

THE EUROPEAN UNION'S FOREIGN POLICY: EXPLAINING VARIATION IN
EXTERNAL ASSISTANCE POLICIES

by

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Submitted to the Institute of Social Sciences
in partial fulfillment of the requirements for the degree of
Doctor of Philosophy in Political Science

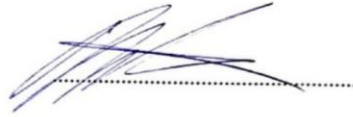
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August 2017

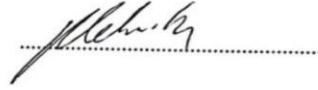
**THE EUROPEAN UNION'S FOREIGN POLICY:
EXPLAINING VARIATION IN EXTERNAL ASSISTANCE POLICIES**

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Approval date: August 1, 2017

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ABSTRACT

THE EUROPEAN UNION'S FOREIGN POLICY: EXPLAINING VARIATION IN EXTERNAL ASSISTANCE POLICIES

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PhD Dissertation, August 2017

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Keywords: EU foreign policy, development and cooperation policy, foreign aid, differentiated integration, Turkey, enlargement

The main aim of this dissertation is twofold; while it aims to explain the European integration and differentiation in EU external assistance policies, at the same time it examines the relationship between integration mechanisms, enlargement and development and cooperation policy. It also aims to explain why and to where individual EU member states prefer to allocate bilateral aid, and aggregate in some partner countries and regions, while the European Commission standing as the one of the most effective and successful multilateral agency regarding financial aid. Thus, it aims to uncover the factors that determine aid allocation preferences of EU institutions and member states. Finally, it explains the roles of Europeanisation and European differentiated integration on the development aid policies of EU candidates by taking the case of Turkey. Turkey is both an EU aid recipient and an emerging donor. The dissertation includes three broad research questions; 1- Does European integration have any impact on the evolution of EU external assistance policies and financial aid instruments and vice versa? 2- What are the main factors that determine the patterns of aid fractionalisation of European donors? and 3- Whether convergence and divergence between Turkey's and the EU's development and humanitarian aid policies is a form of differentiated integration between these partners and if yes, this would cause to an alternative mode of integration in development policy? It adopts a mixed-method approach by using primary and secondary data analysis approach and semi-structured elite interview methodology and also a large-N, panel data regression analysis.

ÖZET

AVRUPA BİRLİĞİ'NİN DIŞ POLİTİKASI: DIŞ YARDIM POLİTİKALARINDA FARKLILIĞI AÇIKLAMAK

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Doktora Tezi, Ağustos 2017

Danışman: Prof. Dr. Meltem Müftüler-Baç

Anahtar kelimeler: AB dış politikası, kalkınma ve işbirliği politikası, dış yardım, farklılaşmış entegrasyon, Türkiye, genişleme

Bu tezin ana amacı iki yönlüdür; AB'nin dış yardım politikalarındaki Avrupa entegrasyonunu ve farklılaşımı açıklamayı amaçlarken aynı zamanda entegrasyon mekanizmaları, genişleme ve kalkınma ve işbirliği politikasının arasındaki ilişkiyi incelemektedir. Avrupa Komisyonu, finansal yardımlar konusunda en etkili ve başarılı çok taraflı kuruluşlardan biri olduğu halde tekil AB üye ülkelerinin neden ve nerelere ikili yardımda bulunmayı ve bazı paydaş ülke ve bölgelerde kümeleşmeyi tercih ettiklerini de açıklamaya çalışmaktadır. Böylelikle, AB kurumlarının ve üye ülkelerinin yardım paylaşırma tercihlerini belirleyen faktörleri ortaya çıkarmayı amaçlamaktadır. Son olarak, AB aday ülkelerinin kalkınma yardımları politikası üzerine Avrupalılaştırma ve Avrupa'nın farklılaşmış entegrasyonunun rollerini Türkiye örneğini ele alarak açıklamaktadır. Türkiye, hem AB yardımı alan bir ülke hem de gelişmekte olan bir donördür. Tez, üç geniş araştırma sorusuna sahiptir; 1- Avrupa entegrasyonunun AB dış yardım politikalarının ve finansal yardım araçlarının gelişimine karşılıklı olarak herhangi bir etkisi var mıdır? 2- AB donörlerinin yardımlarının ayrışmasının şeklini belirleyen ana faktörler nelerdir? 3- Türkiye'nin ve AB'nin kalkınma ve insani yardım politikalarının yakınsaması ve ayrışması, bu paydaşlar arasında bir farklılaşmış entegrasyon şekli oluşturuyor mu, eğer öyleyse bu, kalkınma politikası alanında alternatif bir entegrasyon modelinin ortaya çıkmasına yol açar mı? Bu tez, birincil ve ikincil veri analizi yaklaşımını ve yarı yapılandırılmış seçkin görüşme metodolojisi ile panel veri regresyon analizini kullanarak karma metot yaklaşımını benimsemektedir.

To Mert...



ACKNOWLEDGEMENTS

I would like to thank my family and my beloved husband Mert Tetik for being so patient and heartening with me.

I would like to express my sincere gratitude to my supervisor Prof. Dr. Meltem Müftüleri-Baç. It is only with her support, excellent guidance and encouragement that I have been able to complete my Ph.D. and I am grateful for all of the opportunities and advices that she has provided me whenever I needed. During my doctoral studies, my work has been financially supported by two different projects, first TRANSWORLD, FP7 Collaborative project funded by the European Commission, and second, a bilateral research grant funded by TUBITAK, both of which were projects that my supervisor was involved in. I would like to thank these institutions for providing me the financial support, enabling me to complete my Ph.D..

I also would like to express my special thanks to the present and previous members of my thesis jury for their time, effort, invaluable and fruitful comments and advices.

Finally, I would like to thank both the present and past Ph.D. candidates with whom we have shared the same office, supported each other and our researches and made the journey endurable and rewarding. I would also like to thank all my friends, who have continued to support and encourage me without any hesitation.

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LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Group of States
ADB	Asian Development Bank
AFET	Committee on Foreign Affairs
ALA	Asia-Latin America Regulation
AsDB	Special Funds of the ADB
ASEM	Asia-Europe Meeting Group
BRICS	Brazil, Russia, India, China and South Africa
CARDS	Community Assistance for Reconstruction, Democratization and Stabilization
CBC	Cross-Border Cooperation
CEEs	Central and Eastern European States
CEECs	Central and Eastern European Countries
CESDP	Common European Defence and Security Policy
CFSP	Common Foreign and Security Policy
CHP	Republican People's Party
CIDA	Canadian International Development Agency
CL	Civil Liberties
COREPER	Comité des Représentants Permanents
CSPs	Country Strategy Papers
CUA	Customs Union Agreement
DAC	Development Assistance Committee
DCI	Development Cooperation Instrument
DFID	Department for International Development
DG DEVCO	Directorate General Development and Cooperation
DG NEAR	Directorate General for Neighbourhood and Enlargement Negotiations
DG RELEX	Directorate General for External Relations
DG TRADE	Directorate General for Trade
EAFI	European Aid Fractionalisation Index
EBA	Everything but Arms Initiative
EBRD	European Bank for Reconstruction and Development
EC	European Community

ECB	European Central Bank
ECJ	European Court of Justice
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EDF	European Development Fund
EEA	European Economic Area
EEAS	European External Action Service
EEC	European Economic Community
EMP	Euro-Mediterranean Partnership
EMU	Economic and Monetary Policy
ENI	European Neighbourhood Instrument
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EP	European Parliament
EPAs	Economic Partnership Agreements
EPC	European Political Cooperation
ERDF	European Regional Development Fund
ESDP	European Security and Defense Policy
EU	European Union
EUA	European Units of Accounts
FAC	Foreign Affairs Council
FTI	Fast Track Initiative
FYROM	Former Yugoslav Republic of Macedonia
GDP	Gross Domestic Product
GNI	Gross National Income
GSPs	General System of Preferences
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HDI	Human Development Index
HR	High Representative for Foreign Affairs and Security Policy
ICOW	Issue Correlates of War Project
IDA	International Development Association
IDB	Islamic Development Bank

IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
IOs	International Organizations
IPA	Instrument for Pre-accession Assistance
IR	International Relations
ISPA	Instrument for Structural Policies for Pre-Accession
LDCs	Least Developed Countries
LI	Liberal institutionalism
LICs	Low-Income Countries
MDGs	Millennium Development Goals
MEDA	Mediterranean Development Assistance
MENA	Middle East and North Africa
MFA	Ministry of Foreign Affairs
MFF	Multiannual Financial Framework
MHP	Nationalist Movement Party
MICs	Middle Income Countries
MISTs	Mexico, Indonesia, South Korea and Turkey
NATO	North Atlantic Treaty Organisation
NGDOs	Non-Governmental Development Organisations
NGOs	Non-Governmental Organisations
NPE	Normative Power Europe
OCTs	Overseas Countries and Territories
ODA	Official Development Aid
ODIHR	Office for Democratic Institutions and Human Rights
OECD	Organisation for Economic Co-operation and Development
OLP	Ordinary Legislative Procedure
OSCE	Organization for Security and Co-operation in Europe
PACE	Parliamentary Assembly of the Council of Europe
PHARE	Poland and Hungary Aid for Economic Reconstruction
PPP	Purchasing Power Parity
PR	Political Rights
PSC	Political and Security Committee

QMV	qualified majority voting
RRF	Rapid Reaction Force
SAAAs	Stabilisation and Accession Agreements
SAP	Stabilisation and Accession Process
SAPARD	Special Accession Programme for Agricultural and Rural Development
SEA	Single European Act
SPO	State Planning Organization
TACIS	Technical Assistance to the Commonwealth of Independent States and Georgia
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TIKA	Turkish Cooperation and Coordination Agency
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNSC	United Nations Security Council
USA	United States of America
USAID	United States Agency for International Development
USD	United States Dollars
WEU	Western European Union
YSK	Supreme Election Council

CHAPTER 1

INTRODUCTION

Has the European integration reached its limits? Is this the end of the enlargement and institutional deepening? Is the European Union (EU) going to be able to keep its global norm-maker role? How is the EU going to respond to the plenty of global challenges, primarily security, migration, poverty and sustainable development? Will the EU (together with its member states) be able to stand as the major donor of the world? What kind of cooperation opportunities would be possible for the EU with non-member but candidate or partner countries following these several crises? These questions are for a while on the agenda of European integration studies for the future of the EU and also its global partners. It is not surprising that the EU, its member states' preferences and their future are under the spotlight of both academic and public discussions, since the EU has been in an ongoing turmoil, at least for a decade. After the failure of the Constitutional referendums in France and the Netherlands in 2005, the introduction of the Lisbon Treaty in 2007 could not prevent the ongoing integration hurdles of the EU. The 2008 financial crises, triggered by the Greek debt crises and followed by other Southern European countries, Spain, Portugal, Italy and later on by Ireland; recent migration crises resulting from the Syrian civil war; and importantly, the very first "disintegration" vote of the citizens of a member state from the EU, the Brexit decision of the United Kingdom (UK), have fuelled the ongoing integration crisis and obscured the EU's future. On the other hand, the EU is surrounded with increasing external threats and global security challenges -such as extremist terrorist groups, ongoing crisis in Ukraine, turmoil in the Middle East and diverging interests in the Transatlantic Alliance after the election of Donald Trump as the President of the United States of America (USA)- that the EU cannot close its eyes to these challenges for a long time. Therefore, although it has been argued by several integrationist scholars that the limits of European integration have been reached, this dissertation argues that it is just the beginning of the necessary discussions on the new form and path of European integration both internally and externally. The main aim of this dissertation is twofold; while it aims to explain integration and differentiation in EU external assistance policies, at the same time it looks at the relationship between

integration mechanisms, enlargement and development and cooperation policy. Thus, it does not only examine and compare the aid allocation mechanisms and preferences of the EU and its member states, it also includes EU accessing countries into the analysis.

This dissertation is an attempt to explain first, the evolution of European integration on EU foreign aid policy, then, the impact of European integration on EU external assistance policies and financial aid instruments and vice versa. It also aims to explain why and to where individual EU member states prefer to allocate bilateral aid and to aggregate in some recipient countries and regions, while the European Commission standing as the one of the most effective and successful multilateral agency with regard to financial aid. In this regard, it aims to uncover the factors that determine aid allocation preferences of EU institutions and member states. Finally, it aims to explain the roles of Europeanisation and European differentiated integration on the development aid policies of EU candidate states by taking the case of Turkey, since it is both an EU aid recipient and an emerging donor.

Thus, it includes three broad research questions; 1- “Does the European integration have any impact on the evolution of EU external assistance policies and financial aid instruments and vice versa?” 2- “What are the main factors that determine the patterns of aid fractionalisation/diversification of European donors?” and 3- “Whether convergence and divergence between Turkey’s and the EU’s development and humanitarian aid policies is a form of differentiated integration between these partners and this would led to an alternative mode of integration in foreign aid policy?”.

The dissertation first analyses the process of European integration and thus, the differentiation. Existing studies have based their reasonings on the competing arguments of intergovernmentalism and supranationalism and questioned whether the EU is evolving to a federal state, intergovernmental union or a new model of policy making with overlapping competences and jurisdictions between the supranational institutions and the governments of the member states. The questioning of the current level and future of European integration is still an important and attractive enquiry in the literature. The integration of the EU and its future are shaped by institutional/functional deepening (communitarisation) and territorially widening (enlargements) by the competing or complementary interests of EU member states and supranational institutions. While the deepening and widening of the EU are under a lot of pressure of the existing crises in the

EU, a new mode of integration based on the combination of the Community method promoted by EU institutions and coordinated action of EU member states, even with the contribution of non-EU member but candidate or partner countries seems essential in order to be able to respond effectively to the existing internal and external challenges and shape the future of the EU.

This study bases its enquiry on the argument that “the enlargement of the EU has not been achieved at the cost of further institutional deepening”. Since the level and scope of integration, in other words, the nature and degree of European internal and external integration in each policy field differs significantly, this has prevented halt of the European integration until today and enabled differentiation, which seems to be the future direction of the European integration process, not only for its member states, for the countries in its neighbourhood and further partner countries as well. The evolution of foreign aid policy of the EU is the illustration of further deepening of the EU by differentiation, despite the competing preferences of EU institutions and member states. Based on this reasoning, this study analyses the integration levels of EU external assistance policies and thus, financial aid instruments, and measures differentiated European integration by analysing the level and scope of authority in EU decision-making on these policies and instruments. Studying the European integration in foreign aid policy is interesting because the literature lacks studies focusing on EU policies, which have “parallel competence”, in other words, which have been further Europeanised over time, but at the same time remain as the main state sovereignty issues of member states. Thus, member states continue to act individually and even independently in these specific policy areas in spite of the EU and common European policies and this does not prevent the achievement of further European integration. Three main theoretical approaches, intergovernmentalism, supranationalism and also, constructivism respectively reflect competing European integration frameworks, which explain the evolution and implementation of EU external assistance policies. However, these theoretical explanations complement each other, since the development policy is a parallel competence policy area in the EU. Thus, the main proposition of this study is EU foreign/external assistance policy is one of the policy areas, which reflects exactly this cleavage of European integration and also the one, which has been studied less often than the other policy areas of the EU. This is a novel approach of the European integration in foreign policy, enlargement and neighbourhood policies and development cooperation

policy as well, since EU external assistance and financial aid instruments cover primarily these individual policy areas. Therefore, this study contributes not only to the theoretical debate on integration, foreign policy and enlargement, but at the same time, also to the empirical debate on foreign aid allocation preferences of donors and the possibility of the alternative modes of European integration with non-EU member countries.

The second aim of this dissertation is to investigate the recent aid diversification levels of European donors in the partner countries and regions that are covered by the main financial aid instruments of the EU and also, unveil the main determinants of European aid fractionalisation in those regions. The EU, with its member states' bilateral aid allocations, is the largest donor of financial aid in the world. The total aid given by EU member states' and EU institutions is almost 60 per cent of the global aid allocation. The sum of the bilateral aid of EU member states and the aid given by EU institutions is over USD 60 billion per year. At the same time, the EU contributes to the global efforts of increasing aid effectiveness by decreasing aid fragmentation, poverty eradication, promoting sustainable social and economic development and good governance of the United Nations (UN) and Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). Thus, it acts as one of the norm-makers in global development agenda. However, the ability of the EU to transform the developing countries and strengthen its global actorness in foreign aid policy suffers from divergent preferences between the EU and the member states in their foreign aid allocation preferences and as a result of it, increasing aid fractionalisation in partner countries. This situation also poses new challenges to the European integration processes of EU external assistance policies. Even though the increasing institutionalization, coordination, complementarity and cohesion efforts and mechanisms of the EU between the EU's and member states' foreign aid policies during the last decade, the continuation of bilateral aid policies of member states in the light of their national interests show diverging interests among European donors and increase aid fractionalisation. This creates an interesting puzzle for Europe's financial aid allocation mechanisms, external affairs of the EU and the European integration. The choice of EU member states whether to allocate aid multilaterally through the EU or bilaterally over their national agencies is the illustration of the level of European integration in this parallel competence policy area. In this regard, this study first composes a "European Aid Fractionalisation Index (EAFI)" based on the total volume of aid of the EU and nineteen OECD DAC EU member

states between the period 2005 and 2015 and measures the level of total European aid fractionalisation and regional European aid fractionalisation, thus, the level of integration and differentiation of European foreign aid policy.

The integration levels of EU external assistance policies are also important to assess the normative power of the EU and the role of EU member states in establishing this power both internally and externally. During the last decade, the EU has introduced several instruments and mechanisms in its external assistance policies, which could be considered as breakthrough first of all, for further integration of the EU in this policy and secondly, in order to contribute to the global efforts of effective development aid allocation and to increase its power as a norm-provider in the international aid community. However, the ability of the EU to implement these norms, principles and instruments depends on the interest of member states to prioritize and implement these non-binding efforts, recommendations and principles in their aid allocation mechanisms. If European donors prioritize the coordination, the division of labour on complementarity and cohesion efforts, support for democracy, human rights, rule of law and good governance principles of the EU while allocating aid, then it is expected that total European aid fractionalisation decreases since this visualizes the convergent preferences of the EU and member states and also, the further deepening of the EU in foreign aid policy. In this manner, investigating the possible determinants of European aid fractionalisation in recipient countries and regions is particularly important as they stand as the explanations of whether the member states prefer to apply the recommendations to contribute to the global efforts of the EU in aid allocation and cause deepening of integration or prefer to continue their bilateral foreign aid policies in parallel to the EU efforts and differentiated integration in EU foreign aid policy. The introduction and measurement of the European aid fractionalisation index and then, the investigation of possible factors that change the level of this aid fractionalisation are the two empirical contributions of this dissertation to European integration literature, as well as to foreign aid literature.

Finally, the dissertation aims to explain the complicated patterns of “external” integration and differentiation within EU development and cooperation policy by analysing the accession processes of EU candidates, particularly by taking the case of Turkey and aims to drive conclusions for the possibility of alternative modes of integration between Turkey and the EU in development cooperation policy. The territorial

extension of the EU foreign aid policy or external assistance mechanisms in different policy areas is considered as limited with the EU member states in the literature. However, accession and candidate states being in the first place, non-EU member European states, which are also OECD DAC members, can also contribute to several EU aid mechanisms and cooperate with the EU and the member states. There is no doubt that the EU has also significant impacts on the countries in its periphery, candidate countries such as Turkey and Western Balkan countries, and also neighbouring countries in the East and South, even without a membership perspective. However, recent crises in the EU have also diminished the political legitimacy and role of the EU in those countries and clarified several challenges in the enlargement process, particularly with Turkey. Europeanisation literature suggests that candidate states have to harmonize the EU *acquis* in different policy areas prior to their accession to the EU and the EU, especially the European Commission has to follow and support the accession process. Development and cooperation policy is among the policy areas, which has to be aligned at the time of the accession, but there is not any legal cooperation opportunity between the EU and its candidate states in this policy area, since it constitutes neither a priority for the EU nor for the accession countries in the pre-accession strategies and process. Therefore, the role of Europeanisation in foreign aid policies of candidate states is limited. However, this study proposes that significant patterns of convergence between the EU and its candidate states in development and cooperation policy could be considered as external differentiated integration.

Consequently, the case of Turkey becomes an interesting subject for an empirical enquiry, since Turkey is both a recipient state of the EU funding since it is an accession country, and an emerging donor with its sharply increasing volume of aid, especially over the last decade. Equally important, at the same time Turkey-EU relations have been witnessing one of their most turbulent times of their history. This dissertation argues that the convergence between the EU's and Turkey's development aid and humanitarian assistance policies paves the way for possible cooperation opportunities between the two partners in foreign policy and internal security policy. Even though the recent empowerment of Turkish foreign aid policy is not a result of the Europeanisation process, the drastic transformation of Turkish foreign aid policy and Turkey's long-standing relations with the EU and OECD DAC Group differentiates Turkey from other candidate states and emerging donors regarding its foreign aid policy's level of integration. In that

sense, Turkish foreign aid policy provides a unique example empirically illustrating external differentiated European integration in this policy area as an alternative mode of integration between Turkey and the EU, previously understudied in the literature. The analysis and comparison of EU's and Turkey's development cooperation policies is one of the contributions of this dissertation to the integration and enlargement literature, as well as foreign aid policy literature.

Last but not least, in this dissertation I adopt a mixed-method approach by using primary and secondary data analysis approach and semi-structured elite interview methodology and also, as a supportive analysis a large-N, panel data regression analysis. I believe that regression analysis method is extremely useful for testing broad hypothesis generated by analytical case studies. Regression analysis can also help to identify common patterns of EU institutions and member states, which may be different than each other.

1.1 Overview of the Dissertation

In the second chapter, I present the theoretical framework and the literature review of this dissertation. The chapter summarizes the literature review and theoretical framework in international relations (IR) theories and European studies on foreign aid allocation and European integration as well as the differentiation literature, especially in external assistance and enlargement policies. The chapter sheds light on less studied and even, understudied subjects in the literature on European integration, foreign aid policy and enlargement policy. Thus, it presents its contributions to the literature regarding these topics. Analytically and empirically the dissertation brings together four different but interrelated research areas of the scholarship; international relations, European integration, foreign aid policy and enlargement policy.

The third chapter's main argument is that vertical (functional) and horizontal (territorial) integration have taken place by differentiation in different policy areas of the EU that has enabled flexible integration and thus, the continuation of the European integration until today, even the existence of intergovernmental decision-making and divergent preferences of EU member states in different policy areas. Thus, this chapter

presents scholarly discussions on the form and future evolution of the EU and different definitions of European integration and then, explains why the EU is defined as a “system of differentiated integration”. In the second part of the chapter, the level and scope of authority in EU decision-making over time is measured by analysing the primary EU documents, in order to be able to explain how the formal allocation of competences and the institutional decision-making procedures materialize in practice in different policy areas.

The fourth chapter of the dissertation bases its arguments on the explanations of the third chapter on European integration and differentiation. Thus, it maps and measures the European integration and differentiation, in other words, the level and scope of authority in EU decision making, in EU external assistance policies, which are considered as enlargement, neighbourhood and development cooperation policies of the EU in this study, since they cover four main geographical financial assistance instruments of the EU, respectively, the Instrument for Pre-accession Assistance (IPA), the European Neighbourhood Instrument (ENI), the Development Cooperation Instrument (DCI) and the European Development Fund (EDF). This chapter argues that this measurement is crucial in order to capture and explain different aid allocation preferences of EU institutions and member states, since the analysis of the EU as a system of differentiated integration can best explain the multilateral and bilateral aid allocation preferences of EU institutions and member states.

Chapter five presents the two main aid allocation dynamics of the EU, 1- instruments that aim to provide aid to the countries in the EU periphery and neighbourhood (IPA and ENI); and 2- instruments that operate for aid allocation to third states (DCI and EDF). This chapter explains how these four financial aid instruments of the EU are different than each other in terms of their integration levels, institutional structures, geographical and thematic policy scopes, EU member states’ motives in establishing and funding them. It analyses the disaggregated data for the financial aid instruments of the EU and assesses the differentiated integration patterns of them in order to visualize the impact of differentiated integration on the aid allocation preferences of EU institutions and member states.

Chapter six covers the two empirical analyses of the dissertation on the level of European aid fractionalisation and the main determinants of European aid diversification

in a recipient country or region. First of all, it argues that one of the ways to understand whether the EU and its member states prefer to apply the recent non-binding requirements of the EU development cooperation policy on aid effectiveness, division of labour on complementarity and cohesion and the promotion of democracy, rule of law, human rights and good governance principles or to what extent they prefer to apply them in their aid allocation mechanisms, is analysing the level of aid fractionalisation of European donors in recipient countries and regions. In this regard, main research questions of the first analysis are; *“To where and when EU member states prefer to allocate aid bilaterally and multilaterally through EU institutions? Whether EU member states’ aid allocation preferences are divergent or complementary to EU institutions’ aid allocation mechanisms?”*. The second analysis searches for any correlated relationship between the recipient needs and good governance principles and the level of European aid fractionalisation. Thus, it tries to disclose the main determinants of aid fractionalisation in four different regions, where the EU implements its financial aid instruments. Thus, main research questions of this analysis are *“What determines the European aid/donor fractionalisation in recipients? Why are there too many European donors in some recipient countries and only few in some others? Whether recipient needs or good governance principles impact the level of European aid fractionalisation?”*.

In chapter seven, first the content of development and humanitarian aid policies of candidate states and their level of harmonization with the EU in the negotiation process are analysed and the impact of Europeanisation on the candidates’ foreign aid policies is questioned. Even though, this chapter reveals the very limited role of Europeanisation in the formulation of accession countries’ foreign aid policies, it argues that the territorial extension of European integration in development and cooperation policy also covers them. If there is any convergence between the EU’s and a candidate states’ development aid policies, even this could be considered as external differentiated integration in EU development and cooperation policy. Therefore, this chapter analyses Turkey and Turkish foreign aid policy, first to reveal if there is any role of Europeanisation in the evolution of Turkish foreign aid policy, secondly to show the integration level of Turkish development and humanitarian aid policies with the EU development cooperation policy. This chapter also includes a brief historical analysis of Turkey-EU relations.

Chapter eight contains the detailed comparative analysis of Turkish and EU development cooperation policies, in respect to their institutional structures, objectives,

quantities of aid, geographical and thematic focus areas in aid allocation. The aim is to understand the complementarity and divergence between the Turkish and the EU foreign aid policies and to search for possible cooperation opportunities between the EU and Turkey in this specific policy area as a new form of integration, in where Turkey-EU relations are in a deep crisis and accession becomes far off for Turkey. Recently, the EU deals with several internal and external challenges ranging from Brexit to Syrian refugee crisis and Turkey also suffers from the consequences of both domestic and international crises, such as further deterioration of democracy and human rights in the country and extreme terrorism.

Finally, in chapter nine I present a summary of the main findings of this study and conclude with my contributions to the existing literature.

CHAPTER 2

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

This chapter summarizes the literature review and theoretical framework in IR theories and European studies on foreign aid allocation and the European integration and differentiation, especially in external assistance and enlargement policies.

Foreign policy can be defined as the management of external relations and activities of nation-states, as distinguished from their domestic politics. Foreign policy involves goals, strategies, measures, methods, guidelines, directives, understandings, agreements and so on, by which national governments conduct international relations with each other and with international organizations (IOs) and non-governmental actors (Jackson and Sorensen 2010, 226). Governments want to influence the goals and activities of other actors who they cannot completely control because they exist and operate beyond their sovereignty (Carlsnaes 2002, 335). Foreign policies of nation-states include several measures and tools that aim to achieve their foreign policy goals by several government decisions and plans of action. “Foreign aid”, “financial aid/assistance” or in other words “development” aid or policies of states is one of the foreign policy tools of them in their external affairs that has been well studied in the literature for many years. According to Morgenthau “foreign aid is among the real innovations which the modern age has introduced into the practice of foreign policy” (Morgenthau 1962, 301).

Financial aid has constituted a cornerstone of foreign policy studies during the last several decades. Financial aid has become significantly important in terms of explaining relations between states; and between international organizations and states. Financial aid, in other words “foreign aid” or “external assistance” is considered as an effective policy tool or “soft power” under one of the “high-politics” issue area, foreign policy, that one can attain various ends. It is also considered as an instrument of global actorness or leadership of donor states or organizations in international relations. It has become a widely popular foreign policy tool for states and international organizations towards various means such as attaining economic development, delivering humanitarian relief and obtaining political leverage (Lancaster 2007).

As a *sui generis* political entity, the EU has also state-like characteristics and competences, decision-making and regulation power in several policy areas that nation states' governments deal with. Foreign aid, in other words, external assistance policies of the EU are among those policy areas that the EU has parallel competence with its member states. Thus, one has to keep in mind that the decisions of the EU in a specific policy area are also affected by the preferences and priorities of 28 EU member states in that policy area. Therefore, external assistance decisions of the EU cannot be independent from the impact of member states. On the other hand, there is a relationship between the global success and efficiency of the EU in one policy area and the level of centralisation in this policy area. The explanation of the European integration and the relationship between EU institutions and member states have been the principal research topics in European studies literature since the early days of the European Community (EC). However, at the end of 1990s, scholars of European integration reconciled with the argument that the EU has achieved expanding to the limits of its institutional and policy scope that any change would be marginally and incrementally. Therefore, they argue that research on EU politics and policy-making in specific policy areas or within a stable set of institutions would be much more explanatory than studying the EU as a system of integration (Hix 1994; 2005; Hooghe and Marks 2001; Leuffen *et al.* 2013). Thus, even though there are substantial amount of studies in the literature on the theoretical explanations of European integration and the level of integration in different policy areas of the EU, studies on the integration level of EU external assistance policies are limited. Therefore, this dissertation firstly researches on an understudied issue, the level and scope of European integration on EU external assistance policies and instruments. The level and scope of integration in EU external assistance policies are important for this study, since they aim to explain the different aid allocation preferences of European donors, in other words, why and to where European donors prefer to allocate multilateral aid through the EU and bilateral aid or continue to apply both of those aid mechanisms.

The second subject that the literature has not explored yet is the determinants of European aid fractionalisation or diversification. While several studies explain the reasons of increasing volume of aid of donors to recipients, aid diversification or fractionalisation of European donors is not studied in the literature. First of all, there is not any aid fractionalisation index for European donors that this study composes for the first time and then, analyses the possible determinants of aid fractionalisation in recipient

countries and regions. Existing studies in the literature focus on the evolution of EU external assistance mechanisms, institutions, principles and recommendations in the light of European integration, the role of EU institutions and member states in these decisions. However, studies researching to where and why the EU's and member states' aid allocation preferences converge or diverge, are missing. The calculation of European aid fractionalisation index and then, the analysis of the determinants of this aid fractionalisation are important to understand possible explanations on EU member states' multilateral and bilateral aid allocation preferences and any policy convergence and divergence between the EU and member states.

Finally, even though there are several studies on the individual foreign aid policies of EU member states, the literature lacks studies about foreign aid policies of EU candidate states, which will become future members and automatic decision makers of EU financial assistance policies and also, contributors of EU external assistance instruments. Moreover, the literature has not yet taken into account the level of integration of EU candidate states on their development and cooperation policies. Such analysis is important first of all, to contribute to the "Europeanisation" literature on EU candidate states by looking at any possible impact of Europeanisation on the formation and evolution of development and cooperation policies of EU candidates. Secondly, it contributes to European external integration and differentiation literature, especially on foreign policy and development cooperation policy, by looking for possible explanations for alternative modes of integration among the EU and non-EU countries, which are accession or partner countries in the EU periphery.

This chapter investigates existing questions and both theoretical and empirical studies in the IR, European studies, particularly integration, EU foreign policy, foreign aid, enlargement and Europeanisation literatures and sheds light on less studied and understudied subjects. The chapter proceeds as follows; the first part of the chapter looks at the theoretical explanations of the purposes and the effectiveness of foreign aid from IR literature. Then, existing studies and theoretical approaches on the EU as a system of integration, the European integration in foreign policy and foreign aid policies are discussed. In the next section, studies which analyse the main determinants of aid allocation, whether related with donor interests or recipient needs, are underlined. Final part of the chapter highlights studies about the European integration and the level of

Europeanisation on foreign aid policies of candidate states and summarizes studies on EU-Turkey relations.

2.1 Foreign Aid in International Relations Theories

Questioning the purposes and the effectiveness of foreign aid is not a recent subject among political scientists, particularly, IR scholars. According to realist scholars of IR, who argue that states operate in an anarchic environment, where power, security and survival are their predominant occupations, foreign aid is definitely a tool for hard-power politics. Realist scholars underline the role of foreign aid as an instrument to enhance their national power and security (Morgenthau 1962; Liska 1960). Additionally, they stress the role of national interests on the purposes of foreign aid (Hook 1995). Importantly, the results of most of the quantitative studies that were conducted 1970s onwards proved the realist argument that national interests of donor states have great impact on the purposes of bilateral aid allocations and the preference of recipient states (Dudley and Montmarquette 1976; Maizels and Nissanke 1984; Frey and Schneider 1986; Schraeder, Hook and Taylor 1998; Alesina and Dollar 2000; Alesina and Weder 1999; Dollar and Levin 2004).

On the other hand, liberal tradition of IR scholarship sees financial aid as an instrument for the cooperation of states in order to solve the problems of interdependence and globalization. Liberal internationalists argue that the emergence of “international organizations” as the focal point of global order during the Cold War Era marks an important benchmark for foreign aid scholars (Bull 1977; Keohane 1984). Either due to or despite of their limited power as international actors, many of these organizations have resorted to financial aid to attain their goals. The emergence of the World Bank as an international organization as one of the most significant donors in providing aid and also the role of the United Nations in many regions of the world with its development and aid policies could be examples of the emerging role of IOs in aid-giving process. The recipients were either strategic targets, but mostly were “third world” countries. Most recently, the allocation of financial aid, whether multilateral or bilateral, is also an important subject to study by the increasing role of IOs in aid allocation processes.

Constructivism also has interpretation of financial aid in IR. It argues that financial aid reflects a “norm” that has evolved between states that rich countries should provide assistance to poor countries in order to help their social, economic and political development because of the priority of their humanitarian concerns rather than economic and political national interests. Only by this way long-term peace and prosperity in a just international order could be possible (Lumsdaine 1993; Pakenham 1973). According to constructivism, the world is viewed as social rather than material, and identities and interests are seen as being endogenously constructed through inter-subjective interaction rather than exogenously given (Wendt 1992, 394). Thus, constructivist scholars argue that “ideas” and “identities” matter in shaping norms and constructing the nature of the state system and transforming political, cultural and social identities therein (Checkel 2006). Also, regarding the foreign aid literature constructivists argue that increasing level of aid dealt by international organizations decreases the role of political and economic interests of donor states in aid-giving. Therefore, the aim of foreign aid could be achieved in a more moral and successful way (Finnemore 1996; Barnett and Finnemore 2004).

Broad range of studies in the literature focuses on the purposes of governments and international institutions in financial aid allocation. In those regards, the main discussion has focused on whether the aim of the foreign aid should be diplomatic/political or humanitarian (Lancaster 2007). Additionally, literature concerns about the efficiency of the disbursed aid. There are plenty of studies that focus on the level of change in terms of socio-economic conditions at the recipient states. In a similar fashion, much of the discussion of financial aid revolves around how effective it is in terms of progressing towards the UN Millennium Development Goals (MDGs). However, existing research fails to discuss properly the origins of the foreign aid, which are donor governments and international organizations. Few examine its role as a foreign policy tool towards achieving the international aims of both the donor states and international organizations. This study is an attempt to contribute to the literature through these points by focusing on the EU external assistance policies and the policies of EU member and candidate states’ in aid disbursement as a tool of both collective interests of EU foreign policy and national preferences of member and candidate states. In order to explore various factors that are at play in the nexus of EU external assistance policies, it would be necessary to provide a general overview of the state of art of the European integration.

2.2 European Integration and International Relations Theories

“Theories of integration stipulate the conditions and mechanisms under which competences and boundaries shift in the European multi-level system. They explain the scope and dynamics of integration and allow us to formulate expectations as to when and under what conditions integration will progress (or stall)” (Leuffen *et al.* 2013; 33-34). There is no doubt that the development of European integration theories over time has not been independent than theory developments in IR. When it comes to the explanation of European integration by IR theories, the literature is diverse and rich in this respect. Until 1990s the dominant European integration theory based on IR theories was neo-functionalism, which explains integration as a gradual and self-sustaining process that evolves to supranationalism by putting international cooperation and organization at the core of its explanation like in “idealism” in IR (Haas 1958; Lindberg and Scheingold 1970). Prominent scholars of neo-functionalism, Ernst B. Haas, Leon Lindberg, Joseph Nye and Philippe Schmitter defined the neo-functionalist research agenda of integration in 1960s.

Second theory is considered as intergovernmentalism, which emphasizes the significant role of nation states in the evolution of integration by contrasting the neo-functionalist theory. It would not be wrong to mention about the lack of both realist and neorealist theories in explaining the EU as an institution (Grieco 1996; Hoffmann 1966; Mearsheimer 1990; Waltz 1979). However, the existing contestation between supranationalism and intergovernmentalism in explaining European integration mirrors the paradigmatic debate between “idealism” and “realism” in IR beginning from the 1950s till the 1970s. Since the European integration began in 1950s by the transfer of six original EU member states’ competences to a supranational body in economic area, realist paradigm of IR was contradicted by the success of this integration. However, later on in the mid-1960s “Empty Chair Crisis” of France’s De Gaulle symbolizes the return to intergovernmentalism and the role of realism in integration, since he rejected further delegation and pooling of sovereignty to supranational EU institutions.

It was the 1980s, when the European integration deepened by including areas such as the Internal Market, Economic and Monetary Policy (EMU) and Schengen Regime that achieved the delegation of sovereignty to the supranational institutions of the EU.

Thus, the supranationalist-intergovernmentalist debate was revitalized in parallel to the debate between “neoliberal institutionalism” and “neorealism” in IR at that time (Keohane 1984; Keohane and Nye 1977). “Both sides started from different strands of institutionalism in political science (Aspinwall and Schneider 2000; Hall and Taylor 1996). Supranationalist theorizing of the 1990s drew heavily on “historical institutionalism” and the notion on ‘unintended consequences’ to explain the momentum in European integration (Pierson 1996; Stone Sweet and Sandholtz 1997), whereas Andrew Moravcsik’s “liberal intergovernmentalism” (1993; 1998) applied central assumptions of ‘neoliberal institutionalism’ in IR, with its focus on international institutions facilitating and stabilizing cooperation among rational state actors” (Leuffen *et al.* 2013, 31).

As the third theory, constructivist approach can also explain the European integration. In the mid-1990s, a new paradigmatic debate in IR, between “rationalism” and “constructivism” has emerged. While rationalists argue that international politics is driven by the economic and strategic self-interests of states and other relevant political actors and their bargaining processes, constructivists prioritize identities, ideas and ideational processes in explaining international order. In those regards, while previous European integration theories, supranationalism and intergovernmentalism are considered as “rational” approaches, constructivism explains European integration by identities, norms, values and ideas, which cause community formation (Christiansen *et al.* 2001).

2.3 Explaining Integration in EU External Assistance Policies

While the development policies of European donors have been studied extensively in the literature (Hoebink and Stokke, 2005; Lancaster, 2007; Van der Veen, 2011; Lundsgaarde, 2012), the potential relevance of the European integration process has been ignored. When it comes to the development policy of the EU, Carbone argues that “in general, most of the existing contributions see the priorities of Member States as the driving force shaping EC development policy” (Carbone 2007, 37). Also, Cosgrove-Sacks mentions “during different periods of the European integration process, individual states or alliances between two or three states have exerted crucial pressures to move the

relationship forward” (Cosgrove-Sacks 1999, 5). In those regards one can give the example of the important role that France played in the 1950s and 1960s for Lomé Convention, which was aiming at extending of the focus of the European Community to sub-Saharan Africa, the Caribbean and the Pacific, (ACP countries) which were the ex-colonies of France at the same time. As Holland and Doidge mention Yaoundé and Lomé were largely driven by national government concerns, primarily French and British respectively. “This was complemented by the emergence of a Latin American policy after the accession of Spain and Portugal” (Holland and Doidge 2012, 29). In addition to those, by the end of the Second World War, Germany’s role increased in shaping the Community’s external relations by focusing more on the Central and Eastern European states (CEEs) (Carbone 2007). The 2004 enlargement with the accession of eight CEEs and then of Romania and Bulgaria in 2007 paved the way for the development of European Neighbourhood Policy (ENP) (Edwards 2006; Lightfoot 2010). It is clear that since the beginning of the European integration process, member states’ preferences and priorities had a significant impact on the direction of the overall external assistance policies of the Union. It is important to note that, no matter whether it is big or small, all EU member states have continued to impact on external assistance policies of the EU overall, some by preserving their bilateral policies, some by looking for more centralisation or in other words “Brusselizing” of external assistance policies of the EU and some by being free-riders in the process. This situation increases the role of intergovernmentalist theory in the explanation of both the European integration process and external assistance policies of the EU. However, there can be also misfit between European and national interests, norms, preferences after cost and benefit calculations of member states and thus, they would prefer not to follow the same procedures as EU institutions agree and implement, whilst the development *acquis* is not binding.

