

# Quality of governance in the Eastern Partnership countries: the role of the EU, Russia and domestic conditions

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## Abstract

*This work is devoted to studying the quality of governance in the Eastern Partnership countries - a project of the European Union, which includes Azerbaijan, Armenia, Belarus, Georgia, Moldova and Ukraine. We aim to understand how external and domestic conditions influence the quality of governance in this area by applying the QCA method and regression analysis. We reveal a significant influence of the EU even though many authors doubt the EU's ability to influence countries beyond its borders that are not offered the membership. We also show that, in this case, the influence of Russia as another external actor does not contradict the influence of the EU on governance but can overlap in other sectors, an aspect which should be investigated in further research. The level of GDP, the democratic regime, the polarization of elites, ethnic fractionation and reserves of resources are significant domestic conditions for the quality of governance.*

*Keywords: Eastern Partnership, European Neighborhood, European Union, quality of governance, linkage and leverage*

## Introduction

Many authors have raised the question of why some states are well and efficiently governed and others are not (Acemoglu and Robinson, 2012). Researchers argue about what governance means (Fukuyama, 2013; Rothstein, 2012; Rothstein and Teorell, 2008), what factors influence it (La Porta *et al.*, 1999; Al-Marhubi, 2004) and what favors it. Moreover, there is no single 'recipe' of governance for all countries of the world. Therefore, in this paper, we focus on a specific region of post-Soviet countries, which are torn between cooperation with the European Union (EU) and Russia, similar in terms of several factors and completely different in several others though united by the Eastern Partnership initiative (EaP). The EaP emerged in 2009 after the Prague summit, aiming to

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strengthen the relations between Azerbaijan, Armenia, Belarus, Georgia, Moldova, Ukraine, and the EU and it is an offshoot of the European Neighborhood Policy (ENP). EaP implies taking more concrete steps, such as liberalizing the visa regime, a free trade regime, etc. (Börzel and Schimmelfennig, 2017, p. 287). The initiative promotes the institutional reforms in the EaP countries which can be characterized as ‘badly governed’ (Gel’man, 2017) due to the institutional heritage of the USSR as well as to the rent-seeking behavior of the local elites (Melville and Mironyuk, 2016). The informal practices, corruption and lack of impartiality can block the promoted reforms and that is why it is crucial to analyze if the EU initiative brings positive changes.

Despite the interest of at least two major foreign actors as Russia and the EU in this region, there are few works devoted to the EaP countries. A significant amount of work (Schimmelfennig and Sedelmeier, 2004; Trauner, 2009) tends to focus on EU member states and countries with a membership perspective due to closer relations with the EU than EaP countries. Some authors (Börzel and Schimmelfennig, 2017; Korosteleva, 2011) analyze the relations between the EU and the EaP only from the EU’s perspective and do not pay attention to the role of the domestic conditions of these countries. Thus, the relevance of this work consists in our attempt to determine the influence of both external and domestic conditions on the quality of governance and their combinations, contributing to the scientific literature about the quality of governance in general and the external governance specifically. The novelty of the research consists in its attempt to empirically investigate the complex interactions of the conditions in the EaP region while the bulk of literature is focused only on the theoretical part.

We apply the triangulation of methods to enhance the validity and reliability of the results. First, we conduct a fuzzy-set Qualitative Comparative Analysis (fsQCA) which allows determining the conditions affecting the established quality of governance in each case. Then, the regression analysis of panel data allows us to determine the conditions that are important for the quality of governance considering the time factor. The findings of the research demonstrate the positive and significant EU influence on governance through establishing linkages with the EaP countries and promoting reforms even if such domestic factors as polarization of elites, ethnic fractionalization and natural resources which create rent-seeking opportunities for the elites have a negative impact on governance. The democratic regime and economic growth facilitate the quality of governance improvement while the influence of Russia on governance is not found to be significant.

The paper is organized as follows; Section 1 deals with the concept of quality of governance and domestic conditions, Section 2 presents external conditions, Section 3 demonstrates the empirical design and the results.

## 1. What is the quality of governance and what determines it?

Governance is usually associated with a set of institutions and actors exercising power (Stoker, 1998). According to Fukuyama (2013, p. 360), if governance is the ability of governments to create rules, monitor their execution and provide services, then, the quality of governance is a combination of state autonomy and state capacity. Skocpol (1999, p. 9) understands by autonomy the ability of a state to abstract from the pressure of interest groups and population during the implementation of unpopular reforms. State capacity can be understood as “the ability to implement various political courses” (Skocpol, 1999, p. 9) and is linked to the professionalism of the bureaucracy and its ability to control resources (Geddes, 1990, p. 220).

In the literature, governance is often defined as the absence of corruption (Fukuyama, 2016, p. 97), presence of rule of law and democracy (Rothstein and Teorell, 2008; Charron and Lapuente, 2010). Rothstein and Teorell (2008) associate the quality of governance not only with institutions but also with their impartiality, transparency in the exercise of state power when government employees make impartial decisions.

