countries, the picture partly shifts. Recipient merit, migration flows and conflict events are the main drivers of commitments within countries over time. However, recipient need and political alignment with the EU are not significant for aid commitments, indicating a reorientation over time of aid commitments away from traditional needs-based and political considerations.

4.3.2 Loans vs grants

As a second robustness check, we disaggregate ODA flows into grants and loans, which may respond to different donor motives. Grants represent an outright transfer of resources, whereas loans – even concessional ones – require repayment and may therefore reflect a different set of motivations (Gaibulloev and Younas, 2019)²⁵.

Table 5: Estimation of the effect of aid drivers on EU flows across countries, by type of ODA flows

	<i>Between countries</i>		<i>Within countries</i>	
	(1) Grant	(2) Loans	(3) Grant	(4) Loans
GDP <i>per capita</i>	-0.276*** (0.056)	0.173* (0.097)	-0.270** (0.129)	0.657 (0.535)
Democracy Index	0.080** (0.032)	0.018 (0.070)	0.128*** (0.032)	0.060 (0.131)
CRM exports	0.078** (0.038)	0.016 (0.080)	0.004 (0.039)	-0.139 (0.146)
UN votes EU	0.066* (0.039)	-0.002 (0.088)	0.028 (0.028)	0.015 (0.094)
UN votes China	-0.030 (0.032)	-0.108 (0.077)	-0.003 (0.019)	0.078 (0.053)
Conflicts	0.056*** (0.017)	-0.182*** (0.048)	0.039*** (0.008)	-0.082 (0.053)
Migration flow	-0.019 (0.052)	0.085 (0.094)	0.191*** (0.056)	0.397 (0.295)
Ukraine conflict	0.171 (0.176)	3.095*** (0.326)	0.177 (0.117)	2.711*** (0.407)
Observations	2,320	993	2,320	989
Year FE	Yes	Yes	Yes	Yes
Country FE	No	No	Yes	Yes
Control variables	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (4) report results for the inverse hyperbolic transformation of EU ODA disbursement. Columns (1) and (3) only comprise ODA grant flows, while columns (2) and (4) include only ODA loan flows. ODA grant flows comprise standard grant flows and interest subsidies, while ODA loans consist of standard loan flows. Ukraine conflict dummy is equal to one if the recipient country is Ukraine and if the year is equal or larger than 2022, the beginning of the Russian invasion. The 'between countries' regressions include time fixed effects, as well as control variables (colonial link, distance, export value and population), while 'within countries' regressions also include country fixed effects and control variables (export value and population). All variables are lagged and standardised. Standard errors are clustered at the recipient country level. Statistical significance: *** p < 0.01, ** p < 0.05, * p < 0.1.

Columns (1) and (2) of Table 5 present the effect of the main drivers separately for grant and loan flows across countries, while columns (3) and (4) display the effects over time within countries.

²⁵ Figure A.1 in the appendix displays the evolution of grants and concessional loans.

Across and within countries, the drivers of grant allocation are similar to our baseline estimates, indicating that our baseline results are driven by grant-based ODA. In the within countries specification, the only exception is political alignment with the EU that no longer appears as a primary driver for within country aid allocation over time.

Interestingly, the drivers of loan allocations tell a different story. Across and within countries, the Ukraine conflict dummy dominates. This large and significant coefficient reflects the exceptional scale of EU macro-financial assistance extended to Ukraine following its invasion by Russia, and the fact that this response was channelled primarily through loans rather than grants. The signs on GDP *per capita* and conflict have flipped, respectively indicating a positive and negative association with concessional loans, though one that is only significant in the between model. This suggests that more fragile and lower income countries are less likely to receive lending from the EU, possibly due to concerns about repayment capacity.

5 Extensions

While the baseline results identify the structural determinants of EU aid allocation, additional analyses help illustrate how these drivers interact with evolving policy priorities and geopolitical dynamics. Recent debates highlight that EU development cooperation increasingly intersects with strategic considerations, including migration management, access to critical raw materials and geopolitical competition (eg Sherriff and Veron, 2024). To shed further light on these dynamics, we extend the baseline analysis in four ways. First, we assess whether formal EU policy initiatives, such as migration or critical raw materials partnerships, are associated with changes in aid allocation. Second, we examine whether EU aid allocation responds to geopolitical competition in development finance, focusing on the role of Chinese development finance aid and investments linked to the BRI. Third, we compare the drivers of EU aid with aid disbursed by the four largest bilateral European donors: France, Germany, the Netherlands and the United Kingdom. Finally, we examine how the importance of needs-based, merit-based and interest-based determinants evolved over time, especially after the introduction of the EU's Global Gateway. Together, these extensions provide additional insight into how development objectives and strategic considerations jointly shape EU aid allocation.

EU development cooperation increasingly intersects with migration management and access to critical raw materials

5.1 Partnerships

We first examine whether the signing of formal partnership agreements between recipient countries and the EU is associated with changes in the allocation of EU aid. Table 6 reports results including indicators for migration partnerships and partnerships related to CRMs²⁶. The specifications include the full set of control variables used in the baseline analysis.