Liberal intergovernmentalism places the state as the key actor in determining EU outcomes (Moravcsik 1991, 1993, 1995; Moravcsik and Nicolaidis 1999). In that regard, intergovernmentalism perceives the European integration as achieved by interstate bargaining of member states’ rational, self-interested governments, which cannot escape from the impact of their domestic audience. Therefore, the integration cannot be an outcome of an independent dynamic process or non-state actors’ preferences. As Moravcsik mentions “European integration can be best understood as a series of rational choices made by national leaders” (Moravcsik 1998, 18). It is also necessary to refer to

the relationship between liberal theories and rational-choice theory in order to better understand the explanation of rational choice institutionalism in the process of European integration. Liberal theories of European integration are also rationalist in the sense that they mention the absolute gains of nation states in the decision-making process and the necessity of international cooperation and institutionalism in order to achieve peace in an anarchic world order. The most important liberal IR theory that influences the European integration is Moravcsik's liberal intergovernmentalism (Moravcsik 1991, 1993, 1995). According to liberal intergovernmentalism, national member states of the EU first aggregate their domestic and national interests and preferences and then, they bargain in the EU level with other nation states. Therefore, there is not any significant role of supranational institutions, spill-over effects and transnational business groups, etc. in the integration process of the EU (Pollack 2001). Liberal institutionalism (LI) and rational choice theory overlaps that "states aggregate interests and act rationally to advance their preferences at the EU level, and that member governments rationally select institutions that are designed to maximize their utility" (Pollack 2001, 233). On the other hand, in policy areas where the unanimity voting is the main decision-making procedure, any member state can veto the process that the European Commission has a mandate to negotiate with third countries and to implement. In those regards, recently the continuation of the significant role of EU Member States in the decision-making and implementation processes of any specific EU-level policy -especially in external assistance policies of the EU- can be explained by liberal intergovernmentalism. Additionally, EU member states decide in the Council, in other words their political will is required, on broader policies of EU external assistance, such as Division of Labour for Cohesion and Complementarity, adoption of the UN MDGs or the content of the IPA and ENI assistance. However, liberal intergovernmentalism is limited in explaining the role that supranational institutions play in collective action preferences.

According to supranationalism, instead of nation states, supranationalist actors and processes shape the European integration. Supranationalism does not emphasize that nation states do not have any impact on policy outcomes, but according to it, supranational actors, in other words, institutions/organizations and transnational interest groups push the integration process and when the integration is achieved, the EU becomes much more institutionalised. As a result, supranationalist actors gain much more power and continue to push for further integration in order to achieve their collective preferences

by soft bargaining, their expertise and institutional competences and thus, constraining the power of member states. By then, supranationalism argues the existence of the transformative power of integration on member states and the Union. Even the initiation of European integration is explained by supranationalism as the sufficient push for its functional scope, level of centralisation and territorial extension going beyond the level of governments of individual states and thus, developing a new kind of polity (Leuffen *et al.* 2013). As the prominent supranationalist scholar, Haas defines integration as a “process whereby political actors in several distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new and larger centre, whose institutions possess or demand jurisdiction over pre-existing national states” (Haas 1961, 366-7). The concept of “spillover” is the major contribution of supranationalism to the integration literature. There are three elements of spillover mentioned in the literature; functional, political, institutional or geographical spillover (Haas 1961; Stone Sweet 2004; Stone Sweet and Sandholtz 1997; 1998). The idea of functional spillover argues that policies and decisions regarding them are not isolated and autonomous. Any policy formation and decision on a specific policy has repercussions beyond that policy area and thus, affects other policy areas and decisions on them as well. Therefore, deeper integration in one policy area has a spillover effect and impacts on another one, which is not an independent policy area than the integrated one. On the other hand, the concept of political spillover makes transnational actors, which look for EU-level rules, decisions and requirements in their active policy fields, direct their demands to supranational institutions by their lobbying activities and power, if nation state governments are reluctant to pool their sovereignty to supranational institutions in those policy areas. Finally, when EU institutions, especially the Commission, the European Parliament (EP) and the European Court of Justice (ECJ) use their power to expand the EU-level rules to facilitate territorial exchange and thus, increase collective transnational utility, this is an evidence for institutional or geographical spillover.

Within the EU external assistance policies context, relevant developments between EU’s development and cooperation policy, trade policies, the Common Foreign and Security Policy (CFSP), enlargement and neighbourhood policies through the course of European integration are the evidences of supranational integration. On the other hand, functional spillover is evident from the CFSP, established by the Maastricht Treaty, to development and cooperation policy of the EU recently by the Lisbon Treaty (Holland

and Doidge 2012; Smith 2013). While special treatment to Least Developed Countries (LDCs) was mentioned by the Cotonou Convention of EU development and cooperation policy, finally it also became one of the recommendations of overall EU development *acquis* on its financial assistance allocation. On the other hand, the role of the Commission and recently the European External Action Service (EEAS) regarding the content and implementation of all financial instruments of the EU (IPA, ENI, DCI, EDF), the co-decisive role of the EP regarding the EU budget decisions and also, the power and work of the Commission in introducing the Code of Conduct on Development Assistance and the Division of Labour on Complementarity and Cohesion approach are the perfect illustrations of the undeniable role of supranational institutions in further integration in the EU external assistance policies.

Other significant approach on the European integration that this study takes into account is constructivism. This approach argues that EU member states do not only act by their strategic self-interests, their preferences and identities within the EU also matter (Sandholtz 1993; Risse 1996; Jørgensen 1997). According to the constructivist approach, informal rules, “norms” and intersubjective understandings are also significant parts of institutions in addition to formal rules. Institutions construct actors and their preferences, identities and incentives. Constructivism recognizes the importance of structure and social learning instead of rationality of states. In that regard, constructivists argue that rational-choice institutionalism lacks in explaining the role of institutions in shaping actors’ preferences by social interaction (Pollack 2001). Importantly, constructivism offers some overlaps with neo-functionalism regarding integration that it tries to explain the shift of loyalties to supranational institutions and redefine interests of social and political actors (Ruggie 1998, 862). Therefore, constructivists argue that “even if member states are the most important actors, their own interests are constructed and transformed through interactions within the European policy space, implying a gradual Europeanizing of member state interests and policy formation” (Holland and Doidge 2012, 35). Regarding the European integration, constructivists argue that integration has a transformative power on the state system, which in turn impact the integration process again (Christiansen *et al.* 1999). Thus, constructivist approach looks at the ways how norms, values and identities are transformed over time and as a result of actors’ interaction in the European space. Therefore, even though member states and their interests are still dominant in the decision-making process, these interests are shaped and transformed

through interaction in the European space and cause further Europeanisation of member states' interests and preferences (Holland and Doidge 2012).

Regarding the external assistance policies of the EU, constructivists would emphasize first the increasing Europeanisation of financial assistance policies by the time during the integration of the EU, from largely instrumental set of policies of Yaoundé and Lomé Conventions to a more proactive approach today pursuing a broader Union interests by emphasizing values and norms of the EU, such as good governance, improving the quality of life, human rights protection etc. "In this respect, development policy may increasingly represent a socially constructed set of interests about the correct role of the Union in the world" (Holland and Doidge 2012, 36). This situation paves the way for more cohesion, coordination and complementarity in EU policy formation at both domestic and European levels by intersecting common values and norms of EU member states. Additionally, according to the constructivist school of thought, this ideational intersection and developments in the EU policy realm would impact its external relations as well. Thus, through the role of the external assistance policies of the EU, many developing nations would adopt and project European values and norms and become more and more prosperous and peaceful. Also, the EU *acquis* on development cooperation policy corresponds to the global consensus on Official Development Aid (ODA) policy reforms, such as poverty reduction, increasing ODA levels, especially to LDCs, and aiming to decrease fragmentation for aid effectiveness. Development policy of the EU is an important policy area that illustrates the EU as a global actor in different parts of the world. Constructivists' arguments regarding European integration and financial assistance overlap with their arguments regarding the financial aid literature where they argue that increasing level of aid dealt by international organizations decreases the role of political and economic interests of donor states in aid-giving. Therefore, the aim of foreign aid could be achieved in a more moral and successful way (Finnemore 1996; Barnett and Finnemore 2004). Then, both in international aid and EU aid literature, constructivist approach has also an important role in the explanation of states' preferences in aid allocations, whether multilateral or bilateral.

2.4 EU Foreign Policy and Foreign Aid Policy in the Literature

It would be also necessary to mention how financial aid policies of the EU and member states have been reflected in the literature as a foreign policy tool. There is no doubt that the European integration process also paved the way for the recognition of the EU as an international actor, which has been one of the foreign policy goals of the Union. There is also the growing strand of literature on the Europeanisation of foreign policy (Tonra 2001; Major 2005; Moumoutzis 2011; Wong and Hill 2011; De Flers and Müller 2012), but they do not provide consistent conclusions. Some of them argue that the foreign policies of EU member states have been further Europeanised, but some others continue to emphasize that the Europeanisation of member states' foreign policies is far away from reality. Moreover, these studies have scarcely, if at all, addressed the issue of foreign aid or development aid policies of the EU and member states. External assistance policies of the EU are important policy tools that illustrate the EU as a global actor in different parts of the world. The use of financial aid in order to achieve foreign policy aims of the EU is one of the significant tools of the EU policy-making (Ganzle, Grimm and Makhan 2012). External assistance policies of the Union, basically including, financial assistance to candidate and neighbouring states and development and humanitarian aid policies to third states, are also parts of the European foreign policy. Financial assistance policies of the EU have been attributed increasing significance and role recently by the establishment of the EEAS and Directorate General (DG) Development and Cooperation (DEVCO)–EuropeAid in European Commission by the Lisbon Treaty. As such external assistance policies of the EU, member and candidate states become an interesting area to test various hypothesis that this study tries to do.

The EU's foreign policy is one of the crucial issues in international relations, since it is still not possible to think about a single EU foreign policy because of the existence of 28 sovereign member states, which differ in their national foreign policy preferences. The difficulty of "Brusselizing" sovereign national foreign policies of EU member states is the main burden in front of a common EU foreign policy. As Jorgensen mentions "there are signs that the Common Foreign and Security Policy is beginning to mature institutionally, but the idea that foreign policy remains a national prerogative, which touches directly upon national sovereignty, remains a very powerfully entrenched norm

in Europe” (Jørgensen 2002, 212). First of all, despite the existence of different foreign policy priorities of EU member states, it is important to mention that the EU’s foreign policy is not only about security and defence issues. It also includes trade relations, financial assistance, development aid, promotion of liberal market economy, democracy and the rule of law, and human rights protection in its external affairs. Although, the level of cooperation of member states under a common foreign policy is still limited, it would be impossible to deny the significant evolution of the EU in the foreign policy realm, since the establishment of the Community. However, this divergence between EU institutions and member states on foreign policy preferences is also reflected on the EU’s external assistance policies, since member states may have different foreign policy objectives than EU institutions and thus, they may prefer to attain different financial aid policies and mechanisms in order to achieve their foreign policy goals.

The evolution of European foreign policy can be explained by both rational-choice of EU member states in order to have impact in future foreign policy of the EU and normative power Europe (NPE) approach in the literature. Rational-choice approach argues that cooperation in foreign policy is determined and shaped by rational interests of member states (Hill 2003). In those regards, if member states agree on a common policy regarding the EU’s financial assistance, this is a result of their national interests. On the other hand, NPE approach argues shifting some policy decision-making from self-determined structures of individual member states to the structures of EU order (Lipson 1991). Such policy shifts are applied in EU foreign policy first by the Maastricht and then the Amsterdam Treaty and recently, by the Lisbon Treaty. These treaty reforms regarding foreign policy and external assistance policies of the EU could be considered as the impact of “institutional learning” as Haas defines (Haas 1990) or as “dynamics of treaty reform”, “external shocks, spill-over effects, and sequences of interaction, norm-creation, and codification, respectively” (Jørgensen 2002, 228). Thus, the European integration process introduces new common rules, understandings and norms for member states to apply both at the EU level and in their domestic politics (Sjursen 2001). Manners argue that NPE increases the diffusion of EU norms and the application of common rules of behaviour, which also increases the “soft-power” capabilities of the EU (Manners 2002). This paves the way for the institutionalization of EU foreign policy and external assistance policies as well by transformative and normative power of the EU. “Member states are bound to a common institutional setting, albeit an intergovernmental one, when

they formulate their foreign policy decisions. This, in turn, provides for the emergence of some common norms and rules of behaviour among member states in the area of foreign policy as well' (Müftüler-Baç and Gürsoy 2010). A set of norms, common identities and rules, which limit member states in their decisions regarding their external relations, are formulated by the European integration process (Sjursen 2001), particularly in their foreign policy choices and financial aid allocation preferences. Regarding the EU's external relations, the common norms and rules that are established in the EU are the promotion of democracy, the rule of law and protection of human rights and minorities (Manners 2002; Zielonka 1998). These common norms and values are further supported by the predominant view in the EU that there should be limited use of military tools and increased application of diplomatic instruments, which are allocation of financial aid with political conditionality and applying economic sanctions to promote EU's foreign policy objectives.

Financial aid demonstrates the strength of the foreign policy as a civilian tool in achieving the foreign policy objectives of the Union. One needs to keep in mind that the EU has relied on its external assistance policies as one of its most powerful tools for promoting its foreign policy (Carbone 2007, Holland 2002; Holland and Doidge 2012). It is through its external assistance policies that the EU would bring about a diffusion of European norms to its candidates, neighbouring states and developing states as well, thereby triggering a social, political and economic transformation. In addition, EU's external assistance policies are significant test cases for its foreign policy in terms of the strength of its soft-power capabilities and its leadership role in global politics and global development agenda. As for the normative power of the EU, it would be strengthened with the success of its financial aid instruments for different partner countries and regions, where many developing nations would adopt and project European values and norms and also become more and more prosperous and peaceful.

Thus, internal divisions among EU member states regarding the EU's external assistance policies are the most important problems that carry a risk of harming EU's soft-power capability (Hix 2008). Since the external assistance policies of the EU are budgetary issues, it is expected that EU member states continue to guard their national prerogatives in this area (Carbone, 2007; Holland and Doidge, 2012). The divergent preferences of member states might lead ineffective foreign aid allocations under categorized geographical regions, targeted sectors and recipient states and this would

diminish the power of EU conditionality. This is precisely why the EU's ability to promote its foreign policy and material interests through soft power tools, such as its external assistance policies, depends on its credibility. The EU's transformative power and its ability to promote its foreign policy objectives via its civilian tools depend on the EU's and its member states' compliance to their commitments. When the EU drifts away from its development commitments because of its internal disputes, this jeopardizes the EU's international credibility. Even though common-decision making procedures seem limited to create a "single voice Europe" in its external assistance policies, European donors are still the most accountable foreign policy actors in global development arena.

2.5 Explaining Main Determinants of Aid Allocation

In the existing literature, findings indicate that donor states look for their economic and political interests while giving aid whereas international organizations are much more neutral as they tend to donate according to the needs of recipient states (Maizels and Nissanke 1984). On the other hand, some scholars and their research emphasize that there is not such significant difference between the aims of bilateral and multilateral aid allocation because of shared interests explained by principal-agent model of international organizations (Nielson, Lake and Tierney 2003). In this regard, member states as principals delegate their authority to international organizations in aid-giving process. Having said that this study focuses on the EU as a supranational institution and its individual member states in their aid allocation preferences. Extending foreign aid through such organizations is preferred as it allows donor states to circumvent problems relating to credibility and political sensitivity.

Even though there is not one-way explanation of the determinants of aid allocation in the literature, the main models used in the empirical studies for explaining aid allocation are the "donor interest" and "recipient need" models (McKinley and Little 1979; Gounder 1994; McGillivray *et al.* 2003). According to the donor interest model, the financial aid given by donor states serves for their national interests and thus they give more aid to the countries where they have economic, political and social interests. While this model intersects with "liberal theory of IR" or "intergovernmentalism" in European integration, "recipient needs" model fits more with constructivist theory and NPE

approach. The recipient needs model emphasizes that the aid should be given by the needs of the recipients; therefore, the countries with lower income levels, higher levels of poverty and lower levels of human development should receive more aid. Additionally, there are several studies that look for the effectiveness of the aid and its impact on recipient countries' development in the literature (Collier and David 2002; McGillivray *et al.* 2006). However, majority of studies on the determinants of aid allocation or donor preferences take into account the "volume of aid" given by donors as a dependent variable. Studies regarding the possible causes of "fractionalisation of aid allocations" of donors in recipient countries and regions, particularly the aid fractionalisation of European donors are missing in the literature. This study could be therefore considered as a first attempt to fulfil this vacuum.

Studies that support "donor interest" model conclude that aid allocation decisions were primarily driven by strategic and geopolitical considerations, and thus donors usually gave more aid to countries that were important to them for some strategic reasons. For example, Alesina and Dollar mention that during the Cold War donors gave more aid to those recipients with which they had longer colonial ties or that belonged to the same alliance system as they did (Alesina and Dollar 2000). As another significant study that emphasizes aid allocation preferences of donor states, Maizels and Nissanke argue that among other motivations, donors give more aid to countries with which they have higher volumes of trade (Maizels and Nissanke 1984). However, the content of the financial aid has changed as Burnell mentions; "the end of the Cold War provided an enabling environment for new political objectives and aid rationales, namely democracy, 'good governance' and human rights, to be sought directly via projects or programmes and also through adding political conditionalities" (Burnell 2005, 4). This shift from donor interests to recipient needs occurred because of both ethical and security concerns, primarily after 9/11 terrorist attacks. Donor states recognized that poverty levels, humanitarian conditions and income levels of recipients affect their security and relations with developing countries directly. Many donor countries may have recognized that foreign aid can serve as a tool for battling such global threats by promoting economic growth, decreasing poverty and fostering democratization (Rotberg 2002; Brainad 2003). This evolution of the purposes of financial aid allocation among developed nations and IOs was also reflected in the development policy of the EU.

There are constituent studies on the evolution and history of EU development and cooperation policy and its relation with the European integration process and EU foreign policy as well. Carbone is among the scholars who has several studies on the evolution of development cooperation and trade policies and also development discourse of the EU in regards to the European integration process. Thus, he emphasizes the role and contributions of each Treaty reforms on the development of foreign aid and trade policies of the EU and the increasing role of the EU in international aid community (Carbone 2007; 2008; 2010; 2013). Holland is also among the scholars, who analyses the evolution of the external relations of the EU with the third world (Holland 2002). While some studies focus on the relationship between the European integration and development policy (Arts and Dickson 2004; Carbone 2007; Holland and Doidge 2012), some others deal with the differentiated ties of the EU with several third world countries in the changing international development context (Söderbaum and Stalgren, 2009; Ganzle *et al.*, 2012).

Particularly, by the 2000s onwards, a detailed historical and theoretical analysis of the development policy of the EU was being studied by several scholars as the development policy of the EU started to be considered as an individual policy area rather than under the EU foreign policy or trade relations with third countries (Arts and Dickson 2004; Carbone 2007; Holland and Doidge 2012). Previously, studies in the literature have tended to analyse the development policy of the EU together with the EU foreign policy or trade relations with third countries (Grilli 1993, Lister 1997). Recent studies regarding the EU development policy analyse the role of the Lisbon Treaty and the introduction of the EEAS on the evolution and “Europeanisation” of development policy (Gavas 2010; Orbie and Carbone 2016). Among them the recent study of Orbie and Carbone (2016) emphasizes the understudied role of EU member states and their foreign aid policies as well in the evolution and integration of EU development policy. However, it is also limited to explain the level and scope of integration in development and also other external assistance policies of the EU, rather it looks at the impact of Europeanisation on the development policy in member states.

Even though the literature includes many studies regarding the divergence in foreign and security policy of the EU, it undermines the impact of the European integration process and the EU’s external relations on foreign aid policy of the EU and aid preferences of member states. There are few studies in the literature that look for the

main determinants of the EU's multilateral and member states' bilateral aid allocation preferences together and also, compare them and their preferences. Existing studies in the literature usually focus on how political conditionality of the EU impacts both political (the level of democratization, promotion of good governance and human rights, etc.) and economic development (gross national income, economic growth, etc.) of third countries and according to which determinants EU member states allocate aid (Crawford 2001; Koch 2015; Molenaers, Dellepiane and Faust 2015; Neumayer 2003; Smith 1998; Zanger 2000). Some studies specifically focus on European donors', including both the EU and member states, interests in democracy promotion in third countries (Bader and Faust 2014; Del Biondo 2015; Grimm and Leininger 2012; Leininger 2010; Hackenesch 2015; Youngs 2001). However, among these studies the ones, which have quantitative analysis in their research methods, looks at the determinants that impact the volume of aid or aid per capita allocated by European donors. None of them deal with the political, economic and social determinants of donor aggregation in a specific country or region. Thus, this study aims to be one of the initial researches on the determinants of aid fractionalisation.

2.6 European Integration and Foreign Aid Policies of EU Candidate States

European integration in different policy areas is not limited to member states. Non-EU (in) member states can also be a part of (opt-in) any EU policy, while some member states may prefer to opt-out from the same policy areas. The European Monetary Union (EMU) and Schengen Policy are the first issue areas in the EU history that have this characteristic. On the other hand, it is clear that EU candidate states have to harmonize their policies and administrative structures with the EU *acquis*, until their accession to the EU. Therefore, even though foreign aid policy does not seem as one of the priority issue areas in the Europeanisation process of candidate states, it is the policy area that shifts automatically to the EU-level after the accession and new member states have to be prepared to contribute to the EU development cooperation decision-making process and instruments directly. Therefore, it would be useful to analyse the level of integration of foreign aid policies of EU candidate states, in order to figure out the role of "Europeanisation", if there is, in this policy area.

However, studies on European integration of foreign aid policies of EU candidate states are very few in the literature. Even though the literature usually focuses on the evolution and effectiveness of EU development and cooperation policy, the development policies of EU member states, which are especially considered as traditional Western donors including France, Germany, and the UK, there are only few studies focusing on EU candidate states and the evolution of development policy in them during the accession process. These studies are limited with the CEEs and their pre and post-accession processes (Lightfoot 2008; Lightfoot 2010; Lightfoot and Szent-Ivanyi 2014; Horkey 2011; Horkey and Lightfoot 2012; Timofejevs Henriksson 2015). Also, they do not say much about the link between the European integration and these countries' foreign aid policies.

According to the literature, the reason why EU candidate states adopt or fail to harmonize certain political rules, EU law and norms is explained by the "Europeanisation" discourse (Radaelli 2003; Moumoutzis 2011). The two main mechanisms for explaining this harmonization process are conditionality (rational institutionalism) and socialization (constructivist institutionalism) (Checkel 2001, Schimmelfennig and Sedelmeier 2005, Juncos 2011). Europeanisation of candidate states frequently is explained by the rationalist logic, which emphasizes that political conditionality causes political and policy reform and harmonization with the EU law in candidate countries (Sedelmeier 2011). Thus, according to rational institutionalism, material incentives of EU membership, in other words, conditionality would lead the adoption of the EU development *acquis* for candidate countries. However, the compliance with EU law in development and cooperation policy in candidate states can be also explained by constructivist approach and social learning, since "there is very little legally binding development *acquis* and thus little possibility for direct conditionality" and also, there are normative pressures on national governments both by the content of global development agenda such as poverty reduction and potential norm entrepreneurs such as the European Commission, non-governmental development organisations (NGDOs) (Lightfoot and Szent-Ivanyi 2014). This study tries to further analyse, how these theories are applicable to the development cooperation policies of EU candidate states and how they impact the ongoing "Europeanisation", in other words, European integration.

Turkey is an interesting candidate of the EU regarding the evolution of Turkish foreign aid policy as well, during the EU accession process of the country. Turkey is both

one of the top recipients of EU aid and also, an emerging donor with its increasing development and humanitarian aid levels during the last decade. In addition to these, Turkey is one of the long-standing partners of Western-led institutions such as the North Atlantic Treaty Organisation (NATO) and the OECD, which are the backbones of Western and also European security, foreign policy, economic and social development policies, since decades. While this makes Turkey as an indispensable partner of European security structures for decades, the integration level of Turkish foreign aid policy to the EU, the possible contribution of Turkey and cooperation opportunities with the EU on development cooperation policy are understudied in the literature.

Literature on EU-Turkey relations covers excessive amount of distinguished studies on the Enlargement policy, the dynamics of Turkish accession process, cooperation opportunities between both actors on economic realm, foreign policy, recently on energy and migration policies as well (Aydın-Düzgıt 2012; 2013; Aydın-Düzgıt and Keyman 2012; Aydın-Düzgıt and Tocci 2015; Bilgin 2003; 2011; Buzan and Diez 1999; Casanova 2006; Çarkođlu and Rubin 2003; Çelik and Rumelili 2006; İçduygu 2011; Kaya 2011; Koranyi and Sartori 2013; Kubicek 1999; 2011; Lagro and Jorgensen 2007; McLaren 2007; Müftüler-Baç and Başkan 2012; Müftüler-Baç and Gürsoy 2008; Müftüler-Baç and Kıbrıs 2011; Müftüler-Baç and McLaren 2003; Müftüler-Baç 1997; 2000a; 2000b; 2005; 2008; 2011; 2016; Ođuzlu 2003; Öniş 2003; Öniş and Yılmaz 2009; Paçacı Elitok 2013; Tocci 2005; Tocci and Evin 2004; Uđur 1999; Verney and Ifantis 2009).

Existing few studies on the literature usually focuses on the evolution and effectiveness of EU development and cooperation policy, the development policies of EU member states, which are especially considered as traditional Western donors, and development assistance policies of emerging donors including Turkey (Fidan and Nurdun 2008; Kulaklıkaya and Nurdun 2010). Additionally, studies on Turkey's development cooperation policy are limited in their scope, and do not provide any comparative analysis with traditional Western donors' and EU's development cooperation policies, even though there are few studies that look for cooperation opportunities between traditional European donors and other emerging donors. Additionally, there is not any study, which assesses whether common approaches, similar policies and high level of compliance with the OECD DAC rules and EU development *acquis* in a candidate state could be considered as a "differentiated external integration" that this study asks and searches for

in the case of Turkey. Therefore, this study does not only contribute to the literature on European foreign policy and foreign aid policy, it also aims to contribute to the European studies literature on alternative models of integration and enlargement by analysing the Turkish foreign aid policy and its possible interaction with EU development and cooperation policy, during the accession process of Turkey.

2.7 Conclusion

In regard to the theories of integration, the evolution of EU external assistance policies overlaps with the European integration. While explaining the role of European integration on external assistance policies of the EU, member and candidate states, this study argues that all integration theories, supranationalism, liberal intergovernmentalism and constructivism could be valid and complementary theories.

According to the theoretical explanations of European integration, there are several turning points that the evolution of development policy of the EU can be also explained with these theories. It is important to have this theoretical overview about the European integration and institutionalization theories of IR literature on the European integration process in order to understand and explain the emergence of external assistance policies of the EU and its member states. These theories explain best the divergent allocation preferences of EU member states. At the same time, they show that the EU acting as an independent organization by its institutions and the continuation of its member states' role in policy-making and implementation do not occasionally conflict with each other. In those regards, this study argues that even though these theories reflect the competing frameworks of European integration in the explanation of the integration of EU's external assistance policies, these theoretical explanations are complementary to each other.

This dissertation's contribution to the literature is threefold; First of all, even though there are several studies in the literature that explain the EU as a system of integration and also the level of integration in different policy areas, it lacks studies on European integration on the EU's external assistance policies and explain the divergence of the EU's and member states' aid allocation preferences by "differentiated integration"

that this study does. Secondly, there are empirical studies in the literature that look at the donor interests or recipient needs related determinants of aid volumes of European donors. However, none of them analyses the level of the diversification of European aid in recipient countries and regions and also, the possible reasons of this aid fractionalisation. Thus, this study is an attempt to fulfil this gap in the literature. Finally, the analysis of the European integration in foreign aid policies of EU candidate states is another contribution of this dissertation to the literature, by taking the case of Turkish foreign aid policy and comparing it with the EU development policy. Following chapters present these analyses and their results respectively. The next chapter conceptualises the European integration and differentiation as a first step.



CHAPTER 3

CONCEPTUALISATION OF EUROPEAN INTEGRATION AND DIFFERENTIATION

Since the establishment of the European Community, the form, evolution and future of the European integration is the most discussed issue in European studies, politics and public sphere. There is no doubt that with its both state and international organization (IO) like characteristics, the EU has a unique form of governance and is still the only *sui generis* polity type with its unique characteristics. At the beginning of the 1950s, the European integration process began as a security cooperation. Immediately after that, it evolved in economic cooperation area between six West European countries. The 1986 Single European Act was the first treaty revision that deepened the European integration. The 1992 Maastricht Treaty transformed the Community into the European Union with its three-pillar system, just after the collapse of the Cold War. Later on, the Amsterdam and Nice Treaties furthered integration, but with several derogations and opt-outs of member states in different policy areas. Finally, the Lisbon Treaty determined the recent integration level of the EU, signed by 28 member states in 2007. During the last 60 years, the EU has evolved to a *sui generis* entity with its both functional and territorial expansion due to the treaty revisions and enlargement process.

The integration of the EU and its future are shaped by institutional/functional deepening (communitarisation) and territorially widening (enlargements), the twin processes of deepening and widening as labelled in the literature (Müftüler-Baç 2016). However, today at this stage of integration, while existing pressures of deepening and widening of the EU query the future of European integration, whether it will continue, remain the same or regress after the Brexit, Eurozone and migration crises. Some studies argue that the enlargement of the EU has not been achieved at the cost of further institutional deepening (Leuffen *et al.* 2013). An EU official reminded that after the Brexit referendum, the formula of “differentiated integration” in the EU will become even more important¹. Having said that, the current level and future of European integration and, also the way how the EU deepens and widens in several policy areas and different

¹ Interview with an official in DG NEAR, Brussels, 21 March 2017.

territories with dozens of member states, which are unitary or federal states, are still an important and attractive question in the literature, among intergovernmentalist and supranationalist scholars. Thus, they try to explain the European integration as the contestation between the national interests of governments of member states and collective interests of supranational EU institutions over the competences of several policy areas (level) and decision-making authority (scope) (Leuffen *et al.*; Müftüler-Baç 2016).

This chapter argues that vertical (functional) and horizontal (territorial) integration have taken place by differentiation in different policy areas of the EU that has enabled flexible integration, which means while some member states prefer to delegate their policy competences and sovereignty to supranational institutions of the EU, others might opt out from some of the common policies, even, non-member states could also participate to that specific policy area. The EU as a system of differentiated integration shows us the future direction of European integration not only for its members, but also, for countries such as Turkey by offering alternative modes of integration. In the first part of the chapter, the arguments on the form and future evolution of the EU from the literature are compared and discussed. Then, this chapter explains why the EU is defined as a “system of differentiated integration” and why this study uses this definition of European integration. The EU is compared with unitary, federal states and IOs and what makes it definitely different than these polities is the level of centralisation, functional scope and territorial extension of EU policy areas. Thus, the nature and degree of European integration in each policy field differs significantly.

European integration scholars have developed different arguments to explain the ways how the EU deepens and widens and to what extent deepening and widening of the EU occurs across different policy areas and territories that the second part of this chapter looks at their arguments. This chapter also measures differentiated European integration by analysing the level and scope of authority in EU decision-making by looking at the primary EU law, which is constituted by the Treaties and treaty reforms. The chapter is concluded by explaining how the formal allocation of competences and the institutional decision-making procedures in EU external assistance policies and financial aid instruments are measured and mapped in the following chapters of this study.

3.1 The EU as a System of Differentiated Integration

The immediate aftermath of the World War II witnessed the formation of a unique, “supranational”, *sui generis* polity, the EU. This idiosyncrasy of the EU is the result of its unusual nature as a polity. The EU does not fit the two traditional types of polities in the contemporary international system: the state and the IO, but possesses some characteristics of both polities (Leuffen *et al.* 2013). The two founders of the EU, French businessman Jean Monnet and French Foreign Minister of the time Robert Schuman initiated the European integration process by establishing the European Coal and Steel Community (ECSC) in 1951 aiming this would lead integration in other areas, even to political integration (Urwin 1995). They were not wrong and the EU—the EC of the time—came into reality by the Treaty of Rome in 1957 with the aim of achieving broader industrial cooperation of six West European countries (Belgium, France, Germany, Italy, Luxembourg and the Netherlands). After 60 years, today it -still- has 28 member states and is more than an international organization with its state-like characteristics (Hooghe and Marks 2001). The EU’s state and IO-like characteristics are both well reflected by the European integration process in a broad sense, but the fact that it is neither an IO nor a nation state. The current and future evolution of European integration is still an important discussion topic among integrationist scholars (Eriksen and Fossum 2002; Moravcsik 1998; Taggart 2006).

The functional variation among EU policy areas and territories makes the EU much more complicated than the traditional forms of polity types, which are IOs and modern states. It is the fact that the EU today is responsible from almost all policy areas that a modern state has a central authority to deal with, ranging from security to social policy, from taxation to environment policy. However, what makes it definitely different than a state is the level of centralisation, functional scope and territorial extension of EU policy areas. Thus, the nature and degree of European integration in each policy field differs significantly. Even though the EU has a limited physical territory depending upon its member states, the territorial extension of each policy area differs significantly as well. This means territorial integration of the EU in a specific policy area could go beyond its member states’ territories, if a non-EU member state is a part of that specific policy area.

In the literature, there are several different and competing arguments on the form and future integration level of the EU. However, what is common and agreed is the continuous contestation between national interests of member states and collective interests of the supranational institutions of the EU in shaping the future format of the Union. Among integrationist scholars, Schmitter called the polity type of the EU as “condominio” and describes it as “many Europes” in which “there would be multiple regional institutions acting autonomously to solve common problems and produce different public goods” (Schmitter 1996, 136). On the other hand, Hooghe and Marks labelled the nature of the EU as a system of task-specific jurisdictions with intersecting memberships, which is also called “type-2 multi-level governance” (Hooghe and Marks 2001; 2003). Tommel and Verdun also described the EU as a system of multi-level governance (Tommel and Verdun 2009). Even though the EU is the only polity in the international system that its member states pool their sovereignty voluntarily to supranational institutions in order to deal with their collective action problems (Bickerton 2011), the EU has not evolved to a federal structure. Even, it is discussed that its structure becomes much more intergovernmental from time to time (Hill 2003). However, Leuffen *et al.* recently have objected to these main arguments in the literature on the form and integration of the EU and referred to the EU as a “hybrid type”.

Leuffen *et al.* argue that the traditional approach to European integration, which compares it with IOs, federal and unitary states, obscures the differentiated nature of European integration. Therefore, it is necessary to look at three dimensions of polity-types, which are i) the level of centralisation, ii) the functional scope, and iii) territorial extension, to understand the nature of European integration adequately. “Because the EU’s centralisation and territorial shape vary across policies, the EU is a system of differentiated integration” (Leuffen *et al.* 2013, 1). The *level of centralisation* of a polity types shows us whether all authority is vested in one centre (high centralisation of authority) or policy competences are split across different types of authorities, which could be a federal government, an IO or a nation state. If the competences are shared, then the level of centralisation gets lower. The *functional scope* demonstrates the level of authority, whether it covers a single policy area (minimum functional scope) or all issue areas (maximum functional scope). Finally, *territorial extension* of a polity clarifies whether that polity is limited with a single political territory or it expands to other political territories as well.

According to Leuffen *et al.*, since the territorial expansion of the EU varies by policy or task, it cannot be considered as a federation. On the other hand, labelling the EU as a system of task-specific jurisdictions with intersecting memberships ignores the institutional centre, constituted by the Treaties of the EU, and a membership core, mostly the original-six, of the EU, which varies in centralisation and territorial extension across policies. Thus, they argue that “the EU is not many Europes with task-specific jurisdictions each having their own organization. It is more a level of centralisation and territorial extension that vary by function”. Therefore, they define the EU as “a system of differentiated integration” (Leuffen *et al.* 2013, 10). This analysis is also in accordance with the argument of Stubb (1996) and Dyson and Sepos (2010). Stubb mentions that one uniform legal framework is not universally applicable over time, territory or scope in the EU (Stubb 1996). On the other hand, Dyson and Sepos (2010) define differentiated integration as:

“The process by which states (or their sub-state units) move at different speeds and/or toward different goals with regard to common policies. This involves the adoption of different formal and informal arrangements both hard and soft law inside and outside the treaty framework. What makes this form of integration unique is the potential for both member states opt out as well as non-member state opt in and a unique mix of bilateral and or multilateral agreements for enhanced cooperation in some areas while not in others”.

By then, the EU and member states use “differentiated integration” as a key instrument to cope with collective action problems emerging from the uncertainty of the global order, especially in the field of security (Dyson and Sepos 2010). Cianciara also argues that “differentiated integration, or flexible integration, can be viewed as a demand for preserving national sovereignty as well as an integral part of the European integration process” (Cianciara 2014, 2). This study also uses and bases its arguments, analysis and findings on the definitions of Leuffen *et al.* (2013) and Dyson and Sepos (2010) on the European integration and differentiated integration.

3.2 Measuring European Integration and Differentiation

The term European integration does not refer only to one form of traditional European integration, which was motivated by neo-functionalism, considering the uniform

application of all EU rules and law to all member states and believing that the EU would fail, if it does not keep this uniform application of EU rules, achieve “ever closer Union” (Dinan 2005). Even though the EU -still- has 28 member states and the *acquis communautaire* covers plenty of issues that are traditionally under the jurisdiction of nation states, the depth (scope), breadth (level) and territorial expansion of all policies are diverse. In other words, the European integration varies across policies, members and non-member states and according to the level of authority between EU institutions and national governments. Taking the area of free movement of goods and services as an example, Iceland, Liechtenstein and Norway are members of the European Economic Area (EEA), but non-EU members. On the other hand, Denmark and the UK opted out from using the Euro as a single currency as a part of the EMU. Turkey is another example, which is not a member, but an EU candidate country and has a Customs Union for industrial and processed agricultural products with the EU since 1996. Until the 1990s, the European integration was uniform and questioning the possibility of a differentiated integration was posing a threat to further integration. By 1990s onwards, some EU member states preferred to opt-out and some non-EU member states began to opt-in in some policy areas. Thus, scholars have begun to claim that the nature of European integration has been changing from the process of unified integration to the “process of differentiated integration” (Leuffen *et al.* 2013; De Neve 2007; Stubb 1996; 2002). Recent studies show that the dilemma between “widening” and “deepening” does not exist, even both can evolve hand in hand. As Leuffen *et al.* suggest “the EU has not expanded geographically at the cost of further institutional integration, and competence transfer to ‘Europe’ has not deterred countries from joining” (Leuffen *et al.* 2013). However, as recent crises in the EU clearly shows – i.e. economic, migration/refugee, Brexit crises- the pull of increasing nationalism, xenophobia, social and economic problems in several EU member states and the push from EU institutions for much more coordinated policies will continue to create conflicts. If the EU overcomes these multiple crises and achieve to survive, this would be the result of the complementary work of EU institutions and member states and their common belief for flexible, differentiated and multi-tier integration process, rather than multi-speed European integration (Snikkonen 2014).

The general scholarly trend has been perceiving the integration “dilemma” as a part of the struggle between *supranationalist* and *intergovernmentalist* tendencies

basically shaping the integration process of the EU. The European integration process has been deepening for decades by the push of supranationalism in order to get greater degree of authority from national governments (Aalberts 2004; Jones 2012). Meanwhile, intergovernmentalists noted the significant impact of national preferences and interests of member states in shaping the European integration (Moravcsik 1993; 1998).

While the EU and some member states prefer much more centralisation, in other words, further integration or “Communitarisation” in some policy areas, in some other policies some or all member states prefer to keep intergovernmental structure. Consequently, while the EU has achieved political integration in many areas beyond the nation state, political integration in some specific areas has seriously lagged behind. Even until today, the CFSP of the EU “has remained under the exclusive control of the member states” (Börzel 2005, 218). Additionally, while only some of the EU member states favour further integration in some specific policy areas, other member states prefer to opt-out, like Eurozone in the EMU and Schengen in the Area of Freedom, Security and Justice. This situation is called as “internal differentiation”, which enables opt-out option for individual member states in a particular policy area (Leuffen *et al.* 2013, 17). In addition to that, member states would continue their national policies in parallel to some of the EU policies in the same area, such as the research, technology and space, foreign assistance policy or specifically in development cooperation and humanitarian aid policy.