However, the most widely applied concept of governance quality is developed by the World Bank. The World Bank (2017c) defines governance as: “a set of traditions and institutions with which power is exercised in the country ...”. The World Bank (2017c) measures governance quality based on six indicators: “accountability; political stability and lack of violence; government effectiveness; regulatory quality; law supremacy; and control over corruption”. These indicators include both the concept of state capacity and state autonomy as well as bureaucracy accountability. This approach covers the whole meaning of governance; besides, it is convenient to have it applied empirically, which is why we apply it in this work. In defining the concept of governance, we should also consider what conditions influence it.

Institutions are established in societies not only for economic efficiency but also because of certain political and social processes (North, 1991, p. 97). The differences in governance can be explained by the ethnic heterogeneity of the population and legal traditions (Al-Marhubi, 2004, p. 396). Ethnically and ethnolinguistically heterogeneous societies are less well-governed because the state regulates the rights of minorities and often redistributes a significant tax burden in their favor. According to Way (2015), differences between the population lead to competitiveness and polarization, but with a weak democracy and state, this can lead to ‘pluralism by default’. Concerning political factors, Gel’man (2017, p. 501) believes that the ‘bad governance’ that has emerged in post-Soviet states is a consequence of the elites’ interaction, who want to extract rents and weak domestic political institutions which emerged from the USSR heritage. Besides, the regime also matters. According to Freedom House (2019), not a single EaP state is

democratic. Belarus and Azerbaijan are described as ‘not free states’, and Ukraine, Moldova, Georgia and Armenia as ‘partially free’.

Cultural conditions as religion, for example, also determine the establishment of certain norms, traditions, and institutions (Al-Marhubi, 2004, p. 397). For example, La Porta R. *et al.* (1999, p. 36) show that more hierarchical religions such as Catholicism and Islam negatively affect the quality of governance.

Moreover, the literature highlighted the importance of economy. World Bank studies show that the quality of governance is related to the country’s economic development (Kaufmann *et al.*, 2000). However, it is necessary to distinguish between factors leading to economic growth. What matters is the source of rent that the state receives: revenues from natural resources, foreign aid, or from tax collection (Auty, 2007). It is considered that direct taxes are the most favorable for the quality of governance (Al-Marhubi, 2004, p. 398) while resource revenues seriously undermine it (Ross, 2001) because rulers always have a guaranteed source of income, so they can distance themselves from their citizens and be less accountable (Moore, 2004, p. 306). Foreign aid can stimulate investment (Gani, 2011, pp. 753-756) but can also create new rent-seeking opportunities for elites in the weak states, thus leading to corruption (Knack, 1999, p. 2).

Therefore, there are several groups of domestic conditions affecting the quality of governance. The cultural factors of religion and values are not the focus of this work since the countries we study are almost homogeneous in terms of religion. While in most countries, Christianity is the official religion, in Azerbaijan, it is Islam. The structural factor of the institutional and legislative heritage of the USSR is not included empirically (while we should always bear it in mind) because all EaP countries were previously part of the USSR. Therefore, the study will include the ethnic heterogeneity of the population and the agency’s factor of elite fractionalization. Economic factors will include the GDP per capita and the income from resources as a percentage of GDP. We do not include foreign investment because we are going to operationalize the external influence from another concept which also includes the material component. We also focus on the definition of governance quality proposed by the World Bank (2017c) which is measured by using six indicators, which is very convenient to apply for empirical analysis.

## **2. Governing from the outside: the EU’s and Russia’s approach to the quality of governance in the Eastern Partnership**

The EU is one of the first organizations that included the promotion of good governance, human rights and democratic values in its foreign policy (Börzel *et al.*, 2008, p. 6). The theory of external governance is often used in the analysis of reforms, projects or courses conducted by the EU in the EaP (Schimmelfennig and Sedelmeier, 2004; Börzel and Schimmelfennig, 2017; Lavenex and Schimmelfennig 2009; Lavenex, 2011). This theory presumes the conditionality approach - when the

EU encourages or sanctions third states for progress or rollback from the democratic course. It is believed that conditionality is effective, and countries improve indicators of democracy and governance only if there is a prospect of EU membership (Börzel and Schimmelfennig, 2017). At the same time, the Association Agreement used for the EaP is not such a strong tool for improving governance performance (Börzel and Schimmelfennig, 2017, p. 279). In the case of EaP, the EU should find new ‘gingerbread’. Trauner (2009) argues that the EU increases the value of policy conditionality - a certain measure and policy (for example, visa liberalization) becomes an incentive that states will get after implementing the necessary reforms.