26 Tables A.4 and A.5 in the appendix list the different migration and strategic partnerships signed by the EU.

Table 6: EU partnerships

	<i>Between countries</i>			<i>Within countries</i>		
	(1)	(2)	(3)	(4)	(5)	(6)
Migration partnership	0.076*** (0.018)		0.077*** (0.018)	0.048*** (0.011)		0.049*** (0.011)
Critical partnership		0.024 (0.028)	0.030 (0.029)		0.025 (0.021)	0.027 (0.021)
GDP per capita	-0.222*** (0.055)	-0.220*** (0.056)	-0.220*** (0.055)	-0.272** (0.119)	-0.232* (0.121)	-0.265** (0.119)
Democracy Index	0.078** (0.033)	0.090** (0.035)	0.077** (0.033)	0.083*** (0.026)	0.081*** (0.030)	0.081*** (0.026)
CRM exports	0.090** (0.038)	0.084** (0.038)	0.088** (0.038)	0.002 (0.040)	0.009 (0.041)	0.005 (0.040)
UN votes EU	0.091** (0.039)	0.093** (0.041)	0.090** (0.039)	0.040 (0.027)	0.043 (0.028)	0.040 (0.027)
UN votes China	-0.053 (0.035)	-0.037 (0.037)	-0.052 (0.035)	0.005 (0.018)	0.008 (0.018)	0.006 (0.018)
Conflicts	0.045** (0.018)	0.043*** (0.016)	0.042** (0.016)	0.043*** (0.015)	0.040*** (0.010)	0.038*** (0.010)
Migration flow	-0.019 (0.054)	-0.006 (0.056)	-0.019 (0.054)	0.240*** (0.063)	0.239*** (0.061)	0.232*** (0.061)
Observations	2,242	2,242	2,242	2,242	2,242	2,242
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Country FE	No	No	No	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (6) report results for the inverse hyperbolic transformation of EU ODA disbursement. Columns (1) to (3) correspond to the 'between countries' specifications, while columns (4) to (6) display the 'within countries' specification. All variables are lagged and standardised. Migration partnerships include mobility partnerships, migration partnership frameworks, migration partnerships and dialogues, migration cooperation deals, talent partnerships and migration partnership facilities (Table A.4). Critical partnerships include strategic partnerships on raw materials, strategic partnerships on sustainable critical and strategic minerals (Table A.5). The 'between countries' regressions include time fixed effects, as well as control variables (colonial link, distance, export value and population), while 'within countries' regressions also include country fixed effects and control variables (export value and population). Standard errors are clustered at the recipient level. Statistical significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Across specifications, migration partnerships are positively and significantly associated with EU aid disbursements. In the between-country specifications (Columns 1-3), the estimated coefficient ranges from 0.076 to 0.077 and is statistically significant at the one-percent level. The relationship remains robust when exploiting within-country variation over time (Columns 4-6), with coefficients ranging between 0.048 and 0.049, also significant at the one-percent level. These results suggest that countries signing migration partnerships with the EU tend to receive higher levels of EU aid, both in cross-country comparisons and following the establishment of such partnerships over time.

In contrast, partnerships related to CRMs do not show a statistically significant effect on EU aid allocation. The coefficients are positive but imprecisely estimated across both the between- and within-country specifications, indicating no clear evidence that the establishment of CRM partnerships is associated with a systematic increase in EU aid disbursements. One possible explanation is that many of the EU's CRM partnerships have only been recently established²⁷. As a result, the number of post-partnership observations in the sample remains limited, which may reduce the statistical power to detect an effect on aid allocations.

Taken together, these findings suggest that formal cooperation frameworks on migration are associated with higher EU aid allocations, while similar frameworks related to CRM do not appear to be systematically reflected in aid flows.

5.2 Competition with China

We next examine whether EU aid allocation responds to geopolitical competition with China, focusing on countries' Chinese development assistance, BRI investments and political alignment with China in the UN. Table 7 reports results for both between- and within-country specifications.

Overall, the results suggest that the level of Chinese development finance does not systematically affect the amount of EU aid received. The coefficient on Chinese ODA is positive but statistically insignificant in the between-country specification (Column 1) and remains small and insignificant when exploiting within-country variation over time (Column 3).

Similarly, Chinese BRI investment does not appear to be significantly associated with EU aid allocation. The estimated coefficients are small and statistically insignificant in both the between- and within-country specifications (Columns 2 and 4), indicating no clear relationship between BRI investment and EU aid disbursements.

Political alignment with China shows some correlation with EU aid across countries. The coefficient on UN voting alignment with China is negative and statistically significant in one of the between-country specifications (Column 2), suggesting that countries that vote more frequently with China at the UN tend to receive less EU aid. However, this relationship does not hold when exploiting within-country variation over time (Columns 3 and 4), where the coefficients are small and statistically insignificant.

Taken together, these findings do not provide strong support that EU aid allocation systematically responds to Chinese development finance or BRI investments. While cross-country differences in political alignment with China are associated with lower EU aid in some specifications, changes in Chinese engagement within countries over time do not appear to trigger systematic adjustments in EU aid disbursements.