This study proposes that external assistance policies of the EU are among the policy areas reflecting the intergovernmental vs. supranational integration debate explicitly, since foreign aid instruments of different policy areas of the EU fall under the different levels of EU shared and parallel competences. Shared-competence requires first the decisions of member states to grant authority to European institutions, especially to the European Commission, in order to represent them and take initiatives on behalf of them. However, in European foreign aid policies, -both in the Enlargement and Neighbourhood Policy and in the Development and Cooperation Policy- national foreign aid policies of member states continue to exist with third countries under various sectors, where the EU has also competence to provide aid².

The European integration in external relations and foreign assistance policies, that this study analyses, have been taking place especially since the 1990s. However, the scope

² Interview with a senior official from the DG DEVCO, 21 March 2017, Brussels.

of integration in both external relations and foreign aid policies of the EU remains in the intergovernmentalist framework. In addition to that, even though the level of integration in foreign aid policies of the EU has increased over time, this does not prevent member states to launch their individual foreign aid policies and activities or implement activities outside the EU structure and decision-making process as a group of member states. In order to measure the level and scope of integration in a specific policy area, it is necessary first of all to understand how the process of European integration and differentiation works. Therefore, following parts of this chapter set the conceptual frame of European integration both within the perspective of the level and scope of authority.

3.2.1 Level of European Integration

The competences of the Union are defined in the Articles between 2 and 6 of the Treaty on the Functioning of the European Union (TFEU)³. According to the “principle of conferral”, all EU competences are voluntarily conferred on the EU by its member states. The EU has no competences by right, and thus any areas of policy not explicitly agreed in treaties by all member states remain the domain of the member states. It is the fundamental principle of the EU law (Articles 4 and 5 - TFEU). Article 4 (1) states that “The Union shall respect the equality of Member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self-government. It shall respect their essential State functions, including ensuring the territorial integrity of the State, maintaining law and order and safeguarding national security. In particular, national security remains the sole responsibility of each Member State”. In each treaty revision, the allocation of competences between the EU and its member states formally changes or remains the same in some policy areas.

The competences of the EU are categorized into three. Article 3 of the TFEU defines “exclusive competence” of the EU, areas in which only the EU can act legally and adopt binding acts. Member states transfer their sovereignty and autonomy to the EU institutions and the EU acts independently in these areas. The EU has exclusive competence in the following areas; customs union; the establishing of competition rules

³ <http://ec.europa.eu/citizens-initiative/public/competences/faq#q1>

necessary for the functioning of the internal market; monetary policy for euro area countries; conservation of marine biological resources under the common fisheries policy; common commercial policy; and conclusion of international agreements under certain conditions. Most of the policies, which fall under exclusive competence, are the part of the core community building project that emphasize the increasing mutual gains for member states, if economic integration is achieved under a common European market (Majone 2005; 2009).

Article 4 of the TFEU defines “shared competences” between the EU and member states. In this regard, the EU and member states are able to legislate and adopt legally binding acts. However, member states can act only if the EU has chosen not to. The vast majority of EU policies come under this heading. Shared competence between the EU and member states applies in these areas; internal market; social policy, but only for aspects specifically defined in the Treaty; economic, social and territorial cohesion (regional policy); agriculture and fisheries; environment; consumer protection; transport; Trans-European networks; energy; area of freedom, security and justice; shared safety concerns in public health matters, limited to the aspects defined in the TFEU; research, technological development, space; and development cooperation and humanitarian aid.

Existing different deepening levels in different policy areas of the EU have paved the way for shared competence (mixed competence or concurrent competence) policy areas, where the role of EU institutions and national preferences in policy-making are complementary to each other but also competing or conflictual. Shared competences can be divided into two sub-groups: In the first group “shared-competence” means that both the EU and its member states may adopt legally binding acts in the area concerned. However, the member states can do so only where the EU has not exercised its competence or has explicitly ceased to do so (Articles 2(2) and 4 of the TFEU). Secondly, “parallel competence” makes the EU and its member states competent internationally, since both can act without being able definitively to prevent the other from acting. According to Article 4(3) and (4) TFEU, the areas of research, technological development and space, development cooperation and humanitarian aid belong to that category. But, the Article does not include the term “parallel competence” (De Baere 2010, 14). This issue is also stressed by a senior official from DG DEVCO; “development and cooperation policy is not a shared-policy area. It has a parallel competence between the

EU and member states, even though it is not mentioned like that in the Treaties⁴. Thus, even in shared competence policy areas, the degree of the level of authority between the EU and its member states may differ. While in some policy areas, competences are mostly at national level (light competences), in some of them competences are at the EU level (strong competences), and in some policy issues competences are split between national and EU level (medium competences) (Börzel 2005) (See Table 3.1).

It is important to note here the last two areas covered under “shared-competences”; “research, technological development, space” and “development cooperation and humanitarian aid” are the distinct areas in which the EU has competence but the exercise of that competence does not prevent member states from exercising theirs, as mentioned before. That means even though the EU has chosen to adopt acts in these areas, member states can also act individually in those areas. If member states decide to act individually or coordinate their activities with each other, they do so whenever they want outside the EU framework regarding the development and cooperation policy. Although the development cooperation is defined under Article 4 of the TFEU, as one of the shared competence areas between the EU and member states, this condition would further restrict the decision-making power of the EU, and increase the flexibility of member states. Thus, member states of the EU continue to keep their national, bilateral development aid or foreign aid policies in despite of the “Communitarisation”, in other words, “Europeanisation” or “centralisation” of EU development and cooperation policy. Thus, the competence for policy decisions, in other words, the level of integration in development and cooperation policy resides somewhere between light and medium shared competences.

Article 2A of the Treaty of Lisbon mentions that “2. When the Treaties confer on the Union a competence shared with the Member States in a specific area, the Union and the Member States may legislate and adopt legally binding acts in that area. The Member States shall exercise their competence to the extent that the Union has not exercised its competence. The Member States shall again exercise their competence to the extent that the Union has decided to cease exercising its competence”.

Also, Article 2C of the Lisbon Treaty clearly explains that “4. In the areas of development cooperation and humanitarian aid, the Union shall have competence to carry out activities and conduct a common policy; however, the exercise of that competence shall not result in Member States being prevented from exercising theirs”.

⁴ Interview with a senior EU official in the DG DEVCO, Brussels, 21 March 2017.

Some TFEU provisions explicitly provide for external competence in a particular area to be parallel between the Union and the member states. Those areas are the ones, which require negotiation in and the conclusion of an international agreement with international bodies and third countries, such as economic and monetary union (Article 219 (4) TFEU)⁵, environment policy (Article 191 (4) TFEU)⁶ and importantly, development cooperation and humanitarian aid policy (Article 211 TFEU). Article 211 TFEU states that “within their respective spheres of competence, the Union and the Member States shall cooperate with third countries and with the competent international organisations”. Article 209 (2) TFEU clarifies that the external competence of the EU in this area does not prevent member states competences to negotiate in international bodies and conclude agreements; “The Union may conclude with third countries and competent international organisations any agreement helping to achieve the objectives referred to in Articles 21 of the Treaty on European Union (TEU) and 208 of this Treaty. The first subparagraph shall be without prejudice to Member States competence to negotiate in international bodies and to conclude agreements”. This article is in accordance with Article 4 (4), mentioned in the previous paragraph. Article 4 (4) states that “In the areas of development cooperation and humanitarian aid, the Union shall have competence to carry out activities and conduct a common policy; however, the exercise of that competence shall not result in Member States being prevented from exercising theirs”. Thus, these articles create “parallel competences” in those areas⁷ (De Baere 2010). However, any article of the TFEU does not state the same conditions concerning “external competences” between the EU and member states with regards to the enlargement and neighbourhood policies of the EU, even though these policies also require bilateral negotiations and agreement conclusions with third countries. Even, these policies also cover significant amount of financial assistance allocation of the Union under different instruments (IPA and ENI), which will be analysed further in chapters 4 and 5 in this study. Therefore, this study argues that as part of EU external assistance, the funding

⁵ Article 219(4) TFEU: “Without prejudice to Union competence and Union agreements as regards economic and monetary Union, Member States may negotiate in international bodies and conclude agreements”.

⁶ Article 191(4) TFEU: Within their respective spheres of competence, the Union and the Member States shall cooperate with third countries and with the competent international organisations. The arrangements for Union cooperation may be the subject of agreements between the Union and the third parties concerned. The previous subparagraph shall be without prejudice to Member States competence to negotiate in international bodies and to conclude international agreements.

⁷ Interview with a senior EU official in the DG DEVCO, Brussels, 21 March 2017.

mechanisms of the enlargement and neighbourhood policies are also presumed under the parallel competence policy areas of the EU⁸.

Finally, Article 6 of the TFEU defines EU competence to support, coordinate or supplement the actions of the member states. In these areas, the EU may not adopt legally binding acts that require member states to harmonize their laws and regulations. These areas are; protection and improvement of human health, industry, culture, tourism, education, vocational training, youth and sport, civil protection and administrative cooperation. The harmonization of national laws and regulations are not expected by legally binding EU acts in these areas.

Table 3.1: What are the competences of the EU?

Exclusive competence (Article 3 TFEU)	Shared competence (Article 4 TFEU)	Competence to support, coordinate or supplement actions of the member states (Article 6 of TFEU)
customs union the establishing of the competition rules necessary for the functioning of the internal market monetary policy for the member states whose currency is the euro conservation of marine biological resources under the common fisheries policy common commercial policy concluding international agreements when their conclusion is required by a legislative act of the EU when their conclusion is necessary to enable the EU to exercise its internal competence in so far as their conclusion may affect	internal market social policy, limited to the aspects defined in the TFEU economic, social and territorial cohesion agriculture and fisheries, excluding the conservation of marine biological resources environment consumer protection transport trans-European networks energy area of freedom, security and justice common safety concerns in public health matters, limited to the aspects defined in the TFEU research, technological development and space development cooperation and humanitarian aid	protection and improvement of human health industry culture tourism education, vocational training, youth and sport civil protection administrative cooperation <i>Legally binding EU acts in these areas cannot imply the harmonisation of national laws or regulations.</i>

⁸ Interview with a senior official from DG DEVCO, 21 March 2017, Brussels.

common rules or alter their scope.		
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Source: The European Commission, European Citizens' Initiative, <http://ec.europa.eu/citizens-initiative/public/competences/faq#q1> ; accessed in May 2017.

3.2.2 Scope of European Integration

In order to assess the institutional decision-making mechanisms of the European integration, it would be necessary to look at treaty reforms from Rome (1958) to Lisbon (2009). Until the Single European Act (SEA), the scope of European integration was limited from the absence of any policy coordination at the EU level to some form of intergovernmental coordination, which means the European Council decides by unanimity, while supranational institutions of the EU have neither agenda setting, nor legislative decision-making or adjudicatory powers. Decision-making authority in most of the policy areas were at the national level, in member states governments. Only in the areas related with the “market-making”, such as free movement of goods and services, the supranational institutions held some limited competences. There was no coordination at the EU level in some policy areas, such as foreign and security policy or taxation. Member states had decisions with unanimity voting in the Council and had veto-power as well, which was used to end the *Empty Chair Crisis* in 1966, which is known as the “Luxembourg Compromise”. Thus, the role of member states in decision-making was enormous. Until the 1980s, the deepening of European integration was in stagnation. We see the gradual deepening of European integration with differentiation from the signing of the SEA in 1986 until today with the Lisbon Treaty.

The SEA, signed in 1986, is the first treaty revision in the EU history. The SEA made some policy areas subject to EU-level decision-making by declaring the European Council as the highest authority in EU decision-making and re-introducing qualified majority voting (QMV) in the Council of Ministers. What is considered as a significant change by the SEA is the introduction of the “cooperation procedure” for the increased involvement of the EP in the decision-making processes. Thus, both the level of democratic decision-making and efficiency increased (Eriksen and Fossum 2002; Müftüler-Baç 2016). “Intergovernmental cooperation” allows for limited involvement of supranational institutions, - the European Commission, EP and ECJ- as different than

“intergovernmental coordination”. While the Council continues to decide by unanimity voting, the Commission may have limited decision-making power and the EP may be consulted in legislative decision-making process. The EU-level decision-making procedure, “intergovernmental cooperation” increased tremendously especially on monetary policy. However, until the Maastricht Treaty (1993), even though the “intergovernmental cooperation procedure” was introduced by the SEA, low levels of policy coordination were seen especially, in internal and external policy areas (Börzel 2005). The scope of authority in those areas was vested in intergovernmental coordination. “The authority to take decisions rested exclusively with the member states deciding by unanimity on whether or not to make use of common European prerogatives (Leuffen *et al.* 2013, 13).

The major turning point in the European integration is considered as the signing of the Treaty of Establishing the EU, in other words the Maastricht Treaty, in 1992. The Maastricht Treaty created three-pillar system of the EU. The first pillar was the European Communities, second one was named the common foreign and security policy and the third one was the cooperation in justice and home affairs. Co-decision procedure, which is known as the “community method” of decision-making was also introduced. According to the community method, the European Commission has its proposal on a specific policy area or an issue to the Council and EP. Then, the Council and EP decide on the final legislative outcome by co-decision procedure. However, while in some policy areas the Council continues to use its unanimity voting, in some of them it decides by QMV, which increases the level of deepening in European integration and decreases the role of intergovernmental decision-making in those areas. The ECJ also exercises judicial review over legislation. Thus, the institutional deepening became much more advanced. Additionally, beginning from the 1990s, the EU has expanded its relations, economic and political ties and development cooperation with the countries in its periphery by the increasing role of the enlargement policy first and later on with the introduction of the neighbourhood policy. That development helped the EU to expand its rules and norms towards its neighbourhood, especially to the Balkans, CEEs, even to the Middle East and North Africa (MENA) by the accession process, Stabilisation and Accession Agreements (SAAs) and bilateral agreements with individual partner countries. The integration was further deepened by the 1997 Amsterdam Treaty, 2000 Amsterdam Treaty and finally the 2007 Lisbon Treaty. What is another significant move for differentiated integration is the

“Enhanced Cooperation” procedure that introduced by the 1997 Amsterdam Treaty and allows a group of member states to move further with the integration in specific policy areas, but enables some of them to opt-out.

The Lisbon Treaty was abolished the three-pillar structure of the EU and gave a legal personality status to the EU, which was only on the European Council previously (Piris 2010). After the Lisbon Treaty, the co-decision procedure was re-named as “ordinary legislative procedure” (OLP) and OLP is the most used “community method” at the present. The OLP extends the many policy areas, such as environment policy, consumer protection, legislation related to the functioning of the internal market, most issues in the field of justice and home affairs, external trade, the conclusion of international agreements, agriculture, structural, cohesion and research policies (Leuffen *et al.* 2013). However, at the moment, the decision-making procedure in security and defence policy is still “intergovernmental cooperation” with the very limited role of the Commission and the EP. On the other hand, in external assistance policies or development cooperation and humanitarian aid policies of the EU, the competence between supranational versus intergovernmental decision-making stands out. The monetary policy is the only policy area that the decision-making procedure is “supranational centralisation”, which means the supranational institutions, - the Commission, EP, the European Central Bank (ECB) and EJC- have unilateral action power for legislative decision-making in the name of member state governments.

In parallel to the EU’s institutional deepening since the Treaty of Rome, it also widened territorially from six to 28 member states in 2013. It was especially between the 1980s and 2000s that the EU’s horizontal integration widened specifically, due to the increase in the number of European states after the fall of the Iron Curtain. Even though the data shows that both vertical and horizontal integration go further in parallel to each other in the evolution of the EU, this joint growth of European integration hinders some other important pattern of European integration; which is “differentiation”. While “vertical differentiation is the variation in the level of centralisation across policies, horizontal differentiation is the variation in territorial extension across policies”. When individual policy areas of the EU are analysed one by one from the disaggregated data, differentiated integration becomes visible (Leuffen *et al.* 2013, 22). Thus, this study analyses the external assistance policies of the EU, primarily development cooperation policy and also, enlargement and neighbourhood policies of the EU, since first, those

policies have not been studied from that angle of integrationist studies yet and second, those policy areas are the unique ones that EU institutions and member states share “parallel competence”.

Table 3.2: Major Turning Points in European Integration

1952 ECSC (Paris Treaty)
1954 EDC (not ratified)
1958 EEC & Euratom (Treaty of Rome)
1967 Merger Treaty
1973 EC-9 (Denmark, Ireland, the UK)
1981 EC-10 (Greece)
1986 EC-12 (Portugal, Spain)
1987 SEA
1993 Treaty Establishing the EU (Maastricht Treaty)
1995 EU-15 (Austria, Finland, Sweden)
1999 Amsterdam Treaty
2003 Treaty of Nice
2004 EU-25 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Slovak Republic, Slovenia, Poland)
2007 EU-27 (Bulgaria, Romania)
2009 Treaty of Lisbon
2013 EU-28 (Croatia)
2016 Brexit Referendum

The ways how the EU deepens and widens and to what extent deepening and widening of the EU occurs across different policy areas and territories, show the scope and level of both integration and differentiation of the EU. European integration scholars have developed different arguments to explain the European integration, deepening and widening of the EU. Lindberg and Scheingold were the first scholars, who systematically categorized the level and scope of the EU’s system of decision-making. They were among the ones, who preferred to focus on formal decisions rather than legal output, to measure the European integration. According to them, while scope relates to the initial expansion of EU authority to new policy areas, locus (level) stresses “the relative importance of Community decision-making processes as compared with national processes” (Lindberg and Scheingold 1970, 68). According to them, “level” indicates the level, where decisions are formally taken. Their work has become a reference point for many other studies on the system of European integration (Börzel 2005; Donohue and Pollack 2001; Hix 2005; Schmitter 1996). Some other scholars have looked at the EU legislation, policy outputs and budgetary expenditures of the EU in order to measure the level of integration (Pollack 1994, 2000; Wessels 1997; Fligstein and McNichol 2001). On the other hand, Leuffen,

Rittberger and Schimmelfennig are the first scholars, who remarked that those previous studies' assessments do only take into account the level of centralisation and the functional scope of integration, not the territorial extension that they call as "the horizontal dimension of the integration", which is crucial for a system of differentiated integration. Therefore, their work captures horizontal dimension for the first time as well (Leuffen *et al.* 2013). As a result of their analysis, the evidence shows that both vertical (level of centralisation) and horizontal (territorial) differentiation have increased rather than diminished in the course of European integration and this has greatly increased the diversity of policies, actors and interests in the EU. Thus, they argue that these divergent preferences need to be accommodated through flexibility and differentiation (Leuffen *et al.* 2013).

Börzel (2005) is among the scholars, who has referred to the works of Lindberg and Scheingold. Thus, Börzel is also among the scholars, who has analysed the formal allocation of competences and the institutional decision-making procedures as they evolved in the various treaty reforms in order to explain the expansion of the EU (Börzel 2005). In her related work, Börzel states that looking only at legal outputs create serious problems while analysing the level of integration. According to her these problems are; "first, the numbers of legal acts adopted by the EU do not say anything about their substantive content and relevance. Second, many Directives and Regulations expire after a number of years and are no longer in force. Third, in order to assess the relative weight of EU legislation, we would have to compare the legal output of the EU with those of its member states. Finally, legal output is strongly influenced by the institutions in which legal acts are adopted" (Börzel 2005, 219). According to her, "following Lindberg and Scheingold, the level (breadth) of integration refers to the locus, where the competence for policy decisions resides. She operationalises it "by the number of issues in a given policy sector for which the EU has the power to legislate". On the other hand, she operationalizes the scope (depth) of integration "by the procedures according to which policy decisions are taken focusing on the involvement of supranational bodies and Council voting rules" (Börzel 2005, 220). This conceptualisation of the scope of integration is originated from Scharpf, who has worked on institutional decision rules and modes of governance in the EU (Scharpf 2001; 2003). "Depth thus refer to the level of centralisation, and hence, the degree to which member states pool their sovereignty (e.g. deciding on policy by QMV or unanimity), or delegate decision-making authority to

supranational institutions, such as the European Commission, the EP and the ECJ” (Leuffen *et al.* 2013). Börzel applies a five-point scale for the ‘level of authority’ and a six-point scale for the ‘scope of authority’ dimension and “in order to come to a more differentiated assessment the scale also allows for half points” (Börzel 2005, 221) (See Table 3.3).

This study also suggests focusing on formal decision rules rather than legal outputs in order to assess the integration and to build on Börzel’s conceptualisation of the level (breadth) of authority and scope (depth) of authority, which is also used by Leuffen *et al.* while measuring and mapping differentiated integration (Leuffen *et al.* 2013). Thus, as mentioned earlier, this study focuses on primary EU law, which is constituted by the Treaties, accession treaties and treaty changes. Table 3.2 displays the major turning points of European integration considered as changes in the EU’s primary law. The analysis in the following chapter looks at the formal allocation of competences and the institutional decision-making procedures as they evolved in the various treaty reforms from the Treaty of Rome (1958) to the Lisbon Treaty, in order to measure and explain the level and scope of European integration across EU external assistance policies and financial aid instruments. The horizontal integration and differentiation with regards to the EU external assistance policies are not included in the analyses in the following two chapters (See Chapters 4 and 5), since they only take into consideration EU institutions and member states, which are also OECD DAC members. Thus, EU member states which are not OECD DAC members, which could cause internal differentiation in that policy area are not analysed. Therefore, this study does not focus on territorial integration and differentiation in external assistance policies of the EU. However, later on, chapters 7 and 8 include the analysis of “possible” horizontal differentiation of EU development and cooperation policy by taking into account the case of Turkey, which is both an EU candidate and an emerging donor state.

Table 3.3: European integration between level and scope

<p><i>Level of authority</i> breadth (number of issues which fall under EU competence)</p> <p>1 = <i>exclusive national competences (0 per cent EU)</i> competences for all policy issues at national level</p> <p>2 = <i>shared competences “light”</i> competences for most policy issues at national level</p>

parallel competences (2.5)

3 = *shared competences “medium”*
competences for policy issues split between national and EU level

4 = *shared competences “strong”*
competences for most policy issues at EU level

5 = *exclusive EU competences (100per cent EU)*
competence for all policy issues at EU level

Scope of authority

depth (involvement of supranational bodies and Council voting rule)

0 = *no coordination at EU level*

1 = *intergovernmental coordination*
(European) Council as executive and legislative body, acts by unanimity
no right of initiative of European Commission
no involvement of European Parliament
no judicial review by European Court of Justice

2 = *intergovernmental cooperation*
Council as main executive and legislative body, acts by unanimity
right of initiative of European Commission shared with Council
consultation of European Parliament
restricted judicial review by European Court of Justice

3 = *joint decision-making I*
exclusive right of initiative of European Commission
co-legislation by Council acting by
unanimity and consultation by European Parliament (3.0)
unanimity and co-decision procedure OR
majority and consultation of European Parliament (3.5)
full judicial review by European Court of Justice

4 = *joint decision-making II*
Exclusive right of initiative of European Commission
Co-legislation by Council acting majority and European Parliament via
cooperation (4.0)
co-decision procedure (4.5)
full judicial review by European Court of Justice

5 = *supranational centralisation*
unilateral decision of European Commission/European Central Bank
no involvement of Council and European Parliament
full jurisdiction of European Court of Justice

Source: (Börzel 2005, 221), parallel competences category under the measurement of the level of integration is defined by the author.

This study is not carried out without some methodological risks. First of all, mapping the European integration in its external assistance policies runs the risk of being a “relativistic” work. In order to prevent this risk and increase the reliability of this study, I read and used primary sources, which are the full texts of the EU Treaties, in my analysis. Secondly, I used the transcription of my face to face interviews with related EU officials and former works of the literature on mapping the European integration and differentiation as secondary sources. However, what is unique in this study is its attempt to apply the findings of the previous studies in the literature for the first time on *EU external assistance policies and financial aid mechanisms*. Focusing on a specific topic and policies could be considered as problematic, since the names, definitions and contents of relevant policies and aid instruments change over time, even some of them do not exist in previous treaty reforms. However, this situation is rather an advantage while assessing the level and scope of integration, since the absence of those policies or instruments in previous treaty reforms is also relevant and indicates a point of analysis in the measurement.

3.3 Conclusion

First of all, this chapter defines both vertical and horizontal “European differentiated integration and shows how they have evolved since the 1958 Treaty of Rome. In order to explain the important role of differentiation in the process of European integration, it sets the conceptual frame of the European integration both in level and scope of authority. Thus, it argues that the EU is a “system of differentiated integration”. A system of differentiation makes the EU a *sui generis polity*, where both state and IO-like characteristics coexist in its competent policy areas and institutional decision-making mechanisms. Therefore, while the EU could act with a unified-voice in some specific policy areas, persistent intergovernmental decision-making and even opting-out of some member states from specific policy areas continue hand in hand with the supranational decision-making structure of the EU. The external assistance policies of the EU are among the policy areas that have been affected by this differentiated structure of the

European integration for decades, but less studied in both European studies and foreign aid literature.

In order to visualize the impact of differentiated integration on EU's foreign aid policies, and specifically on the aid allocation preferences of EU institutions and member states, it would be useful to analyse the disaggregated data for individual policies (the CFSP, Enlargement, Neighbourhood and Development Cooperation Policies) and financial instruments of the EU and assess the differentiated integration patterns that the following two chapters deal with. The differentiated integration patterns in four EU financial assistance mechanisms (IPA, ENI, DCI and EDF) could be assessed with regards to the changing level and scope of authority in EU decision-making over time in the CFSP, EU's Enlargement and Neighbourhood Policy, Development and Cooperation Policy, which are analysed in Chapter 4; EU external assistance instruments' geographical and policy scopes; institutional arrangements of foreign aid instruments that have emerged over time and paved the way for much more centralisation of EU external assistance policies and finally, the national interests and preferences of member states, which are analysed in Chapter 5 of this study.

CHAPTER 4

EXPLAINING DIFFERENT AID ALLOCATION PATTERNS OF THE EUROPEAN UNION AND ITS MEMBER STATES: A PROCESS OF EUROPEAN INTEGRATION AND DIFFERENTIATION

“The European Union (EU) is a unique case in international development. It is both a bilateral donor – granting assistance through the European Community (EC) – and a multilateral donor – embodying efforts of its Member States” (Carbone 2007, 1).

The unique structure of EU external assistance mechanism is also the illustration of the dual relationship between EU institutions and member states in EU foreign assistance policy. This study suggests that the external assistance policies of the EU have been shaped by the differentiated integration process of the EU and the continuation of both multilateral and bilateral aid allocations of EU institutions and member states hand in hand provides a form of differentiated integration.

This study embarks on the argument that the EU is a system of differentiated integration, as explained in the previous chapter. Having said that, this chapter is an attempt to take both into account the aspect of European integration and differentiation, specifically in the EU’s foreign assistance policy, in order to capture and explain different aid allocation preferences of EU institutions and member states. Thus, this chapter argues that the analysis of the EU as a system of differentiated integration can best explain the multilateral and bilateral aid allocation preferences of EU institutions and member states in EU’s foreign assistance policy. Even though the external assistance objectives of the EU are concrete according to EU Treaties, the EU uses different foreign aid instruments across the world. In addition to that, individual EU member states might prefer to implement different national foreign aid policies than EU institutions and other member states. Thus, while the main objectives and principles for European external assistance are similar, the instruments and incentives to apply in foreign aid assistance vary according to the type of partner country (accession, candidate, neighbouring, partner, or other developing and LDCs); and level and scope of the European integration in the EU’s Enlargement, Neighbourhood and Development and Cooperation Policies.

Interdependence drives integration (Leuffen *et al.* 2013) but this does not mean that divergent preferences of member states and EU institutions cease the integration process. There are policy areas where this dilemma occurs more frequently and EU foreign aid policies are among them. The formulation and implementation of EU's foreign aid policies is such an example of European integration and differentiation that it represents a quiet delicate balance between supranationalism and intergovernmentalism. Similar to the CFSP, when EU institutions and member states are not coherent in decision-making and application processes of foreign aid policies, the effectiveness of European aid and the global actorness of the EU, as the largest donor of the world, weaken. However, any informal "division of labour" between EU institutions and member states for the allocation of multilateral (from the EU budget) and bilateral (from the national budgets of individual member states) EU aid under the framework of different policies, that this study suggests, would increase the integration capacity of the EU as a form of differentiated integration in its internal and external relations. This would have a positive impact on the effectiveness of EU aid and the capability of the EU to speak with "one-voice" in the international aid community.

Existing European studies literature suggests that studies regarding the European integration and differentiated integration rather focus on theoretical explanations of widening and deepening of the EU or try to explain the level and scope of integration over individual policies and territorial expansion of the EU. However, the literature lacks studies focusing on EU policies, which are further Europeanised over time, but at the same time remain as the main state sovereignty issues of member states. Thus, member states continue to act individually and even independently in these specific policy areas in spite of the EU and common European policies. The main proposition of this study is EU foreign/external assistance policy is one of the policy areas, which reflects exactly this cleavage of European integration and also the one, which has been studied less often than other policy areas of the EU.

This chapter analyses the data compiled from the Treaties established the EU, related documents of the European Commission, the Council, the EP and the EEAS on foreign policy and external assistance instruments of the EU such as the IPA, the ENI, the DCI and the EDF. As well as from in-depth interviews⁹ with EU officials responsible

⁹ The interviews were conducted by Damla Cihangir-Tetik in Brussels, in April and December 2013, February 2016 and March 2017.

for Development and Cooperation Policy from DG DEVCO¹⁰, DG TRADE¹¹ and the EEAS¹², Enlargement Policy, the Western Balkans and the ENP from the DG NEAR¹³ and the EEAS conducted in Brussels in April, December 2013, February 2016 and March 2017.

This chapter focuses on the formulation of European integration and differentiation in EU's and its member states' external assistance policies and instruments. However, it does not cover implementation phases of EU foreign aid policies on the ground or deal with the effectiveness of European aid. These are beyond the scope of this study. This chapter proceeds in the following steps. It starts with the mapping of European integration in foreign aid policy. Then, it measures the level and scope of authority in EU decision-making in external assistance beginning from the Treaty of Rome to the Lisbon Treaty by analysing the primary EU law.

4.1 Mapping and Measuring European Integration and Differentiation in EU External Assistance Policies

The external relations of the EU do not only deal with defence and security issues, it also covers EU trade policy, democracy and human rights promotion of the EU in third states and external assistance policies of the EU. External assistance instruments of the EU are not covered under a separate, specific policy area. Enlargement Policy, European Neighbourhood Policy and Development and Cooperation Policy of the EU are the main three policy areas that cover four geographical financial assistance instruments of the EU, which are the IPA, the ENI, the DCI and the EDF. In the EU budget, all issues related with external affairs are covered under the same budget heading, called "EU as a Global player" in the 2007-2013 multiannual budget of the EU. Since they are directly related with the issue of "sovereignty", foreign policy, defence, foreign aid and both internal and external security are considered as the typical issues of "high-politics", where political integration is less likely to occur in the EU (Mitrany 1966; Haas 1967; Lindberg and Scheingold 1970; Mattli 2005).

¹⁰ Directorate General for International Cooperation and Development

¹¹ Directorate General for Trade

¹² European External Action Service

¹³ Directorate General for European Neighbourhood Policy and Enlargement Negotiations

As mentioned in detail in the previous chapter, the level (breadth) of integration refers to the locus, where the competence for policy decisions resides, whether on the EU member states or EU institutions. On the other hand, the scope (depth) refer to the level of centralisation, and hence, the degree to which member states pool their sovereignty (e.g. deciding on policy by qualified majority or unanimity), or delegate decision-making authority to supranational institutions such as the European Commission (Börzel 2005; Leuffen *et al.* 2013). Therefore, in order to be able to analyse the decision-making processes regarding different foreign aid instruments and funds of the EU, it is first necessary to examine the decision-making processes of the related policy areas. Thus, this chapter analyses first, the level and scope of European integration over time in the EU's political external relations in general and in CFSP, enlargement, neighbourhood, and development cooperation policies of the EU in particular. Secondly, it analyses the level and scope of European integration over time in the decision-making mechanisms of the financial instruments of those policies, in the light of the results of the first analysis.

Table 4.1: Level (L) and Scope (S) of European integration across EU external assistance policies and financial aid instruments at the time of Treaty changes (Table is the author's own construction)

Issue Area: EU		1958 Rome	1987 SEA	1993 Maastricht	1999 Amsterdam	2003 Nice	2009 Lisbon
Political External Relations	L	1	1.5	2.5	3	3	3
	S	0	1	1.5	2	2	2.5
CFSP	L	1	1.5	2.5	3	3	3
	S	0	0.5	1	1.5	1.5	2
Enlargement	L	1.5	1.5	3	4	4	4
	S	1	1	2	3.5	3.5	3.5
IPA	L			2.5	2.5	2.5	2.5
	S			4.5	4.5	4.5	4.5
Neighbourhood ENI	L					3	3
	S					2	3.5
	L					2.5	2.5
	S					4.5	4.5
Development & Cooperation DCI	L	1	1	2.5	2.5	2.5	2.5
	S	1	1.5	4.5	4.5	4.5	4.5
EDF	L						2.5
	S						4.5
EDF	L	1.5	1.5	2	2	2	2
	S	1	1.5	2	2	2	2

Source: Level of “political external relations” and “CFSP” until the Lisbon Treaty (Börzel 2005, 222), scope of “political external relations” (Leuffen *et al.* 2013, 20), scope of “CFSP” (Leuffen *et al.* 2013, 197), the rest is measured by the author.

4.2 From Rome to Maastricht (1957-1993)

Since 1950s, until the 1987 SEA, external security policies were dealt at an informal level and outside the Community framework, except the development and cooperation policy towards the ACP states and its main intergovernmental aid instrument, the EDF, which was established in 1958. EU member states established the European Political Cooperation (EPC) in 1970 in order to coordinate their foreign policies, but it was entirely intergovernmental, “outside the treaties, agreed among governments and managed by diplomats” (Forster and Wallace 2000, 464). The SEA brought the security and defence issues for the first time under the institutional framework of the Community. Even though, this can be considered as a slight move towards Europeanisation, it is impossible to talk about shared competences and supranational decision-making process in security, defence and foreign policy matters until the Maastricht Treaty. When the Treaty of Rome entered into force in 1958, the competences for all policy areas regarding the security, defence and foreign policy of the Community were at the national level (value of the level of integration is 1) and there was not any coordination for decision-making at the Community level (value of the scope of integration is 0) (See Table 4.1).

Enlargement has been always on the agenda of the Community, since one of the initial aims of the Community was to expand the territorial area of peace and welfare in the continent Europe. When the Treaty of Rome came into force in 1958, the EU had six founding members. The first enlargement of the EU was the accession of Denmark, Ireland and the United Kingdom in 1973. Then, in 1981 Greece joined the EU and Spain and Portugal became EU members in 1986. The fourth enlargement was the accession of Austria, Finland and Sweden to the EU in 1995. However, there was not any “Enlargement Policy of the EU” as it is understood today, with a separate Directorate General in the European Commission, candidacy status, negotiation and accession processes, opening and closing chapters etc., until the introduction of the Copenhagen Criteria in 1993. The Commission had only a limited managing role in each enlargement

process. Therefore, the competence for enlargement was mostly at the national level. It was only the European Council that approved unanimously the accession of new member states. Therefore, the level of integration was between the exclusive national competences and light shared competences (value of the level of integration is 1.5) and the scope of integration was intergovernmental cooperation (value of the scope of integration is 1) until the 1993 Maastricht Treaty (See Table 4.1).

Concerning the ENP, one cannot talk about a formal one until 2003, when the ENP was established. There were only several financial aid instruments, which were not only targeting the countries in the neighbourhood of the EU, also targeting third countries under the development cooperation framework.

Contrary to enlargement and neighbourhood policies of the EU, development cooperation policy is one of the oldest common policies of the EU. Development and cooperation policy took part in the Treaty of Rome and its main instrument, the EDF was established in 1958 as an intergovernmental fund outside the Community budget, which was able to provide aid to the former colonies of member states, so called ACP states. The DCI was not under EU development cooperation policy until 2007. From this very beginning, the Europeanisation of development cooperation policy was not an option for member states. They preferred to keep their national competences (Carbone 2010, 18). Thus, the Treaty of Rome did not grant competences to the Commission, therefore the value of the level of integration was 1. The Rome Treaty only gave a small managing role to it on the implementation of the EDF (Grilli 1993). Thus, the level of integration regarding the EDF was 1.5 and the scope of integration was intergovernmental coordination for both development cooperation policy and the EDF instrument (value of the scope of integration is 1).

Several attempts of the Commission in order to further “Europeanise” the development cooperation policy has faced with the strong opposition of member states for decades (Arts and Dickson 2004). However, the role of the European Commission has increased informally by the bilateral trade and aid agreements between the Community and the ACP states (Holland and Doidge 2012; Orbie and Versluys 2008). Similarly, even though the EP did not have any competence over development cooperation policy since its establishment in 1979, it had an indirect effect on the policy because of its minor role in the Community’s external trade relations (Arts and Dickson 2004; Grilli 1993). On the

other hand, bilateral trade and aid relations have also begun between the Community and Latin American and Asian states by the 1970s -which will be target regions and countries of the DCI after its establishment in 2007-. However, the institutional arrangements and decision-making procedures regarding development cooperation policy of the Community were far away from being supranational until the 1993 Maastricht Treaty. Therefore, until the Maastricht Treaty, the level of integration in development cooperation policy and the EDF was between exclusive national competences and light shared competences (value of the level of integration is 1.5). Also, the scope of integration both in development cooperation policy and the EDF became closer to intergovernmental cooperation by informal roles of the Commission and the Parliament in external trade, especially to the ACP states (value of the scope of integration is 1.5).

4.3 From Maastricht to Lisbon (1993-2009)

The 1993 Maastricht Treaty introduced the significant change towards the integration of foreign policy issues under the EU institutional framework. First of all, it created the CFSP as the second of the so-called three-pillar system of governance of the EU. It also included the possibility of having a common defence and security policy (Article J.4). These developments widened the level of authority of the EU, thus the competences in CFSP resided in between light and medium shared competences (value of the level of integration is 2.5). However, decision-making authority continued to remain as intergovernmental in the second pillar (value of the scope of integration is 1). The CFSP covered almost all aspects of foreign and security policy by the 1997 Amsterdam Treaty. “While the level of integration was broadened, the scope remained confined to intergovernmental co-operation. The introduction of ‘constructive abstention’ and a limited extension of qualified majority voting (Article 23) did little to increase the use of foreign policy instruments established by the Title V of the TEU. Member states retained the right to block decisions ‘for important and stated reasons of national policy’ (Article 23.2)” (Börzel 2005, 227-228). The Cologne and Helsinki European Councils in 1999 and the 2001 Nice Treaty introduced Rapid Reaction Force (RRF) and took over the tasks of the Western European Union (WEU). This led to a further extension of the competences in the Common European Defence and Security Policy (CESDP) to the EU

institutions from member states, but the decision-making procedures (scope of integration) remained the same as intergovernmental (See Table 4.1).

The evolution of the EU's Enlargement policy has changed by the end of the Cold War. The Community aimed at reuniting the continent Europe after the collapse of the Soviet Union, thus ex-Communist states of the Central and Eastern Europe became the priority of the European enlargement policy. Enlargement process for Poland, Hungary, Estonia, Czech Republic, Slovenia, Slovak Republic, Lithuania, Latvia, Bulgaria, Romania, and also for Malta and Cyprus was launched by the European Council meeting of December 1997. However, the accession process of those countries was different than the previous enlargements of the EU. First of all, the biggest change was the introduction of the Copenhagen criteria in 1993 for the countries, which applied for EU membership. The Copenhagen criteria was introduced by the European Commission, thus the legal power, in other words, shared competences, of the EU in Enlargement policy increased and they started to share equal competence with EU member states (value of the level of integration is 3). According to the Article 49 of the TEU, any European state may apply to become a member of the Union, if it respects the common values of the member states and is committed to their promotion. However, they have to meet the Copenhagen criteria, which includes;

- the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- a functioning market economy and the ability to cope with competitive pressure and market forces within the EU;
- the ability to take on the obligations of membership, including by adhering to the aims of political, economic and monetary union, and adopting the common rules, standards and policies that make up the body of EU law (the *acquis communautaire*).