In this paper, we intend to move away from the most frequently used theory of external governance and analyze the impact of the EU on the EaP through the theory of linkage and leverage proposed by Levitsky and Way (2006). This theory has a high explanatory ability and influence. Also, the density of linkage and leverage between the country and the EU can be measured by using data from the EaP Index (Lovitt, 2017), where such indicators exist and vary every year. While the widely used theory of external governance and conditionality approach has a theoretical weight, except for Börzel and Schimmelfennig (2017), they are rarely used for empirical analysis. Authors operationalize political conditionality through an institutional agreement between the country and the EU. However, this approach only presents a dichotomous variation for our cases and will only be used in supplementary QCA analysis.

Levitsky and Way consider that linkage and leverage between the country and the West lead to democratization. Linkages with the West show how much economic, political, social, and other relations a country has with the EU or with the US, and under leverage implies the extent to which governments are dependent on Western pressure for democratization as such (Levitsky and Way, 2006, p. 379). Geographic linkages are the most important because states located closer to the EU or the US fall within the area of influence of these actors (Levitsky and Way, 2006, p. 383).

However, the effectiveness of Western influence may be weakened by the domestic conditions of these countries and by other regional actors providing military, economic and any other support (Levitsky and Way, 2006, p. 383). The EaP region belongs to the Common Neighborhood (Trenin, 2005) - an area sharing borders both with the EU and Russia. As a result, both external actors have their interests in these countries, and both want to see them among their allies. Unlike the EU, Russia cannot be called a ‘normative actor’; it does not have a unified policy towards its neighbors and its measures are ad hoc (Ademmer *et al.*, 2016, p. 10). Cameron and Orenstein (2012) distinguish the following types of Russian linkage: cultural (Russian-speaking minorities), economic (trade), energy dependence on oil and gas and institutional (membership in organizations patronized by Russia). Russia’s foreign policy is aimed at maintaining the rights of Russian-speaking minorities (Saari, 2014, p. 58) and ensuring loyal authoritarian leaders in power

(Ambrosio, 2016) in contrast to governance improvement. Being post-Soviet states, and some of them - members of the Commonwealth of Independent States (CIS), the Eurasian Economic Union (EAEU), etc. EaP countries are under the direct influence of Russia. The dynamic of EU-Russia interdependencies is ambiguous. When the EU's reforms are too costly for the local elites, the influence of Russia can undermine EU integration while EaP countries can come closer to the EU when Russia imposes costs or sanctions on? EaP countries (Cafus *et al.*, 2018; Delcour, 2018; Ademmer *et al.*, 2016). The overlapping conditionality of external actors is used by local elites to push their interests and use external resources (Ademmer *et al.*, 2016, p. 7).

Thus, in this paragraph, we decided to apply the theory of linkage and leverage towards the EU's and Russia's influence in the EaP area. The next section is dedicated to drawing the hypotheses.

### **3. Empirical design and the results**

#### **3.1. Research hypotheses**

We differentiate the conditions influencing the quality of governance (dependent variable) between external and domestic. Having outlined seven conditions from the literature, we design the same number of hypotheses, an assumption about the causal link for every condition.

Deriving from the theory of linkage and leverage by Levitsky and Way (2006), we put forward the following hypothesis: if a country has rather intensive linkages with the EU, then the EU will have a positive impact on the quality of governance in this country (H1). We use the EaP Index (Lovitt, 2017) to measure linkages which include the linkage between business, civil society, and governments in the areas of security, trade, culture and citizens' mobility.

We also include the influence of Russia in the theoretical framework. Russia does not promote governance reforms while the actor tries to keep loyal authoritarian leaders in power (Ambrosio, 2016), pushes the EaP countries with its energy leverage (Cameron and Orenstein, 2012), which stimulates the rent-seeking behavior of the elites thus making them more reluctant to promoting the reforms. Intense linkages with Russia can overlap with linkages with the EU and an EaP country would be less progressive in reforms. Thus, we put forward the following hypothesis: if the EaP country has rather intensive linkages with Russia, then Russia will undermine the quality governance indicators (H2) presuming that the actor's influence would overlap with the EU and promote rent-seeking opportunities. To measure linkages with Russia, we use the operationalization proposed by Cameron and Orenstein (2012) and take the membership of the EaP countries in international organizations patronized by Russia, such as the CIS, EAEU and the Customs Union. We do not consider the percentage of the Russian-speaking population and

dependence on Russian oil and gas supplies, as we have the indicators of the wealth of resources and ethnic fractionalization in general.

The following group of conditions includes various domestic characteristics. Based on the La Porta *et al.* (1999) study showing that ethnically heterogeneous societies are less well-governed, we include this condition. The hypothesis is that: if there is a high ethnic fractionalization of the population in the country, then it will have a negative impact on the quality of governance (H3).

Considering the economic conditions, we base our assumption on the World Bank's studies about the link between quality governance and economic growth (Kaufmann *et al.*, 2000). The hypothesis is that: if a country has a relatively higher level of economic development, measured in GDP per capita, then it will be better governed (H4).