Political alignment with China shows some correlation with EU aid; countries that vote more frequently with China at the UN tend to receive less EU aid

27 The first partnership was signed with Canada in 2021. All CRM partnerships signed by the EU are listed in Table A.5.

Table 7: Competition with China

	<i>Between countries</i>		<i>Within countries</i>	
	(1)	(2)	(3)	(4)
Chinese ODA	0.019 (0.015)		0.002 (0.009)	
Chinese BRI		-0.007 (0.021)		0.004 (0.014)
UN votes China	-0.047 (0.031)	-0.126** (0.052)	-0.015 (0.021)	-0.030 (0.023)
GDP per capita	-0.178*** (0.053)	-0.254*** (0.084)	-0.156 (0.130)	-0.060 (0.290)
Democracy Index	0.125*** (0.036)	0.066 (0.043)	0.104*** (0.027)	0.084 (0.060)
CRM exports	0.088** (0.038)	0.051 (0.056)	0.034 (0.047)	-0.084 (0.095)
UN votes EU	0.047 (0.033)	0.114* (0.063)	0.011 (0.026)	0.014 (0.041)
Conflicts	0.045*** (0.015)	0.029 (0.018)	0.038*** (0.009)	-0.010 (0.011)
Migration flow	-0.026 (0.054)	-0.033 (0.080)	0.257*** (0.071)	0.305** (0.142)
Observations	1,732	542	1,730	531
Year FE	Yes	Yes	Yes	Yes
Country FE	No	No	Yes	Yes
Control variables	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (4) report results for the inverse hyperbolic transformation of EU ODA disbursement. Columns (1) and (2) correspond to the 'between countries' specifications, while columns (3) and (4) display the 'within countries' specification. All variables are lagged and standardised. The 'between countries' regressions include time-fixed effects, as well as control variables (colonial link, distance, export value and population), while 'within countries' regressions also include country-fixed effects and control variables (export value and population). Standard errors are clustered at the recipient level. Statistical significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

5.3 Comparison with main EU country donors

To contextualise the findings on EU institutional aid, we also compare the drivers of EU institutional ODA with those of the four largest bilateral European donors: Germany, the UK, France and the Netherlands²⁸. Tables 8 and 9 report results for the between- and within-country specifications, respectively.

28 In 2024 their aid disbursements were equal to \$27,719 million, \$12,000 million, \$11,047 million and \$4,977 million for Germany, the UK, France and the Netherlands, respectively (OECD, 2024).

Across countries, EU institutional aid is negatively and significantly associated with GDP *per capita* (-0.225), consistent with a poverty-targeting logic. In contrast, France shows a positive association (0.205), suggesting its aid tends to flow toward relatively better-off recipients. Germany, the Netherlands and the UK show no statistically significant relationship with recipient *per-capita* income²⁹. Recipient merit, as proxied by democratic governance, is a significant driver across EU institutions, France, Germany and the Netherlands, although the magnitude varies. The UK is the only large donor for which the democracy coefficient is not statistically significant.

Table 8: Estimation of the effect of aid drivers on main EU country flows across countries

	(1)	(2)	(3)	(4)	(5)
	EU Institutions	France	Germany	The Netherlands	United Kingdom
GDP <i>per capita</i>	-0.225*** (0.055)	0.205* (0.112)	0.095 (0.063)	-0.240 (0.171)	0.097 (0.162)
Democracy Index	0.093*** (0.034)	0.128** (0.052)	0.204*** (0.039)	0.141* (0.077)	-0.098 (0.072)
CRM exports	0.087** (0.037)	0.205*** (0.064)	0.145** (0.061)	-0.009 (0.124)	0.294*** (0.087)
UN votes	0.091** (0.040)	0.104** (0.044)	0.054 (0.041)	0.009 (0.064)	0.115 (0.076)
UN votes China	-0.037 (0.036)	0.045 (0.054)	0.001 (0.050)	0.006 (0.051)	0.095 (0.073)
Conflicts	0.047*** (0.018)	0.012 (0.041)	0.116*** (0.041)	0.162** (0.061)	0.246*** (0.041)
Migration flow	-0.009 (0.055)	-0.003 (0.049)	0.034 (0.039)	-0.160* (0.085)	-0.057 (0.060)
Observations	2,359	646	669	607	854
Year FE	Yes	Yes	Yes	Yes	Yes
Country FE	No	No	No	No	No
Control variables	Yes	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (5) report results for the inverse hyperbolic transformation of EU ODA disbursement. All variables are lagged and standardised. All regressions include time-fixed effects, as well as control variables (colonial link, distance, export value and population). Standard errors are clustered at the recipient country level. Statistical significance: *** p < 0.01, ** p < 0.05, * p < 0.1.

The most notable divergence across bilateral donors in the between-country specification concerns CRM exports and conflicts³⁰. France, Germany and the UK all show larger responses to CRM exports than EU institutions – particularly France (0.205)

29 On the other hand, it is worth noting that across all four donors, the recipient country's total value of exports, a control variable proxying for its economic activity, is negatively associated with aid received, while this control is not significant for aid disbursed by EU institutions.

30 In addition, some of the controls are particularly important in the bilateral regressions, notably colonial links for France and the UK.

and the UK (0.294). Conflicts also play a stronger role in bilateral allocations, especially for the Netherlands (0.162) and the UK (0.246), compared to EU institutions (0.047), suggesting these donors engage more than the EU with Fragile and Conflict-affected States (FCSs)³¹. Regarding migration, the Netherlands is the only bilateral donor with a statistically significant coefficient in the cross-country specification, and its sign is negative (-0.160), meaning that across countries the Netherlands tends to allocate less aid to higher-migration-origin countries.