By the Copenhagen criteria, new negotiation framework was set, which was conducted separately with each country by the European Commission, based on a single negotiating framework. Pre-accession funds were introduced for new candidate countries, in order to harmonize those countries' administrative, political, social and economic structures with the *acquis communautaire*. After the introduction of the Copenhagen criteria, Austria, Finland and Sweden joined the EU in 1995. However, the Copenhagen

criteria was not applicable to them, since they had applied earlier and more importantly, they were rich and stable countries meeting accession criteria already. Thus, until the accession process of the Central and Eastern European countries (CEECs), Malta and Cyprus, the decision-making procedure regarding enlargement was much more in the context of intergovernmental cooperation and the value of the scope of authority is “2” between the 1993 Maastricht and the 1999 Amsterdam Treaty. The experience that the EU has in its development cooperation policy for third states, for decades became a useful tool for the implementation and effectiveness of pre-accession funds to the CEECs, Malta and Cyprus. The Commission took the lead in this process. Thus, the managing and implementing role and the right of initiative of the European Commission in enlargement policy has increased by the 1999 Amsterdam Treaty, when the European Commission started to lead the accession process, to monitor candidate and accession states through country progress reports published since 1998 and to inform the Council for further accession of a candidate or giving candidacy status to an applicant country. Therefore, value of the level of integration has increased to “4”, “strong shared-competences”, where competences for most policy issues lied at the EU level. This application continued with the 2003 Nice Treaty.

Additionally, the EP granted budgetary authority with the Maastricht Treaty (1993), which means the EP had authority to approve the general budget of the EU, which also includes pre-accession funds for candidate countries. Therefore, even the decision-making power of the EP in the EU’s enlargement policy has improved. This further increases the scope of integration in the decision making of IPA funds. Therefore, the value of the scope of integration in the decision-making process of IPA funding severely increases to “4.5”, since the Council started to co-legislate with the EP via co-decision procedure on the EU budget. However, it is necessary to note that this co-legislation procedure is only limited to the decisions on the general EU budget, thus on IPA funding in that case, it is not valid for decisions on the enlargement policy. On the other hand, while the distribution of competences (the level of integration) between the EU and member states regarding the IPA funding is mostly at the EU level, since the IPA is allocated to only candidate and potential candidate countries, the absence of any restriction for member states’ bilateral aid allocation to those countries puts the issue area under “parallel competences”, as discussed in detail in the previous chapter. Therefore, although it is expected that there are strong shared competences between the EU and

member states regarding the IPA funding, competences parallelly fall under both EU and national levels. Therefore, the value of the level of integration is “2.5” for the IPA funding since the Maastricht Treaty.

The negotiation and accession processes and their procedures are standardized and continued to be implemented at present. The DG NEAR of the European Commission started to carry out accession negotiation processes with candidate countries and thus, it became the Commission, which decides whether a candidate country qualifies for official accession negotiations by fulfilling the Copenhagen criteria or for membership by the end of the harmonization process of the EU *acquis*. However, membership negotiations cannot start until all EU governments agree, in the form of a unanimous decision by the EU Council, on a framework or mandate for negotiations with the candidate country. Negotiations take place between Ministers and Ambassadors of the EU governments and the candidate country in what is called an intergovernmental conference. Thus, decisions on enlargement are taken by unanimity voting in the Council and the role of intergovernmental decision-making is still high. This limits the scope of integration in enlargement policy. Negotiations under each chapter can begin after the screening process of the Commission and the declaration of negotiating position by the candidate country. The Commission carries out the screening process together with the candidate country and delivers a screening report, which indicates how well the country is prepared in each policy field, at the end of the process. The Commission presents these reports as recommendations to the Council for their final decision on opening up negotiations with the candidate country. Also, before negotiations, the candidate country must submit its position to the EU and the EU (the European Commission) decides on a common position, which also declares the closing benchmarks for the candidate country to be met before the accession negotiations in the related chapter can be closed. The Commission analyses the progress of the candidate country in the specific chapter and inform the Council on its decision. Then, every EU member state should be satisfied with this decision of the Commission and vote for the closure of negotiations on any individual chapter. The whole negotiation process can only be closed once every chapter has been closed with this co-decision of the Commission and the Council. This co-decision procedure is highly important for the scope of integration that it increases the value of the scope of integration to “3.5”, which indicates that decisions are taken by both ‘unanimity voting in the Council and co-decision procedure between the Commission and Council’. After the unanimous

approval of the Council, the Accession Treaty is prepared by the Commission. It contains the detailed terms and conditions of membership, all transitional arrangements and deadlines, as well as details of financial arrangements and any safeguard clauses. It finalizes and becomes binding when all EU institutions (the EU Council, the Commission and the EP) approve it and all EU member state governments and the candidate country sign and ratify it according to their constitutional rules (parliamentary vote or referendum, etc.)¹⁴.

The ENP was launched in 2003 and developed throughout in 2004. Following the largest fifth enlargement of the EU in 2004, the limits of the territorial borders of the EU has changed. The enlarged EU has become one of the neighbours of several states in the East and South. Thus, the ENP has aimed to reduce any social, political and economic dividing lines from emerging between the enlarged EU and its periphery and to strengthen prosperity, security and stability of all. Then, the European Commission's Directorate General for External Relations (DG RELEX) became responsible from the ENP and the European Neighbourhood and Partnership Instrument (ENPI) was established in order to provide financial aid to neighbouring states. The introduction of this instrument did not prevent member states to continue their bilateral aid towards neighbouring countries. The 2003 Nice Treaty did not cover the neighbourhood policy as a separate policy field than external relations. Since the ENP was established in 2003 and started to be applied by 2004, it is considered under the external relations framework of the EU. Thus, the neighbourhood policy resembles political external relations of the EU regarding the level and scope of European integration until the Lisbon Treaty, which means while, the competences on the neighbourhood policy are shared equally by the Commission and member states in the Council, the degree to which member states pool their sovereignty concerning the neighbourhood policy is still limited. Thus, the Council is the main executive and legislative body, acts by unanimity, and the right of initiative of the European Commission is shared with the Council (values of the level and scope of integration are respectively 3 and 2).

However, since the EP has granted budgetary authority with the Maastricht Treaty (1993), the EP had authority to approve the budget for the ENPI as well. This further increases the scope of integration in the decision making of ENPI funds. Therefore, the

¹⁴ http://ec.europa.eu/neighbourhood-enlargement/policy/steps-towards-joining_en, accessed in December 2016.

value of the scope of integration in the decision-making process of ENPI funding severely increases to “4.5”, since the Council started to co-legislate with the EP via co-decision procedure on the EU budget, like the situation of IPA funding decisions. However, it is necessary to note that this co-legislation procedure is only limited with the decisions on the general EU budget, thus on ENPI funding in that case, it is not valid for decisions on the ENP. The level of integration of the ENPI funding is similar to the IPA. Since the ENPI is an EU instrument that the European Commission takes the lead in its decision-making and implementation, the distribution of competences (the level of integration) between the EU and member states regarding the ENPI funding is mostly at the EU level. However, the absence of any restriction for member states’ bilateral aid allocation to European neighbourhood countries puts the issue area under “parallel competences”, as discussed in detail in the previous chapter. Therefore, although it is expected that there are strong shared competences between the EU and member states regarding the ENPI funding, competences parallelly fall under both EU and national levels. Therefore, the value of the level of integration is “2.5” for the ENPI funding since the Maastricht Treaty.

Development and cooperation policy of the EU has transformed by the 1993 Maastricht Treaty. Importantly, development and cooperation policy became a “parallel-competence” issue area between the EU and its member states (value of the level of integration is 2.5). Article 130x of the Maastricht Treaty states that;

“The Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organizations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Community aid programmes. The Commission may take any useful initiative to promote the coordination”¹⁵.

However, the Treaty did not mention about a clear division of labour between the EU institutions and member states (Lundsgaarde 2012, 705; van Reisen 1999, 61). Individual member states, for example, continued to manage and implement their development aid regarding their national, rather than EU priorities (Holland and Doidge 2012). Therefore, member states continued to keep their national sovereignty in that specific policy area, instead of transferring it to the EU institutions. Even though, development cooperation policy became one of the so-called first pillar issue areas of the

¹⁵ The Treaty of Maastricht, https://europa.eu/european-union/sites/europaeu/files/docs/body/treaty_on_european_union_en.pdf, accessed in December 2016.

EU, the continuation of the EDF outside the EU budget is also the illustration of this intergovernmental decision-making preference of EU member states in development cooperation (Carbone 2007; Orbie 2012). Therefore, the level and scope of integration concerning the EDF funding remain limited to light shared-competences, which means competences for most policy issues are at the national level (value of the level of integration is 2), and to intergovernmental cooperation (value of the scope of integration is 2).

Since the development cooperation policy became a so-called first pillar issue area, the Maastricht Treaty did not only grant competences to the Commission, the EP also became one of the effective EU institutions in decision-making regarding development cooperation. The EP has a co-decision power, together with the Council, on the proposals done by the Commission. As mentioned before, the EP granted budgetary authority with the Maastricht Treaty. This directly strengthens the role of the EP in decision-making regarding the budgets of several development aid instruments (Carbone 2008). Additionally, since the Maastricht Treaty also foresaw the so-called indirect initiative right of the EP, the EP is thus able to indirectly propose new legislation by adopting resolutions on specific development issues and then, countering the exclusive right of the Commission (Cini 2007). Therefore, the value of the scope of integration concerning development cooperation policy increased to “4.5”. However, this budgetary authority did not cover the EDF, since it remained the outside the EU budget (Holland and Doidge 2012). In 2007, several foreign aid instruments of the development and cooperation policy of the EU -apart from the EDF- were concentrated under a single framework, which is called the DCI. However, the competences and decision-making procedures, the application of the EU legislation in development cooperation remained the same.

4.4 Lisbon Treaty

Finally, the 2009 Lisbon Treaty abolished the three-pillar structure of the EU and the Union acquired legal personality (Article 46A) in external relations. The new High Representative for Foreign Affairs and Security Policy (HR) charged with the important role of ensuring coherence between EU institutions and between the institutions and

Member States. The HR conducts the CFSP and shall chair the Foreign Affairs Council and be one of the Vice Presidents of the Commission. A further complication in institutional and personal relations is created by the new permanent President of the Council (Article 9B), who chairs the European Council (Article 9B.6) and more noteworthy shall (article 9B.6) "... ensure the external representation of the Union on issues concerning its common foreign and security policy...". Whilst enhanced cooperation (Title IV, Article 10) is now extended across all areas of the Treaty (now requiring at least 9 Member States), however the articles referring to CFSP and in particular the Common Security and Defence Policy reiterate the norm of taking decisions by unanimity (except within permanent structured cooperation) as well as underlining that this is an area where legislation is excluded. Nevertheless, the norm of unanimity and the exclusion of legislative acts (Article 15b) in CFSP area indicate that unanimity remains the rule. The upgraded High Representative for Foreign Affairs and Security Policy is double-hatted as a Vice President of the European Commission and is supported by a newly established EEAS (which effectively overcomes the previous Pillar I and Pillar II structure and incorporates a role for Member States diplomats). The EEAS (Article 13A) consists of personnel from the Council General Secretariat, the Commission and seconded staff from national diplomatic services. The inclusion of the latter will be important in fulfilling the EEAS dual mandate of supporting the High Representative and in working "in cooperation with the diplomatic services of the Member States". Importantly, the Lisbon Treaty foresees the adoption of Permanent Structured Cooperation by "...qualified majority voting after consulting the High Representative" (Article 28E), but 'unanimity' still remains the baseline for all decisions referring to the launch of a mission (Article 28A.4). This situation enables a group of EU member states to co-operate out of the EU structure and initiate a foreign policy activity or operation without an EU decision¹⁶. According to the Lisbon Treaty, even though the scope of integration in political external relations has increased to the value of "2.5", the CFSP stayed firmly in the intergovernmentalist framework. Thus, while the value of the level of integration is "3", which means middle shared-competences in CFSP, the value of the scope of integration is 2 and this shows us intergovernmental cooperation in decision making on CFSP.

¹⁶ <http://www.europarl.europa.eu/document/activities/cont/200805/20080513ATT28796/20080513ATT28796EN.pdf>; accessed on December 2016.

By the Lisbon Treaty, the accession and negotiation processes, the role of the EU institutions in decision-making in enlargement policy remained the same. Regarding the role of the EP on the Enlargement policy, Article 49 of the TEU mentions that the Parliament must give its consent to any new accession to the EU. What the Lisbon Treaty has changed is the increasing power of the EP in the decision-making process regarding the EU budget. Thus, according to the Lisbon Treaty, the EP's approval is required for the adoption of the multiannual financial framework (MFF) of the EU. Accordingly, the EP now has a direct influence on the amounts allocated to the IPA. On the other hand, EP's Committee on Foreign Affairs (AFET) holds regular meetings and exchange of views with the Commission, DG NEAR. The EP never hesitates to reflect its position on candidate and potential candidate countries and their accession processes in the form of annual resolutions responding to the Commission's reports on them. However, these resolutions are not binding. They are only a part of policy-making in the EU. Therefore, the EP has only a consultative role. While the value of the scope of integration in Enlargement Policy remained as "3.5", which means "joint decision-making I" by the co-decision procedure between the Commission and Council, the decision-making remains by unanimity voting in the Council. Even in the decision-making in the enlargement policy and the implementation of the IPA, member states want to keep control. Thus, unanimity voting is still valid¹⁷. On the other hand, the value of the scope of integration in decision-making on IPA funds remains as "4.5", since the EP continues to approve the MFF of the EU. On the other hand, the value of the level of integration for IPA funding stays as "2.5", since the issue area falls under parallel competences.

The recent and previous decision-making processes in the EU considering the ENP and financial instruments of the ENP determine the level and scope of authority in European integration and differentiation in that specific policy area. The establishment of the EEAS by the Lisbon Treaty has also implications for the implementation of the ENP. Prior to the establishment of the EEAS, DG RELEX was responsible from the ENP. However, during the post-Lisbon period, the DG RELEX became part of the EEAS, including the Directorates dealing with the ENP. The ENI – previously, the ENPI-supports the ENP. For the matters related with the allocation of the ENI, the EEAS works with the Commission (DG DEVCO), the EP and member states. While the EEAS does the programming, DG DEVCO is responsible from the implementation of the funds. "In

¹⁷ Interview with an official in DG NEAR, Brussels, 21 March 2017.

the post-Lisbon system, the EEAS takes the lead on programming the country allocations in the multiannual financial framework, country and regional strategic papers as well as national and regional indicative programs. DG DEVCO leads the programming of the annual actions and their implementation...the EEAS and the Commission's DG DEVCO check and balance each other with neither side being able to overrule the other" (Kostanyan 2013, 5). As it is understood for the decision-making and implementation of the ENI, the EEAS, European Commission, EP and EU member states (Council) work together.

The relation between the EEAS and member states is also important in order to figure out the role of member states in policy-making regarding the ENP and about decisions on the ENI. As an important part of the EU's external relations, the role of the Council in decision-making regarding the ENP is crucial. Member states have the real decision-making power in that specific policy area by keeping unanimous voting power at the Council. Even though any member states could block the process, using this veto power is not common in the ENP. The ENP is one of the policy areas of the EU, in which the divergent policy preferences and national interests of EU member states become apparent. "Although the post-Lisbon period brought about a number of modifications in the EU's external action institutions, it did not eliminate the divergences between the foreign policy interests and preferences of the member states" (Kostanyan 2013, 4). The role of member states is also visible in the decisions about the ENI. Even though, the decision-making model is comitology, in general unanimity voting is applied in the ENI Committee of the Council¹⁸.

In the post-Lisbon structure, the staff of DG RELEX has been transferred to the EEAS. Thus, the staff, who were initially working at the Commission, is crucial in order to keep balance between the EEAS and the Commission, since many national diplomats have been also transferred to the EEAS, whose number will be increasing in the future. Therefore, the EEAS has been viewed as much more an intergovernmental EU institution vis à vis the Commission. Even though the EEAS tries to find solutions for the divergences among member states and also, with several DGs of the Commission at the lowest level, where possible, if it could not solve any problem, the issue has been transferred to the Council's related working groups (COEST for Eastern Europe and

¹⁸ Interview with an official in the EEAS, Brussels, 21 March 2017.

Central Asia and MaMa for Mashreq/Maghreb). If the problem still persists, then the issue is dealt by the representatives of the member states in the Political and Security Committee (PSC). In the Council's Working Groups and the PSC, the representatives of the EEAS still chair and set the agenda. The member states conduct horizontal checks in the Comité des représentants permanents (COREPER) and their foreign ministers take the decisions in the Foreign Affairs Council (FAC) (Kostanyan 2013, 3). This structure of the EEAS and decision-making mechanism in the Council increase the power of EU member states concerning decisions on the ENP.

Finally, the role of the EP in decision-making regarding the ENP and its funding has been increased by the Lisbon Treaty. Even though the EP does not have competence in many policy areas regarding the ENP, it is efficient in shaping public debates and creating a consensus among EU institutions. "The European Parliament also supported the EEAS in the area of funding for the ENP. The Parliament is a co-decider on the external action expenditure including on the budget allocated to the neighbourhood policy" (Kostanyan 2013, 6). This decision and policy-making structure of the EEAS regarding the ENI expenditures, clarifies the importance and significant role of co-decision procedure in the EU's budget for external affairs. Therefore, the scope of integration increases as regards to the ENI (the value of the scope of integration is "4.5").

According to the current analysis of the decision-making process of the ENP, the scope of integration is still intergovernmental with the unanimity voting in the Council and the increasing role of EU national bureaucrats in the EEAS. Thus, the value of the scope of integration for the ENP is "3.5", which means "joint decision-making I" by the co-decision procedure between the Commission and Council but decision-making by unanimity voting in the Council. On the other hand, although the level of integration seems much more supranational, since the competence for majority of policy decisions resides on the EU, specifically on the EEAS, in collaboration with the Commission, the level of integration in the ENP resides equally on the member states and EU institutions in comparison to the European Enlargement Policy. This is owing to the fact the structure and components of the EEAS are different than the Commission and have intergovernmental elements. Therefore, the level of integration of the ENP is considered as 'medium share competences' with the value of "3". On the other hand, while the value of the level of integration on the ENI funding remains as "2.5" as it is a parallel

competence issue area, the value of the scope of integration increases to “4.5” because of the co-decider role of the EP on the EU MFF.

After the entry of the Lisbon Treaty into force, development and cooperation policy of the EU remained one of the parallel-competence policy areas between EU institutions and member states. The Lisbon Treaty also introduced a new institutional and administrative structure for the management of EU foreign policy and external assistance with the establishments of the DG DEVCO under the Commission and the EEAS as another institution. The DG DEVCO was established on 3 January 2011. It is the result of the merger of the former Directorate-General for Development and the unit for Relations with ACP states with the former EuropeAid Co-operation Office. The DG DEVCO has become responsible not only for defining the objectives of the EU development and cooperation policy, but also for ensuring the effective programming and implementation of aid. It has become the single interlocutor for the EEAS and for all other sectoral DGs of the Commission. However, the EEAS is co-responsible for the programming of aid together with the newly established DG DEVCO. Also, the Commission’s Delegations in the partner countries have transformed into EU Delegations, which are now coordinated and managed by the EEAS. While these two institutions were established as a result of moving towards one-voice Europe in the development policy, whether they would support coordination, cohesion and complementarity or create additional bureaucratic layers and challenge the coordination between the EU and national governments remain to be seen (van Seters and Klaver 2011; Carbone 2012; CONCORD 2012; Furness 2012). These two institutions of the EU, which are given significant role in decision-making and implementation of policies related to foreign policy and financial aid, increase the role and power of the EU as a supranational organization. The integration level of the Development and Cooperation Policy is different in policy and implementation levels. In the policy-making level, since the role of domestic politics is really important in member states¹⁹, the EU institutions have to decide together with member states, whereas in the implementation phase, decisions for every project are taken by the institutions responsible according to the Comitology method²⁰. While financial aid is institutionalised at the supranational level by the EU, meanwhile development and cooperation policy of the EU enables further integration of

¹⁹ Interview with an official from DG DEVCO, 21 March 2017, Brussels.

²⁰ Interview with a senior official from DG DEVCO, 21 March 2017, Brussels.

the Union and increases EU's legitimacy and accountability in the global development agenda. However, this does not prevent keeping the level of integration of Development Cooperation Policy as a parallel competence policy area and thus, the value of the level of authority as "2.5", while the value of the scope of authority remains as high as "4.5".

Recently, the Council and the EP have equal footing on decisions regarding the EU's development cooperation. Article 209 of the TFEU states that the EP and the Council, "*acting in accordance with the ordinary legislative procedure, shall adopt the measures necessary for the implementation of development cooperation policy*". The co-decision procedure was renamed "the OLP" by the Lisbon Treaty and became the main decision-making procedure used for adopting EU legislation²¹. This makes development and cooperation policy one of the very few foreign policy areas, in which the EP holds such power in decision-making. This power of the EP derives from the budgetary authority that the Treaty of Lisbon has established. The Lisbon Treaty emphasizes that the Council and the EP are the joint budgetary authorities of the EU. According to Article 312 of the TFEU, for the seven-year MFF of the EU, the Council retains the primary power of decision, but requires parliamentary consent to adopt the framework. However, the EP does not have any budgetary power over the EDF, since the amount of aid covered by the EDF is decided intergovernmentally by individual EU member states. Thus, the EDF is not a part of the EU budget and the decision-making power of EU institutions in comparison to member states over it is different vis à vis the DCI, which is totally covered by the MFF of the EU²². Therefore, the value of the scope of integration in decision-making, regarding these two main financial instruments of the EU development cooperation policy, differs. While the value of the scope of integration on the DCI is "4.5", it is "2" for the EDF.

In 2014, for the first time, the Parliament -its Development Committee- participated in the decision-making process of the DCI by a joint decision taken by the Commission and the Parliament. Thus, the EP became a co-legislator in regulating the EU's external assistance instruments, especially the DCI. However, the EP has just a little power over the implementation of decisions. The European Commission has the sole responsibility for the implementation of foreign aid programmes, but the EP has a right

²¹ Council of the EU, Ordinary Legislative Procedure, <http://www.consilium.europa.eu/en/council-eu/decision-making/ordinary-legislative-procedure/> accessed on 16th March 2017.

²² Interview with a senior official from DG DEVCO, 21 March 2017, Brussels.

to question and even grant discharge to the Commission. Therefore, the value of the scope of integration in development cooperation policy is “4.5”, which means ‘joint decision-making II’ with the exclusive right of initiative of the European Commission and the co-legislation by the Council acting by majority and OLP. However, the level of integration remained as parallel shared competence area (the value of the level of integration is 2.5).

On the other hand, the overall amount of the EDF and its distribution are negotiated at intergovernmental level between the Council and the Commission, with only advisory input from the EP²³. Thus, both the level and scope of integration remain as intergovernmental (the values are respectively “2” and “2”). There is no doubt that the inclusion of the EDF into the EU budget, in other words, “budgetarisation” of the EDF, would increase the involvement of EU institutions in decision-making, empower policy cohesion in the EU external relations and decrease the amount of member states’ allocations to the EDF, since they would prefer to provide the large part of the aid bilaterally, that the Commission is afraid of actually²⁴. However, whether there will be such a change or not for the multiannual budget of the EU after 2020 remains to be seen.

4.5 Conclusion

The analysis in this chapter shows that in all EU foreign aid instruments (IPA, ENI, DCI and EDF) and related policy areas (Enlargement, Neighbourhood and Development Cooperation Policy), while the level of Europeanisation, in other words, centralisation, has been increased over time, the level and scope of this integration differs significantly. Even though in the allocation patterns of European aid it is expected that much more centralized and institutionalised multilateral aid of the EU is directed through the IPA and the ENI towards Europe’s periphery, the results of the analysis in this chapter show that the involvement of supranational bodies in decision-making regarding the enlargement and neighbourhood policies of the EU is still limited to “joint decision-making I”. However, competences for most policy issues are at the EU level or at least equally shared with the EU and member states. On the other hand, the level of integration of the main

²³ European Parliament, http://www.europarl.europa.eu/atyourservice/en/displayFtu.html?ftuId=FTU_6.3.1.html accessed on 1st December 2016.

²⁴ Interview with a senior official from DG DEVCO, 21 March 2017, Brussels.

financial instruments of enlargement and neighbourhood policies, the IPA and the ENI, remain as parallel competences of the EU, since the introduction of these aid mechanisms do not prevent member states continuing their bilateral aid allocation policies towards the countries covered by the IPA and the ENI. However, the increasing role of the EP in the EU budget decisions increases the scope of the integration to the OLP in these financial instruments.

On the other hand, development and cooperation policy is among the most supranationalised policy areas of the EU regarding its decision-making procedures (the scope of integration), that this chapter revealed. However, both the policy's and its instrument's (DCI) level of integration remains as a parallel competence policy area, since member states may provide aid to the countries and regions that the DCI covers in parallel to the EU's financial aid allocations. The scope of integration regarding the decision-making mechanism of the DCI is higher and similar to the IPA and the ENI, since the increased role of the EP in the decision-making of the MFF of the EU since the Maastricht Treaty. These results show us that even though the decision-making procedures regarding the three main financial instruments of the EU (IPA, ENI, DCI) are highly supranationalised over time, the distribution of competences regarding them between the EU and member states have stayed as limited to the parallel competence level as much more intergovernmental than being supranational.

Finally, since the EDF is still an intergovernmental instrument and importantly, member states' bilateral aid allocation continues to be significantly active in third countries covered by the EDF, the integration level of the EDF is lower than the DCI, the IPA and the ENI as it is expected. Also, the distribution of competences regarding the EDF between the EU and member states is lower (light shared competences) than the level of the integration of other financial instruments of the EU, since there is not any involvement of EU institutions in the decision making of the budget on the EDF. It is solely on the hands of the governments of member states. Thus, this study argues that these cleavages in between both related policies and financial instruments of European development aid mechanisms cause informal burden-sharing between EU institutions and member states inherently, which could explain the different aid allocation patterns of EU institutions and member states.

In addition to the analysis of the changing level and scope of authority in EU decision-making over time in the CFSP, EU's Enlargement, Neighbourhood and Development and Cooperation policies, the analyses of EU external assistance instruments' geographical and policy scopes; institutional arrangements of foreign aid instruments and the national interests and preferences of member states would reflect the impact of differentiated integration on EU's foreign aid policies, especially on the aid allocation preferences of EU institutions and member states, which are explained in the following chapter.



CHAPTER 5

EXTERNAL ASSISTANCE INSTRUMENTS OF THE EUROPEAN UNION

EU foreign aid policies have been formulated and implemented by pursuing two trends in European aid allocation; 1- instruments that aim to provide aid to the countries in the EU periphery and neighbourhood; and 2- instruments that operate for aid allocation to third states. This unique structure of EU external assistance mechanisms generates at least a geographic division of labour and informal burden-sharing between EU institutions and member states. Out of four geographic external assistance instruments of the EU, while the IPA and the ENI covers the EU's periphery, candidate and neighbouring countries respectively, the DCI and the EDF focus on the developing countries in Africa, Asia and Latin America.

Taking into account the main foreign assistance instruments of the EU - IPA, ENI, DCI, EDF-, they are different from each other in terms of their integration levels, institutional structures, geographical and thematic policy scopes, EU member states' motives in establishing and funding them. While the IPA and the ENI are the main financial instruments for the EU's Enlargement and Neighbourhood policies, which have significant political aspects and supranational dimension regarding the number of issues which fall under EU competence, rather than national competences of EU member states, the DCI and the EDF enable much more flexible policy implementation together with both supranational and intergovernmental decision-making, respectively in the DCI and the EDF. Since the target countries of the IPA and the ENI have membership perspectives and are neighbouring countries, the role of EU institutions is significant on the management and implementation of these instruments, which also reflects the transformative power of the EU. Also, "the IPA and the ENP differentiate the development and cooperation policy of EU institutions from development policies of EU member states. They have more political aims than developmental preferences"²⁵. Thus, they constitute an important part of EU external relations and are still intergovernmental in decision-making in the final analysis. On the other hand, historical, cultural, economic and political ties of some EU member states with several countries in Africa and Latin

²⁵ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

America enable individual member states to become more effective donors in these regions as well as to increase their roles and the volume of bilateral aid in European foreign aid mechanisms. As a matter of fact, the EU budget does not cover the EDF and it is funded by individual member states, but the European Commission and the EEAS conduct and monitor the implementation of the EDF and also the DCI. However, since member states are allowed to continue their bilateral aid policies separately, they seem confident and generous to delegate their decision-making authority to EU institutions in enlargement, neighbourhood and development and cooperation policies, excluding the EDF instrument.

In order to visualize the impact of differentiated integration on EU's foreign aid policies, and specifically on the aid allocation preferences of EU institutions and member states, it would be useful to analyse the disaggregated data for the financial aid instruments of the EU and assess the differentiated integration patterns. In addition to the changing level and scope of authority in EU decision-making over time in the CFSP, EU's Enlargement and Neighbourhood Policy, Development and Cooperation Policy, which are analysed in Chapter 4, the differentiated integration patterns in four EU financial assistance mechanisms (IPA, ENI, DCI and EDF) could be assessed with regards to the EU external assistance instruments' geographical and policy scopes; institutional arrangements of foreign aid instruments that have emerged over time and paved the way for much more centralisation of EU external assistance policies and finally, the national interests and preferences of member states, which are analysed in this chapter.

This chapter argues that the issues negotiated between the EU and member states and decisions taken in terms of implementing a coherent and complementary EU external assistance policy provide a form of differentiated European integration. Even though member states and EU institutions continue to have different preferences and interests in foreign aid policy, the European integration process in foreign aid policy is a differentiated one with the introduction of different EU foreign aid instruments according to different regions, countries and sectors, over time. Additionally, foreign aid policies of member states are considered as complementary to the external assistance policies of EU institutions.

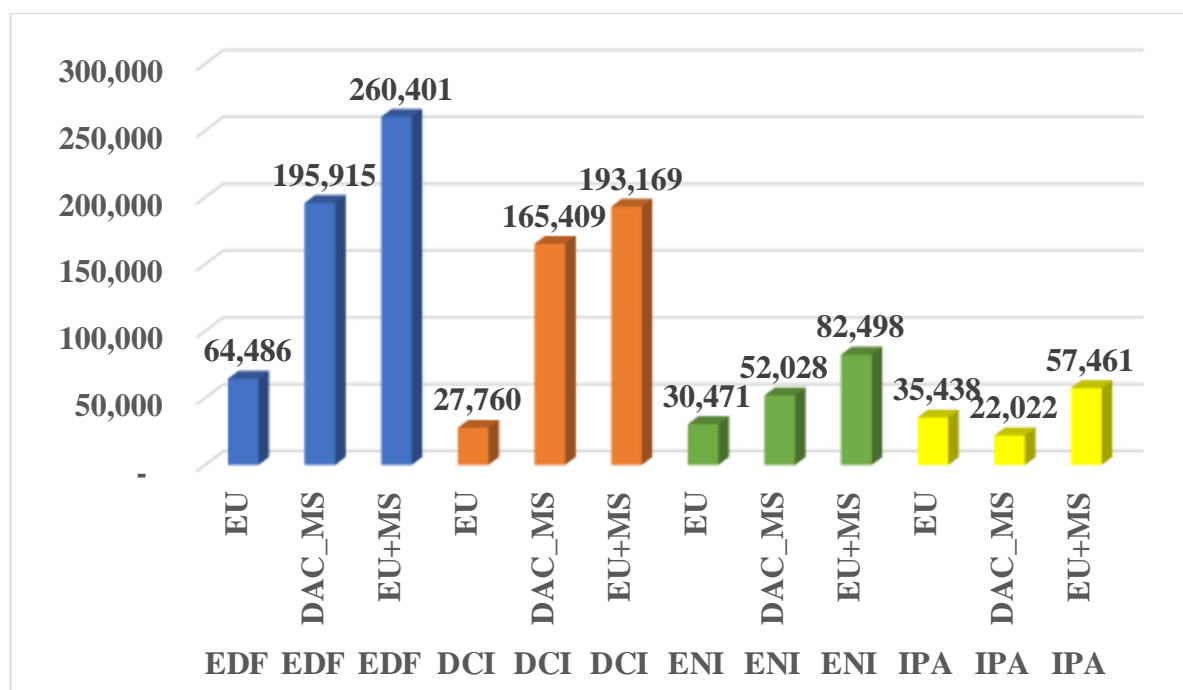
This chapter begins with the detailed analyses of geographical, policy, institutional and national preferences of four main foreign aid instruments of the EU, - IPA, ENI, DCI and EDF-. It concludes with an evaluation of outcomes of the analyses.

Table 5.1: EU Financial Instruments for external assistance 2017-2013 and 2014-2020 (Million Euro) (Table is author's own construction)

Instrument	Geography	Replaces	Funding 2007-2013 million Euro (per cent)	Funding 2014-2020 million Euro (per cent)
EDF (Eleventh EDF)	Africa, Caribbean and Pacific (ACP) and Overseas Countries and Territories (OCT)	Tenth EDF	22.682 (32)	29.100 (36)
DCI	Asia, Latin America, some CSI, South Africa	ALA, TACIS, ten thematic budget lines	16.897 (24)	19.700 (24)
IPA	Western Balkans, Turkey	PHARE, ISPA, SAPARD, CARDS, Turkey pre-accession	11.468 (16)	11.700 (14)
ENI	Eastern and Southern neighbour states of the EU	ENPI, MEDA and TACIS	11.181 (16)	15.400 (19)

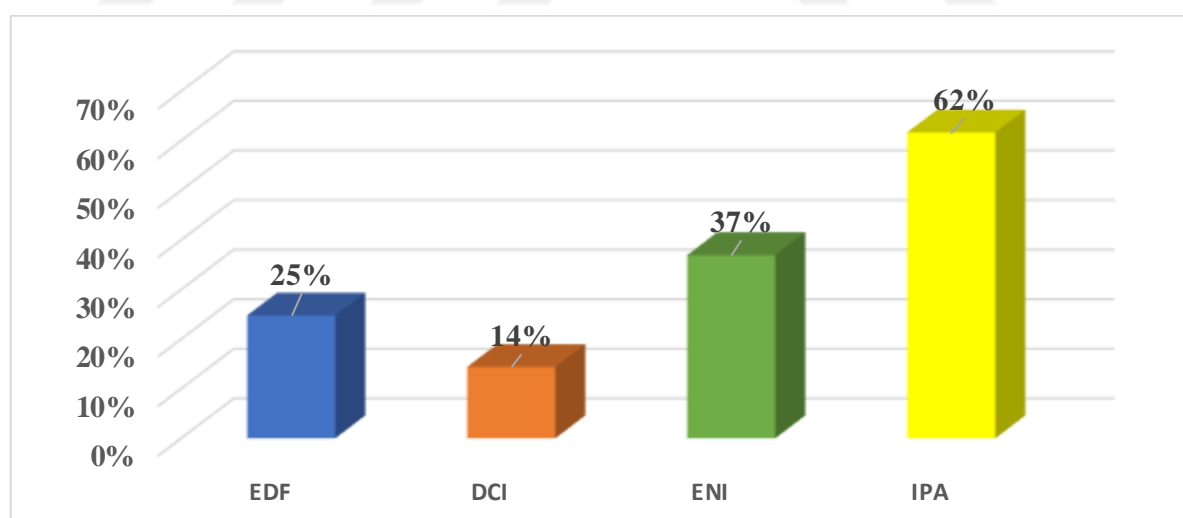
Source: OECD, European Parliament

Figure 5.1: EU Institutions' and DAC EU Member States' Total Aid Commitments 2000-2013 (Million Euro) (Figure drawn by the author)



Source: OECD Development Statistics

Figure 5.2: Share of EU Institutions' Commitments Over Total European Commitments 2000–2013 (Million USD) (Figure drawn by the author)



Source: OECD

5.1 The Instrument for Pre-Accession Assistance (IPA)

“The Instrument for Pre-accession Assistance (IPA) is the means, by which the EU supports reforms in the 'enlargement countries' with financial and

technical help. The IPA funds build up the capacities of the countries throughout the accession process, resulting in progressive, positive developments in the region. For the period 2007-2013 IPA had a budget of some € 11.5 billion; its successor, IPA II, will build on the results already achieved by dedicating € 11.7 billion for the period 2014-2020”²⁶.

The IPA has a significant role in EU financial assistance in two distinct ways. First of all, it is a unique instrument managed by the DG NEAR of the European Commission, which provide technical and financial assistance to EU candidate and neighbouring states. Secondly, its provision is directly linked with “pre-accession conditionality”, which is a type of a political conditionality unique to the EU and an external incentive model (Schimmelfennig and Sedelmeier 2004, 669) that requires the adoption of democratic rules and standards, as laid down in the Copenhagen criteria at the June 1993 European Council, as a prerequisite for EU membership (Schimmelfennig and Scholtz 2008) and accession to IPA funding. Thus, it has the strongest tie between foreign aid policy and political conditionality for democratic standards and human rights principles in target countries among the EU’s and member states’ related instruments. However, the IPA funds are allocated only to candidate countries, which are supposed to already meet the Copenhagen criteria. Therefore, even it is legally possible for a candidate country not to benefit from IPA funds, if it violates any Copenhagen criteria, upon the suggestion of the DG NEAR of the European Commission and the unanimous decision of the Council, there is no such example for now.

The IPA is the main external assistance instrument that covers the immediate neighbourhood and periphery of the EU. Its geographical scope is limited to EU candidate countries, which are also considered as European states and located in the continent Europe. Thus, eligible countries for IPA funding are limited as well. Current candidate countries (Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia (FYROM) and Turkey) and potential candidate countries (Bosnia and Herzegovina and Kosovo under UNSC Resolution 1244/99) are eligible for IPA funding. Former ten accession countries that joined the EU in 2004 (Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia), Bulgaria and Romania in 2007, were also funded by pre-accession funds between 2000 and 2007.

²⁶ http://ec.europa.eu/enlargement/instruments/overview/index_en.htm

These countries received a *Transition Facility* between 2004 and 2006, as did Bulgaria and Romania between 2007 and 2010. Croatia, which became an EU Member State as of 1st of July 2013, was also funded under IPA framework since 2004, until its accession to the EU. “After the end of the Cold War, the EU shifted its foreign aid and development focus from the ACP states to former Communist CEECs”²⁷. Pre-accession funding for the Central and Eastern European countries was the most substantial financial aid policy of the EU. By the end of the Cold War, the social, economic and political integration of the CEECs was one of the ultimate aims of the EU, as a part of European identity building process. Recent IPA funding does not have the same capacity now, since international political and economic conditions are different than the post-Cold War period. “Today, the EU’s priority is much more about the security and stabilization of its periphery than the enlargement”²⁸.

Policy scope of the IPA is wide, since it provides aid and support to candidate states, which should harmonize several policies with the EU *acquis communautaire*. Therefore, assistance for transition and institution building, building measures promoting economic and social cohesion and cross-border cooperation are the main aims of IPA funding. The IPA also supports regional and rural development in candidate countries, including large-scale transport and environmental infrastructure projects, agricultural and economic development projects. Increasing human resources, strengthening human capital and fighting against the exclusion from work force are also funding areas of IPA. Taking into account priority policy areas of the IPA, the European Commission has a significant role in decision-making, implementation and monitoring of the fund. Not only DG NEAR deals with these policy areas and projects, during the decision-making and implementation phases, it has to cooperate with the DG for Employment and Social Affairs, DG for Agriculture, DG Environment, DG Mobility and Transport and DG Economic and Financial Affairs as well.

90per cent of IPA funding is considered as ODA. IPA’s budget for the period 2007-2013 amounted to 11.9 billion Euro and for the new budget period between 2014-2020, the budget commitment for IPA II is 11.7 billion Euro. According to the EU budget between 2000 and 2006, total amount that was allocated for the budget line “7. Pre-accession strategy” was 18.4 billion Euro. In the 2000-2006 multi-annual budget of the

²⁷ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

²⁸ Interview with an EU official in the EEAS, ENP strategies and instruments division, Brussels, 16 February 2016.

EU, while pre-accession instrument was a separate heading named “7. Pre-Accession Strategy”, after 2006 it became one of the sub-headings of the heading called “4. The European Union as a Global Player”, which covers all development and cooperation instruments, except the EDF. In addition to the “7. Pre-Accession Strategy” heading in the 2000-2006 budget period, the main budget heading, which had been covering all development and cooperation instruments was “4. External Actions”. This budget line was changed into “4. The European Union as a Global Player” in the 2007-2013 multi-annual framework, where pre-accession funding, in other words IPA was also included in it. This is also a sign that the EU does not foresee another enlargement for the close future and does not allocate a separate budget for Pre-Accession after 2006. However, it prefers to continue its relations with candidate states as a part of its external relations and as a tool to develop its “global actorness”. Even two of the EU officials clearly mentioned that “since the work is so much now, there is not going to be enlargement until 2020. This is definitely not a stagnation, but there is a lot of work, which is much more intense” and “there will be no enlargement for the coming years. In the beginning of the new Commission’s mandate, President Juncker said there will be no enlargement for the coming years so, you know the rest is very open and we have to see how the situation develops, what member states say on this”²⁹.

Before IPA became operational on 1 January 2007, pre-accession support was provided through a number of separate mechanisms to accession countries. From January 2007 onwards, the IPA replaces a series of EU programmes and financial instruments for candidate and potential candidate countries, namely PHARE (Poland and Hungary Aid for Economic Reconstruction)³⁰, CBC (Cross-Border Cooperation), ISPA (Instrument for Structural Policies for Pre-Accession)³¹, SAPARD (Special Accession Programme for Agricultural and Rural Development)³², CARDS (Community Assistance for Reconstruction, Democratization and Stabilization), TAIEX and Twinning³³ and the financial instrument for Turkey (2000-2007), ‘the Turkish pre-accession instrument’.