Ross (2001) shows the connection between oil and authoritarian rule. Melville and Mironyuk (2016, p. 136) also revealed that the quality of governance is related to rent-seeking opportunities and corruption, which thrives in the resource-rich sectors of post-Soviet countries. Applying this assumption to our work, we hypothesize that: if a country is rich in resources, then there will be a poor governance quality (H5).

Considering the political conditions associated with the quality of governance, the elite polarization is highlighted in the literature. In the post-Soviet space, it is believed that elite configurations often lead to the extraction of rent from public resources, state capture and 'bad governance' (Gel'man, 2017). We hypothesize that: if there is a high polarization of elites in the country, then there will be more fragmentation of state institutions and poorer governance quality (H6).

Another political condition is the political regime. As noted, governance quality is often associated with democracy (Rothstein and Teorell, 2008). We hypothesize that: if the regime in the country is relatively more democratic and open, the quality of governance will be better (H7).

Thus, having formulated the theoretical framework of the research and having put forward hypotheses, we proceed to the empirical part of the work.

### **3.2. Design of the empirical analysis**

First, we apply a fuzzy-set QCA - a method that combines quantitative and qualitative techniques allowing us to study cases in-depth and track both the general trend across cases as well as individual characteristics. This method was invented and developed by Ragin (2009) and is widely used in the analysis when an average number of cases is about 5 to 50, which is too much for a case study and not enough for statistics. Since the number of cases we study is exactly six, QCA suits us as a method. Fuzzy QCA is the most sensitive to the calibration of variables (comparing with crispy and multivalued), placing values on a scale from 0 to 1. The other two types of analysis will create for us the loss of differences between cases, thus greatly

simplifying the picture. The chosen cases are extremely similar to a number of factors and only the fsQCA will allow us to distinguish them more sensitively. We separately check for the necessary and sufficient conditions, carry out minimization of the truth tables, check three different formulas leading to the result presenting the intermediate solution (Schneider and Wagemann, 2010). We take the median values of the variables, which is a common practice in QCA analysis, for the period 2009-2018 from the start of the EaP initiative. The mean/median value shows a general pattern, without taking into account the impact of any outlier events and temporal dynamics. To overcome this shortcoming of QCA analysis, we further carry out a regression analysis of panel data, which allows us to take into account time dynamics. However, it is the QCA method that will allow us to trace the general trend and the role of certain conditions.

To expand the number of observations for regression analysis, we cover the period from 2004 (the beginning of the ENP) to 2018. The data we collect is a panel since each object we study (EaP country) is observed annually for a certain period. In this paper, we make models with fixed effects for the following reason. We proceed from understanding the quality of governance developed by the World Bank (2017c) as “a set of traditions and institutions with which power is exercised in the country”. Institutions are extremely stable and hard to change over time. The previous institutional heritage has a significant impact on the further development, which also happens with the quality of governance as a set of institutions. Its indicators change slightly from year to year, and a more significant change in governance is noticed only over a longer period. Therefore, we assume that the previous state of governance quality has an important role in its current performance. So, we include the lag of the dependent variable in the regression models - its value for the previous period. We pre-statistically check which model to use. The diagnostics we performed, consisting of three tests (Fisher statistics, British - Pagan test, and Hausman test) indicated that a model with a fixed effect should be used. These models consider the influence of only those variables whose values vary over time.

The description of the encoding of the variables, as well as the raw and calibrated data, is given in the Appendix (see Table 8, 9).

### **3.3. Qualitative analysis. Fuzzy-set QCA**

QCA allows identifying the necessary and sufficient conditions for observing the outcome separately. The first step should be a necessity test (Schneider and Wagemann, 2010, p. 8).



**Table 1. Necessity test for the presence of conditions fsQCA 1**

Conditions	Inclusion	Relevance	Coverage
Ethnic	0.692	0.908	0.801
Autocracy	0.679	0.732	0.574
GDP	0.816	0.809	0.710
Resources	0.209	0.880	0.426
EU.linkage	0.970	0.768	0.724
Elite	1.000	0.456	0.540
Ru.membership	0.573	0.742	0.528

Source: author's representation

The interpretation requires focusing on the three indicators above. The condition is necessary, and we can talk about the existence of a superset while observing rather high values of significance, relevance and coverage (incl.cut = 0.8-0.9, rel. = 0.5, cov. = 0.6). In this case, the necessary conditions are GDP per capita and linkage with the EU because they pass the mentioned statistical thresholds. We also check the necessity of the absence of conditions.