Table 9: Estimation of the effect of aid drivers on main EU country flows within countries

	(1)	(2)	(3)	(4)	(5)
	EU Institutions	France	Germany	The Netherlands	United Kingdom
GDP <i>per capita</i>	-0.212*	0.368**	-0.009	-0.456*	-0.626**
	(0.115)	(0.161)	(0.226)	(0.263)	(0.256)
Democracy Index	0.089***	0.014	0.026	-0.068	-0.053
	(0.029)	(0.048)	(0.062)	(0.098)	(0.114)
CRM exports	0.007	-0.051	0.053	-0.272**	-0.043
	(0.041)	(0.107)	(0.097)	(0.109)	(0.083)
UN votes	0.048*	0.075	-0.002	0.024	0.034
	(0.026)	(0.053)	(0.033)	(0.055)	(0.043)
UN votes China	0.003	0.009	0.044	-0.080	0.033
	(0.018)	(0.045)	(0.038)	(0.058)	(0.040)
Conflicts	0.046***	0.026	0.074***	0.155***	0.101***
	(0.014)	(0.036)	(0.021)	(0.049)	(0.030)
Migration flow	0.237***	0.036	0.038	-0.078*	0.027
	(0.060)	(0.027)	(0.039)	(0.047)	(0.027)
Observations	2,359	640	661	600	846
Year FE	Yes	Yes	Yes	Yes	Yes
Country FE	Yes	Yes	Yes	Yes	Yes
Control variables	Yes	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (5) report results for the inverse hyperbolic transformation of EU ODA disbursement. All variables are lagged and standardised. All regressions include time and recipient country-fixed effects, as well as control variables (export value and population). Standard errors are clustered at the recipient country level. Statistical significance: *** p < 0.01, ** p < 0.05, * p < 0.1.

Turning to within-country estimates (Table 9), income-based targeting emerges as a broadly shared feature across most donors. GDP *per capita* is negative and significant for EU institutions (-0.212), the Netherlands (-0.456) and the UK (-0.626), indicating that within each of these donors' portfolios, aid increases as recipient countries become poorer over time (eg following an economic shock). France again stands out as the exception, with a positive and significant within-country coefficient (0.368), suggesting

31 Fragile and Conflict-Affected Situations (FCS) is a classification used by the World Bank to identify countries facing specific development challenges such as weak governance, limited institutional capacity and ongoing or recent conflict.

that it allocates more aid to countries as their economic conditions improve. Germany shows no significant income sensitivity in either specification. Migration flows emerge as a distinctive driver for EU institutions within countries (+0.237), with no comparable effect found for any of the four largest bilateral donors, indicating a qualitatively different dynamic. Conflict remains a significant within-country driver across Germany, the Netherlands, the UK and EU institutions, while France shows no statistically significant response³².

Overall, EU institutional aid stands out from bilateral donors in two respects. First, it displays stronger and more consistent targeting of poorer countries, particularly when compared to France (Hoeffler and Sterck, 2022; McGillivray *et al*, 2008; Neumayer, 2003). Second, migration flows play a uniquely prominent role in driving changes in EU institutional aid over time, a pattern not replicated by any major bilateral donor. Bilateral donors show stronger responses to CRM-related interests and conflict than EU institutions, at least in cross-country comparisons, while colonial links also account for a large part of the variation.

5.4 Effects over time

Finally, we examine how the importance of different determinants of EU aid allocation has evolved over time. To do so, we first estimate yearly coefficients for selected variables capturing recipient need, merit and donor interest. Figure 2 reports the estimated coefficients and confidence intervals for GDP *per capita*, democracy, migration flows and exports of critical raw materials³³.

Panel a shows the evolution of the coefficient on GDP *per capita*, capturing the role of recipient need in EU aid allocation. The coefficient remains negative and statistically significant throughout the sample period, indicating that poorer countries consistently receive more EU aid. While the magnitude fluctuates somewhat across years, the overall pattern suggests that income-based targeting has remained a stable feature of EU aid allocation.

Panel b presents the estimated coefficients for democracy, capturing the role of recipient merit. The coefficient is positive in the early part of the sample, suggesting that more democratic countries tended to receive more EU aid. However, the magnitude of the coefficient gradually declines over time and becomes statistically insignificant in the most recent years, indicating a weakening association between democratic governance and EU aid allocations.

Panels c and d focus on variables capturing strategic interests. For migration flows, the coefficient is negative in the early years of the sample but gradually increases over time, with the point estimates becoming positive in the later years. However, the estimates are generally not statistically significant, indicating that while the association between migration flows and EU aid appears to strengthen over time, the evidence remains

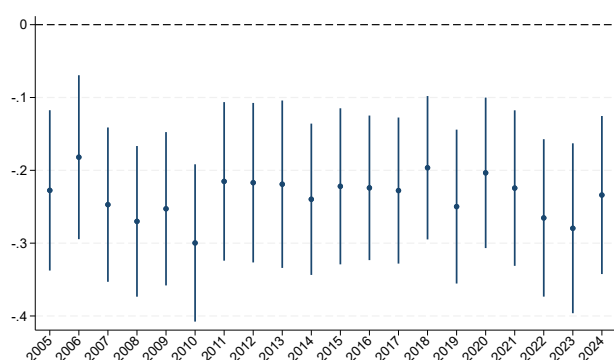
32 Similarly to the between-country specification, the size of the country, proxied by population, plays an important role especially for Germany and the UK, which tend to allocate more aid to countries with a decreasing population.