²⁹ Interview with an EU official in the EEAS, F. Morgherini’s Team, responsible from Western Balkans, Turkey, Enlargement Negotiations, Brussels, 16 February 2016; Interview with an EU official in the EEAS, the ENP Strategy and Instruments Division, Brussels, 16 February 2016.

³⁰ Even though PHARE initially was for Poland and Hungary, later on it started to be applied to all accession countries. PHARE was preparing the candidate country for the Structural Funds after its accession to the EU.

³¹ ISPA was preparing the candidate country for the Cohesion Funds after its accession to the EU.

³² SAPARD was preparing the candidate country for the CAP (Common Agricultural Policy) after its accession to the EU.

³³ TAIEX and Twinning Programmes focus on institution capacity building, strengthening public administration and investment support for infrastructure construction.

Prior to their candidacy, accession countries have to comply with the Copenhagen criteria, which means to be eligible for financial assistance, candidate countries should apply the rule of law, respect human rights, establish a multi-party system, hold free and fair elections and have a market economy by default (Maresceau 2003). The EU used its experience gained by development and cooperation policy for third states and established similar mechanisms in order to support accession countries to comply with the Copenhagen criteria.

The CARDS Programme was the financial instrument for the Western Balkan countries, which are located in a vital region for the EU geopolitical interests. Its wider objective was to support the participation of the Western Balkans in the Stabilisation and Accession Process (SAP), which was introduced in 1999. The SAP is the cornerstone of the EU's policy towards the region. When a country meets the Copenhagen criteria, it can open negotiations with the EU for a SAA. This agreement seeks to promote stability in the region, whilst facilitating closer association with the EU. Even though the CARDS Programme has been completed, the SAP and SAAs are ongoing and tries to bring the Western Balkan countries into the enlargement process. It aims to stabilize the region and establish a free-trade area. It is again coordinated by DG NEAR. Regarding the recent pace of the negotiations with the Western Balkan countries, an EU official stated that “in human rights, freedom of speech, treatment of minorities, the rule of law issues and democratization process, in overall they made good progress. Reform on judiciary and media independence is ongoing. Therefore, the speed of accession has increased. Now, the target is to make all of them as a part of the EU, Euro and Schengen”³⁴.

Except TAIEX and Twinning Programmes, all of those previous pre-accession programmes have been completed. Recent enlargement policy of the EU covers IPA funding for several policy areas and limited number of countries, which are EU candidates and potential candidates. The aggregation of all different pre-accession instruments under the IPA funding represents a change from a much more complex pre-accession funding structure to a simpler one by 2007. On the other hand, all of these institutional arrangements illustrate the increasing role and impact of the European Commission DG NEAR in the provision and management of pre-accession funds.

³⁴ Interview with an EU official in the EEAS, Western Balkans Division, 16 February 2016.

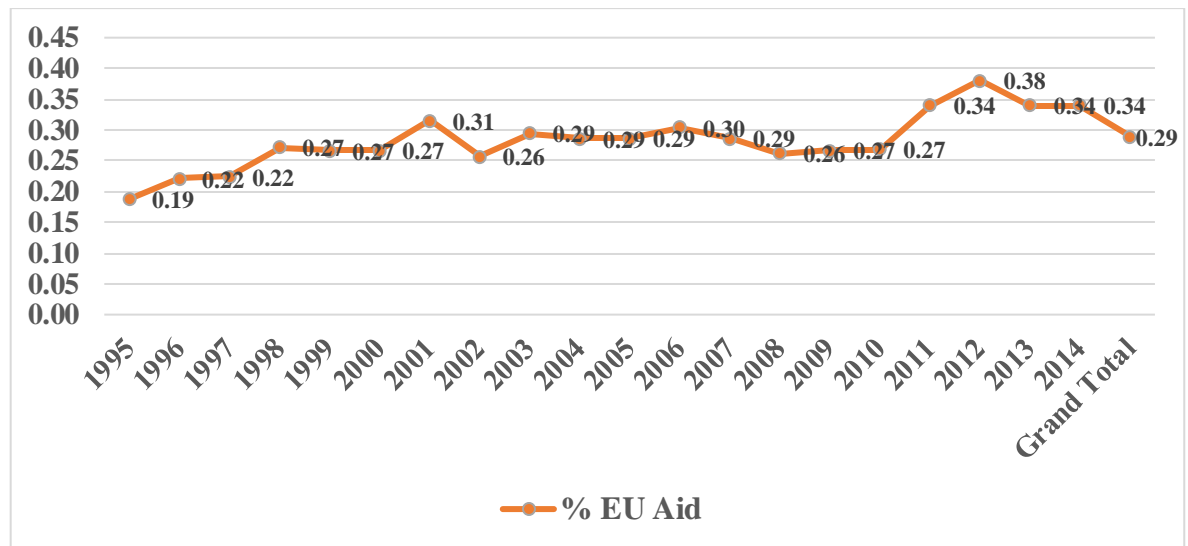
By the 1993 Maastricht Treaty, EU foreign policy became more integrated because the EU was established with three pillars, which one of them represents a common foreign and security policy. Also, EU specific factors, such as having new members, enlargement of the EU changed the priorities of EU foreign aid policy. As a supranational polity, the EU started to be more active in aid-giving processes, which means EU member states has slightly increased the amount of their multi-lateral aid through the EU institutions because of both increasing expertise of the EU, especially in pre-accession funding, and the decrease in transaction costs of EU member states when they transfer sovereignty to the EU institutions in aid allocations. However, different bilateral aid policies and preferences of EU member states also continued in that vein. This continuation of both multilateral and bilateral aid giving processes at the same time in the EU can be best explained by the spill-over effect of different policy areas of the EU during the European integration process. There is no doubt that the evolution and further Europeanisation of enlargement policy of the EU also impacted EU foreign aid policy. Widening of the EU caused the deepening of the financial aid policy by the introduction of IPA instrument under the Enlargement Policy. On the other hand, the way how EU member states accept the increasing role of the EU institutions in aid-giving process, but do not decrease the scope of their bilateral aid policies clearly reflect the undeniable role of member states' national preferences and interests in shaping the integration, evolution and future of the EU (See Figure 5.1). However, since new member states of the EU experienced pre-accession funding process themselves, they prefer to allocate aid multilaterally through the EU institutions. As one of the EU officials explained "in the EU, it seems while EU-15 has stronger national development policies, EU-12 (new member states) supports the aid through the EU, since they had experienced pre-accession period, they know how to create NGOs, about aid efficient projects, programs, etc. Therefore, there are different pace and levels of enthusiasm among member states"³⁵.

Since enlargement policy of the EU is political, the impact of EU member states on the decisions about accession, consequently on the distribution of IPA funding, is incontrovertible. Even though, the individual bilateral aid volumes of EU member states to EU candidates and potential candidates are lower than the multilateral aid allocation volumes of EU institutions to them, since the enlargement policy has a political dimension, during the decision-making process EU member states' interests and national

³⁵ Interview with an EU official in DG DEVCO, Brussels, 4 April 2013.

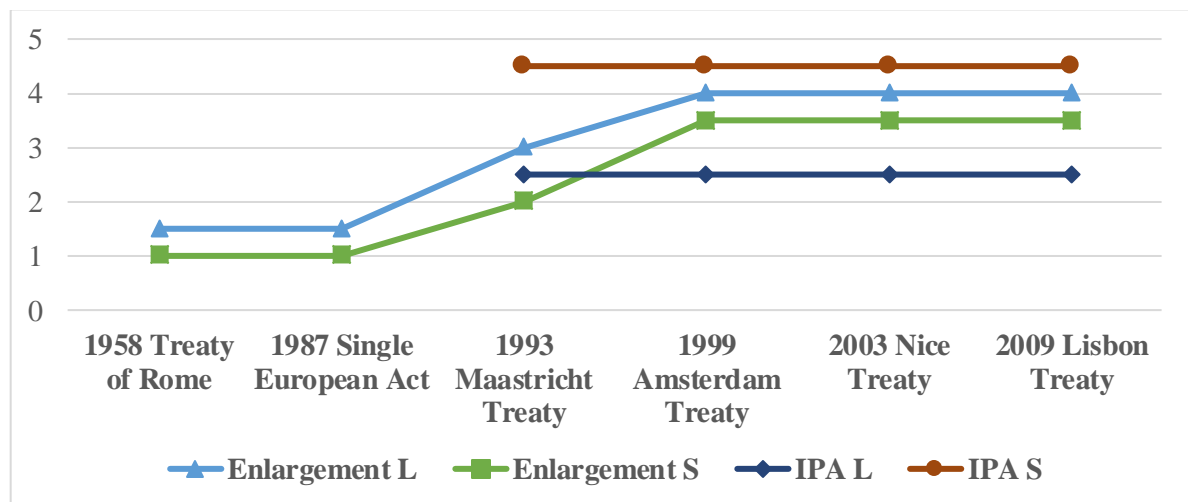
priorities play a significant role. Thus, EU member states will be able to continue to deliver bilateral aid if they would prefer to. However, the IPA is the only financial aid instrument of the EU in the policy-making and implementation phases of it there is a political caveat between member states and the EU³⁶.

Figure 5.3: Share of EU Institutions Aid Over Total European Aid 1995-2014
(Figure drawn by the author)



Source: OECD

Figure 5.4: Level and Scope of European Integration in Enlargement Policy and IPA
(Figure drawn by the author)



³⁶ Interview with a senior EU official in DG DEVCO, Brussels, 21 March 2017.

5.2 European Neighbourhood Instrument (ENI)

The ENP was launched in 2004 with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and instead strengthening the prosperity, stability and security of all. “Member states, especially the Eastern members pushed for the establishment of the ENP”³⁷ European Commission emphasizes that “it is based on the values of democracy, rule of law and respect of human rights”. It is one of the important external assistance policies of the EU that crystallizes the importance of the security and stability of the periphery of the EU. The ENP is primarily executed by the EEAS and the DG NEAR, especially by the Commissioner, by the introduction of the Lisbon Treaty. Thus, the ENI -like the IPA- consists of the multilateral aid allocated by the EEAS via EU budget, but with close cooperation of the Commission and in coherence with other related policies such as Trade, Internal Market, Development Policy and Foreign Policy. Again, like the IPA, it has more political motivations than development orientation. “EU has been specialized after the fall of Berlin Wall in assistance to other countries. This began with the assistance to CEECs (preparing them to for accession) and today, continues towards Eastern and Southern Europe”³⁸. When it is compared with the enlargement policy, “it is everything except accession recently”³⁹. In this regard, it does not have a “membership reward” on condition that the political conditions are met by the partner country. However, the political conditionality that the ENI offers has “more for more” approach, adopted in 2012. “More for more” approach suggests that those partner countries that introduce and implement more democratic reforms for good governance and respect human rights will also receive more aid and benefits beyond aid from the EU (Koch 2015). As the official EU document states; “only those partners willing to embark on political reforms and to respect the shared universal values of human rights, democracy and the rule of law have been offered the most rewarding aspects of the EU policy, notably economic integration..., mobility of people..., as well as greater EU financial assistance” (European Commission and European External Action Service 2012, 3). An EU official differentiates the ENP and IPA by mentioning that “we find other ways of working with these countries and that means basically that we put in place a differentiated policy that looks ad-hoc partner countries on the case by case basis on and everything would be done

³⁷ Interview with a senior official in the EEAS, Brussels, 22 March 2017.

³⁸ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

³⁹ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

on its merit basically. In that sense, instead of trying to transpose one hundred percent of the acquis, fifty percent or sixty percent will be transposed, whatever the partner wants really. We are moving a bit away from that saying for those, which want this kind of engagement, but for others let's find other ways of having a partnership of equals basically"⁴⁰.

The ENP covers 16 closest Southern and Eastern neighbour countries of the EU, which are at the same time the beneficiaries of the ENI. These countries are; to the South, Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Palestine, Syria and Tunisia; and to the East, Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. Russia takes part in CBC activities under the ENP and is not a part of the ENP as such. Russia was one of the recipient countries of the previous ENPI funding, but it is not included in the recent ENI funds as a recipient. Out of these 16 ENP countries, 12 of them currently are already fully participating as partners in the ENP, having agreed on ENP action plans. While Algeria is currently negotiating an ENP action plan, Belarus, Libya and Syria remain outside most of the structures of the ENP.

The ENP is a bilateral policy between the EU and each partner country. However, it is complemented by several regional and multilateral initiatives such as; The Eastern Partnership (launched in Prague in May 2009), The Euro-Mediterranean Partnership (EMP), (formerly known as the Barcelona Process, re-launched in Paris in July 2008), and the Black Sea Synergy (launched in Kiev in February 2008). Even though the policy scope of the ENI is not wide as of the IPA, it still covers similar issues and sectors shallowly, in order to familiarize the political and economic structures of neighbouring countries with the EU member states. The EU prioritizes common values, which are democracy, human rights, rule of law, good governance, market economy principles and sustainable development, with its partners under the ENP framework. As one of the EU officials mentioned "these issues ENP can address are political dialogue, technical assistance, financial assistance and that is the angle of how we are approaching the issue"⁴¹. In that regard, it includes political association, deeper economic integration and increased mobility. Additionally, the ENI funding covers broad set of sectors to cooperate and empower, including employment and social policy, trade, industrial and competition policy, agriculture and rural development, climate change and environment, energy

⁴⁰ Interview with an EU official in the EEAS, ENP Division, Brussels, 16 February 2016.

⁴¹ Interview with an EU official in the EEAS, ENP Division, Brussels, 16 February 2016.

security, transport, research and innovation, as well as support to health, education, culture and youth⁴². Recent four priority areas for the ENP partners are transport, energy, empowerment of civil society and citizens and economic development⁴³. However, not all partner countries require the same level of cooperation with the EU. Thus, the ENP has been revised and one-size-fits-all approach has been abandoned. An EU official, who has been working on this revision process mentioned that “you have those partners that have chosen a very close format of cooperation with the EU, associated partners in the Eastern neighbourhood. If you look at the Southern neighbourhood, you also have partner countries that have made clear that they involve very closely with the EU, such as Tunisia, also Morocco to some extent and what the review proposes is, basically it says for other partners that they do not necessarily to be as closely as associated with countries. We also need to offer some alternatives, some ways of engaging an effective way and that is one of the main challenges of the ENP at the current moment”⁴⁴.

Even though the ENP has two geographical dimensions, the East and the South, its historical ties and evolution of its relations with its Eastern and Southern neighbour regions have not been the same. While the East of Europe- including recent Central and Eastern European member states of the EU- was a part of the Soviet bloc until the end of the Cold War on November 9, 1989, the EU – the European Economic Community (EEC) of the time- had close relations with the Middle Eastern states, especially after 1970s with the significance role and influence of France in the South. However, what has really changed and shaped the EU’s priorities and relations with its Eastern and Southern neighbour states was the beginning of the EU accession processes of the Baltic and CEECs after the end of the Cold War. Then, while this geographical division between the South and the East was crystallized, at the same time, policy preferences and priorities of the EU and member states towards neighbour countries in these regions have also changed. This change also brought several institutional arrangements in the EU.

The ENP is funded by the ENI for the period of 2014-2020 and it was funded by the ENPI between 2007 and 2013. In budgetary terms ENP funds are always separated for operations in the East and the South. Important to note that CBC programmes are jointly funded by the ENPI and by internal policy funds (European Regional Development Fund, ERDF). ERDF is not considered as a part of the EU’s external

⁴² http://eeas.europa.eu/enp/about-us/index_en.htm

⁴³ Interview with a senior official in the EEAS, Brussels, 22 March 2017.

⁴⁴ Interview with an EU official in the EEAS, ENP Division, Brussels, 16 February 2016.

assistance. Therefore, it would be necessary to deduct ERDF contributions to CBC programmes, while calculating the total ENI budget as a part of the EU's external assistance budget.

95 per cent of ENI funds is considered as ODA. According to the "Overview of the ENPI 2007-2013" Report, the total amount of the EU's budgetary commitments for ENPI in 2007-2013 was 12.9 billion Euro, excluding the committed contribution of the ERDF to CBC programmes. However, total disbursements under ENPI in 2007-2013, again by excluding the contribution of ERDF to CBC programmes, was 9.5 billion Euro⁴⁵. For the period 2014-2020, the EU committed to allocate 15.4 billion Euro under ENI. Before 2007, main assistance instruments to neighbour countries were Technical Assistance to the Commonwealth of Independent States and Georgia (TACIS) (for Eastern neighbouring countries including CEECs prior to their accession to the EU in 2004) and Mediterranean Development Assistance (MEDA) (for the Mediterranean states) programmes. TACIS Global Budget was 3.14 billion Euro for the period 2000 and 2006⁴⁶. MEDA I Programme was launched in 1996 and MEDA II was launched in 2000 with the total budget of 5.35 billion Euro for the 2000-2006 period⁴⁷. Thus, before 2007, pre-accession funding and neighbourhood partnership instruments were overlapping occasionally, especially towards the CEECs.

The foreign aid policy between the European Community, its member states and neighbour states in the East and South of Europe was historically a part of the development cooperation policy of the Community, since the ENP was not established until 2003. The beginning of the dialogue between Europe, Arab World and Middle Eastern countries by the role of both the Yom Kippur War and the oil crisis dates back to 1970s. The first Europe-Arab dialogue was launched in the Copenhagen Summit in 1973, which was initiated by the French President Georges Pompidou, who had been aiming to increase the active role of France in European integration process and the Middle East policy-making by taking the advantage of the challenges raised by the new situation after the war and oil crisis (Brunelli 2013). In the 1973 Copenhagen Summit, it was stated that;

"The Community will implement its undertakings towards the Mediterranean and African countries in order to reinforce its long-standing links with these Countries. The Nine intend to preserve their historic links

⁴⁵ https://ec.europa.eu/europeaid/sites/devco/files/overview_of_enpi_results_2007-2013_en_0.pdf

⁴⁶ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:r17003>

⁴⁷ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:r15006>

with the countries of the Middle East and to cooperate over the establishment and maintenance of peace, stability and progress in the region”⁴⁸.

This declaration was the expression of the establishment of a partnership between Europe and the Middle Eastern and Mediterranean countries for the first time, which also showed the Europe’s demand to have a say in the security, stability and development of its Southern neighbourhood. However, the role of the EC in the region was questionable, since it based its strategy on its own economic interest, while the Arab World was seeking for conflict resolution in the region (Brunelli 2013).

Before the official establishment of the ENP in 2003, the EMP, in other words, so-called *Barcelona Process* was the initial instrument, which was launched in 1995 by the Ministers of Foreign Affairs of the then 15 EU Member States and 14 Mediterranean states, and aimed to manage socio-economic, political and security related relationship between the EU and its Southern neighbourhood. Also, the Barcelona Process aimed to unite the two shores of the Mediterranean as the main tool of the partnership and a strong instrument for promoting “an area of dialogue, exchange and cooperation guaranteeing peace, stability and prosperity”.⁴⁹ The EMP has three main objectives:

- 1- Establishing a common area of peace and stability, including respect for human rights and democracy (political and security partnership);
- 2- Creating an area of shared prosperity through the realization of a free trade area by 2010, accompanied by substantial EU financial support (trade partnership);
- 3- Developing human resources, promoting understanding between cultures, and expanding civil societies (social, cultural and human partnership).

The MEDA Programme was the main financial instrument for the implementation of the EMP. Going far beyond traditional development aid, MEDA made economic transition and free trade the central issue of EU financial co-operation with the Mediterranean region (Lister 1997).

However, the process was criticized since it was prioritizing the creation of a free trade area and enabling the free movement of capital but not of people, since it aims at controlling the immigration for the stability and security of the EU. This would make the

⁴⁸ EEC, Meetings of the Heads of State or Government (Summit), Copenhagen, 14-15 December 1973, http://aei.pitt.edu/1439/1/copenhagen_1973.pdf, accessed in August 2015.

⁴⁹ The Barcelona Declaration, http://trade.ec.europa.eu/doclib/docs/2005/july/tradoc_124236.pdf, accessed in August 2015.

European side of the partnership as advantageous rather than to have mutual benefits for the countries and societies of the Middle East and Europe. This was the one of the failures of the Barcelona Process and the second one was the different views of the partner countries towards the Israeli-Palestinian conflict and also, the existence of their several differences and peculiarities, which prevent the creation of a unique Euro-Mediterranean Union (Brunelli 2013, 171-172).

Both “the failure of previous partnership attempts of the EU with the Mediterranean and Middle Eastern countries”⁵⁰ and enlargement of the EU by the inclusion of the Central and Eastern European states by 2004, caused the establishment of European Neighbourhood Policy as a new instrument, which covers both the Southern and Eastern neighbourhood of the EU and aims regional integration. By the inclusion of the countries from the Eastern neighbourhood of the EU, (Armenia, Azerbaijan, Georgia, Belarus, Moldova and Ukraine), the EU has added the political conditionality and the respect to human rights as the preconditions for external assistance under the ENP framework.

The security and stability of the EU’s Eastern neighbourhood has become a crucial necessity first just after the end of the Cold War and then especially, after the accession of CEECs to the EU. The development of the EU as a foreign and security actor has been closely linked to the challenges of stabilization, democratization and political, economic and social development of the neighbouring regions of the EU (Smith 2004). With the accession of the CEECs, the EU’s borders reached up to Russia, Ukraine, Moldova, and Belarus in the East, which initiated the launch of the ENP as a new foreign and also development and cooperation tool of the EU. The EU’s response was to set up the ENP in a process largely led by the European Commission, closely shaped by DG Enlargement and in cooperation with DG External Relations (Kelley 2006; Simao 2013). There is no doubt that this institutional background of the formation of the ENP clearly shows the policy’s closeness to the Enlargement Policy of the EU and also sheds light that as a lighter version of the Enlargement Policy, it has significant constraints over the partner countries, which decreases the EU’s attraction and transformative role in the region without any accession possibility (Popescu and Wilson 2009; Simao 2013). Even, the EU invested in conflict resolution and reconstruction in the region through its civilian CSDP missions such as EUJUST Themis (2004) in Georgia, EU Border Assistance Mission to

⁵⁰ Interview with an EU official in the EEAS, ENP strategies and instruments division, Brussels, 16 February 2016.

Moldova and Ukraine EUBAM (2005), EU Monitoring Mission in Georgia EUMM (2008) (Simao 2013).

However, the establishment of the ENP could not prevent the emergence of both financial and political concerns of partner countries in the region. First of all, under the ENPI, the EU allocated 12 billion Euro in total between 2007 and 2013. When the deficiencies of the countries in the region are considered, this allocated amounts for funding remain very limited as mentioned by several officials of the partner countries. When these funding opportunities to the Eastern neighbourhood of the EU is compared with the previous funding of the EU for accession countries, the capacity of governments and politicians to gather public support for the reforms for EU harmonization remains limited. Also, the inability of the EU to present any possible accession possibility even for the long-term for its Eastern Neighbours prevents the EU's role as a cooperation, stability and security provider. In that regard, even the term "EU's neighbours" has been perceived negatively and creates "constructive ambiguity" (Simao 2013).

As mentioned before, the end of the Cold War caused a specific change in the perceptions of member states of neighbour countries in the South and East of Europe. With the collapse of the Soviet Union, new sovereign and independent states were established in the Eastern neighbourhood of the EU. This was considered both as an opportunity and a threat for the EU -and also the USA-, since the collapse of the Soviet Union had paved the way for the emergence of new "active" actors with their own interests, priorities and policies both in the East and South of the EU and thus the security risks and challenges had increased, such as the Iraq-Kuwait War, consequently 1991 Iraqi War, the Somalian civil war, and first intifada. In those regards, the stability, security and integration of the East and South became a priority for European states and hence the EU. Also, the need to tackle with socio-economic problems and human suffering in the region in order to increase both the region's and the EU's security, entered into European political discourse as "human security"⁵¹ discourse. Importantly, the vacuum that emerged by the changing strategic interests of the USA in the Mediterranean by the end of the Cold War, enabled the EU and its member states to be much more involved in the security, economic and development issues of the region. Another important factor that pushed the EU to establish strong relations with the Mediterranean and Middle Eastern

⁵¹ The UN Human Development Report on new dimensions of human security, 1994, http://hdr.undp.org/sites/default/files/reports/255/hdr_1994_en_complete_nostats.pdf

states was the necessity of a balancing strategy after its intention of enlargement to the Baltic and then to Central and Eastern European states.

With the launch of the ENP and the ENPI (ENI), the EU and its member states aimed to expand their external presence and ideological world-view as a part of its security agenda, which is liberal democracy that supports economic liberalism, individual freedoms and constitutional governments (Holden 2009). In those regards, the EU aimed to transform “an arch of instability” in its Eastern borders to “a ring of friends” by the ENP, which underlines the importance of the initiation of democratic reforms including the introduction of electoral laws, reform in judiciary, measures to fight against corruption and ratification of International Human Rights covenants. Economic integration and conflict resolution are other issues that the ENP covers in the region. The EU has demanded legislative and technical harmonization under the promise of easier access to the EU’s internal market. Also, the EU invested in conflict resolution and reconstruction in the region through its civilian CSDP missions. The ENPI has supported this expansion of the EU in its Eastern neighbourhood as a tool for the EU’s development policies and trade.

Initially, the policy preferences and priorities of EU member states with regard to the neighbourhood shaped the policies of EU institutions and they were well reflected in EU institutions under the ENP framework. However, while the EU deepens and widens over time, the level of authority of the ENP and thereby the ENI have become much more supranationalised. It is important to note that, EU institutions are not the only decision-makers in the implementation of these various instruments. In some policy areas and partner countries, member states can collaborate with EU institutions, if they are willing to contribute to the process and instrument. However, on the other hand, the EU has its unique way of using financial aid as a political tool in its neighbourhood. The EU has been specialized in the financial assistance of its close neighbourhood and pre-accession countries through the ENP and IPA Funding respectively after the end of the Cold War. This process began with CEECs while preparing them for their accession to the EU, and continues today with Eastern and Southern European states, the Balkans region. Thus, “the ENP and pre-accession funding become something more ‘political’ than ‘development’ oriented”⁵². While these two specific financial assistance instruments of

⁵² Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

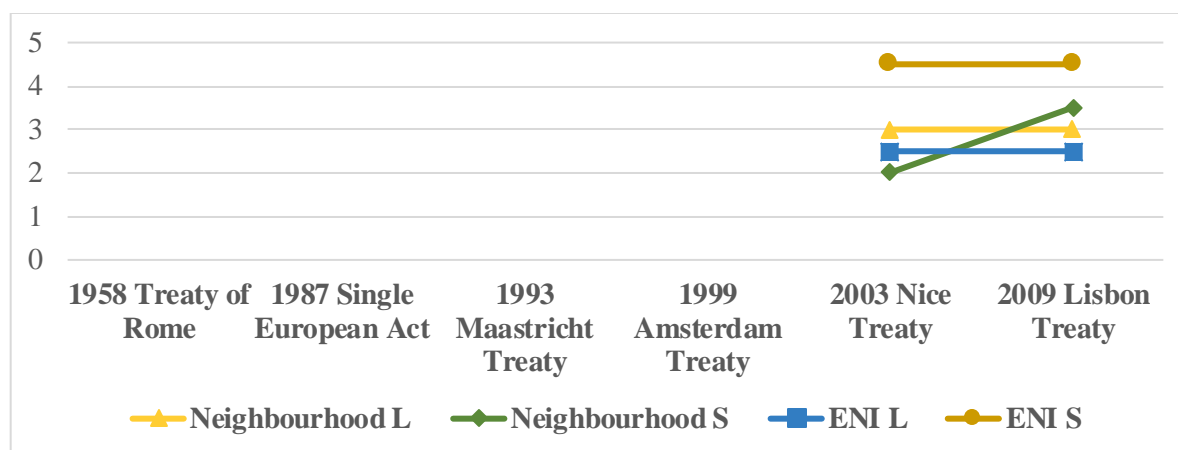
the EU visualize the political dimension of EU foreign aid, the EDF for ACP countries and the DCI for Latin American and Asian countries have more emphasis on development than political interests in EU foreign aid policy. Thus, another cleavage emerges in EU foreign aid policy, specifically in EU institutions' aid allocation preferences. "While EU institutions allocate aid to the EU's neighbourhood and candidate countries considering political interests, their focus is much more on the traditional criterion of development during the implementation of the EDF and DCI instruments towards ACP, Latin American and Asian states respectively"⁵³. An EU official clearly mentions that "the ENP differentiates development and cooperation policy of the EU from the policies of Member States"⁵⁴. Thus, by the emergence of the ENI and the IPA funding instruments, it is expected that member states prefer to allocate aid to EU neighbours and candidates multilaterally through EU institutions and cut their bilateral aid allocations to those states. However, while this is true for the IPA, regarding the ENI, even though EU institutions provide substantial aid to neighbour countries, in total, EU member states continue to provide much more bilateral aid than the EU to those countries (See Figures 5.4 and 5.5). An EU official clarifies this situation as being natural as soon as money becomes involved in issues. He mentioned "ultimately, the funds are administrated by institutions and then you have also the member states are coming through the ENI Committee in the Council. They have comitology procedures that are applied, so in the end all relevant actors are involved. As concerns allocations, yes obviously that some member states will be more interested in some areas or some regions than others. I think that is natural. Actually, one of the merits of the ENP of keeping this together"⁵⁵.

⁵³ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

⁵⁴ Interview with an EU official in DG DEVCO, Brussels, 4 April 2013.

⁵⁵ Interview with an EU official in the EEAS, ENP strategies and instruments division, Brussels, 16 February 2016.

Figure 5.5: Level and Scope of European Integration in Neighbourhood Policy and ENPI/ENI (Figure drawn by the author)



5.3 Development Cooperation Instrument (DCI)

The DCI funding mostly allocated to Latin American and Asian countries, which are not in the neighbourhood of the EU. Historical ties of European states with Latin American and Asian states are not similar to their relations with the ACP states and the Overseas Countries and Territories (OCTs), which have strong colonial ties with influential EU member states, such as France and the UK. Therefore, there is not any reference to any Latin American and Asian states in the Treaty of Rome and later on in Yaoundé and Lomé Conventions, which had been framing the Community's relations with ACP states and later on with OCTs as well. The DCI was established in December 2006⁵⁶.

The DCI covers cooperation with regions including Latin America, Asia, Central Asia, the Middle East and South Africa, and replaces the previous geographic and thematic instruments. In addition to its geographic programmes, it also covers five thematic programmes and a series of measures to help 18 ACP Sugar Protocol countries adjust to the reform of the EU sugar regime. The DCI was launched in 2007 by replacing wide-range of previous programmes, which had been established over time. It covers these developing countries;

⁵⁶ Under the [regulation of the European Parliament and the Council No 1905/2006 adopted on December 18, 2006](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006R1905&from=PL). <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32006R1905&from=PL> accessed in December 2016.

Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.


Asia: Afghanistan, Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, Philippines, Sri Lanka, Thailand and Vietnam.

Central Asia: Kazakhstan, Krygyzstan, Tajikistan, Turkmenistan and Uzbekistan.

The Middle East/Gulf Region: Iran, Iraq and Yemen.

Africa: South Africa

Geographical programmes of the DCI support actions within the following areas of cooperation⁵⁷:

- 
- Poverty eradication and the achievement of the UN MDGs;
 - Essential needs of the population, in particular primary education and health;
 - Social cohesion and employment;
 - Governance, democracy, human rights and support for institutional reforms;
 - Trade and regional integration;
 - Sustainable development through environmental protection and sustainable management of natural resources;
 - Sustainable integrated water resource management and fostering greater use of sustainable energy technologies;
 - Developing infrastructure and an increased use of information and communication technologies;
 - Sustainable rural development and ensuring food security;
 - Assistance in post-crisis situations and fragile States.

Thematic programmes of the DCI benefit all developing countries, including the ones that the EDF and the ENI cover. These thematic programmes support actions in the investing in people; the environment and sustainable management of natural resources

⁵⁷ https://ec.europa.eu/europeaid/funding/funding-instruments-programming/funding-instruments/development-cooperation-instrument-dci_en , accessed in December 2016.

including energy; the non-state actors and local authorities in development; the food security and the migration and asylum fields⁵⁸.

The DCI is currently the second-largest financial instrument under Budget of the European Union's Heading "4. Global Europe". 100 per cent of DCI funds is considered as ODA. The budget allocated under the DCI for the period 2007-2013 amounted to 16.9 billion Euro, among which 10.06 billion Euro was for the geographic programmes (60 per cent of the total), 5.6 billion Euro was for thematic programmes (33 per cent of the total), and 1.24 billion Euro was for the ACP Sugar Protocol countries (7 per cent of the total)⁵⁹. However, total spending on DCI during 2007-2013 was 13.7 billion Euro. For the period 2014-2020, the EU committed 19.6 billion Euro for the DCI⁶⁰. The DCI replaced several geographic and thematic budget lines, which existed before 2007 and were called as Asia-Latin America Regulation (ALA), TACIS and ten different thematic budget lines.

The introduction of GSPs provisions in 1971 was the first attempt of Europe to have a fairer trade with Latin American states. "The GPSs also marked the beginning of a rebalancing of the positions of Latin America and Asia in the hierarchy of trade privileges granted by the Community to developing countries" (Grilli 1993, 235). Also, bilateral relations with Argentina, Uruguay and Brazil were established in the mid-1970s. This period also witnessed the introduction of European development aid to Latin America. However, when the amount is compared with the aid allocated to ACP states, it was clear that "Latin America was not to be included in their development strategy and could not expect preferential concessions" (Holland and Doidge 2012, 136). When the Community searched for another approach in its relations with non-ACP developing countries, it bureaucratically formed ALA group in 1974. ALA was initially consisted of 8 Central American, 10 South American, 6 South East Asian, 6 South Asian, 3 African states and 4 states from the Middle East, Central and East Asia.

First European aid allocated to both Latin America and Asia was food aid in 1967 under Wheat Trade Agreement with an initial budget of 20 million USD, which increased to 273 million USD in 1975. Between 1968 and 1974, out of 1.8 million tons

⁵⁸ https://ec.europa.eu/europeaid/funding/funding-instruments-programming/funding-instruments/development-cooperation-instrument-dci_en

⁵⁹ <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=URISERV:114173>

⁶⁰ [http://europa.eu/rapid/press-release MEMO-13-1134_en.htm](http://europa.eu/rapid/press-release_MEMO-13-1134_en.htm)

of cereals, 44.5 per cent went to Asia, 4.5 per cent went to Latin America and 16.2 per cent went to Africa (European Commission 1974, 28). Cox and Koning underline that “India and Bangladesh were the primary recipients of food aid, while no state from Latin America ranked in the top ten” (Cox and Koning 1997, 6). Financial and Technical Assistance Programme was launched for ALA states in 1974. Financial and Technical Assistance Programme was focused on improving living conditions of the poorest; rural development; regional integration; humanitarian crises and disaster relief. Financial and Technical Aid allocated to ALA states was ECU 6.4 billion, including economic cooperation and humanitarian aid between 1976 and 1991 (European Commission 1994, 29). What is significant during the same period, 26 per cent of all ODA to Latin America was for regional projects and institutions in order to support regional integration, while only 3.7 per cent of all ODA to Asia was for the same objective (Holland and Doidge 2012).

Relations of the EU with Latin America and Asia has intensified by the 1990s. A new Council Regulation on Financial and Technical Assistance to, and Economic Cooperation with the developing countries in Latin America and Asia was adopted in 1992 in line with the external relations objectives of the Maastricht Treaty. This new regulation had two main objectives for ALA states; 1) development aid to assist the poorest people and countries; 2) economic cooperation for those countries and regions with the potential for economic growth (Commission 1994, 4). After the launch of the new ALA Regulation, while the EU aid to Latin America increased tremendously from 220 million Euro in 1990 to 500 million Euro at the end of 1990s. However, in 1990s total amount of bilateral aid from EU member states to Latin America fell from 1.7 billion Euro to 1.1 billion Euro. In 2000, the Commission’s aid to Latin America started to decrease as well and this led to the questioning of the EP about the relations with the region. “Overall, North and Central America benefited to a greater extent than the South, receiving 5.9 billion Euro per capita compared with 2.9 billion Euro, despite having a higher PPP GNI at 10,666 million USD compared to 9,293 USD” (Holland and Doidge 2012, 149).

For the period 2000-2006, the EU’s financial instruments for development reformed and three main instruments were created; the ENPI for neighbouring countries; the EDF for the ACP states and the DCI for all other third states, including Latin America and Asia (EuropeAid 2005, 25). Budget support mechanism was introduced as a part of

the EU's development policy by this reform process and some part of the aid started to be allocated to Latin America in the form of budget support. "This constitutes a significant transformation in aid delivery, involving the transfer of assistance directly to the general or sectoral budget of the recipient state. Such a process has gained increasing prominence in the development community over recent years, being seen as a means of reducing fragmentation of aid activities and increasing project sustainability, accelerating the disbursement of funding, promoting policy coherence, reinforcing recipient financial and bureaucratic structures and increasing their accountability to domestic publics, and enhancing country-ownership of development projects" (Holland and Doidge 2012, 154).

As mentioned before in this study, foreign aid has been a low priority issue in EU-Asia relations as in EU-Latin American relations. The EU's priority has been always trade and economic relations with Asia. Even the EU membership of the UK, which has strong historical ties with India, could not bring Asia into the EU's development agenda or India as a part of the Lomé Convention. During the 1970s, the Community aid given to Asia was food aid and for rural development as allocated to Latin America. India and Bangladesh were the main recipients of food aid in Asia (nearly half of the cereals distributed between 1968 and 1974 went to Asia, compared with 4.5 per cent for Latin America). "The bulk of European aid to Asia was concentrated on South Asia within which India increasingly dominated. However, aid to South Asia only represented around 7 per cent of the total European aid budget, and in absolute and relative terms bilateral aid from member states was more important" (Holland and Doidge 2012, 161). As Grilli underlines "with more than two and a half times the population of Sub-Saharan Africa and a substantially lower per capita income, South Asia received five times less financial aid from the Community during 1976-88" (Grilli 1993, 280).

During the mid-1990s the Asia-Europe Meeting Group (ASEM), which covers 15 Asian states and the European Commission, was established. Later on, Australia, New Zealand and Russia have also joined to ASEM in 2010. Only in 2006, the sixth ASEM meeting the EU mentioned for the first time about the importance of sustainable development, poverty reduction in Asia and the necessity of increasing the overall level of ODA to developing states. "Between 1976 and 1991 aid to Indochina totalled just European Currency Unit (ECU) 123.6 million, or the equivalent of ECU 1.6 per capita. This has however increased significantly, with aid totalling 735 million Euro between 2000 and 2009, or approximately 4.9 Euro per capita. South Asia, the most favoured of

the Asian regions, received only ECU 2.6 per capita (representing ECU 2,965 million) between 1976 and 1991. By 2000-2009 this was still only 3.1 Euro per capita (around 4,863 million Euro). With the exception of South Asia, EU aid has not been a major Asian development factor and for many states bilateral member state aid has remained more important...As with Latin America, the sectoral distribution of aid has been dominated by food aid, humanitarian projects and NGOs” (Holland and Doidge 2012, 178-79).

During the second half of the 1990s, the aid committed to Asia was around 38 million Euro per year (114 million Euro in total). Between 2001 and 2006, it was 45 million Euro per year (270 million Euro in total), but between 2007 and 2010, it declined to 28 million Euro per year (112 million Euro in total). Overall the main recipient states in Asia have been Afghanistan, Bangladesh, Indonesia, Myanmar, Nepal, the Philippines, Sri Lanka and Thailand. Importantly, majority of this aid has been allocated to the conflicting areas for post-conflict restructuring, for resettlement and rehabilitation of refugees and humanitarian assistance.