**Table 2. Necessity test for absence of conditions fsQCA 1**

Conditions	Inclusion	Relevance	Coverage
~ Ethnic	0.940	0.532	0.553
~ Autocracy	0.850	0.691	0.616
~ GDP	0.936	0.706	0.662
~ Resources	0.855	0.288	0.412
~ EU.linkage	0.889	0.800	0.726
~ Elite	0.705	0.995	0.988
~ Ru.membership	0.744	0.596	0.503

Source: author's representation

In this case, only the absence of ethnic fractionalization, GDP, linkages with the EU and the authoritarian regime most closely lead to the result. We keep a significant inclusion rate = 0.8, relevance = 0.5 and reduce coverage to 0.5, which is still acceptable. The sufficiency of conditions is checked by building a truth table and its further minimization by the software. Three strategies can be used to minimize the truth table and to obtain an explanatory formula. These strategies do not contradict each other but differ in the complexity of results and attitude towards logical residuals. The most parsimonious solution is based on simplifying assumptions for logical residuals, the most complex/conservative solution does not take them into account, and the third solution is an intermediate solution (Schneider and Wagemann, 2010, p. 12). It is up to the researcher to decide which solution to focus on and, following the QCA standards, we will focus on simplified formulas

that produce meaningful results. After the minimization of the truth table (see Appendix. Table 10), we obtained the following intermediate solution.

**Table 3. The explanatory formula obtained by an intermediate solution for fsQCA 1**

	Inclusion	Coverage	Cases
$\sim\text{GDP}*\text{EU.linkage}*\text{Elite}$	0.739	0.936	Ukraine; Georgia; Moldova
$\sim\text{GDP}*\text{Elite}*\text{Ru.membership}$	0.912	0.573	Armenia
<b>MI</b>	0.726	0.936	

Note:  $\sim\text{GDP}*\text{EU.LINKAGE}*\text{ELITE} + \sim\text{GDP}*\text{ELITE}*\text{RU.MEMBERSHIP} \Rightarrow \text{QOFG}$

Source: author's representation

In explanatory formulas, three types of characters are used to indicate the absence of a condition ( $\sim$ ), with the value “or” (+) and with the value “and” (\*).

In Table 3, we got one solution leading to the result. The quality of governance in Georgia, Moldova and Ukraine is the result of the lack of high GDP growth per capita, linkage with the EU and polarization of elites. In the case of Armenia, linkages with Russia, the polarization of elites and the lack of GDP growth explain the current state of governance. None of these conditions simultaneously fulfills the necessity and sufficiency as soon as only combinations of conditions lead to a result (Schneider and Grofman, 2006, p. 18). At the same time, the absence of GDP growth is itself sufficient to explain the result, since it appears in both parts of the explanatory formula and also passes the test for necessity (see Table 2). The polarization of elites also manifests itself. However, based on theoretical assumptions and the description of the Fragile State Index developed by the Fund for Peace<sup>1</sup>, from which the data for this indicator was taken, the polarization of elites is not associated with improved governance quality. The competitiveness of elites is necessary for a democratic regime, but the polarization of elites can lead to conflicts, electoral dishonesty, and crises, which effect low governance indicators of the EaP countries. Linkages with the EU and membership in organizations patronized by Russia are neither necessary nor sufficient, as they contribute to explaining the outcome only in combination with other factors.

We also carry out another analysis, adding the variable responsible for strengthening the influence of the EU, namely the presence of the next stage of the partnership - the Association Agreement between the EaP countries and the EU based on Börzel and Schimmelfennig (2017). Thus, we introduce a dichotomous variable, the values of which are 1 for Moldova, Ukraine, and Georgia and 0 for all the other countries (encoding 0 and 1). However, the presence of the Association

<sup>1</sup>The Fund for Peace (2019), *Fragile States Index* (retrieved from <https://fragilestatesindex.org/indicators/c2/>).

Agreement itself is not a prerequisite for the quality of governance in the EaP countries, which we can see by checking the necessity of the condition.

**Table 4. Necessity test for the presence of conditions fsQCA 2**

Conditions	Inclusion	Relevance	Coverage
Ethnic	0.692	0.908	0.801
Autocracy	0.679	0.732	0.574
GDP	0.816	0.809	0.710
Resources	0.209	0.880	0.426
EU (AA)	0.556	0.638	0.433
Elite	1.000	0.456	0.540
Ru.membership	0.573	0.742	0.528

Source: author's representation

**Table 5. Necessity test for absence of conditions fsQCA 2**

Conditions	Inclusion	Relevance	Coverage
~ Ethnic	0.940	0.532	0.553
~ Autocracy	0.850	0.691	0.616
~ GDP	0.936	0.706	0.662
~ Resources	0.855	0.288	0.412
~ EU (AA)	0.444	0.605	0.347
~ Elite	0.705	0.995	0.988
~ Ru.membership	0.744	0.596	0.503

Source: author's representation

After truth table minimization (see Appendix. Table 11), we obtained the following explanatory formula.