33 Figure A.3 in the appendix reports the *within* coefficients of the same variables, including country-fixed effects.

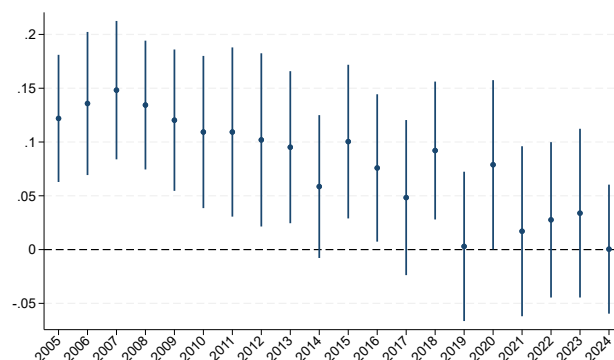
imprecise. Interestingly, the association between migration flows and EU aid within country over time is positive and significant almost throughout the period particularly growing since 2011 (Figure A.3c in the appendix). For exports of CRMs, the coefficients are positive throughout most of the sample period but are generally not statistically significant in the earlier years. In more recent years, however, the estimates become larger and statistically significant, suggesting a growing importance of CRM resources for EU aid allocation.

Figure 2: Evolution of drivers of EU aid

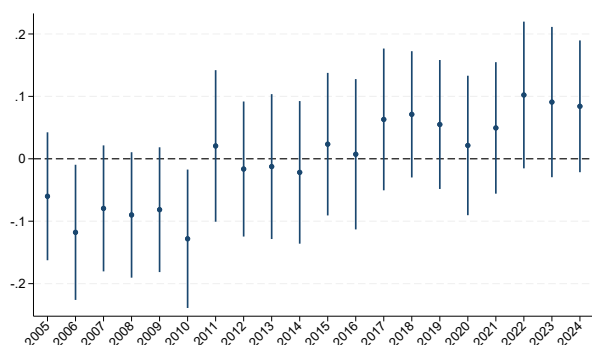
(a) Needs – GDP per capita



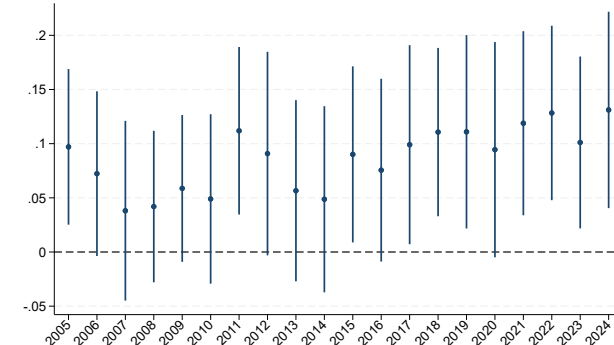
(b) Merit – democracy



(c) Interest – migration



(d) Interest – CRM



Source: Bruegel. Note: the coefficients are estimated as year-specific coefficients in a between-country specification including the full set of control variables from the baseline model. Vertical bars denote 90% confidence intervals. Corresponding results from the within-country specification are reported in Appendix Figure A.3.

Overall, poverty-related targeting remains a stable determinant of EU aid allocation. By contrast, the association with democratic governance weakens over time and has become statistically insignificant in recent years. At the same time, strategic considerations appear to gain prominence: the relationship with migration flows becomes increasingly positive, while the association with critical raw material exports strengthens and becomes consistently significant since 2021.

5.5 The Global Gateway initiative

The results suggest that a shift in EU aid allocation in the later years of our sample. This timing coincides with the introduction in 2021 of the Global Gateway, the EU's flagship infrastructure and investment strategy, which explicitly links development finance to strategic objectives including supply chain resilience, digital connectivity and access to critical raw materials (European Commission, 2021). The Global Gateway has been interpreted as marking a turning point in EU development policy, shifting the emphasis from traditional needs-based aid toward infrastructure development in a more explicitly geopolitical model of external finance (Tagliapietra, 2021). This has raised concerns about poverty targeting. Aid directed toward bankable, commercially viable projects and private sector leverage could potentially be poorly matched to the human development needs of least-developed countries (Pérez *et al*, 2025).

To test whether the Global Gateway is associated with a detectable shift in aid allocation patterns, Table 10 reports results for the pre- and post-Global Gateway. While the magnitude of the needs-based driver does not differ in the across-country allocation of aid following the introduction of the Global Gateway, its effect is reinforced within countries after 2021. In contrast, the importance of democracy in recipient countries declines after the initiative's launch in December 2021, suggesting a weakening emphasis on recipient merit. The Global Gateway does not appear to exert an additional impact on geopolitical drivers. The effects of CRM exports, political alignment with the EU and conflicts are not different after 2021. However, migration flows become a significant determinant of aid allocation between countries in the post-2021 period. The most notable shift concerns political alignment with China. While this variable is insignificant in our baseline specifications, closer political alignment with China becomes negatively associated with aid allocation, both across and within countries, after the introduction of the Global Gateway, underscoring the growing importance of international geopolitical positioning.

Based on the three years post Global Gateway launch, we do not find strong evidence that the initiative has undermined the poverty targeting of EU aid. However, it is already associated with a decline in the importance of recipient merit, notably democratic governance, in allocation decisions. Since, our post-period covers just three years of data, limiting the statistical power of the analysis, these results should be considered preliminary.