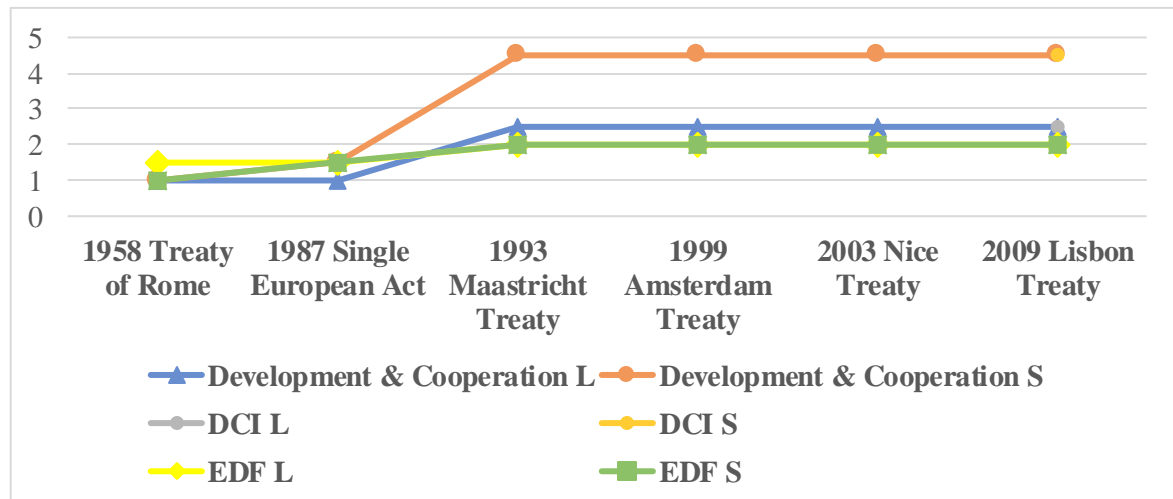
Before the establishment of the DCI, the EU’s foreign aid policy towards Latin America and Asia was limited to several bilateral trade and development cooperation agreements and the Community aid was also limited. One of the main reasons of this situation in Europe-Latin American relations was the significant role of France, the priority had been given to francophone countries of Africa in the Community’s limited external and development policies. As the European integration affects the preferences of the Community in its external relations, the membership of both Spain and Portugal in 1986 also improved the EU’s relations with Latin America. However, in the economic relations with Latin America, the USA had always geographical priority than Europe. Therefore, especially by the emergence of democratization waves in several Latin American countries in 1980s, the main approach and interest of Europe towards Latin America stayed as political.

Regarding the EU-Asia relations in development cooperation, the role of EU foreign aid was also limited until the establishment of the DCI. Some influential member states, such as the UK, have had close bilateral relations with some Asian states, such as India, Bangladesh, Pakistan. However, the significant contribution of the EU member states to the World Bank, the International Monetary Fund (IMF) and the Asian Development Bank (ADB) just after the Asian financial crisis in 1998 was critical for the

EU-Asia relations. “Cumulatively Europe was the greatest provider of financial support to Asia providing some 18 per cent of the total value at 27 billion Euro. In comparison with the USA, in 1998 the EU’s development and humanitarian aid to Asia (including EU member states’ bilateral aid) was twice that of America and the funding for three-quarters of the then existing debt-relief schemes came from Europe” (Schmit 2000, 109). Given this historical and institutional background in the EU-Asia relations on development aid, it is obvious that the EU’s priority areas in the region is far more than trade, economic and rural development, conflict resolution and humanitarian assistance, which is in parallel with the EU’s foreign policy strategy and contribute its global actorness in the region. However, how the EU aims to eradicate poverty, support good governance, equality and promote human rights in Asia remain to be answered.

Considering the aid volumes of both EU institutions and member states towards Latin American and Asian countries that the DCI covers, only 14 per cent of total aid committed by the EU and DAC-EU member states between 2000 and 2013 was from the EU institutions (See Figures 5.1 and 5.2). This significant difference between the aid volumes of EU institutions and member states in Latin America and Asia illustrates the existence of strong bilateral aid preferences of EU member states towards those regions, even though the decision-making process of the development and cooperation policy has been Europeanised in an advanced level by comparison with other EU policies that have financial aid instruments.

Figure 5.6: Level and Scope of European Integration in Development Cooperation Policy, DCI and EDF (Figure drawn by the author)



5.4 European Development Fund (EDF)

Europe has a long-history of development and cooperation with third countries, especially with the ones in Africa, because of the close historical, political, social and economic ties of some of its member states. As opposed to the CFSP, development policy of the EU is one of the first common policies of the Union, beginning from 1950s and was mentioned in Part IV of the Treaty of Rome as well (Lister 1997). However, even though the Union has achieved to have and sustain a common development policy in its agenda for decades, at the same time member states have continued to develop and implement their own development and foreign aid policies. During the evolution of the EU, it has been complicated to define what constitutes the developing world. Even though the EU has had a development policy since the beginning of its establishment, it was far from being a single and sustainable policy. As Holland argues it was like a patch-work. “A consistent and comprehensive approach has been absent: incrementalism and adhocery spiced with pragmatism and post-colonial Angst has resulted in Europe’s fragmented and increasing complexity of relations with the countries of Africa, Asia, the Caribbean, Latin America and Pacific Island states” (Holland 2002, 4). However, after the 1990s, with the introduction of the Lomé IV Agreement in 1990, the Lomé IV bis Convention in 1995 and the Cotonou Agreement in 2000, European development and cooperation policy has become much more institutionalised.

With the Treaty of Rome (1957), first common foreign aid initiative, the EDF was introduced in 1958. The EDF was aiming to support the ACP countries and Madagascar, which had colonial ties with France. Thus, France, as an EU member state, wanted to preserve its domain in these regions and countries. Together with preferential trade agreements (PTAs) with those countries, the EDF enabled the allocation of significant amount of aid to the ACP states. The independence of former colonies and the accession of the UK to the Community in 1973 diverted the direction of the development policy. With the Lomé Convention (1975-2000) trade and aid privileges were extended to former British colonies in East Africa, in the Caribbean and in the Pacific. At the same time, for the first time another trade initiative was established for the ACP states, the GSP, which enabled ACP states to export their products custom free to the EU states without opening their markets to EU imports.

Even though development policy is among the main policy areas of the Community since the signature of the Treaty of Rome⁶¹, member states have been highly effective and powerful in decision-making and the implementation of the policy. However, the analysis of the evolution of the development and cooperation policy of the EU points out some improvements and changes that impact the balance between member states and the EU institutions. Until the beginning of the 2000s, EU development policy was much more shaped by the preferences of member states and since then, the EU's global actorness in development policy has started to be discussed together with the increasing role of Europeanisation through the establishment of several mechanisms aiming at increasing coherence and complementarity between the EU and member states and between different policy areas as well. It would be noteworthy to disclose these significant turning points and developments in order to understand the role played by member states and EU institutions in the evolution of EU's development policy and its possible future.

The EDF funds cooperation activities in ACP countries and in OCTs in the fields of economic development, social and human development, regional cooperation and integration. It was created in 1957 with the Treaty of Rome and launched in 1959⁶². At the beginning, the relations between the EU, European states and ACP countries were mainly economic. Under the Lomé Agreement, the ACP states have preferential access to the European Common Market (GSP) and the aid provided by the EDF completed by an export stabilization scheme (Stabex and Sysmin) in order to compensate the losses of the ACP states in agricultural and mineral commodity exports (Holland 2002, 32).

In addition to economic priorities, political considerations of the EU came to the fore only in Lomé III (1985-1990), which emphasizes the respect on human dignity and gender equality together with the respect to the social and cultural values of the ACP states (preamble, Article 4, Chapter 1)⁶³. While the Lomé IV Agreement (1990-2000) introduced for the first time both economic and political conditionality by including provisions on democracy, human rights and the rule of law, it was the Lomé IV bis Convention (1995-2000), which mentioned for the first time the good governance and

⁶¹ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

⁶² https://ec.europa.eu/europeaid/funding/about-funding-and-procedures/where-does-money-come/european-development-fund_en

⁶³ <http://aei.pitt.edu/37200/1/A2039.pdf>, accessed on 01.12.2016.

linked these principles to specific sanctions. The Cotonou Agreement covered also peace-building and conflict resolution issues in development cooperation with the EDF partner countries. By the Cotonou Convention (2000-2020), EU foreign aid to the ACP states became conditional upon the performance of the partner country in the implementation of democratic reforms and good governance and respect to human rights and the rule of law (Börzel and Risse 2004, 4-7). Different than the conditions of the IPA and the ENI, the EDF funds have been directly linked to the compliance with principles of democracy, human rights, the rule of law and good governance.

In the early days of the EDF, the funding presented financial assistance to the sectors, which had been affected most from the economic deal with the EU. However, the policy scope of the EDF has varied over time. Both EU institutions and member states allocate aid to several sectors, which are usually in line with member states' strategic interests and the EU's "cohesion" and "consistency" policies that aim to link other related EU policies and EU's external activities with the development policy. The key sectors to which EU institutions and member states allocate aid are transportation and storage, government and civil society, banking and financial services, multisector/cross-cutting, energy generation and supply, humanitarian aid, industry, commodity aid and general programme assistance and education. However, the sector which will be funded in the partner country is decided both according to the needs of the recipient state and expertise of the EU or an EU member state, which will be the leading donor in that country.

The EDF has a special structure and is different than other geographic EU aid instruments regarding its tie with EU member states⁶⁴. The EDF is financed outside the EU budget. It is financed by direct contributions from EU Member States according to a contribution key and is covered by its own financial rules. The total financial resources of the Eleventh EDF amount to 30.5 billion Euro for the period 2014-2020. It was 22.68 billion Euro for the period 2008-2013 (Tenth EDF period), which was the greatest instrument with 32 per cent of total EU external assistance⁶⁵. Directly financed by EU member states, the EDF is implemented according to its own financial and

⁶⁴ Interview with an EU official in the EEAS, Development Cooperation Coordination Division, Brussels, 4 April 2013.

⁶⁵ http://ec.europa.eu/budget/library/biblio/documents/FED/FED_2013_en.pdf ; [http://europa.eu/rapid/press-release MEMO-13-1134_en.htm](http://europa.eu/rapid/press-release_MEMO-13-1134_en.htm)

implementation regulation along with the MFF. Below, all EDF instruments established to date are listed:

- First EDF: 1959-1964
- Second EDF: 1964-1970 (Yaoundé I Convention)
- Third EDF: 1970-1975 (Yaoundé II Convention)
- Fourth EDF: 1975-1980 (Lomé I Convention)
- Fifth EDF: 1980-1985 (Lomé II Convention)
- Sixth EDF: 1985-1990 (Lomé III Convention)
- Seventh EDF: 1990-1995 (Lomé IV Convention)
- Eighth EDF: 1995-2000 (Lomé IV Convention and the revised Lomé IV)
- Ninth EDF: 2000-2007 (Cotonou Agreement)
- Tenth EDF: 2008-2013 (Revised Cotonou Agreement)
- Eleventh EDF: 2014-2020 (Revised Cotonou Agreement)

At the present time, in the field of the external actions of the EU, the applicable legislation is composed in particular by the international agreement of *Cotonou* for the aid financed from the EDF, by the basic regulations related to the different cooperation programmes adopted by the Council and the EP, and by the financial regulations. The EDF is established within the framework of an international agreement between the EU and its partner countries. This *ACP-EU Partnership Agreement* – also known as the “*Cotonou Agreement*” – was concluded in 2000 and is revised every five years. The EDF is implemented along the provisions agreed by member states. The ACP-EC Partnership Agreement signed on 23 June 2000 in Cotonou by the member states of the European Community and the ACP states entered into force on 1 April 2003. The Cotonou Agreement was amended twice, firstly by the agreement signed in Luxembourg on 25 June 2005, secondly by the agreement signed in Ouagadougou on 22 June 2010.

The European Council of 2 December 2013 adopted the MFF for 2014-2020. Prior to the decision on the MFF for 2014-2020 period, there were several discussions to integrate the budget of the EDF into the EU budget and by then to strengthen the EU institutions’ role in development and cooperation policy. However, it was decided that geographical cooperation with the ACP states would not be integrated into the EU budget (budgetised), but would continue to be funded through the existing intergovernmental EDF. An EU official clearly emphasized that “the EDF is an intergovernmental instrument but, member states do not want to increase their contributions to it. They think

that if they do not have any incentive there, why do we have to give money”⁶⁶. The EDF is a fund operating on the basis of multiannuality. Each EDF establishes an overall fund to implement development cooperation during a period of usually five years.

The EDF resources are “ad-hoc” contributions from the EU Member States. Approximately every five years, Member State representatives meet at intergovernmental level to decide on an overall amount that will be allocated to the fund and to oversee its implementation. The Commission, and after the entry of the Lisbon Treaty into force, the EEAS manage the fund in accordance with the Union policy on development cooperation. Since member states have their own development and aid policies in parallel to the Union’s foreign aid policy, member states must coordinate their policies with the EU to ensure that they are complementary. An EU official mentioned that “for coherence stronger cooperation is necessary in the country level. The question is effectiveness versus political interests”⁶⁷. In addition to those contributions, it is also possible for member states to enter into co-financing arrangements or to make voluntary financial contributions to the EDF⁶⁸. Almost 90 per cent of the EDF budget is managed by the European Commission and the EEAS.

In order to understand the objectives and motivations underpinning the Cotonou framework, one should learn about the rationale for the original Yaoundé Conventions and its successor Lomé Conventions. Following the early 1960s, when the majority of OCTs gained their independence and were looking for new political and economic arrangements with European states, the first Yaoundé Convention was signed in 1964. It established preferential trade agreements between the original six and 18 developing countries, principally francophone and known as the EAMA (Burundi, Cameroon, the Central African Republic, Chad, Congo, Dahomey, Gabon, Ivory Coast, Madagascar, Mali, Mauritania, Niger, Rwanda, Senegal, Somalia, Togo, Upper Volta and Zaire). The agreement was multilateral since it covered different policy areas for the first time; financial aid, technical assistance, training, trade preferences, investment and capital movements (Holland and Doidge 2012). Under Yaoundé I, which was between the years 1964-1970, 666 million EUA (European Units of Accounts) was allocated as EDF aid.

⁶⁶ Interview with an EU official in DG DEVCO, Brussels, 4 April 2013.

⁶⁷ Interview with an EU official in the EEAS, Development Cooperation Coordination Division Brussels, 4 April 2013.

⁶⁸ http://ec.europa.eu/budget/library/biblio/documents/FED/FED_2014_en.pdf

Under Yaoundé II (1970-75), EDF aid was 843 million EUA (Holland and Doidge 2012). “Three times this amount, however, was provided by continued bilateral assistance from individual member states (mainly France, Belgium and increasingly Germany). This combination of Community/EU-level aid and bilateral aid continues to be the hallmark of Europe’s past and present relationship with the developing world...Community/EU level aid supplements and supports bilateral action: it has never been proposed that it should replace it entirely” (Holland and Doidge 2012, 50).

In 1973 by the first enlargement the number of member states increased to nine from six. Ireland, Denmark and the UK have joined the EC and this paved the way for a change in the Community’s external relations, since the UK has historical relations with the Commonwealth developing countries. The Yaoundé framework was revised by including both the Caribbean and Pacific states. Another motivation to reframe the existing Convention was the disappointing results of Yaoundé Conventions during a decade. The development objectives of the Yaoundé Conventions were not met, trading preferences eroded, trade deficit with the Yaoundé states rose, trade asymmetry between Yaoundé and Europe emerged, and the existence of largely francophone membership increased criticisms over neo-colonialism and caused discrimination of other developing states (Holland and Doidge 2012).

Lomé I convention was signed on 28 February 1975 and came into force on 1 April 1976. With the Lomé Convention, the EC’s development policy covered for the first time 46 developing states from Africa, Caribbean and Pacific regions together – including 18 Yaoundé states, Mauritius, 6 other African states, 21 Commonwealth countries-. The significant aspects of Lomé Convention were the emphasis on partnership and trade between member and the ACP states; agricultural and industrial development; special aid for the LDCs; support for regional cooperation; dropping reciprocity principle and the introduction of an export stabilization scheme. Between 1975 and 2000, four Lomé Conventions were signed and implemented. While Lomé I and II were created the ACP group in international relations and set the framework for Europe and the ACP states’ economic relations with each other, Lomé III and IV put more emphasis on broader adjustment issues and macroeconomic assistance to the developing world as a result of global economic changes, such as the significant role of the World Bank and the International Monetary Fund (IMF) in the management of global development agenda by the beginning of 1980s. Additionally, the EC expanded to 12 member states by 1986 and

there were 66 ACP states on the Lomé III negotiation table. The addition of political conditionality for the application of the EDF aid in the developing states was the significant change introduced by Lomé III. However, by the emergence of economic deterioration in many developing states, as Grilli argues “...Lomé had merely re-established North-South dependency” (Grilli 1993, 36).

Lomé IV was signed on 15 December 1989 between 12 member states and 68 ACP states. Its budget increased to ECU 10.8 billion from ECU 7.7 billion, which was the budget of Lomé III. In 1995 mid-term review, the budget increased to ECU 13 billion. The continued emphasis on political and economic conditionality and respect to human rights were the most ambitious aspects of Lomé IV. Revised Lomé IV in 1998 increased overall funding for Lomé to ECU 14.6 billion but this amount disappointed the ACP states, since the EU had expanded to 15 members then with the joining of Austria, Finland and Sweden to the Union. Importantly, by the end of the Cold War the EU shifted its priority to the CEECs for development and external assistance. This situation also had an impact on the decreasing priorities of the EU in the ACP states. With the Maastricht Treaty of 1993, the EU’s development and external assistance commitments for all developing states were renewed as sustainable economic and social development; the reintegration of ACP economies into the world economy; alleviation of poverty; support for democratic and legitimate government; and the protection of human rights and liberties (Article 208 of TFEU). The existing Lomé framework and its implementation failed to improve the economic positions of the vast majority of the ACP states, historical dependency between Europe and the Third World did not diminish after several decades - each of the successive Lomé revisions had seen essentially the European perspective predominate- and the changing international environment made the reform in EU’s development policy inevitable (Holland and Doidge 2012).

In order to address the post-2000 changes and challenges the EU reformed its development and cooperation policy and the Cotonou Convention has become the main instrument of the EDF since 2000, until 2020. Most importantly, the Cotonou Agreement was signed with the ACP states in 2000 but this time this special relationship has been “normalized” by the provisions of the agreement (Holland 2004; Smith 2004). The *sui generis* trading system was replaced by trade arrangements which are more in line with the spirit of the new-established World Trade Organization, such as the Everything but Arms initiative (EBA) and the Economic Partnership Agreements (EPAs) (Orbie 2012,

19). According to Holland and Doidge, there are five main principal objectives of the EU with Cotonou negotiation process. With the Cotonou Convention, the EU aimed to increase its international actorness and credibility as parallel to the main objectives of the CFSP. Secondly, the EU aimed to integrate the UN MDGs, especially poverty alleviation, to its development agenda. Third, the EU-ACP economic relations were replaced by country-specific partnerships by signing individual agreements with the EU. The effectiveness of the aid and conditionality became priorities of the EU. Finally, the Cotonou envisaged geographical differentiation, which means non-reciprocity principle extended to non-ACP countries and LDCs as well with respect to the ACP states' integrity. This would encourage regional economic integrity that the EU demanded (Holland and Doidge 2012). "The EU's commitment to integrating the developing world into the global economy via free trade remains the foundation of the current approach-embedded as it is in both Cotonou and the Lisbon Treaty and as an MDG mechanism" (Holland and Doidge 2012, 93).

Carbone mentions that "the third phase started in the early 2000s, and is characterized by three interlinked phenomena: co-existence of development and foreign policy goals; policy and administrative reforms; strong emphasis on co-ordination and complementarity" (Carbone, 2007; 34). This period has intermingled the foreign and security policy of the EU with development policy. Especially after 9/11, the EU has also tried to reshape its foreign and security policy objectives in order to combat with new emerging global threats. In this regard, the 2003 Security Strategy document underlines the importance of the relations between trade, development and security and clarifies CFSP's new joint actions and common positions across the Balkans, Eastern Europe, Asia and Africa. Recent CSDP missions -both military and civilian in nature- had been carried out in either Africa (Guinea-Bissau, Somalia, Darfur, Chad and the Democratic Republic of Congo) or Asia (Afghanistan) clearly demonstrates the securitization of development policy (Holland and Doidge, 2012). All of the recent reforms related with the new role of the EU (EU institutions) as both an internal and external coordinator in development policy were the elements of a leap forward for the EU to further Europeanize the development policy instead of being a twenty-eighth individual European donor in addition to 27 member states' bilateral aid policies (Carbone, 2008). Therefore, the 2000s onwards is characterized as the beginning of the reforms in the EU, which would aim to speak with one-voice in development policy. In those regards, several institutional and

administrative changes were introduced with a view of creating a more coherent, efficient and effective EU development policy. The Commission Delegations in the partner countries became responsible for the management of the EU's development aid programs and projects in those countries. In order to decide on partner country needs and priorities and prepare implementation strategies Country Strategy Papers (CSPs) were introduced. The European Commission responded to the ongoing discussion on the level of donors' contribution to ODA by the introduction of a collective commitment for the EU, which is the target of 0.7 per cent ODA by 2015 for each member state. Even though this target could not be achieved by all member states, especially during the years following the economic crisis, this intention of the EU was significant for the evolution of the EU development policy and a unique move in global development agenda.

In 2005, EU development policy became more European by the introduction of the European Consensus on Development, since the joint document was agreed on and signed by the Commission, the Council and the Parliament. This joint document emphasizes the necessity of complementarity among EU policies (trade, security, environment, agriculture, fisheries, etc.), EU member states and institutions while implementing EU development policy in developing countries. Importantly, in addition to traditional policy areas interlinked with development, such as economic growth, institutional and human development, poverty reduction, democratization, etc., new policy areas were taken into consideration in decision-making. Gender equality, climate change, environment, sustainable development, untying of aid, social impacts of globalization were among the specific policy areas included in EU development policy for the first time. Since the adoption of the European Consensus on Development in 2005, the EU gradually introduced new instruments, principles and strategies in order to contribute to the global aid effectiveness agenda by providing more and better aid through better coordination and complementarity (Carbone 2007). Even though the Consensus was naïve to set a concrete action plan and to decide on specific thematic areas, it was the first initiative which paved the way for the next ambitious agendas of the EU; the Action Plan for More, Better and Faster Aid (2006), the Code of Conduct on Complementarity and Division of Labour (2007), the EU Fast Track Initiative (FTI) on division of labour⁶⁹

⁶⁹ EU FTIDoL countries are; Burundi, Mongolia, Moldova, Burkina Faso, Ghana, Sierra Leone, Zambia, Cameroon, Mozambique, Tanzania, Uganda, Central African Rep., Madagascar, Mali, Benin, Bolivia, Kenya, Bangladesh, Senegal, Vietnam, Ethiopia, Albania, Haiti, Serbia, Ukraine, FYROM, Rwanda, Krgyzstan, Nicaragua, Laos, Malawi.

and complementarity since 2008, the Operational Framework on Aid Effectiveness (2009) and the revised Operational Framework on Aid Effectiveness (2011) (Delputte and Orbie 2014).

In 2006, the Commission introduced the Action Plan for more, better and faster aid in order to harmonize the priorities of partner countries drafted in their CSPs and the actions programmed by the EU and member state governments (European Commission, 2006). Consequently, the Code of Conduct for better division of labour and complementarity was approved in 2007. By a voluntary code of conduct, a “whole-of-the-Union” approach, which envisages a common framework for both the Commission and member states, was introduced (Delputte and Söderbaum, 2012; Orbie, 2012). Even though the application of the Code of Conduct on Complementarity and division of labour instrument is voluntary, the level of its implementation among EU member states show the role played by EU institutions in shaping member states’ development policies and overall development policy of the EU on the one hand, the capacity of the EU to speak with one-voice in its development policy on the other. A senior EU official explained the recent coordination and complementarity issue between EU institutions and member states;

“Regarding the coordination with Member States, there is an interaction with them at different policy levels. When there is a new agenda, the Council clarifies main principles for member states, which means each member states in the Council declares its principles and priorities. Then, they agree on a certain amount of consensus. There is coordination at policy level. Some principles and commitments represent both the EU institutions and member states. There are efforts of ‘division of labour’ for the ‘Agenda for Change’. It is about pragmatic and ambitious joint programming, based on national development policies. Joint programming requires clear policy commitments on the member states level...We cannot say that overall coordination made significant impact because there are different policies. In particular cases, there are different preferences of member states and the EU institutions”⁷⁰.

The entry of the Lisbon Treaty into force also influenced the relationship between the EU and member states and also member states’ preferences in bilateral and multilateral aid allocation through the EU.

“The degree of coordination between the EU institutions and Member States has increased with the Treaty of Lisbon. There is better coherence and

⁷⁰ Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

*coordination at the country level. For example, joint programming cements Member States together. There is 'division of labour'. There is joint policy analysis of a recipient country and proposals of member states come together. However, member states continue to have bilateral aid policies but they are forced to be more transparent. Member states will select the sector in which they have a particular expertise and be able to provide activities. The benefit of the EU institutions would be; delegation to a member state, using the expertise of a member state in a specific country or sector, less transaction costs for recipients as well...Joint programming seems to curtail the independence of some Member States with a certain framework*⁷¹.

Some individual EU member states, especially the old and big ones such as France, Spain and the UK are considered as “donor by default” because of their historical ties with several developing countries in Africa, Caribbean and Latin America⁷². There is undeniable role of ex-colonial ties and geography in individual EU member states’ bilateral aid allocation preferences. Since some recipient states have strong diaspora groups belong to donor EU member states, these member states have a lot of influence in trade and politics of those recipient countries, such as “the role of France in Mali, and the impact of the UK in ex-British colonies”⁷³. Member states consider development policy as a tool of foreign policy, and for trade and economic interests. “They also take some responsibility for the development of partner countries, but their national interests are also so important”⁷⁴. With the 1957 Treaty of Rome, a special attention was also given to the “Third World” with its largely francophone definition. The original six, which signed the founding Treaty of Rome, had not denied the special importance of the previous colonies, especially for economic and political ties. However, the French bargaining power was critical in order to shape the EC’s first development and cooperation framework (Ravenhill 1985). With the significant role of France, the initial steps of the EDF were taken towards the former colonies of France, especially in Africa. Later on, “associated status was given to specific OCTs that had ‘special relations’ with a member state. Initially this only involved relations between 31 OCTs and four member states (France, Belgium, Italy and the Netherlands) but was expanded with the first enlargement in 1973” (Holland and Doidge 2012, 47). As a consequence, colonial dependencies of the member states would have priority with respect to trade, investment, abolition and reduction of

⁷¹ Interview with an EU official in the EEAS, Development Cooperation Coordination Division, Brussels, 4 April 2013.

⁷² Interview with a senior EU official in DG DEVCO, Brussels, 3 April 2013.

⁷³ Interview with an EU official in the EEAS, Development Cooperation Coordination Division, Brussels, 4 April 2013.

⁷⁴ Interview with an EU official in DG DEVCO, Brussels, 4 April 2013.

custom duties when compared with other third states. Article 183.3 of the Treaty of Rome⁷⁵ mentions that “member states contribute to the investments required for the progressive development of these countries and territories”.

Without any doubt, trade relations with the ACP states -former colonies- was central to EU development policy and the EDF was the main instrument of aid budgets until the 1990s. “The Lomé Conventions established a relatively far-reaching trade and development system that compromised non-reciprocal access for many products to the European market, compensatory finance schemes to stabilize export earnings (Stabex and Sysmin) and commodity protocols to guarantee a stable market access at high prices (for example, for bananas and rice) for the ACP” (Orbie 2012, 19). It is important to note that, this discriminatory relationship between the EU and former colonies of member states was a unique one considering the existing trade relations and development instruments of the time. Therefore, even though until the 1990s, even until the 2000s, the significant dominance of member states in shaping development policy is clearly visible, it is contradictory that the EC of the time, as an international polity had a unique and different relationship and legal structure with one part of the world than the rest of the world.

“Bigger member states”, which have ex-colonial ties, want to keep strong presence in those recipients. Thus, “they have long-term political objectives shaped by trade relations and bilateral cooperation with them”⁷⁶. EU member states’ national interests coincide with their priority areas in development aid. Each donor state has some specialization, expertise in some specific sectors, countries and regions. Therefore, they prefer to allocate aid to these regions and countries in their specialized sectors. EU member states have their own tradition in foreign aid policy. Therefore, while some of them prefer more technical assistance (for ex: Germany), some of them prioritize budget support (for ex: Nordic states). It is clearly mentioned by one of the EU officials that “in technical meetings, Spain, Malta, Italy, Greece talk about migration. On the other hand, Sweden, Denmark, Finland talk about allocating more humanitarian aid”⁷⁷. Even though this study differentiates EU institutions and member states and behave member states as one closed-entity, it is necessary to mention and show that each member state has its own

⁷⁵ http://ec.europa.eu/archives/emu_history/documents/treaties/rometreaty2.pdf

⁷⁶ Interview with an EU official in the EEAS, Development Cooperation Coordination Division, Brussels, 4 April 2013.

⁷⁷ Interview with an EU official in DG DEVCO, Brussels, 4 April 2013.

agenda, foreign policy objectives, national interests and priorities that would shape their bilateral aid allocation patterns independently.

Finally, apart from these factors discussed above, member states' bilateral aid policies, approaches towards EU development policy and relations with EU institutions are affected from election results, any government change, personalities of some politicians and officials and public opinion in the country and in the recipient state as well. Some country factors, for example, government or leadership change, any violation of human rights and democratic principles, or occurrence of a coup d'état in recipient states also impact the allocation patterns of donor countries and agencies. Importantly, since elected governments in EU member states are responsible to their electorate, public opinion on the government's foreign aid policy matters for decisions of national official and policy-makers. Thus, public opinion is much more binding for member states than EU institutions. "Awareness of citizens make leaders to have a political commitment, even in development policy"⁷⁸.

5.5 Conclusion

This chapter looks into the patterns of the European integration and thus, differentiation as well, the EU and its member states have in the EU's foreign aid/external assistance policies, specifically by comparing the four main geographical aid instruments of the EU, the IPA, the ENI, the DCI and the EDF in terms of their different integration levels, geographical and policy scopes, institutional arrangements and the national preferences and interests of member states regarding the regions and countries that these instruments cover. This chapter investigated the patterns of differentiated integration in EU's foreign/external assistance policies in order to understand whether the issues negotiated between the EU and member states and decisions taken in terms of implementing a coherent and complementary EU external assistance policy provide a form of differentiated European integration.

⁷⁸ Interview with an EU official in DG DEVCO, Brussels, 4 April 2013; Interview with an EU official in the EEAS, Development Cooperation Coordination Division, Brussels, 4 April 2013.

Recently the EU has been dealing with several challenges ranging from Brexit to migration crisis or from the question of further integration to creating a much more flexible EU. Therefore, the way that the EU, its member states and decision-makers will choose to overcome these challenges becomes much more crucial with each passing day. Since foreign aid policy of the EU is one of the oldest policy areas of the Union, since it has significant ties with some other policies of the EU, such as trade, foreign policy, enlargement and neighbourhood policy, agriculture, environment and since EU member states also continue to implement their bilateral national aid policies, the analysis of the integration process of this specific policy area would reveal both the success and failures of the EU in achieving the delicate balance between supranationalism and intergovernmentalism and be a good example for further integration process of the EU in different policy areas. In this regard, this study shows that external relations and foreign assistance policies of the EU represent intergovernmental and supranational dimensions of the European integration simultaneously.

While the volume of multilateral aid through EU institutions has been increasing over time, still the majority of European aid is allocated bilaterally via individual member states (See Figures 5.1, 5.2 and 5.3). However, this does not prevent further integration of the external assistance policies of the EU. These varying degrees of integration of different external assistance instruments of the EU prove the increasing role of differentiated integration in the European integration and EU's relations with third countries. One of the major limitation for further integration of EU's foreign aid policy is the EDF as being kept outside the EU budget and still higher volumes of member states' bilateral aid allocations to the partner countries of the EDF. On the other hand, the analysis of this chapter suggests that the process of differentiated integration in EU foreign aid policy has helped the EU to continue its integration in that specific policy area successfully by enabling multiple forms of integration, creating and implementing several new mechanisms, cooperation and cohesion tools both with member states and partner countries in order to increase the effectiveness of the EU aid and the role of the EU in global development agenda. The different types of EU foreign aid instruments both enable the reflection of different preferences of EU member states in EU foreign aid policy and the recipient states to have significant economic and political ties with the EU. This kind of differentiated integration in EU external assistance policies might form a model for other shared or parallel competence policy areas of the EU. Therefore, this

study argues that the multiple patterns of differentiated integration in the EU's foreign aid policy would enhance the integration capacity of the Union both in its internal and external relations and this would have a positive impact on the effectiveness of EU aid and the capability of the EU to speak with "one-voice" within the international aid community.



CHAPTER 6

WHAT IS EUROPEAN AID FRACTIONALISATION?: EMPIRICAL RESEARCH DESIGN, DATA, ANALYSIS AND RESULTS

Previous chapters of this study discussed several new initiatives, recommendations, principles and norms of the EU in its external assistance policies in order to both increase complementarity and coherence among EU donors and respond recipient needs. This chapter now argues that one of the ways to understand whether the EU and its member states prefer to apply these new non-binding requirements of EU development cooperation policy or to what extent they prefer to apply them in their aid allocation mechanisms is analysing the level of aid diversification, in other words, aid fractionalisation of European donors in recipient countries and regions. Because the level of the application of these non-binding rules, recommendations or principles by member states potentially explain the reasons why EU member states prefer to allocate aid multilaterally through EU institutions (allow much more supranational decision making) or prefer to allocate much more bilateral aid (prefer intergovernmental decision making) or continue to use both mechanisms, since one is not subsidiary to the other one.

In this regard, if aid fractionalisation is high, this shows us the aggregation of several European donors, including both EU institutions and member states, in a specific recipient country or region with much more equal aid distribution. Thus, higher aid fractionalisation indicates the divergence of development cooperation policies, absence of division of labour, joint-programming efforts and coordination among the EU and member states, since it seems member states prefer to continue their bilateral aid allocations separately, not to allocate only multilateral aid through EU institutions and concentrate on the recipients that they have comparative advantage. However, if European donors are disaggregated in some recipients and regions, then aid fractionalisation becomes lower. This shows the complementarity of development and cooperation policies between the EU and its member states. Thus, member states seem to prefer to delegate some of their authority in external assistance policies to EU institutions or to concentrate on some specific recipients and regions that they have comparative advantage. As I argue, this is possible when member states' preferences complement each

other and EU aid preferences, which coincide with the recipient needs and good governance criteria instead of strategic interests of donors.

The first part of this chapter first calculates the level of European aid fractionalisation in 150 recipient countries and ranks them. Then, the chapter looks at the level of European aid fractionalisation in four different geographical regions of EU external assistance policies in order to capture the level of differentiation in external assistance policies and aid allocation structures of the EU in these regions. If the level of aid fractionalisation is different for each of these four different regions, then one can figure out complementarity and divergence of European donors in different regions and assume differentiated European integration in EU external assistance policies. To what extent the level of aid fractionalisation is similar or different in these four regions reflect the role and power of individual member states and EU institutions in decision making regarding aid allocations to those regions. In other words, I argue that there is a relationship between the level of European aid allocation and the level of centralisation/integration in a region. However, it is important to note that this aid fractionalisation could also be a result of diversification of European donors in different sectors in the same recipient country or region that this study does not look at sector fractionalisation of European donors in their aid allocation. This requires further research. Thus, the analyses conducted in this chapter only represent a first stepping stone regarding empirical studies on the relationship between European integration, aid fractionalisation and European aid allocation preferences.

Having said that *main research questions* of the analysis conducted in the first part of this chapter are: “*To where and when EU member states prefer to allocate aid bilaterally and multilaterally through EU institutions? Whether EU member states’ aid allocation preferences are divergent or complementary to EU institutions’ aid allocation mechanisms?*”.

The second part of this chapter includes an empirical analysis on the determinants of European aid fractionalisation both in general and also, in these four geographical regions of EU external assistance policies. It tries to reveal the factors that cause the aggregation and disaggregation of European donors in specific recipients and regions while allocating aid. According to the literature, these factors could be based on donor interests, recipient needs and good governance criteria. However, since it aims to examine

whether EU norms, principles and recommendations on aid allocation based on recipient needs and good governance criteria, only these factors are taken into account in the analysis. Thus, *main research questions* of the second part of this chapter are “*What determines the European aid/donor fractionalisation in recipients? Why there are too many European donors in some recipient countries and only few in some others? Whether recipient needs or good governance principles impact the level of European aid fractionalisation?*”.

This study argues that the level of “aid diversification”, in other words, “aid fractionalisation” is a significant variable that can show us whether there is a division of labour, complementarity and convergence among European donors or not. Thus, it proposes EU member states, which voluntarily apply the aid allocation norms, principles and recommendations of the EU, prefer to withdraw their bilateral aid from some countries and regions, delegate their authority to EU institutions and provide more multilateral aid through the EU. However, I hypothesize that there are some priority countries and regions that European donors prefer to withdraw their bilateral aid allocations first. Thus,

Hypothesis 1: When European donors’ preferences converge, the level of European aid fractionalisation decreases.

Hypothesis 2: When European donors’ preferences diverge, the level of European aid fractionalisation increases.

Hypothesis 3: If in a recipient economic growth increases, poverty declines, socio-economic development and governance qualities improve and there is absence of any type of violence and conflict or if a recipient country does not respect to political freedoms and civil liberties and becomes much more authoritarian, EU member states prefer to withdraw their aid allocations immediately from those countries, which means European donors’ preferences converge in these recipients and regions and thus, aid fractionalisation decreases.

Hypothesis 4: The level of total European aid fractionalisation decreases over time autonomously.

This chapter begins with the discussion of “European Aid Fractionalisation” and the explanation of the generation of the “EAFI”. Then, it explains the methodology of

“EAFI” in detail. Later on, it analyses the levels of index and European aid fractionalisation by four regions and discusses the outcomes of the analysis. Then, the second part of this chapter begins with the explanation of the reasons why such a research is necessary and valid. Then, it explains the estimation method and describes the data used in the analysis. Finally, the results of the analysis are reported and discussed. The chapter concludes with the overall discussion of the findings of the two empirical analyses conducted in this chapter.

6.1 European Aid Fractionalisation

This study takes a relatively straightforward approach to aid fractionalisation. It looks at the percentage of received ODA volume of each country from twenty European donors, between 2005 and 2015. The closer a country comes to having equal shares of aid of the twenty donors, the higher its score on a 10-point European Aid Fractionalisation Index. While the index is composed for each year from 2005 to 2015, an additional index column was also composed for all recipients, which indicates the *total aid fractionalisation values* of each recipients from 2005 to 2015 for eleven years. These total values were estimated by calculating the percentage of received total ODA volume of each country from the EU and nineteen European member states, between 2005 and 2015 (See Table 1, Appendix). This column of the index is called as “Total European Aid Fractionalisation Index” in this study. It is important to note that these values are not the average values of total scores of recipient countries between 2005 and 2015.

The study attempts to measure the level of aggregation of European donors and tries to analyse any competing (divergent) or complementary (convergent) interests in this regard between EU institutions and member states in recipient states. Thus, it is expected that if aid fractionalisation is lower in a recipient or region, EU institutions would dominate the European aid allocation structure as a result of convergent foreign aid policies of the EU and its member states. In this situation, EU member states would prefer to delegate their authority to EU institutions and to allocate multilateral aid via EU institutions to that recipient or region instead of allocating higher levels of national bilateral aid. This situation also enables the inference that the level of integration or centralisation of European external assistance in those recipient countries and regions is

higher than the ones in where the aid fractionalisation is higher. Additionally, it is important to note that this study does not attempt to measure the effectiveness of European aid or diversity of sectors that European donors allocate aid to in a recipient country.

The aggregation of the majority of European donors, in other words, high level of divergence among European donors in a specific recipient country or region, shows high level of aid fractionalisation, even competing roles of the EU and member states in this recipient. This situation shows that although, the EU has several efforts to decrease aid fragmentation of European donors and promote division of labour, complementarity and cohesion of policies among EU member states during the last decade, bilateral foreign aid mechanisms of EU member states are still prior in those recipient countries and regions. On the other hand, if the aggregation level of European donors is low, if there are few European donors that allocate aid to a specific recipient country or region, then the aid fractionalisation is low and possibility of complementarity and division of labour among European donors is high in this recipient or region. Even if one of those few European donors is the EU, especially with its high percentage of ODA volume, then we see complementarity among European donors.

6.1.1 Methodology of the European Aid Fractionalisation Index

This study calculates EAFI scores for recipient countries and regions based on the shares of EU institutions' and nineteen DAC-EU countries' aid to those countries and regions between 2005 and 2015. Thus, it produced an index that ranks each recipient country by its level of European aid fractionalisation. Nineteen OECD DAC-EU donor countries that this study used are; Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Slovenia, Slovak Republic, Spain, Sweden and the UK. The recipient regions and countries are decided according to the regions and countries that the EU provides financial assistance under its four main geographical instruments, which are IPA, ENI, DCI and EDF (For details see Chapter 5). Index is measured for each year from 2005 to 2015.

The methodology used in this study is a version of the Herfindahl-Hirschman Index⁷⁹, which is used in various fields to measure the degree of concentration of human or biological populations as well as organizations. The main difference is that EAFI scores are inverted so that higher scores indicate higher diversity. The Herfindahl-Hirschman Index is one of the most commonly used measures of diversity. “The Herfindahl-Hirschman Index is a widely accepted measure of concentration used by biologists, ecologists, linguists, economists, sociologists and demographers. A variant of the index was introduced as a measure to describe the diversity of ecological populations and was used in a variety of related studies, including measuring the diversity of languages spoken in a region. Starting in the 1960s, the index was used to measure population groups, including occupations and religions”⁸⁰.