**Table 6. The explanatory formula obtained by an intermediate solution for fsQCA 2**

	Inclusion	Coverage	Cases
Ethnic*EU*Elite	0.803	0.487	Moldova
~GDP*Elite*Ru.membership	0.912	0.573	Armenia
<b>M1</b>	0.837	0.902	

Note: ETHNIC\*EU\*ELITE + ~GDP\*ELITE\*RU.MEMBERSHIP => QOFG

Source: author's representation

Table 6 shows the significant role of elite polarization. The presence of the Association Agreement for Moldova contributes to the explanation of the quality of governance; however, it is neither a necessary nor a sufficient condition, just like the

linkage with Russia for Armenia. The rather stable bad governance in Armenia can be explained by its closer ties with Russia in combination with the polarization of elites and the lack of high GDP growth. Armenia has not signed the Association Agreement with the EU because Russia insisted on the cancellation of its signing, offering Armenia membership in the Customs Union (Börzel and Lebanidze, 2017, p. 3).

A very slow improvement of governance in Moldova is a synergy of the elites' fractionalization and society's geopolitical polarization between cooperation with the EU and Russia. The fact is that the society in the country is historically bipolar, divided ethnically and nationally into pro-Russian and more pro-European, which leads to 'pluralism by default', and the existence of pluralism rather strengthens democracy (Way, 2015). The existence of the Association Agreement contributes to the growth of the quality of governance but is not enough to overcome this fractionalization alone. In general, we can see that the significance of the Association Agreement appears only in the case of Moldova.

The cases of Azerbaijan and Belarus were automatically excluded from our analysis by the program. We assume that the matter is that these cases are significantly different from others in terms of authoritarian regime and GDP growth, as well as rich reserves of resources in the case of Azerbaijan, which prevents their grouping with the four other cases.

Having done QCA, we proceed further to quantitative analysis. This stage of empirical design allows us to verify the results obtained earlier and more thoroughly analyze the influence of selected conditions.

### **3.4. Quantitative analysis. Fixed effect models**

In the quantitative analysis, we expand the time period in order to increase the number of observations. Thus, we consider the period from 2004 (start of the ENP) to 2018. The indicator of linkage with the EU, which we took from the EaP Index (Lovitt, 2017), is measured only from 2009, therefore, we only measure economic linkages (which are also included in the EaP Index) through the export of goods from EaP in the EU and Russia in monetary terms. Data on trade with the EU is taken from EUROSTAT and for Russia from the World Integrated Trade Solution database<sup>2</sup>.

We present models with a fixed effect, diagnosed on the autocorrelation of regression residuals, multicollinearity, heteroscedasticity, etc. In all models, robust errors are considered, and the dependent variable is the quality of governance. At the same time, due to the nature of the models, the variables of ethnic heterogeneity and elite polarization are automatically excluded from the analysis due to the absence of time variation. The variable responsible for relations with Russia turned out to be

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<sup>2</sup> The World Integrated Trade Solution (retrieved from <https://wits.worldbank.org/Default.aspx?lang=en>).

insignificant as in the QCA analysis and was not included in the table with the results of the analysis in order to simplify understanding.

**Table 7. Results of regression models with a fixed effect**

Number of observations = 84  
Length of the time series = 14

	<b>M1</b>	<b>M2</b>	<b>M3</b>	<b>M4</b>
QofG (t-1)	0,831***	0,812***	0,837***	0,815***
EU(economic linkage)	0,006**	0,005**	-	0,005**
Democracy	0,074**	-	0,075*	0,063
Resources	-	-0,006***	-	-0,005*
GDP	-	-	2,964**	-
F-statistics (p-value)	129,621 (3,65e-005)	872,832 (3,22e-007)	89,202 (9,22e-005)	1237,201 (1,13e-007)
Adjusted R-square	0,751	0,746	0,769	0,756
Significance levels:				
P < 0.05 *				
P < 0.01 **				
P < 0.001 ***				

Source: author's representation

In each of the four models (see Table 7), the previous values of the dependent variable are significant. However, other factors also showed significance in various models that we are going to interpret in the next section.

### 3.5. Results

The empirical analysis led us to the following results. We confirm hypothesis No.4 about the connection between GDP and governance quality, which is consistent with the results of World Bank research (Kaufmann *et al.*, 2000). This condition is necessary, which was shown in the necessity test in fsQCA 1 and fsQCA 2. The GDP is also significant in quantitative analysis, in model 3 (see Table 7).

We also confirm hypothesis No.1 about the positive relations of EaP countries with the EU. This factor has been tested for necessity and, in combination with the lack of GDP growth and polarization of elites, appears in the explanatory formula in fsQCA 1 for Georgia, Ukraine, and Moldova (see Table 3). Moreover, the significance of linkage with the EU is confirmed in the quantitative analysis in three of the four models. The EU's positive influence on the countries outside the EU contributes to the debate on the effectiveness of external governance in general. Part of the literature states (Börzel and Schimmelfennig, 2017) that the EU's influence on third countries will not be effective since the EU does not offer them a

membership perspective, conditionality is weak, and countries have no incentive to carry out reforms. Meanwhile, other authors write about the impact of the EU through policy conditionality (Trauner, 2009), the networks (Lavenex, 2011) or the linkage with the EU. Thus, we stand on the side of the latter category of authors, who show that the EU can influence the quality of governance beyond its borders by using tools other than conditionality and membership perspectives, looking for alternatives.