We do not find strong evidence that the Global Gateway has undermined the poverty targeting

Table 10: Estimation of the effect of aid drivers on EU flows across countries

	Between countries		Within countries	
	(1)	(2)	(3)	(4)
GDP <i>per capita</i>	-0.225*** (0.055)	-0.216*** (0.054)	-0.212* (0.115)	-0.187* (0.111)
GDP <i>per capita</i> × post-Global Gateway		-0.038 (0.038)		-0.074** (0.029)
Democracy Index	0.093*** (0.034)	0.110*** (0.034)	0.089*** (0.029)	0.108*** (0.028)
Democracy Index × post-Global Gateway		-0.089** (0.035)		-0.066** (0.032)
CRM export	0.087** (0.037)	0.080** (0.037)	0.007 (0.041)	-0.005 (0.041)
CRM exports × post-Global Gateway		0.018 (0.039)		0.016 (0.034)
UN votes EU	0.091** (0.040)	0.085** (0.042)	0.048* (0.026)	0.049* (0.027)
UN votes EU × post-Global Gateway		0.029 (0.029)		-0.022 (0.029)
UN votes China	-0.037 (0.036)	-0.018 (0.038)	0.003 (0.018)	0.022 (0.019)
UN votes China × post-Global Gateway		-0.093*** (0.034)		-0.095*** (0.027)
Conflicts	0.047*** (0.018)	0.047*** (0.016)	0.046*** (0.014)	0.047*** (0.009)
Conflicts × post-Global Gateway		-0.014 (0.030)		-0.011 (0.022)
Migration flow	-0.009 (0.055)	-0.028 (0.056)	0.237*** (0.060)	0.171*** (0.061)
Migration flow × post-Global Gateway		0.071* (0.037)		0.054 (0.036)
Observations	2,359	2,359	2,359	2,359
Year FE	Yes	Yes	Yes	Yes
Country FE	No	No	No	No
Control variables	Yes	Yes	Yes	Yes

Source: Bruegel. Note: columns (1) to (4) report results for the inverse hyperbolic transformation of EU ODA disbursement. Columns (1) and (2) correspond to the 'between countries' specifications, while columns (3) and (4) display the 'within countries' specification. The 'between countries' regressions include time-fixed effects, as well as control variables (colonial link, distance, export value and population), while 'within countries' regressions also include country-fixed effects and control variables (export value and population). Post Global Gateway is equal to one if the year is strictly larger than 2021. All variables are lagged and standardised. Standard errors are clustered at the recipient level. Statistical significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

6 Conclusion

This paper examines whether EU official development assistance is driven by poverty reduction objectives or shaped by strategic interests. Using panel data for 2005-2024 from the OECD Creditor Reporting System, we find that the answer is both, but with a shifting balance. While poverty reduction remains a key driver, strategic interests are gaining salience. The importance of democratic governance is declining, particularly since the introduction of the Global Gateway. These findings carry important implications for EU aid policy, in two main respects.

The first relates to the size of the EU aid budget. The EU remains one of the world's largest donors of official development assistance, a position made more consequential by recent cuts to global bilateral aid budgets, notably that of the United States³⁴. In this context, the level of EU aid spending has direct implications for global development outcomes, particularly for the poorest countries that depend most heavily on external financing. Decisions about the EU's next Multiannual Financial Framework (2028-2034) will therefore have outsized global consequences. Maintaining, and ideally expanding, the EU's development budget should be understood not only as a matter of foreign policy ambition but as a structural contribution to global poverty reduction at a moment when other donors are stepping back.

The second connects to poverty targeting within the aid budget. Our results show that while the EU continues to allocate more aid to poorer countries, strategic considerations have gained ground while the importance of democratic governance has declined as a driver of EU aid allocation. The latter is particularly concerning from a normative standpoint. The EU has long positioned democratic conditionality as a cornerstone of its external relations, yet our results suggest this commitment has weakened in practice, possibly reflecting a deliberate pivot toward strategic engagement with partners that are important for migration management or raw material access, regardless of their governance quality. This shift risks eroding the development effectiveness and credibility of EU aid, as partnerships with less democratic regimes may sit uneasily with the EU's broader foreign policy objectives of promoting good governance and the rule of law.

This concern extends to the Global Gateway. While our preliminary evidence does not suggest that the strategy has so far undermined poverty targeting, this assessment is based on only three years of post-launch data and should be interpreted with caution. As Global Gateway commitments translate more fully into disbursements and the initiative's country and sector allocation patterns become clearer, the risk of a gradual drift away from the poorest recipients remains real. Policymakers should consider whether explicit poverty-targeting commitments, such as minimum aid shares for least-developed countries and ringfenced allocations for social sectors, could help preserve

The EU has long positioned democratic conditionality as a cornerstone of external relations; our results suggest this commitment has weakened

34 OECD, 'A historic decline in foreign aid: Preliminary 2025 ODA data', *Data explainer*, 9 April 2026, Organisation for Economic Co-operation and Development, <https://www.oecd.org/en/data/insights/data-explainers/2026/04/a-historic-decline-in-foreign-aid-preliminary-2025-oda-data.html>.

the development mandate of EU aid as strategic and commercial pressures continue to grow.

Taken together, our findings suggest that EU aid is facing increasing tensions between its normative foundations and its expanding role as an instrument of EU external policy. Managing this tension transparently and ensuring that development objectives are not quietly displaced by strategic ones is among the most important governance challenges facing EU development cooperation in the years ahead.

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Appendix

Table A.1: Summary statistics on standardised EU aid drivers

Variable	Mean	Median	Std. Dev.	Min	Max	Obs.
EU ODA (asinh)	0.72	0.83	0.75	-1.04	3.52	2,876
GDP <i>per capita</i> (ln)	0.22	0.34	0.93	-1.99	2.84	2,693
Democracy Index	0.03	0.01	0.99	-1.71	2.24	2,477
CRM exports (asinh)	0.12	0.30	0.97	-2.60	2.02	2,847
UN votes EU	1.19	1.12	0.94	-2.11	3.61	2,704
UN votes China	1.10	1.39	0.94	-4.54	2.07	2,684
Conflicts	0.001	-0.40	1.05	-0.40	9.86	2,849
Migration flow (asinh)	0.11	0.34	0.98	-2.45	2.54	2,849

Source: Bruegel.