6.1.2 Calculating the European Aid Fractionalisation Index

The EAFI is calculated using a three-step procedure. First, the aid shares of twenty DAC-EU donors analysed in this study are squared and summed. For example, in a case where whole amount of aid is allocated by one donor, the first step results in a score of 10,000 ($100^2 = 10,000$). By contrast, in a case where the whole amount of allocated aid is equally distributed by twenty donors (5 per cent each), the first step would result in a score of 500 ($5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 + 5^2 = 500$). This first-step score of 500 represents maximum possible diversity when twenty European donors are considered.

Second, the first-step score is inverted so that lower scores reflect lower aid diversity and higher scores reflect higher aid diversity. To invert the scores, the first-step score is subtracted from the score representing no aid diversity (10,000). In the case where the whole amount of aid is allocated by one donor, the score would now become 0 ($10,000 - 10,000 = 0$). In the case where the aid is equally distributed by twenty European donors, the score would now become 9,500 ($10,000 - 500 = 9,500$). This inverted second-

⁷⁹ The Herfindahl-Hirschman Index (HHI), sometimes called the Simpsons Ecological Diversity Index, is named for economists Orris C. Herfindahl and Albert O. Hirschman, who were the first to use it to measure industry concentration (that is, the extent to which a small number of companies account for the majority of a given market). See Charles R. Laine. June 22, 1995. “The Herfindahl-Hirschman Index: A Concentration Measure Taking the Consumer’s Point of View.” Antitrust Bulletin.

⁸⁰ Pew Research Center, <http://www.pewforum.org/2014/04/04/methodology-2/> accessed in May 2017.

step score of 9,500 now represents maximum possible diversity when twenty donors are considered.

Third, the second-step score is divided by 950 to put the final European Aid Fractionalisation Index on a 0-10 scale. In the case where the whole amount of aid is allocated by one donor, the score would remain 0 ($0/950=0$). But in the case where the whole amount of allocated aid is equally distributed by twenty European donors, the score would now become 10 ($9,500/950=10$).

6.1.3 Data Sources and Regions

This study uses its estimates, aid volumes of twenty European donors, from OECD DAC statistics database to analyse aid diversity in 150 recipient countries for the years from 2005 to 2015. Total net ODA disbursements of donors are used in this study. However, since some net ODA disbursement values are negative because of loan repayments of recipient years in some years, the values of these loan repayments were also added to net ODA values of donors and then positive values are used as estimates. This study includes estimates for EU institutions and nineteen DAC-EU countries, as mentioned above, since taken together these twenty European donors comprise almost the whole European aid. Aid allocated from other EU member states is not taken as estimates in this study, since these countries' volume of aid is relatively lower than other EU member states and they are also not OECD DAC members. These countries are; Croatia, Bulgaria, Romania, Hungary, Cyprus, Malta, Estonia, Latvia and Lithuania. Even though Hungary became OECD DAC member in 2016, this study's time range does not cover 2016 and Hungary is excluded as well.

This study groups 150 recipient countries into four main regions (*Europe* - IPA countries, *European Neighbourhood* – ENI countries, *DCI countries* and *ACP countries* – which receive EDF funding) and nine sub-regions (Under DCI – Asia, Central Asia, Middle East, Latin America; under EDF – Caribbean, Pacific, Sub-Saharan Africa; under ENI – Eastern Europe and MENA regions). (For individual countries categorized under these regions see also Chapter 5).

The 8 IPA countries, which are EU negotiating and potential candidates are: Albania, Bosnia and Herzegovina, Croatia, Former Yugoslav Republic of Macedonia (FYROM), Kosovo, Montenegro, Serbia and Turkey.

The 15 European Neighbourhood countries and territories in the Eastern Europe and the Middle East and North Africa are: Armenia, Azerbaijan, Georgia, Belarus, Moldova, Ukraine, Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Syria, Tunisia, West Bank and Gaza Strip.

The 45 DCI countries in Africa, Asia, Central Asia, the Middle East and Latin America are: South Africa, Afghanistan, Bangladesh, Bhutan, Cambodia, China, India, Indonesia, Lao People's Democratic Republic, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam, Kazakhstan, Krygyzstan, Tajikistan, Turkmenistan, Uzbekistan, Iran, Iraq, Yemen, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela.

Finally, the 82 ACP countries and territories in the Sub-Saharan Africa, Caribbean and Pacific, which receive the EDF funding are: Anguilla, Antigua and Barbuda, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Jamaica, Montserrat, Saint Helena, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, Timor-Leste, Cook Islands, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, Wallis and Futuna, Angola, Benin, Botswana, Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of the Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mayotte, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome and Principe, Senegal, Seychelles, Sierra Leone, Somalia, South Sudan, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia and Zimbabwe.

6.1.4 How Recipient Countries are Ranked and Categorized

The 10-point "Total EAFI" is divided into three ranges: Countries with scores of 7.51 and higher are categorized as having "high" degree of aid fractionalisation. Countries with

scores from 5.01 to 7.50 are categorized as having a “moderate” level of aid fractionalisation and finally, countries with scores 5.0 and lower are categorized as having “low” degree of aid fractionalisation. Since the Total EAFI measures the level of aid diversity based on the shares of twenty European donors’ total aid allocation to 150 countries, there is no precise breakpoint for the levels based on the largest amount of aid allocated by a donor. Nevertheless, some generalizations are possible. Aid fractionalisation is higher in the regions where the DCI and the EDF instruments cover than the regions of the IPA and the ENI recipients, since the enlargement and neighbourhood policies of the EU are much more centralized policy areas than the development and cooperation policy. Additionally, aid fractionalisation is higher in the Sub-Saharan African and the MENA countries, where respectively most of the LDCs and conflict affected countries are located. While the lowest share of recipients with high aid fractionalisation is recognizable in the region where EU candidate and potential candidates are present that is the EU periphery, at the same time the highest share of recipients with moderate level of aid fractionalisation is also in that region. Significantly, out of 150 recipients only 35 countries and from two regions, covered by the EDF and the IPA, have the lowest level of aid fractionalisation.

Looking at the shares of each country’s received total ODA volume from twenty European donors between 2005 and 2015, included in the study, out of 150 countries 68 of them, have a high degree of aid fractionalisation. 32 of these 68 countries (71 per cent of all DCI recipients) are DCI recipients from all sub-regions of the DCI funding (Latin America, Asia, Central Asia, the Middle East and Africa). Then, 28 countries are EDF recipients (34 per cent of all EDF recipients), 27 are from Sub-Saharan Africa and one from the Pacific, which is Timor-Leste. In fact, Sub-Saharan Africa is the sub-region that includes the most countries with very high degree of aid fractionalisation, which is not a surprise according to the proposals of this study. There are 7 countries, which are ENI recipients (47 per cent of all ENI recipients) (Belarus, Libya, Syria, Lebanon, Egypt, Jordan, West Bank and Gaza Strip) and only one country as an IPA recipient, which is Albania, (12.5 per cent of all IPA recipients) with high degree of aid fractionalisation. Apart from Belarus, all ENI recipients with high degree of aid fractionalisation are MENA countries.

Of the 150 countries in this study, 47 of them have a moderate degree of aid fractionalisation. 21 of these 47 countries are EDF recipients (26 per cent of all EDF

recipients), 13 of them are DCI recipients (29 per cent of all DCI recipients), while 8 of them (53 per cent of all ENI recipients) (Georgia, Moldova, Azerbaijan, Armenia, Ukraine, Tunisia, Morocco, Algeria) are ENI recipients and 5 of them are IPA (62.5 per cent of all IPA recipients) recipients (Montenegro, Serbia, FYROM, Kosovo, Bosnia and Herzegovina).

Finally, 35 countries have a low degree of aid fractionalisation. While 33 of them (40 per cent of all EDF recipients) are EDF recipients, only 2 of them (25 per cent of all IPA recipients), Turkey and Croatia, are IPA recipient countries. In this category, there is not any country from the European neighbourhood and DCI recipients. Even, it is interesting that there are only two countries from IPA recipients, since it is expected that in IPA recipients the aid fractionalisation could be lower than the rest of the recipients of European aid, since these countries are EU candidates and EU institutions primarily allocate higher volumes of aid to them and thus, member states prefer not to contribute bilaterally. The result regarding IPA countries in this category also shows that countries received highest amount of IPA funding have the lowest degree of aid fractionalisation in this region. Both Croatia and Turkey were negotiating candidates since 2005 and had the highest potential of accession in the concerned time period, even Croatia achieved to finalize its accession in 2013. On the other hand, Turkey still stays as a negotiating candidate, which receives the highest amount of IPA funding, but has the lowest level of aid fractionalisation among IPA recipients.

6.1.5 Aid Fractionalisation by Region

European aid fractionalisation does not differ so much by region, excluding the region covered by IPA recipients, which are EU negotiating and potential candidates. Among the fourth analysed in this study, the region covered by the ACP countries as the EDF recipients has the highest level of total European aid fractionalisation during the period between 2005 and 2015. Its value of aid fractionalisation is 8.99. It is followed by the region covered by the DCI recipients, with the score of 8.84. Then, the European neighbourhood comes, again has a high degree of aid fractionalisation with the score of 8.05. Only the region, which covers EU negotiating and potential candidates as IPA recipients, has a moderate degree of fractionalisation with the value of 5.43. There is not any region, which has low level of aid fractionalisation (See Table 1, Appendix). This

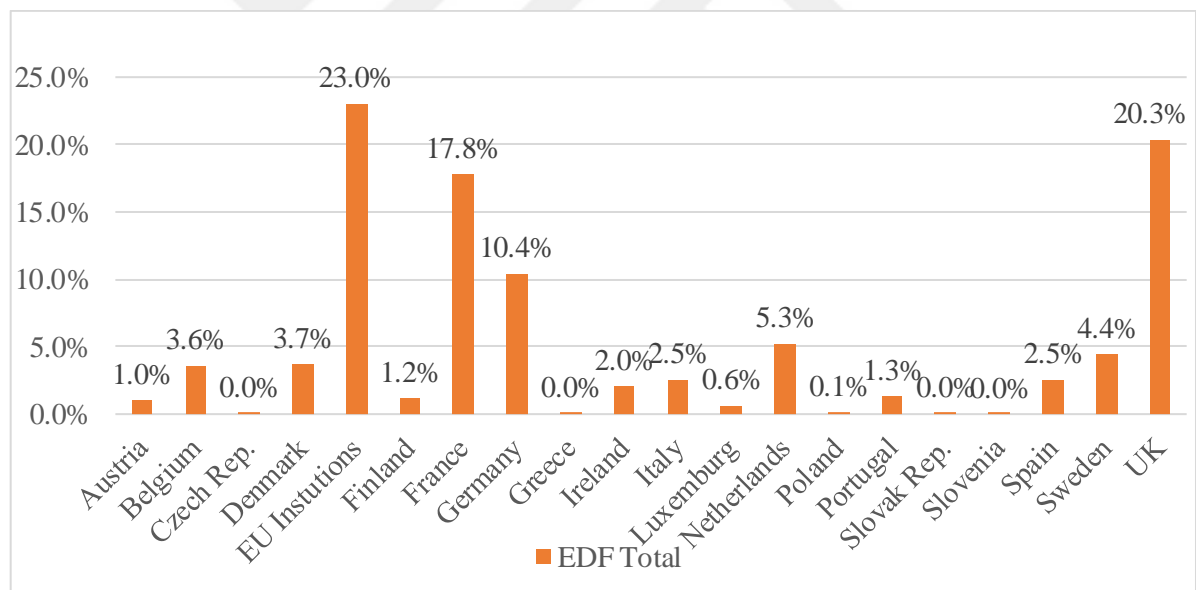
shows that EU member states prefer to continue to allocate aid bilaterally, even though it could be in low amounts, around the world, even within their close neighbourhood, where EU institutions have clear comparative advantage in financial assistance. Additionally, this also shows that even though the comparative advantage of EU institutions in aid allocation in some regions, EU member states prefer to allocate aid parallelly both through the EU and their national aid agencies. They do not want to lose their national authority in foreign aid policy but also continue to support EU institutions towards a much more centralized financial assistance policy of the EU. The amount of aid allocated by 20 European donors is much more equally distributed in the regions which have high degree of aid fractionalisation. Only in negotiating and potential candidate countries, EU member states prioritize multilateral EU aid instead of their active involvement with bilateral aid allocations in those countries. Even if they allocate aid, its amount is like a gesture compared to EU institutions, which allocated 68.2 per cent of total allocated aid to IPA recipients between 2005 and 2015 (See Figure 6.5).

The analysis of aid fractionalisation by region is significant, since it can show us whether there is a division of labour between the EU and its member states in different regions regarding external assistance or not. The analysis can also explain the level of European integration and differentiation regarding different external assistance policies of the EU for different regions. Before deducing any major inference from the data on aid fractionalisation by region, it would be useful to look at the percentage of each region's total aid allocated by each of 20 European donors in order to be able to explain whether there is a division of labour between the EU and its member states, differentiated European integration or high level of centralisation of external assistance policies in different regions, where four geographical European financial aid instruments are defined to.

The results of the analysis of aid fractionalisation by region show that three of the four geographical regions that this study is interested in, have high degree of European aid fractionalisation. While the ACP states (EDF recipients) have the highest degree of aid fractionalisation, only 34 per cent of all EDF recipient countries has the highest degree of aid fractionalisation. On the other hand, 71 per cent of all DCI recipients has the highest degree of aid fractionalisation and as a region it also has the second highest level of aid fractionalisation. In the Figures 6.1 and 6.2, the diversification of total European aid by each donor in both the EDF and DCI regions is clearly seen. Although the EU is the major

donor with the allocation of 23 per cent of the total European aid to the ACP countries, 15 of 19 OECD DAC-EU member states are also donors in the ACP countries between 2005 and 2015. Czech Republic, Greece, Slovak Republic and Slovenia do not allocate aid to the ACP states in this period. Even though, 71.5 per cent of total European aid is allocated by four major donors, EU institutions, the UK, France and Germany, 12 other EU member states do not prefer to withdraw their bilateral aid programs from the ACP countries and direct aid via EU institutions. However, although the total number of EU donors allocate aid to EDF recipients is lesser compared to other regions, the amount of total European aid is much more evenly distributed to EDF recipients than other three regions analysed in this study. Thus, the value of European aid fractionalisation is the highest in the ACP countries. This result is also another illustration of lower level of European integration, centralisation and higher roles for EU member states in decision-making and allocation structures regarding the EDF.

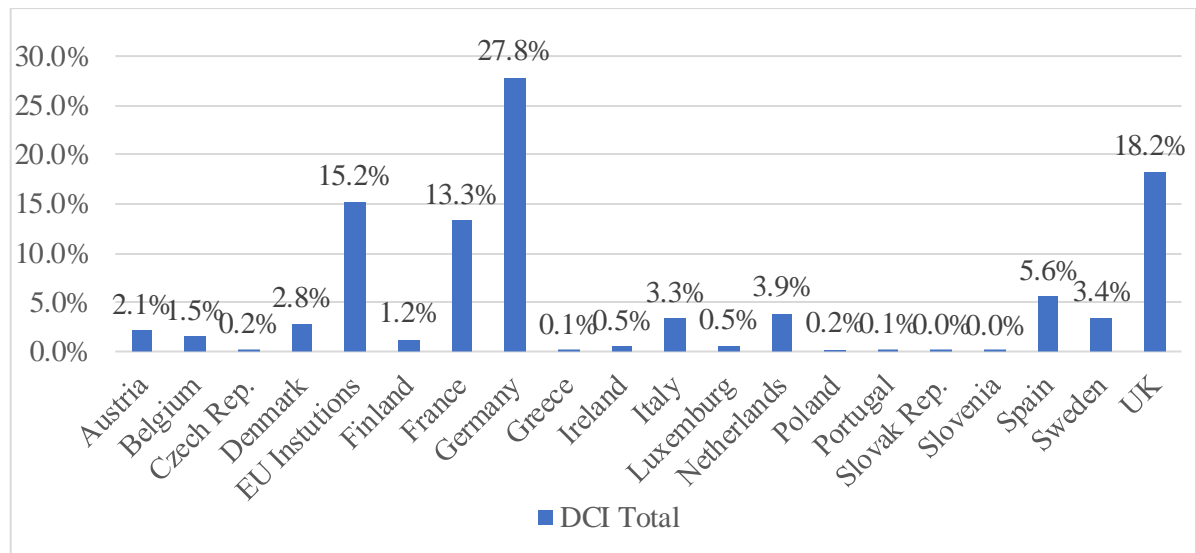
Figure 6.1: Total European Aid Fractionalisation in EDF Recipients, 2005-2015 (Figure drawn by the author)



The major donor in the region that the DCI covers is Germany between 2005 and 2015. Germany has allocated in total 27.8 per cent of all European aid to DCI recipients. It is followed by the UK (18.2 per cent), the EU institutions (15.2 per cent) and France (13.3 per cent). These four European donors have covered in total 74.5 per cent of European aid allocated to that region. However, this situation does not prevent other EU member states to allocate aid to DCI recipients bilaterally. Out of 19 EU member states, only Slovak Republic and Slovenia do not allocate aid to any DCI recipient states between

2005 and 2015. The amount of total European aid is still much more evenly distributed to DCI recipients than other two regions covered by the ENI and IPA. These results on these two regions are also another illustration of the parallel competence in EU development and cooperation policy.

Figure 6.2: Total European Aid Fractionalisation in DCI Recipients, 2005-2015
(Figure is drawn by the author)



The ENI and the IPA are the two main financial assistance mechanisms of the EU that covers countries in the close periphery of the EU. While the former one is for the partner countries in the EU neighbourhood, the latter one is the funding mechanism for EU candidates and potential candidates. Therefore, this study expects lesser aid fractionalisation in the regions that these two aid instruments cover than the regions of the EDF and the DCI. As it is expected the major donor in both of the regions is the EU. EU institutions provide 38.6 per cent of total aid allocated to ENI recipients and 68.2 per cent of total aid allocated to IPA recipients between 2005 and 2015. Regarding the European neighbourhood, top three donors, EU institutions, France (22.1 per cent) and Germany (17.8 per cent), allocate in total 78.5 per cent of all aid allocated by 20 European donors. When it is compared with the aid distribution to IPA recipients, aid allocated to ENI recipients is much more equally distributed and thus, it still has a high degree of aid fractionalisation with the value of 8.05 (See Figures 6.3 and 6.4).

The IPA region is the only region among analysed, in where one of the European donors allocates more than 50 per cent of total aid allocated, which is the EU (68.2 per cent). Again, top three donors are the EU, Germany (12.3 per cent) and France (4.6 per

cent), but the amount of aid allocated by Germany and France has declined tremendously compared to their aid percentages to European neighbourhood countries. In this region, the domination of EU institutions is the illustration of convergent policies of the EU and its member states in enlargement policy and the high level of delegation of authority of member states to EU institutions on the funding of candidate countries, which will be future member states.

The results of the analysis on total European aid fractionalisation by region show once again how a unique parallel competence issue area affects European integration. The parallel competence between the EU and its member states, in other words, competing supranational collective interests of the EU and intergovernmental national preferences of member states in external assistance policies of the EU fuel “differentiated European integration” regarding aid allocation policies and structures of the EU towards different recipient countries and regions. Thus, the results derived from the establishment, calculation and analysis of the EAFI are in accordance with the results of the previous analyses in previous chapters of this study.

Figure 6.3: Total European Aid Fractionalisation in ENI Recipients, 2005-2015 (Figure drawn by the author)

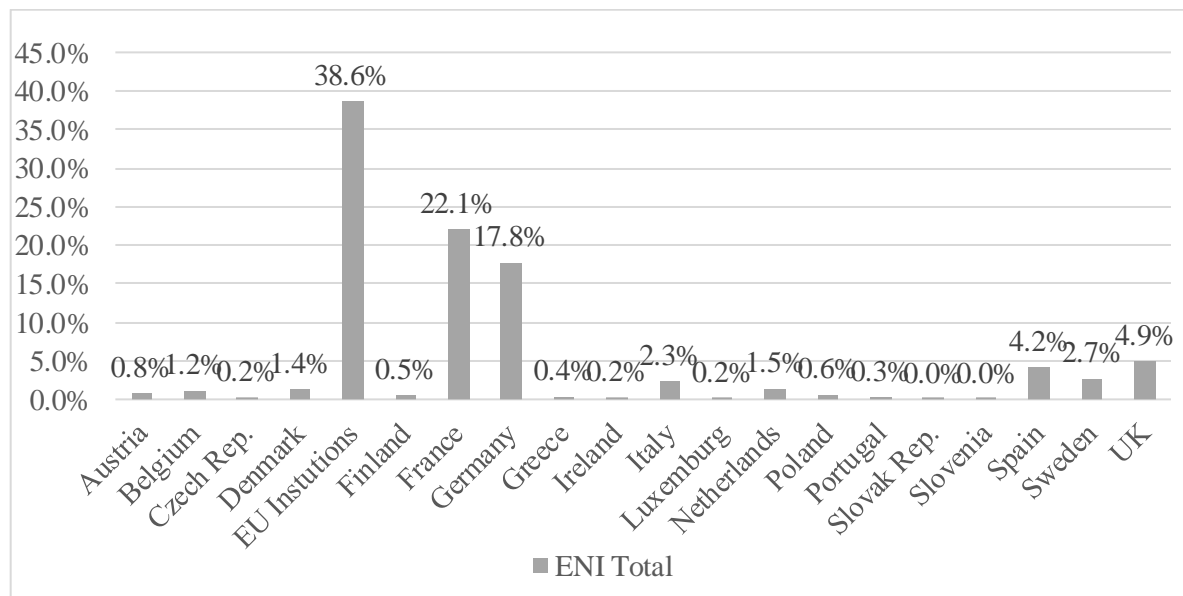
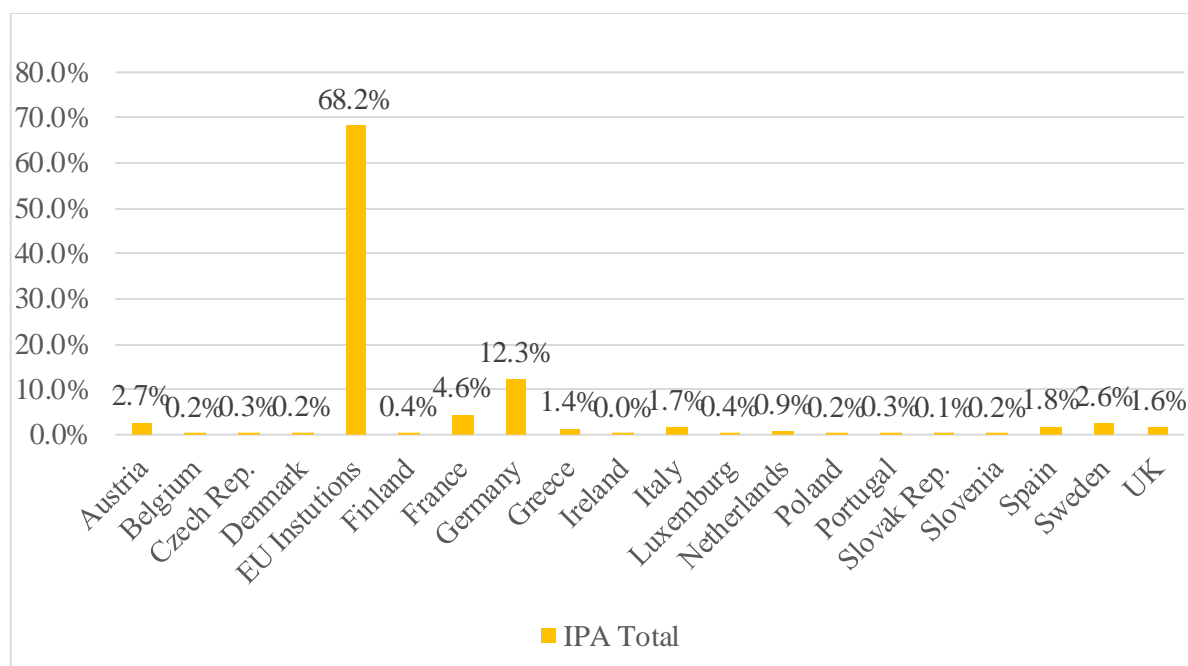


Figure 6.4: Total European Aid Fractionalisation in IPA Recipients, 2005-2015
(Figure drawn by the author)



6.2 Determinants of European Aid Fractionalisation: Empirical Analysis

The general research question of this study is “what are the factors that shape European foreign aid allocation?”. Thus, the broad aim of this analysis is to understand the determinants of European “aid fractionalisation” or “aid diversification” in the partner countries covered by four main geographical financial assistance mechanisms – IPA, ENI, DCI and EDF- of the EU. Specifically, it asks what are the factors that diverge (aggregation of European donors) and converge (decrease of European donors) EU institutions’ and member states’ aid allocation patterns in which countries and regions. In this regard, it tries to explain whether there is a correlated relationship between the level of European aid fractionalisation (dependent variable) in relevant recipient countries and several factors related with the recipient needs, donor interests and good governance indicators (independent variables). Finally, it tries to clarify whether any generated correlation between the dependent and independent variables overlaps with the theoretical explanations of differentiated integration and member states preferences in external assistance policies of the EU, as explained in the previous chapters of this study. Having said that *main research questions* of this study are “What determines the European

aid/donor fractionalisation in recipients? Why there are too many European donors in some recipient countries and only few in some others?”.

As different than the previous studies in the literature, which look at the social, political and economic determinants of the “total volume of aid” or “aid per capita” of allocated by donors, this study analyses the determinants of European aid fractionalisation in recipient countries, in other words, recipient country preferences of European donors to allocate aid, regardless the volume of aid. Thus, it tries to explain the factors related with recipient needs and good governance indicators that cause both aggregation and decrease of European donors in specific recipient countries or regions. As a result of the analysis, the main discussion is whether these factors that have correlated relationships with the level of aid fractionalisation, are associated with the recommendations, principles and norms of the EU that tries to apply in its and member states’ external assistance policies especially since 2005. It would be useful to look at these recommendations, principles, norms and the initiatives of the EU that were launched for their successful application in the external assistance policies of the EU.

In order to decrease aid fragmentation and increase aid effectiveness, the EU strictly follows the global development agenda of the UN and OECD. Thus, it has introduced several instruments and changes in its external assistance policies, especially since 2005, when *European Consensus on Development*, which emphasizes the necessity of complementarity among EU policies, EU member states and institutions while implementing EU development policy in developing countries, was introduced (See also Chapter 5). European Consensus on Development introduced new issues and policy areas to EU decision-making mechanism in external assistance. In addition to the traditional policy areas of development, -such as economic growth, institutional quality, social and economic development- poverty reduction, promotion of democratization, human rights and good governance, gender equality, climate change, environment, sustainable development and untying of aid as new issue areas were introduced to EU decision-making in development aid. As mentioned in the previous chapter in detail, since the adoption of the European Consensus on Development in 2005, the EU gradually introduced new instruments, principles and strategies in order to contribute to the global aid effectiveness agenda by providing more and better aid through better coordination and complementarity among its member states (Carbone 2007). The European Consensus on Development was followed by several new instruments and initiatives, which are: the

Action Plan for More, Better and Faster Aid (2006), the Code of Conduct on Complementarity and Division of Labour (2007), the EU Fast Track Initiative (FTI) on division of labour⁸¹ and complementarity since 2008, the Operational Framework on Aid Effectiveness (2009) and the revised Operational Framework on Aid Effectiveness (2011) (Delputte and Orbie 2014).

These initiatives introduced several new procedures and recommendations for the application of EU development assistance policy in cooperation with its member states. One of the most important decisions was about increasing the amount of aid to those countries, which enhance their quality of governance. “More for more” which suggests that the recipients that introduce and implement more democratic reforms for good governance and respect human rights will receive more aid from the EU (Koch 2015). Importantly, the “3Cs” principles of the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour were introduced. The introduction of the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour limits the active involvement of EU donors in a recipient country up to three donors and recommends member states to allocate aid up to three sectors in a recipient country. Thus, it aims to decrease aid fragmentation and increase aid effectiveness. Therefore, the level of its implementation among EU member states show the role played by EU institutions in shaping member states’ development policies and overall development policy of the EU on the one hand, the capacity of the EU to speak with one-voice in its development policy on the other. Monar argues that the EU soft-law, which are non-binding recommendations, resolutions and principles, reconcile member states’ diverging interests easier (Monar 1997). The analysis in this chapter does not only try to figure out the determinants of aid diversity in recipients, it also tries to explain the reasons of the decrease in the number of European donors in some countries and regions. Because the level of “aid diversification”, in other words, “aid fractionalisation” is a significant variable that can show us whether there is a division of labour, complementarity and convergence among European donors or not.

On the other hand, the EU *acquis* on development assistance corresponds to the global consensus on ODA policy reforms, such as poverty reduction, increasing ODA

⁸¹ EU FTIDoL countries are; Burundi, Mongolia, Moldova, Burkina Faso, Ghana, Sierra Leone, Zambia, Cameroon, Mozambique, Tanzania, Uganda, Central African Rep., Madagascar, Mali, Benin, Bolivia, Kenya, Bangladesh, Senegal, Vietnam, Ethiopia, Albania, Haiti, Serbia, Ukraine, FYROM, Rwanda, Krgyzstan, Nicaragua, Laos, Malawi.

levels, especially to LDCs, and aiming to decrease fragmentation for aid effectiveness. These are some of the priorities of the EU development *acquis*, which are in accordance with the principles and recommendations of the EU introduced during the last decade and also, with the explanatory variables of this study:

- Changing geographical aid allocation to devote more resources to Africa and least developed countries (LDCs), generally located in the sub-Saharan Africa, while also recognizing the value of concentrating Member State activities in areas and regions where they have comparative advantages (European Consensus, 2006);
- Increasing policy coherence for development objectives (Council of the European Union, 2012a);
- Better co-ordination between the bilateral policies of Member States (European Consensus, 2006);
- Reducing the number of countries and sectors supported in order to avoid fragmentation, thus promoting joint-programming (Council of the European Union, 2011a);
- Making increased use of the budget support modality (Council of the European Union, 2012b). There are relevant studies in the literature that shows if recipient states democratize further, have political stability, control corruption and promote good governance, especially the EU increases its use of budget support as an aid allocation mechanism in those recipients, rather than the member states (Hayman 2011; Koeberle *et al.* 2006; Molenaers 2012; Unwin 2006). Also, an official from DG DEVCO stated that the budget support mechanism is the “exit strategy” of the Commission from the member states’ trap in policy-making. Thus, even though the EU asks for more budget support, member states decrease their budget support allocations levels⁸².

That is being said, specific questions that this analysis tries to find answers are:

-Is it possible to explain whether the recent recommendations, principles and norms of the EU on external assistance are applied (or not) by looking at the level of European aid fractionalisation in recipient countries and regions?

-Is there any correlated relationship between the number of European donors in recipient countries and regions at a specific time and social, political and economic factors in those recipient countries and regions? In other words, whether the level of poverty, social and

⁸² Interview with an official in DG DEVCO, Brussels, 21 March 2017.

economic development, economic growth, democratization, governance quality, respect to human rights, internal and external conflict, and colonial status of recipient countries and regions have any impact on the aggregation or disaggregation of European donors in those recipients?

-If there are such correlated relationships or if not, then what would this tell us theoretically regarding differentiated European integration and member states' preferences in EU external assistance policies?

6.2.1 Empirical Strategy

This study adopts a large-N regression analysis. The regression analysis method is extremely useful for testing broad hypothesis generated by case studies. Regression analysis can also help to identify common or divergent patterns of EU institutions and member states in their aid allocation preferences. The data is a panel data, in other words, a cross sectional time-series data, in which the behaviour of recipient countries are observed between 2005 and 2015. If the data set consist of the same units observed at different periods of time, it is called as a panel data (Wooldridge 2002). One of the main advantages of using panel data is “the increase in the precision of estimation due to higher degrees of freedom following from the increase in the number of observations available” (Neumayer 2003, 38). It would be necessary to explain now, which estimation method is used in this analysis and why.

First of all, by using a regression method the various factors that influence aid allocation of EU institutions and member states will be examined for the years between 2005 and 2015. The *dependent variable* (DV) of the regression will be the level/value of “aid fractionalisation” of twenty EU donors, including the EU and 19 EU member states, which are also OECD DAC members, in the partner countries covered by four main geographical financial assistance instruments – IPA, ENI, DCI and EDF- of the EU. The level of aid fractionalisation of those twenty European donors in these four regions were calculated by the creation of the European Adi Fractionalisation Index, as explained in the previous section of this chapter. Data on this variable are from the OECD development statistics for the years between 2005 and 2015. Total net ODA disbursements of donors are used in this study. However, since some net ODA disbursement values are negative because of loan repayments of recipient years in some years, the values of these loan

repayments were also added to net ODA values of donors and then positive values are used as estimates. The analysis consists of one observation for eleven years between 2005 and 2015. The analysis begins from the year 2005, firstly because this is the first year after the “big-bang enlargement” of the EU in 2004, which means those new ten EU member states do not have to be included in the regression analysis as pre-accession funding recipient countries for the previous years. Secondly, *European Consensus on Development*, which emphasizes the necessity of complementarity among EU policies, EU member states and institutions while implementing EU development policy in developing countries, was introduced in 2005. This was a major turning point for the complementarity and cohesion of EU and member states policies on development aid. After the introduction of this document, several new initiatives were launched regarding the efficiency and complementarity of EU foreign aid as discussed above in detail.

A two-way fixed-effect error component model is considered. It is first assumed that the differences in European aid fractionalisation can be captured by the differences in the endowments. The models considered are of such form:

$$y_{it} = \alpha + X'_{it}\beta + \gamma t + \varepsilon_{it}$$

with

$$\varepsilon_{it} = \mu_i + \lambda_t + v_{it}$$

where i denotes the country, $i = 1, \dots, N$ and t denotes time, $t = 1, \dots, T$, y_{it} is the dependent variable (European aid fractionalisation) for country i at time t , β is a $K \times 1$ vector where K is the number of explanatory variables, X_{it} is the it^{th} observation on K regressors, μ_i is the country-specific effect, λ_t is the country-invariant unobservable that accounts for any time-specific effect that is not included in the regression, variable t denotes the linear time trend and v_{it} is the idiosyncratic error.

For example, the time-invariant effects could capture the former colonial ties of recipients with France, Portugal, Spain, the UK and several EU member states, including Belgium, Germany, the Netherlands and Italy and the county-invariant effects could capture the effects of yearly shocks that may disrupt aid fractionalisation.

The inclusion of a linear time trend may have non-trivial implications. First, the trend variable may capture autonomous growth/de-growth in the European aid fractionalisation. Second, without a trend variable, the t-statistics can be misleading due to the common trends.

Plausibly, it is first assumed that the differences in the endowments can be incorporated into the model via fixed-effects. A particular restriction implied by the fixed-effects model is the inability to explicitly account for the impact of time-invariant covariates on the dependent variable for the fact that all possible time-invariant effects have already been captured by μ_i 's.

On the other hand, random effects model can estimate time invariant variables. "Random effects model can be tested with a so-called Hausman test. Hausman model tests whether the coefficients estimated by a random-effects estimator systematically differs from the coefficients estimated by a fixed-effects estimator for those variables that can be estimated with the fixed-effects estimator. Only if this test fails to reject the hypothesis that the coefficients do not systematically differ from each other, can it be assumed that the individual country effects can be treated as random effects and can, therefore, be trusted that the estimated coefficients of the random-effects estimator are free from unobserved heterogeneity bias" (Neumayer 2003, 39-40). In the analysis, the Hausman test was done and it revealed that the appropriate model for this regression is the fixed-effects estimation that the fixed-effects are used throughout the estimations of the level of aid fractionalisation in this study.

6.2.2 Description of the Independent Variables (IVs)

In the literature on aid allocation, in general there are three types of explanatory variables, which cover recipient needs, donor interests and good governance indicators (Neumayer 2003). In this analysis, the aim is to include all possible variables for all recipient and donor countries and maximize the sample in order to avoid selection bias (See Table 6.1). Even though much more independent variables were taken into consideration at the beginning of the analysis, because of high level of multi-collinearity among some of them, the number of independent variables were decreased in the final regression analysis that will be explained further in this chapter.

Table 6.1: Summary Statistics

Variable	Obs.	Mean (s.d.)	Min	Max
Foreign aid fractionalisation level	1507	6.40 (2.36)	0	9.50
HDI	1474	0.60 (0.15)	0	0.85
GDP per capita	1507	3991 (4117)	0	25732
Life expectancy at birth	1507	64.88 (12.78)	0	81.79
Infant Mortality rate	1506	51.48 (41.99)	0	208.8
GDP growth rate, per cent	1507	4.33 (4.93)	-62.08	34.5
Intra-state conflict	1370	0.17 (0.37)	0	1
Inter-state conflict	1370	0.005 (0.07)	0	1
Polity score	1507	2.52 (5.48)	-9	10
Freedom index	1496	3.86 (1.77)	1	7
Voice of accountability	1507	-0.39 (0.83)	-2.24	1.25
Political stability and absence of violence	1507	-0.39 (0.93)	-3.32	1.48
Gov. effectiveness	1507	-0.49 (0.67)	-2.49	1.60
Regulatory quality	1507	-0.49 (0.70)	-2.66	1.55
Rule of Law	1507	-0.52 (0.68)	-2.67	1.42
Control of corruption	1507	-0.48 (0.67)	-1.92	1.79

The *independent variables* of the regression and main arguments of this study regarding those variables are:

- *GDP per capita of the recipient countries in purchasing power parity (PPP)*: The data are collected from the World Bank database and the amount is constant United States dollars (USD) for the year 2010. This study argues that poorer countries get financial aid from much more donors than the relatively richer ones. Therefore, if the gross domestic product (GDP) per capita levels of recipients are low, high level European aid fractionalisation is expected, since many European donors would prefer to allocate aid to poorer countries. This argument is also in parallel with the recommendations of the EU to its member states regarding the LICs and the aim of poverty reduction of EU aid allocation especially, during the last decade.

- *Annual GDP growth rates of recipient countries*: The GDP growth data are collected from the World Bank database for the years between 2005 and 2015. GDP growth in the recipient country signals both need for aid and performance and “merit”. Countries with low levels of economic growth need more aid to accelerate growth, but, on the other hand, donors may be more willing to reward good performers with larger amounts of aid. Therefore, the problem of endogeneity arises here⁸³. In this analysis, the expectation is if economic growth increases, then the aid fractionalisation decreases, since some donors do not prefer to allocate more aid to those recipients with higher growth rates, since it is expected that recipient needs would decrease as well. Any increase in economic growth also affects poverty reduction efforts. Thus, since one of the aims of aid allocation is poverty reduction, when it is started to be reduced in a recipient country, donor states may prefer to withdraw from that country.

- *Human Development Index (HDI) scores of recipient countries*: The HDI is a composite statistic of life expectancy at birth, education (mean and expected years of schooling) and gross national income per capita indicators developed by the UN. It is used to rank countries regarding their levels of social and economic development from 0 to 1. Prior aim of development aid is to increase the level of social and economic development in recipient states. Thus, this study proposes that when a recipient country further develops, ranks higher in the HDI, the aid fractionalisation in this recipient decreases. Some donor countries would prefer to withdraw their aid from that country.

- *Infant mortality rate under 5 years old, per 1000 live births in recipient countries*: The data are collected from the World Bank Development Indicators for the years between 2005 and 2015. Infant mortality rate is highly correlated with the socio-economic development levels of countries. Therefore, this study proposes that if the infant mortality rate is higher in a recipient country, then the aid fractionalisation level is also high. European donors would prefer to support LDCs in accordance with the EU development *acquis* and recommendations.

- *Life expectancy at birth, total years in recipient countries*: The data are collected from the World Bank Development Indicators for the years between 2005 and 2015. Life

⁸³ Because of the measurement error an endogeneity problem may arise in this case. As a solution, it would be useful to lag the growth variables. The logic behind this approach is that GDP growth in the previous year may influence how much aid a country gets a year later. Therefore, I also created a “lag variable” for this independent variable (GDP growth) and run the regression with this variable instead of the initial one. However, the results did not change significantly. Also, since my hypothesis is clear regarding the relationship between the GDP growth and the level of aid fractionalisation, the endogeneity problem for this independent variable does not impact the results of the analysis.

expectancy at birth indicator is also highly correlated with the socio-economic development levels of countries. Therefore, again it is expected that when the life expectancy at birth increases in a recipient country, the aid fractionalisation would decrease, since the level of socio-economic development in that recipient would increase as well.