Further, hypothesis No.6 about the negative impact of the elite polarization is also confirmed by occurring in both fsQCA analyses, which is consistent with the theoretical assumptions about the connection of the elite polarization and their desire to extract rents with 'bad governance' (Gel'man, 2017). However, this factor does not appear in any of the regression models because of the low variation of data over time. Thus, the relationship of this condition with the quality of governance needs to be studied further, both theoretically and empirically.

The situation is similar with the condition of ethnic fractionalization. The absence of ethnic fractionalization is necessary for the quality of governance. However, this factor appears in the explanatory formula only for Moldova in fsQCA 2 (see Table 6), as the most ethnically heterogeneous country of the cases studied and was automatically excluded from the regression analysis due to the lack of time variation. However, before us, the connection between ethnicity and quality of governance has been repeatedly tested empirically (La Porta *et al.*, 1999), which gives us grounds at this stage to confirm hypothesis No.3.

The democratic regime is significant for the quality of governance and we accept hypothesis No.7. It is worth noticing once again that regime is often included in the definition of governance quality (Rothstein and Teorell, 2008), while democracy and governance quality are considered as complementary phenomena. The lack of authoritarianism of the regime passed the test of necessity (see Table 2, 5) but was not sufficient for any of the cases. However, democracy was significant in regression analysis models 1 and 3.

We also accept hypothesis No.5 about the negative relationship between resources and governance quality, which is consistent with Ross's (2001) findings on the negative impact of resources on democracy (Ross, 2001). However, this condition did not appear as necessary in the fsQCA analysis since resource-rich Azerbaijan was automatically excluded from explanatory formulas. However, in the regression analysis based on the data for all cases, the rent received from the resources was negatively related to the quality of governance in the models 2 and 4.

And finally, we cannot confirm hypothesis No.2 about the relationship of the EaP countries with Russia and their negative impact on the quality of governance. This condition did not pass the necessity test and regression analysis but appeared in an explanatory formula for the quality of governance only for Armenia in synergy with other conditions. We aimed to ensure the validity and reliability of the results through triangulation. Thus, we cannot accept the hypothesis because this condition

appeared only in one case. This result reinforces the theoretical background (Ademmer *et al.*, 2016) that the influence of Russia (unlike the EU) is not generally aimed at improving the quality of governance.

Concerning each of the cases, the following conclusions can be drawn from the fsQCA results. A rather stable bad governance in Armenia is the result of a lack of GDP growth in synergy with polarized elites and rather intensive linkages with Russia. Meanwhile, in Georgia, Moldova, and Ukraine, there is an increase in governance indicators due to more intensive linkages with the EU. This factor plays the most significant role since the explanatory formulas for these cases also contain a lack of GDP growth and polarization of the elites and differ from Armenia only by the influence of another external actor - the EU. However, in the case of Moldova, the improvement of governance quality is hampered by the ethnic fractionalization of the population, which occurs when a fragmented society fluctuates between cooperation with the EU or Russia. In the case of Belarus and Azerbaijan, the improvement of some indicators of governance quality, such as state efficiency, happens due to GDP growth (they belong to the group of countries with a higher average income per capita). At the same time, the accountability and the overall picture of governance are complicated by the authoritarianism established in these countries, non-intensive linkages with the EU and the wealth of resources in the case of Azerbaijan.

## Conclusions

In this paper, we have analyzed the impact of domestic conditions and EU policies on the quality of governance in the EaP countries. On the one hand, the study represents an interest in the quality of governance in general, in discovering why some countries are well and efficiently governed, and others are not. On the other hand, we contribute to the debate on the impact of the EU on the quality of governance in countries outside it, which do not have the prospects of EU membership.

Based on the World Bank's (2017c) understanding of governance, we summarize that it depends on the external and domestic conditions deriving from the literature and tested empirically. The quantitative regression analysis allows us to generalize the positive impact of linkages with the EU, the democratic regime and the growth of GDP on the quality of governance in the EaP countries, just like the negative impact of resources which can produce rent-seeking opportunities for the local elites. The qualitative comparative analysis confirms the positive impact of linkages with the EU for Ukraine, Georgia, and Moldova, as well as the presence of the Association Agreement for Moldova, which explains the improvement of governance in these countries. At the same time, in general, the rather poor quality of governance in these countries is the result of slow GDP growth, as well as high fragmentation of elites and, in the case of Moldova, the ethnic fractionation.

Armenia, also characterized by slow GDP growth and polarization of elites, lacks the intensity of linkages with the EU, which are overlapped by linkages with Russia. Although Azerbaijan and Belarus are richer countries in terms of GDP per capita, they are poorly governed because of the authoritarian regimes, low density of linkages with the EU and resource rents (in the case of Azerbaijan).