Table A.2: Evolution of aid disbursement by donor country

Donor group	1995-1999		2000-2004		2005-2009		2010-2014		2015-2019		2020-2024	
	Tot. \$ mill	Share (%)	Tot. \$ mill	Share (%)	Tot. \$ mill	Share (%)	Tot. \$ mill	Share (%)	Tot. \$ mill	Share (%)	Tot. \$ mill	Share (%)
EU Institutions	8,735.75	9.79	10,681.86	3.52	48,188.70	8.19	71,207.72	11.78	81,357.17	11.11	126,720.34	13.77
EU Member States	41,484.21	46.51	108,028.39	35.59	176,114.43	29.94	154,639.23	25.59	178,804.42	24.42	159,943.65	17.38
United States	2,198.59	2.46	55,446.08	18.26	128,127.77	21.78	125,120.62	20.71	114,727.68	15.67	153,764.18	16.71
Japan	31,170.89	34.94	35,385.17	11.66	48,489.17	8.24	47,639.75	7.88	47,342.34	6.47	70,112.80	7.62
United Kingdom	—	—	—	—	—	—	—	—	—	—	18,875.19	2.05
Other Donors	5,611.93	6.29	94,031.78	30.97	187,226.85	31.83	205,678.88	34.04	310,044.12	42.34	390,753.33	42.47
Total aid	89,201.36	100.00	303,573.27	100.00	588,146.91	100.00	604,286.18	100.00	732,275.72	100.00	920,169.48	100.00

Source: Bruegel based on OECD CRS Data. Note: the European Union institutions are composed of the European Commission, the EIB, EU member states, including their implementing agencies and public development banks, as well as the EBRD (European Commission). Values are in million dollars and represent total aid by period, and the share are calculated as total aid disbursed by the donors over the period divided by total aid disbursed in the same period. 'Other Donors' aggregates all remaining bilateral and multilateral donors not separately reported in the table, including multilateral development banks, UN agencies, climate funds, regional development institutions and smaller DAC and non-DAC donors. We exclude aid disbursed to region or unspecified recipient from the total aid.

Table A.3: Evolution of EU Aid Disbursement by region

Region	1995–1999		2000–2004		2005–2009		2010–2014		2015–2019		2020–2024	
	Tot. \$ M	Share (%)	Tot. \$ M	Share (%)	Tot. \$ M	Share (%)	Tot. \$ M	Share (%)	Tot. \$ M	Share (%)	Tot. \$ M	Share (%)
East Asia and Pacific	289.28	3.31	383.23	3.59	2,532.31	5.25	2,943.43	4.13	3,366.91	4.14	3,207.10	2.53
Europe and Central Asia	0	0	37.69	0.35	8,148.78	16.91	24,640.48	34.60	26,239.52	32.25	73,942.36	58.35
Latin America and Caribbean	978.00	11.19	596.18	5.58	4,430.26	9.19	5,193	7.29	5,850.94	7.19	4,153.02	3.28
Middle East and North Africa	0	0	16.89	0.16	8,263.68	17.15	11,460.39	16.09	16,441.52	20.21	20,125.2	15.88
South Asia	0	0	15.60	0.15	3,936.32	8.17	4,192.63	5.89	6,261.71	7.70	5,737.97	4.53
Sub-Saharan Africa	7,468.46	85.49	9,632.48	90.17	20,877.33	43.32	22,777.78	31.99	23,196.55	28.51	19,554.7	15.43

Source: Bruegel based on OECD CRS Data. Note: the European Union institutions are composed of the European Commission, the EIB, EU member states, including their implementing agencies and public development banks, as well as the EBRD (European Commission). Values are in million dollars and represents total EU aid by period, and the share are calculated as total aid received by the region over the period divided by total EU aid disbursed in the same period. We exclude aid disbursed to region or unspecified recipient from the total aid.

Table A.4: Countries with which the EU signed a migration partnership

Country	Year	Country	Year
Moldova	2008	Niger	2016
Cape Verde	2008	Nigeria	2016
Georgia	2009	Senegal	2016
Armenia	2011	Gambia	2017
Morocco	2013	Ghana	2017
Azerbaijan	2013	India	2017
Tunisia	2004	Iraq	2017
Jordan	2014	Kenya	2017
Belarus	2016	Bangladesh	2022
Turkey	2016	Pakistan	2022
Ethiopia	2016	Egypt	2022
Mali	2016	Mauritania	2024
Lebanon	2024		

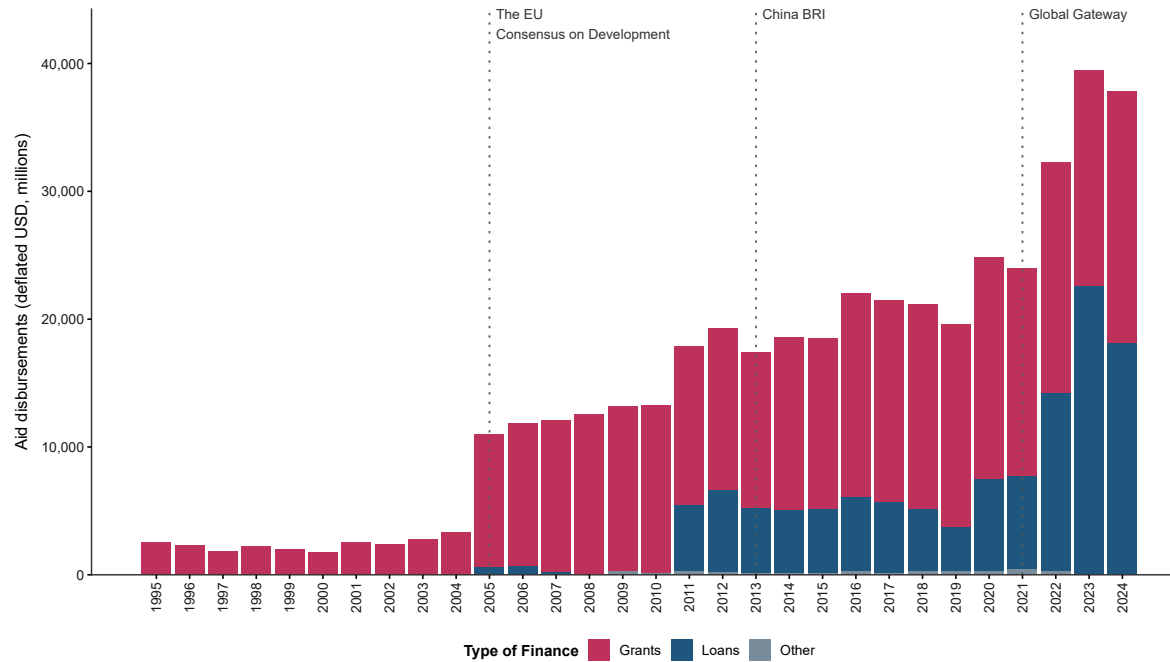
Source: Bruegel.

Table A.5: Countries with which the EU signed a critical partnership

Country	Year
Canada	2021
Ukraine	2021
Kazakhstan	2022
Namibia	2022
Argentina	2023
Chile	2023
Zambia	2023
Democratic Republic of the Congo	2023
Greenland	2023
Australia	2024
Norway	2024
Rwanda	2024
Uzbekistan	2024
Serbia	2024

Source: Bruegel.

Figure A.1: Evolution of EU Institutions' aid by Type of Finance



Source: Bruegel.

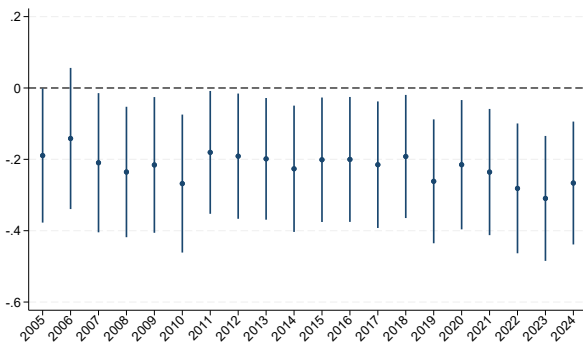
Figure A.2: Evolution of EU Institutions' aid, disbursements and commitments



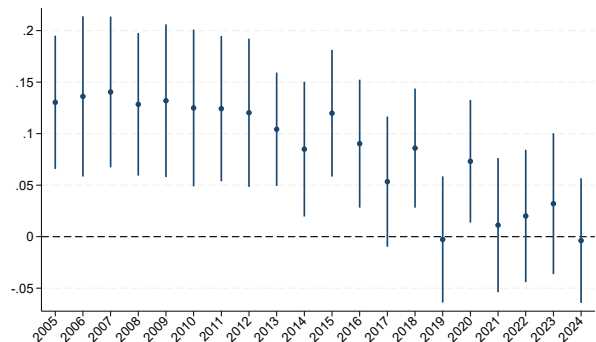
Source: Bruegel.

Figure A.3: Evolution of drivers of EU aid (*within country estimates*)

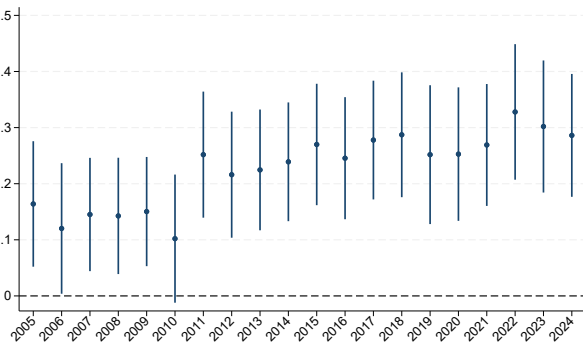
(a) Needs – GDP per capita



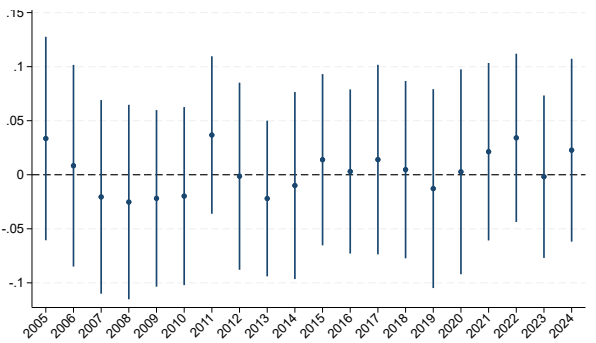
(b) Merit – democracy



(c) Interest – migration



(d) Interest – CRM



Source: Bruegel. Note: the coefficients are estimated as year-specific coefficients in a within-country specification including the full set of control variables from the baseline model. Vertical bars denote 90 percent confidence intervals.



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