Thus, our results are close to the position of the authors who write about the significant impact of the EU on other countries by alternative methods, different from the perspective of membership and conditionality. The EU should promote the current policy further across the region especially by building more linkages with Belarus, Azerbaijan and Armenia, which have not signed the Association Agreements. The EU should also create accountability mechanisms for local elites and shift focus on mutually beneficial linkages.

The Russian influence on governance appeared to be insignificant and that is why we presume that the actor's approach is not focused on governance and, in this sphere, it does not overlap with the EU. However, it can overlap in other sectors and contribute to governance through them; that is why it is important to consider Russia in further research. The shortcomings of the performed research are related to empirical analysis. We used regime as a predicting factor for the quality of governance while in some definitions of governance democracy is included; we also assumed that economic growth influences the state of governance while it is often argued that this relationship is two-sided; the polarization of elites should be measured more sensitively to the cases.

Overall, the research field is rich for further work. The theories in the field should be tested empirically and, as this research demonstrates, that it can be done in the EaP case.

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## Appendix

**Table 8. Description of variables coding for fsQCA**

Variable, data source and thresholds	Thresholds description
QofG (outcome)	-2.5 - bad governance
World Bank Governance Indicators (2017c)	0 - median 2.5 - good governance
Ethnic	0.8 - the highest degree of ethnic fractionalization
Desmet, K., Ortuño-Ortín, I. and Wacziarg, R. (2017); Cebotari, V. and Vink, M. P. (2013)	0.495 - the probability of belonging to different ethnic groups is higher than 50% 0 - no ethnic fractionalization
Autocracy	7-5.5 - authoritarian
Freedom House	5.5 - 2.5 -transition 2.5 -0 - democracy
GDP (per capita)	12 056\$ - highest income
World Bank (2017b)	3,896\$ - threshold value for average income 995\$ - low income
Resources	21% - rich countries with rents/GDP
World Bank (2017a)	10% - middle 5% - poor
EU. Linkage	EaP Index values taken ranged from 0 to 1,
Eastern Partnership Index (Lovitt, 2017)	0.5 - threshold (>0.5 - more intense linkages, < 0.5 - less intense)
Elite	10 - highest elite fractionalization
Fund for Peace. Fragile States Index	7 - the threshold for belonging to high fractionalized countries 5 - low
Ru.membership	Membership in the EAEU, the CIS and the Customs Union
Cameron, D. R. and Orenstein, M. A. (2012)	3 - highest membership 1.5 - the threshold for belonging to Russia's main partners 0 - no membership

*Source:* author's representation

**Table 9. Representation of the raw and calibrated data for fsQCA**

Country	QofG (2.5,0,-2.5)		Ethnic (0.8,0,495,0)		Autocracy (7, 5.5,2.5)		GDP(12056,3 896,995)		Elite (10,7,5)		EU.linkage		Ru.membership (3,1.5,0)		Resources (20, 10, 5)	
	Raw	FZ	Raw	FZ	Raw	FZ	Raw	FZ	Raw	FZ	Raw/FZ	Z	Raw	FZ	Raw	FZ
Armenia	-0.17	0.45	0.134	0.1	5.28	0.46	3617.9	0.43	7.11	0.53	0.48	3	0.95	3.62	0.03	
Azerbaijan	-0.56	0.34	0.188	0.13	6.21	0.81	5842.8	0.67	7.87	0.7	0.41	1	0.27	25.84	1	
Belarus	-0.89	0.25	0.37	0.37	7	0.95	6181.3	0.7	8.17	0.76	0.31	3	0.95	1.35	0.02	
Georgia	0.49	0.65	0.49	0.49	3.35	0.19	3865.7	0.49	9.04	0.88	0.58	0	0.05	1.38	0.02	
Moldova	-0.58	0.33	0.51	0.54	3.07	0.17	1970.5	0.12	8.02	0.73	0.7	1	0.27	0.28	0.01	
Ukraine	-0.61	0.32	0.419	0.39	3.28	0.19	2965.1	0.28	7.98	0.73	0.645	0	0.05	6.38	0.07	

Source: author's representation

**Table 10. The truth table for fsQCA 1**

Ethnic	Autocracy	GDP	Resources	EU.linkage	Elite	Ru.membership	Output	Cases
0	0	0	0	1	1	0	1	Georgia Ukraine
0	0	0	0	0	1	1	1	Armenia
1	0	0	0	1	1	0	1	Moldova
0	1	1	1	0	1	0	0	Azerbaijan
0	1	1	0	0	1	1	0	Belarus

Source: author's representation

**Table 11. The truth table for fsQCA 2**

Ethnic	Autocracy	GDP	Resources	EU	Elite	Ru.membership	Output	Cases
0	0	0	0	1	1	0	1	Georgia Ukraine
0	0	0	0	0	1	1	1	Armenia
1	0	0	0	1	1	0	1	Moldova
0	1	1	1	0	1	0	0	Azerbaijan
0	1	1	0	0	1	1	0	Belarus

Source: author's representation