- *Colonial status of recipients* with France, Portugal, Spain, the UK and several EU member states, including Belgium, Germany, the Netherlands and Italy: The data is extracted from the Issue Correlates of War (ICOW) Project's dataset of colonial history (Hensel and Mitchell 2007). Whether recipient countries were a former colony of an EU member state or not was measured as dummy variables. If a recipient was a former colony then, the value of this variable is 1 for the years between 2005 and 2015 and if it was not a colony, the value is measured as 0. These colonial status variables of recipient states are the only time-invariant variables used in this study. This study proposes that if a recipient has a colonial history with one of the EU member states, then it is expected that the aid fractionalisation would be lower in this country, since that specific EU member state would dominate the majority of aid allocation to that recipient and this would prevent other European donors to cooperate with that recipient country. On the other hand, since one of the EU member states would have further expertise and long-standing socio-economic relations with that recipient, other European donors would prefer to limit their contribution and go for division of labour and complementarity by applying joint-programming in that recipient, in accordance with the current EU recommendations and principles on aid allocation of member states⁸⁴.

- *Democracy levels of recipients*: Polity scores of recipient countries are used in this study in order to measure democracy levels of recipient states. The data are collected from Polity IV Project, which codes authority characteristics of states in the world system and annually scores them over the period 1800 and 2015. The "Polity Score" captures this regime authority spectrum on a 21-point scale ranging from -10 (hereditary monarchy) to +10 (consolidated democracy). This analysis uses the values of "Polity2" (revised combined polity score) variable of the Polity IV dataset, since using Polity2 variable enables the use of Polity regime measure in time-series analyses. Polity2 variable is the converted version of annual, standardized Polity scores (i.e., -66, -77, and -88) to

⁸⁴ Colonial status variable was wiped out from the final estimation as explained above, since it is time-invariant and the fixed effects estimation method is used in this analysis.

conventional polity scores (i.e., within the range, -10 to +10). As mentioned several times in this study, the EU considers itself as a normative power in its external relations and promote democracy, rule of law, respect to human rights and good governance in its external relations and expect the same from its member states in their external affairs, including foreign aid allocation. Thus, this study argues that if the level of democratization increases in recipient states, the European aid fractionalisation also increases, since it is expected that European donors prefer to support social and economic development in democracies rather than in the countries governed by autocrats. In other words, if EU member states apply the European donors prefer to withdraw their aid allocations first from the countries which have tendency towards authoritarianism and less respect to political freedoms and civil rights.

- *Respect for freedoms and civil liberties in recipients*: Freedom House⁸⁵ scores of recipient countries are used in this study in order to measure respect for freedoms and civil liberties in recipient states. The variable is measured as the unweighted sum of the political rights (PR) and civil liberties (CL) indexes of Freedom House for the years between 2005 and 2015. While PR refer to the freedom to organize in political parties or groupings, the existence of party competition and an effective opposition and fair and equal competition in elections, CL includes the freedom of the media, the right to free discussion, the freedom of assembly and religious expression, the protection from political terror and the prevalence of the rule of law (Karatnycky 1999, 547-9). The variable is measured on a 1 (best) and 7 (worst) scale. Similar to the democracy variable, this study argues that if the respect to political freedoms and civil liberties is higher in recipient states, the European aid fractionalisation also increases, since it is expected that European donors prefer to support social and economic development in countries, which respect freedoms and political rights.

- *Government Effectiveness*: The data of government effectiveness of recipient states are collected from Worldwide Governance Indicators data set of the World Bank, since it is one of the six governance indicators (Kaufmann *et al.* 1999). Government effectiveness captures perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies.

⁸⁵ Freedom House Database, <https://freedomhouse.org/report-types/freedom-world>; accessed in May 2017.

All governance indicators' measures depend on several different sources, such as polls of experts and surveys of citizens within a country. A linear unobserved components model is used to aggregate these various sources into one aggregate indicator (Neumayer 2003). The value of the government effectiveness indicator ranges between -2.5 to 2.5. Higher values indicate higher effectiveness level of the government.

- *Regulatory quality*: The data of regulatory quality of recipient states are collected from Worldwide Governance Indicators data set of the World Bank. It is one of the six governance indicators. Regulatory quality captures perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. The value of the regulatory quality indicator again ranges between -2.5 to 2.5. Higher values indicate higher regulatory quality in the country.

- *Rule of Law*: The data of rule of law in recipient states are collected from Worldwide Governance Indicators data set of the World Bank. It is one of the six governance indicators. Rule of law captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights, the police, and the courts, as well as the likelihood of crime and violence. The value of the rule of law indicator again ranges between -2.5 to 2.5. Higher values indicate higher perception of the application of the rule of law in the country.

- *Control of Corruption*: The data on the control of corruption are collected from Worldwide Governance Indicators data set of the World Bank. It is one of the six governance indicators. Control of corruption captures perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as capture of the state by elites and private interests. The value of the control of corruption indicator again ranges between -2.5 to 2.5. Higher values indicate lower perception of corruption in the country.

This study proposes for all the governance indicators taken as independent variables in the analysis, that there are negative relationships between these independent variables and the level of European aid fractionalisation in recipients. Since significant amount of the European aid is allocated to those recipients, which have lower levels regarding worldwide governance indicators, aims to increase the effectiveness of the government, the governance and regulatory quality, the standard of the rule of law and to

control corruption, it is expected that some donors prefer to withdraw their bilateral aid, when the governance quality increases in recipients. Also, as it is explained in the recommendation of the EU *acquis* on the budget support, the budget support of the EU increases when the good governance is promoted in recipient countries. Thus, the EU allocates much more aid and also, member states prefer to delegate their collective authority to EU institutions regarding the budget support, which decreases the level of aid fractionalisation⁸⁶.

- *Intra state conflict dummy for recipients*: In this analysis, an intra state dummy is used as one of the explanatory variables. The data are collected from UCD/PRIO Armed Conflict Dataset⁸⁷ (Gleditsch *et al.* 2002). The dataset covers all armed conflicts, both internal and external, in the period 1946 to the present. If there is an internal conflict or war in a recipient country in the period 2005 to 2015 then, the value of this variable becomes 1 for that specific year between 2005 and 2015 and if there is not any internal conflict, the value of that variable is measured as 0. However, this variable is not time-invariant, since an internal conflict or violence can erupt and end anytime randomly. The existence of internal conflicts, wars and violence in recipient states would impact the recipient needs and the perception of donor countries. The ODA volumes used in this analysis also cover humanitarian and emergency aid that is allocated to conflict affected countries. Therefore, it is expected that aid fractionalisation increases in recipient states, which have internal conflicts and wars.

- *Inter-state conflict dummy for recipients*: In the analysis, an inter-state dummy is also used as one of the independent variables. The data are collected from UCD/PRIO Armed Conflict Dataset (Gleditsch *et al.* 2002). If there is an external conflict or war in a recipient country in the period 2005 to 2015 then, the value of this variable becomes 1 for that specific year between 2005 and 2015 and if there is not any inter-state war, the value of that variable is measured as 0. This variable is also not time-invariant. However, as

⁸⁶ Some of the independent variables of this study, especially the ones about democracy, freedoms and good governance are not time invariant, but could be considered as “almost time invariant”, since the time period of the analysis covers only eleven years, thus very little variation over time is expected in those variables. Therefore, I have checked the variance of all governance indicators separately for each unit (recipient country). The results show that while in some recipient countries the variance over time is very little, in others there is enough variance. However, since there are so many units of analysis, there is not any significant impact of almost time-invariant independent variables of individual recipients on the overall results of the regression analysis. On the other hand, polity score, Freedom House scores and World Bank governance indicators are commonly used as independent variables in fixed effects estimations in the literature. Therefore, in this analysis World Bank governance indicators are not inefficient estimators that estimate coefficients with large standard errors.

⁸⁷ <https://www.prio.org/Data/Armed-Conflict/UCDP-PRIO/>

different than the expectation regarding the relationship between intra state war and aid fractionalisation, this study proposes that aid fractionalisation decreases, if there is an inter-state war in a recipient country, since it would be difficult to deliver, control and monitor any type of aid and make cooperation with a government, which is in war with another state. Thus, European donors would prefer to allocate aid to the recipients that have higher political stability.

-Trend: A trend variable is composed, which shows the trend in the level of European aid fractionalisation over time (from 2005 to 2015) autonomously, irrespective of explanatory variables. The composed trend values show us that the level of European aid fractionalisation decrease significantly, in other words the number of European donors disaggregates autonomously over time.

6.2.3 Limitations of the Research Method

In this study, the scope is limited with the European Union and its 19 member states, which are also OECD DAC members. Therefore, the results of this analysis do not describe a worldwide general phenomenon. However, the aim of it is to provide a clear and valid explanation for the EU's and its member states' aid allocation motivations in the partner countries covered by four main geographical financial assistance mechanisms – IPA, ENI, DCI and EDF- of the EU. It is important to note that the regression models that this study uses are ad-hoc models, which means they are not proof based.

Regarding the total net ODA volumes, it is necessary to note that the data of the OECD development statistics are not perfect. According to the OECD's methodology for calculating ODA, debt forgiveness, refugee costs and scholarships to students from developing countries are also considered as financial aid. Using the data provided by the OECD, it is not possible to purge bilateral aid data from these inflating factors. Additionally, loans given by donors to recipients are also included in the ODA volumes of the OECD data that is used in this analysis.

Regarding the estimation method of the analysis, “multi-collinearity” among different independent variables is another problem that emerged during the regression analysis. There is high correlation between different independent variables that I considered in this study. Since the GDP per capita of the recipient countries in PPP is also

used in the calculation of HDI, high correlation is figured out between these variables. Also, life expectancy rate is used in the calculation of the HDI. Thus, the correlation among them again is calculated as high. Therefore, first, robustness checks were conducted by using GDP per capita, life expectancy rates, mortality rates and HDI scores of recipient states as separate independent variables. The results of the robustness checks do not show any significant change among them, so GDP per capita, life expectancy rates and mortality rates are dropped and only HDI scores of recipient countries are used in the final regression analysis of this study. On the other hand, since the level of democracy (polity score) and respect for freedoms and civil liberties (Freedom House scores) in recipient countries are highly correlated with each other, I conducted robustness checks for each of these variables and the results show no significant change. Therefore, I dropped the respect for freedoms and civil liberties variable and used only the level of democracy variable in the final regression analysis. However, the results of the alternative model using GDP per capita, life expectancy rate, mortality rate and Freedom House scores is also reported (See Tables 6.2 and 6.3). Finally, four of the World Bank governance indicators that are used as independent variables of this study are also highly correlated with each other, as it is expected. In order to cope with this multi-collinearity problem, I included each governance indicator to the analysis once at a time and separately. Thus, the regression analysis of this study includes four different models, each includes only one governance indicator as an independent variable. In this way, the problem of multi-collinearity among these four variables and dropping out three of them from the estimation are avoided.

6.2.4 Analysis and Discussion of the Results

The analysis of the results begins with aggregate European aid fractionalisation levels of all recipients from all regions. Then, the aid fractionalisation to four different regions, that EU financial assistance instruments cover (IPA, ENI, DCI, EDF), is examined.

Table 6.2: Determinants of Foreign Aid Fractionalisation, 2005-2015, baseline model

	(1)	(2)	(3)	(4)
HDI	1.277(1.212)	1.198(1.388)	1.203(1.302)	1.32(1.373)
GDP growth rate	-0.011*(0.006)	-0.012*(0.006)	-0.012*(0.006)	-0.012*(0.006)
Intra-state conflict	0.292*(0.170)	0.426*(0.245)	0.315*(0.187)	0.392*(0.235)
Inter-state conflict	0.444(0.403)	0.556(0.461)	0.595(0.421)	0.639(0.499)
Polity score	0.007(0.032)	0.013(0.033)	0.025(0.035)	0.018(0.035)
Gov. effectiveness	-1.599***(0.603)	-	-	-
Regulatory quality	-	-0.631(0.631)	-	-
Rule of Law	-	-	-1.374**(0.626)	-
Control of corruption	-	-	-	-0.897(0.549)
Linear time trend	-0.118***(0.019)	-0.120***(0.020)	-0.119***(0.019)	-0.121***(0.020)
Constant	5.551***(0.936)	6.046***(1025)	5.636***(1017)	5.842***(1022)
Sample size	1340	1340	1340	1340
R-squared	0.143	0.102	0.127	0.110
Significance test (p-value)	0.80 (0.6041)	0.80 (0.5998)	0.81 (0.5911)	0.82 (0.5880)
Hausman test (p-value)	41.24 (0.0000)	39.63 (0.0000)	32.97 (0.0000)	33.87 (0.0000)

Note: The dependent variable is the foreign aid fractionalisation. All specifications include country and year fixed-effects. Significance test reports the F statistic and the p-value for the null hypothesis that the year fixed-effects are jointly and statistically not different from zero. Hausman test reports the chi-square statistic and the p-value for the null hypothesis of uncorrelated country effects. Robust standard errors in parentheses are clustered at the country level. *, ** and *** denote statistical significance at the 10, 5 and 1 percent level respectively.

Here the aggregate European aid fractionalisation levels of all recipients from all regions are reported. First of all, it is important to note that the analysis has four models, each includes one governance indicator as independent variable. Model 1 (column 1) takes into account “government effectiveness”, Model 2 (column 2), “regulatory quality”, Model 3 (column 3) “rule of law” and Model 4 (column 4), “control of corruption”. Table

6.2 shows that in countries where there are intra-conflicts such as civil war, terrorist violence and attacks, the European aid diversity increases marginally. On the other hand, countries with higher economic growth rates, level of government effectiveness and perception of the application of the rule of law have less European aid fractionalisation. Thus, in these countries European donors disaggregate and the volume of aid allocated by them becomes less equally distributed. Interestingly, however, neither the level of human development, which also includes GDP per capita income and infant mortality rate, nor the level of democracy (polity score) test significantly in the model. However, both of them have positive correlation with the dependent variable. Although, for the polity score it was expected to have a positive correlation with the aid fractionalisation, a negative correlation with the HDI score is expected. This means that first, we cannot explain aid fractionalisation of European donors over time with these two variables and they may prefer to concentrate their bilateral aid or provide more multilateral aid through the EU to the less developed recipients.

Economic growth variable is marginally significant at the 10per cent significance level with a negative coefficient in four of the models. In parallel to expectation, the results reveal that if the economic growth increases, then the aid fractionalisation decreases, since some donors do not prefer to allocate more aid to those recipients with higher growth rates, since they would consider that recipient needs would decrease as well by economic growth. Any increase in economic growth also affects poverty reduction efforts in that country. It signals that the level of poverty decreases. Thus, since one of the utmost aims of European aid allocation is poverty reduction, when the level of poverty decreases in a recipient country, some of the European donors may prefer to withdraw their aid from that country. Finally, the EU recently decided to withdraw its aid allocation to the Middle Income Countries (MICs), since these countries have achieved certain level of economic growth and it is expected that they should build poverty reduction efforts themselves (Herbert 2012). The results show that even before such a decision is taken, European donors had tendency to withdraw their aid allocations from recipients with higher economic growth rates.

Intra state conflict dummy variable is marginally significant at the 10per cent significance level with a positive coefficient in four of the models. As expected, the results show that aid fractionalisation increases in recipient states, which have internal conflicts and wars. The existence of internal conflicts, wars and violence in recipient

states would impact the recipient needs and the perception of donor countries as well. The ODA volumes used in this analysis also cover humanitarian and emergency aid that is allocated to conflict affected countries. Therefore, almost all European donors prefer to allocate aid, at least humanitarian and emergency aid, to conflict affected countries irrespective than the division of labour for complementarity and cohesion principles of the EU.

Also, the results reveal that out of four governance indicators taken into consideration in this study, two of them are negatively significant with the European aid fractionalisation as it is expected. The government effectiveness level is the most significant variable, which is at 1 per cent interval with a negative coefficient, among all independent variables. Much more successful application of the rule of law is significant at the 5 per cent significance level again with a negative coefficient. Even though the control of corruption and regulatory quality variables are not significant, they have negative relationship as well, as it is expected. These results show that any improvement in good governance, particularly in the level of government effectiveness in a recipient, has a direct impact on the number of active European donors and their distribution of aid allocation in that country. When the promotion and application of good governance increase in a recipient country, some of the European donors prefer to withdraw their aid allocation to that recipient and much more unequal allocation of aid is observable. This also means that the concentration of only few European donors increase in that country. The increasing concentration of EU institutions' aid rather than member states' aid is expected in those recipients, since the EU has declared the "more and more" approach, which aims to support more those countries with higher level of democracy, aiming good governance and respect to human rights. Recent studies in the literature support this argument. They show that EU budget support, as an aid mechanism, increases to those countries, which have democratized further, had political stability and promoted good governance. However, member states are much more reluctant to provide budget support to recipient states.

Finally, "trend" variable is constructed, which is also highly significant with a negative coefficient in all of the models of the analysis. This means that irrespective than other independent variables, there is a tendency that European aid fractionalisation decreases over time. This is a striking result for this study, since it also shows the increasing convergence of aid allocation patterns of European donors. Thus, European

donors prefer division of labour, complementarity and cohesion in recipient states over time by withdrawing from some of the countries and regions and even delegating their authority to EU institutions, which is a proof of decrease in European donors' aid diversity.

It would be also useful to analyse the results of the alternative model tested with other independent variables in order to have a clearer picture of the determinants of European aid fractionalisation.

Table 6.3: Determinants of Foreign Aid Fractionalisation, 2005-2015, alternative model

	(1)	(2)	(3)	(4)
Log GDP per capita	0.093(0.560)	0.101(0.568)	-	-
Life expectancy	-	-	0.046(0.043)	0.057(0.043)
Mortality rate	-	-	0.001(0.006)	0.000(0.007)
GDP growth	-0.009(0.007)	-0.009(0.007)	-0.009(0.007)	-0.010(0.007)
Intra-state conflict	0.081(0.117)	0.083(0.114)	0.123(0.113)	0.118(0.110)
Inter-state conflict	0.084(0.266)	0.118(0.253)	0.058(0.255)	0.093(0.236)
Freedom index	0.180**(0.090)	0.173*(0.090)	0.151*(0.087)	0.138(0.087)
Gov. effectiveness	-0.623**(0.279)	-	0.683***(0.245)	-
Rule of Law	-	-0.544*(0.288)	-	-0.672**(0.259)
Linear time trend	-	-	-	-
	0.123***(0.027)	0.123***(0.027)	0.132***(0.027)	0.138***(0.027)
Constant	5.435(4.373)	5.433(4.442)	3.224(2.914)	2.674(2.884)
Sample size	1332	1332	1358	1358
R-squared	0.115	0.114	0.114	0.114
Significance test (p-value)	0.87 (0.5474)	0.87 (0.5455)	0.89 (0.5292)	0.90 (0.5194)
Hausman test (p-value)	32.40 (0.0003)	27.76 (0.0020)	26.87 (0.0027)	27.45 (0.0022)

Note: The dependent variable is the foreign aid fractionalisation. All specifications include country and year fixed-effects. Significance test reports the F statistic and the p-value for the null hypothesis that the year fixed-effects are jointly and statistically not different from zero. Hausman test reports the chi-square statistic and the p-value for the null hypothesis of uncorrelated country effects. Robust standard errors in parentheses are clustered at the country level. *, ** and *** denote statistical significance at the 10, 5 and 1 percent level respectively.

In the alternative analysis, there are again four different models but in the first two of them while logged GDP per capita is included, in the third and fourth one it is dropped

and both life expectancy and mortality rate variables are included in, since they are highly correlated with the GDP per capita variable. Also, out of four governance indicators, only the significant two of them are taken into account, which are government effectiveness and rule of law.

Interestingly, in the alternative model both GDP growth and intra state conflict variables, which are marginally significant in the baseline model, are not significant. Also, logged GDP per capita, life expectancy and infant mortality rates are not significant but they are positively correlated with the level of aid fractionalisation as the HDI is in the baseline model. It is important to note that even though in the baseline model, polity score is not significant, correlated variable with the polity score, the respect for freedoms and civil rights variable is significant in the first two models, where the log GDP per capita is taken, at the 5per cent significance level when the government effectiveness is considered, and at 10per cent interval in the model that includes rule of law variable, with positive coefficients. Moreover, the Freedom House scores continue to be marginally significant at the 10per cent significance level with a positive coefficient, in the model that log GDP per capita is dropped, but life expectancy, infant mortality rates and government effectiveness variables are taken into consideration. These signify that when the respect for political freedoms and civil liberties in a recipient country increase, the aid fractionalisation of European donors also increases, as it is expected that European donors prefer to support social and economic development in countries, which respect freedoms and political rights. However, this also shows us the increasing divergence among European donors' aid allocations to the recipients with higher respect to political freedoms and civil rights that many of them continue their bilateral aid allocations. EU member states would prefer to direct their aid via EU institutions and also continue their high amount of bilateral aid allocations parallelly to those states, since the aid fractionalisation increases. On the other hand, this shows that when the erosion of freedoms and civil rights is observed in a recipient, EU member states prefer to withdraw their aid allocations from this country and aid fractionalisation decreases.

Finally, even in the alternative analysis, both government effectiveness and rule of law variables are significant. The government effectiveness variable is significant at 5per cent interval with a negative coefficient in the model that GDP per capita is taken and at the 1per cent significance level with a negative coefficient in the model that both life expectancy and infant mortality rates are considered. On the other hand, again the

rule of law variable is significant at 10 per cent interval with a negative coefficient in the model that GDP per capita is taken and at the 5 per cent significance level with a negative coefficient in the model that both life expectancy and infant mortality rates are considered. These show that both HDI and life expectancy and infant mortality rates and polity and Freedom House scores of recipients, when they are used interchangeably, have the same effect on the relationship between the level of government effectiveness, rule of law and the level of European aid fractionalisation in a recipient state.

6.2.4.1 Determinants of aid fractionalisation by regions

In order to figure out the possible determinants of European aid fractionalisation in four different regions that this study analyses, the aggregated European aid fractionalisation data is disaggregated to four main geographical regions of this study by using the same independent variables and four models for each governance indicator (See Tables 6.4, 6.5, 6.6 and 6.7).

“Region 1” covers IPA recipient countries, which are negotiating and potential candidates of the EU. Thus, it is expected that these countries have higher degrees of social, political and economic development, democratization levels and respect to human rights, political freedoms and good governance principles and less internal conflicts than the countries in other regions. The results of the analysis for Region 1 show that GDP growth is marginally significant at the 10 per cent significance level with a negative coefficient in three of the models, excluding the one includes the rule of law variable. Also, only one of the good governance indicator, government effectiveness is significant marginally at 10 per cent again with a negative coefficient (See Table 6.4). These results indicate that when economic growth and government effectiveness of negotiating and potential EU candidates increase, the level of European aid fractionalisation decreases, which means, apart from the EU, EU member states prefer to allocate bilateral aid to IPA recipients, which are poorer and have problems in their government effectiveness such as the quality of public services, the quality of the civil service, the quality of policy formulation and implementation, and the credibility of the government. Finally, the trend variable is also significant with a negative coefficient but different interval levels in all of the models. The rest of the independent variables do not show us any significant relationship with the level of European aid fractionalisation. According to the results of

the EAFI analysis of the previous section of this chapter, the region that covers IPA recipients is the least diversified region among others. Thus, European donors' interests and preferences converge in this region and they prefer to allocate higher volumes of aid through the EU. However, some of them continue their bilateral aid allocation. This analysis is important to figure out, according to which criteria in the candidates and potential candidates EU member states prefer to provide bilateral aid.

Table 6.4: Determinants of Foreign Aid Fractionalisation, 2005-2015, Region 1 (IPA Recipients)

	(1)	(2)	(3)	(4)
HDI	70.253(38.913)	56.144(47.538)	57.393(42.836)	57.72(47.298)
GDP growth rate	-0.098*(0.046)	-0.098*(0.046)	-0.099(0.052)	-0.110*(0.048)
Intra-state conflict	0.088(1.911)	-1.890(2.503)	-1.980(2.582)	-2.360(2.484)
Polity score	0.146(0.284)	0.346(0.434)	0.353(0.456)	0.342(0.436)
Gov. effectiveness	-7.103*(2.945)	-	-	-
Regulatory quality	-	-0.911(3.002)	-	-
Rule of Law	-	-	-0.039(4.283)	-
Control of corruption	-	-	-	1.251(1.533)
Linear time trend	-	-	-	-
	-0.547*(0.259)	-0.723*(0.326)	0.770***(0.205)	-0.806**(0.287)
Constant	-	-	-	-
	44.871(27.475)	34.373(33.652)	35.136(31.443)	-34.784(33.213)
Sample size	70	70	70	70
R-squared	0.787	0.725	0.724	0.726
Significance test (p-value)	30.95 (0.0003)	22.97 (0.0007)	16.28 (0.0018)	21.72 (0.0008)

Note: The dependent variable is the foreign aid fractionalisation. All specifications include country and year fixed-effects. The inter-state conflict variable is dropped due to collinearity. Significance test reports the F statistic and the p-value for the null hypothesis that the year fixed-effects are jointly and statistically not different from zero. Robust standard errors in parentheses are clustered at the country level. *, ** and *** denote statistical significance at the 10, 5 and 1 percent level respectively.

“Region 2” covers ENI recipient countries, which are neighbouring partner countries of the EU. Again, it is expected that these countries have higher degree of social, political and economic development levels particularly, than the countries in the Sub-Saharan Africa, which is covered by the EDF instrument. The results of the analysis for Region 2 are interestingly different than the results for the Region 1. Since both of the

regions are in the EU periphery and European states have differentiated social, economic and political relations with these countries, it is expected to have similar results in both models. On the other hand, the EU, in fact, has different relationship mechanisms with its candidate and neighbourhood countries in the East and South that is reflected in the results of these analyses. GDP growth, level of democracy (polity score) and intra state conflict variables are not significant in none of the models for Region 2. Different than the results of the aggregated analysis, socio-economic development, in other words, HDI scores of recipients are significant negatively in three of the models, except the model contains rule of law variable. While it is significant at 5per cent interval with a negative coefficient in the models cover “regulatory quality” and “control of corruption”, it is marginally significant at the 10per cent significance level with a negative coefficient in the model includes “government effectiveness”. In my proposal, this is expected for all of the models, but it is firstly recognized in the EU neighbourhood. This indicates that EU member states have tendency to complement each other and not to provide bilateral aid individually to the ENP countries with high levels of socio-economic development. Also, both regulatory quality and control of corruption are significant at the 5per cent significance level with negative coefficients (See Table 6.5). These results show that while socio-economic development, regulatory quality and perception of controlling the corruption increase in the neighbouring countries, the level of European aid fractionalisation decrease. Thus, European donors prefer to consider the socio-economic development levels, regulatory quality and control of corruption measures of European neighbourhood countries, instead of their government effectiveness and respect to rule of law, while allocating bilateral aid to them. One of the possible inferences of these results could be like this: The relations of the EU and EU member states with the ENP countries and the allocation of the ENI funds depends on several different factors between the EU and the partner country as explained in detail in Chapter 5 of this dissertation. Therefore, cooperation areas and thematic fields for funding differs a lot from country to country. However, economic ties and trade relations take the lead among them. Also, as one of the officials from the EEAS has mentioned, “the EU supports regulatory states in the ENP”⁸⁸. Thus, when regulatory quality and the perception of the control of corruption improve in ENP countries, European donors’ preferences converge and the level of aid

⁸⁸ Interview with an official in the EEAS, Brussels, 21 March 2017.

fractionalisation decreases. Finally, the trend variable is also significant with a negative coefficient but different interval levels in all of the models.

Table 6.5: Determinants of Foreign Aid Fractionalisation, 2005-2015, Region 2 (ENI Recipients)

	(1)	(2)	(3)	(4)
HDI	-8.135*(4.585)	-7.416**(3.419)	-7.63(4.906)	-8.220**(3.681)
GDP growth rate	-0.01(0.009)	-0.011(0.01)	-0.011(0.01)	-0.009(0.01)
Intra-state conflict	0.283(0.246)	0.223(0.249)	0.18(0.213)	0.257(0.244)
Polity score	-0.016(0.057)	-0.019(0.045)	-0.009(0.052)	0.005(0.045)
Gov. effectiveness	-0.707(0.445)	-	-	-
Regulatory quality	-	-0.948**(0.350)	-	-
Rule of Law	-	-	-0.838(0.544)	-
Control of corruption	-	-	-	-0.777**(0.357)
Linear time trend	-0.070*(0.035)	-0.073**(0.031)	-0.079**(0.036)	-0.080**(0.033)
Constant	12.690*** (3.351)	12.052*** (2.413)	12.344*** (3.589)	12.699*** (2.733)
Sample size	140	140	140	140
R-squared	0.371	0.396	0.367	0.367
Significance test (p-value)	4.13 (0.0118)	5.23 (0.0044)	5.71 (0.0030)	5.99 (0.0024)

Note: The dependent variable is the foreign aid fractionalisation. All specifications include country and year fixed-effects. The inter-state conflict variable is dropped due to collinearity. Significance test reports the F statistic and the p-value for the null hypothesis that the year fixed-effects are jointly and statistically not different from zero. Robust standard errors in parentheses are clustered at the country level. *, ** and *** denote statistical significance at the 10, 5 and 1 percent level respectively.

“Region 3” covers DCI recipient countries, which are countries from five different geographical regions, Asia, Central Asia, Africa, Latin America and the Middle East. Therefore, these countries’ socio-economic levels and political conditions highly differ from each other. The results of the analysis for this region significantly differs from the results of other regional analyses and aggregated analysis of all regions. None of the independent variables are significant in this region in four of the models. Only the trend variable is significant at the 1 per cent significance level with a negative coefficient in all of the models, which means independent than any variable, the level of European aid fractionalisation decreases in this region over time (See Table 6.6). This result clarifies that there are some other factors different than the economic growth, the socio-economic level, the level of democracy, respect to political rights and civil liberties, the quality of

governance and existence of an internal or external conflict in the recipient countries of the DCI between 2005 and 2015 that this analysis cannot explain.

Table 6.6: Determinants of Foreign Aid Fractionalisation, 2005-2015, Region 3 (DCI Recipients)

	(1)	(2)	(3)	(4)
HDI	-0.079(0.677)	-0.103(0.639)	-0.079(0.653)	-0.114(0.650)
GDP growth rate	-0.022(0.014)	-0.021(0.014)	-0.022(0.014)	-0.023(0.014)
Intra-state conflict	0.151(0.122)	0.15(0.122)	0.15(0.124)	0.165(0.134)
Inter-state conflict	0.048(0.230)	0.038(0.227)	0.045(0.222)	0.048(0.230)
Polity score	-0.008(0.024)	-0.008(0.024)	-0.008(0.024)	-0.009(0.023)
Gov. effectiveness	0.005(0.399)	-	-	-
Regulatory quality	-	-0.064(0.330)	-	-
Rule of Law	-	-	-0.033(0.368)	-
Control of corruption	-	-	-	0.181(0.333)
Linear time trend	-	-	-	-
	0.101***(0.022)	0.100***(0.021)	0.101***(0.021)	0.101***(0.021)
Constant	8.276***(0.536)	8.254***(0.474)	8.252***(0.544)	8.401***(0.474)
Sample size	450	450	450	450
R-squared	0.129	0.129	0.129	0.130
Significance test (p-value)	0.47 (0.8688)	0.49 (0.8558)	0.49 (0.8565)	0.50 (0.8493)

Note: The dependent variable is the foreign aid fractionalisation. All specifications include country and year fixed-effects. Significance test reports the F statistic and the p-value for the null hypothesis that the year fixed-effects are jointly and statistically not different from zero. Robust standard errors in parentheses are clustered at the country level. *, ** and *** denote statistical significance at the 10, 5 and 1 percent level respectively.

Final analysis covers the region of the EDF recipients, “Region 4”, which has the highest level of total European aid fractionalisation during the period between 2005 and 2015, according to the results of the previous section of this chapter. The results of the analysis show that GDP growth is marginally significant at the 10 per cent significance level with negative coefficient only in two of the models, which include regulatory quality and control of corruption variables. Therefore, it is not possible to generalize the argument that the European aid fractionalisation decreases, when GDP growth rates of the EDF recipients increase. However, both government effectiveness and rule of law variables are significant at the 5 per cent and the 10per cent significance levels respectively, with negative coefficients. The role of the government effectiveness and respect to rule of law

on the level of European aid fractionalisation is higher in this region than any other region. This indicates that when the government effectiveness and rule of law increase in the ACP countries, the level of convergence in European donors increases as well, they prefer to concentrate their aid in the region and thus, the level of European aid diversification decreases. Also, the trend variable is significant at the 1 per cent significance level with a negative coefficient in all of the models, which means independent than any variable, the level of European aid fractionalisation decreases in this region over time (See Table 6.7).

Table 6.7: Determinants of Foreign Aid Fractionalisation, 2005-2015, Region 4 (EDF Recipients)

	(1)	(2)	(3)	(4)
HDI	1.427(2.153)	2.366(3.147)	1.859(2.713)	1.884(2.678)
GDP growth rate	-0.014(0.009)	-0.017*(0.009)	-0.016(0.010)	-0.018*(0.010)
Intra-state conflict	0.446(0.307)	0.677(0.471)	0.487(0.340)	0.623(0.444)
Inter-state conflict	0.607(0.612)	0.802(0.697)	0.803(0.591)	0.832(0.706)
Polity score	0.038(0.057)	0.026(0.072)	0.052(0.069)	0.031(0.069)
Gov. effectiveness	-1.859**(0.736)	-	-	-
Regulatory quality	-	-0.442(0.977)	-	-
Rule of Law	-	-	-1.495*(0.779)	-
Control of corruption	-	-	-	-1.030(0.682)
Linear time trend	-	-	-	-
	0.130***(0.033)	0.122***(0.034)	0.124***(0.033)	0.118***(0.033)
Constant	4.535***(1.302)	4.893***(1.811)	4.628***(1.563)	4.885***(1.498)
Sample size	680	680	680	680
R-squared	0.136	0.081	0.116	0.098
Significance test (p-value)	0.97 (0.4672)	0.81 (0.5967)	0.80 (0.6019)	0.78 (0.6198)

Note: The dependent variable is the foreign aid fractionalisation. All specifications include country and year fixed-effects. Significance test reports the F statistic and the p-value for the null hypothesis that the year fixed-effects are jointly and statistically not different from zero. Robust standard errors in parentheses are clustered at the country level. *, ** and *** denote statistical significance at the 10, 5 and 1 percent level respectively.

6.3 Conclusion

This chapter has two empirical analysis on the relationship among the level of European integration in EU external assistance policies, the level of aid diversification of European donors and the factors derived from recipient needs and recipients' governance quality that impact the level of aid fractionalisation. Since this chapter proposes that there is a relationship between the level of European aid allocation and the level of centralisation/integration in a region, an aid fractionalisation index is developed for the years between 2005 and 2015 in order to measure the level of diversification of European donors, including the EU and nineteen OECD DAC-EU members. This study argues that while higher aid fractionalisation indicates the divergence of development cooperation policies, absence of division of labour, joint-programming efforts and coordination among the EU and member states, low aid fractionalisation levels show disaggregation of European donors in recipient countries and regions as a result of the complementarity of development and cooperation policies between the EU and its member states.

In the second part of this chapter, the determinants of European aid fractionalisation are analysed. I argue that there are some priority countries and regions that European donors prefer to aggregate or disaggregate their aid allocations according to several factors, which could be based on recipient needs and good governance indicators, since the EU prioritizes them in its aid allocation mechanisms during the last decade. Thus, if in a recipient economic growth increases, poverty declines, socio-economic development and governance qualities improve and there is absence of any type of violence and conflict or if a recipient country does not respect to political freedoms and civil liberties and becomes much more authoritarian, EU member states prefer to withdraw their aid allocations immediately from those countries.

First of all, according to the calculation of the European aid fractionalisation index by regions, European aid fractionalisation is higher in the regions where the DCI and the EDF instruments cover than the regions of the IPA and the ENI recipients, since the enlargement and neighbourhood policies of the EU are much more centralized policy areas than the development and cooperation policy. Also, three of the four geographical regions analysed in this study (covered by the EDF, the DCI and the ENI), have high degree of European aid fractionalisation. Interestingly, although the total number of EU

donors allocate aid to EDF recipients is lesser compared to other regions, the amount of total European aid is much more evenly distributed to EDF recipients than the recipients to other three regions. Thus, the value of European aid fractionalisation is the highest in the region that the EDF covers and at the same time, the EDF is the least centralized external assistance instrument of the EU. On the other hand, the results on the regions covered by the EDF and the DCI signify the existing parallel competence in EU development and cooperation policy. Finally, when a non-EU country is a candidate or prospective candidate country to the EU, the amount of the aid given by the European Commission in respect to the aid given by individual EU member states increases. Thus, in the region covered by the IPA, the domination of EU institutions is the illustration of convergent policies of the EU and its member states in enlargement policy and the high level of delegation of authority of member states to the EU institutions on the funding of candidate countries.

According to the results of the aggregated empirical analysis in the second part of this chapter, economic growth, intra state conflict, government effectiveness and rule of law variables have correlated relationship with the level of aid fractionalisation. Neither the level of human development, which also includes GDP per capita income and infant mortality rate, nor the level of democracy (polity score) test significantly in the model. This means that first, we cannot explain aid fractionalisation of European donors over time with these two variables. However, when the data is disaggregated to four regions and analysed separately for each region, the results differ. While in the region covered by the IPA, only GDP growth and government effectiveness impact the level of aid fractionalisation, in the European neighbourhood, human development level, regulatory quality and the perception of the control of corruption become significant in determining the aid fractionalisation level. Surprisingly, none of the independent variables have enough power to explain the factors that cause aid fractionalisation in the recipients covered by the DCI, even though this region has the second highest level of European aid fractionalisation. Finally, in the region covered by the EDF, only economic growth, government effectiveness and rule of law variables are significant. Importantly, both in the aggregated estimation and four geographical region estimations on this analysis the trend variable is negatively significant with the level of European aid fractionalisation, which means in general, the level of European aid fractionalisation decreases over time *ceteris paribus*.

In sum, the results of both empirical analyses show how a unique parallel competence issue area, foreign aid policy of the EU, affects the level of European integration in this policy area. The competing supranational collective interests of the EU and intergovernmental national preferences of member states in external assistance policies of the EU fuel “differentiated European integration” regarding aid allocation policies and structures of the EU towards different recipient countries and regions covered by the different financial aid instruments of the EU. The findings of the analyses are in accordance both with each other and also, the results of the previous analyses in the earlier chapters of this dissertation.



CHAPTER 7

EUROPEAN INTEGRATION WITH EU CANDIDATES ON FOREIGN AID POLICY: THE CASE OF TURKEY

Since the end of the World War II, the European Community, European states and the US have been using “development aid” as an effective foreign policy tool (Quirk 2014). While establishing the Western liberal order, Transatlantic partners have been using their external assistance as an important instrument to improve political conditions, establish transparent and accountable governments, introduce free and fair elections, support transitions of repressive regimes into democracy in developing states, especially during the Cold War years, around the world. However, as the emerging powers increase their economic and military capabilities, exercise increasing presence in global power configurations and assign great value to a multipolar order, they also emerge as new donors, which have different structures in aid-giving than the traditional donors. In these circumstances, the major difference between traditional and emerging donors is the lack of any political conditionality for developing states in the development policies of emerging states (Kupchan 2012). Similar to the EU and its member states, foreign aid allocations of emerging powers are also in parallel with their foreign policy interests (Burnell 2010). In those regards they want to increase their economic ties with third states, ensure their security and stability in the region. However, as being both an emerging donor and an EU candidate country, Turkey have a potential to contribute to the liberal order and also, to the solutions for common regional, economic and political threats by cooperating with the EU and its member states in several foreign policy issues, especially in foreign aid policy.

While there is limited cooperation and the lack of strategy and common approach between the EU and emerging donors for cooperation in third states, Turkey’s case is different for the EU. Turkey’s relations with the EU dates back to 1963. Even though, Turkish accession to the EU seems unrealistic in the close future, there are several cooperation and integration opportunities between the EU and Turkey regarding the policy areas, in where both sides have comparative advantage and long-standing relationships, particularly under the Western-led institutional structures, such as the

NATO and OECD. Therefore, this chapter argues that development and cooperation policy is one of these concise policy areas, which is understudied in the literature.

The literature usually focuses on the evolution and effectiveness of EU development and cooperation policy or the development policies of EU member states. There are only few studies regarding the harmonization of EU candidate states' foreign aid policies with the EU. These studies are limited with the CEECs and their pre and post-accession processes (Lightfoot 2008; Lightfoot 2010; Lightfoot and Szent-Ivanyi 2014; Horky 2011; Horky and Lightfoot 2012; Timofejevs Henriksson 2015). Therefore, this study does not only contribute to the literature on emerging donors, it also contributes to the European Studies literature by analysing Turkish foreign policy and its possible interaction with the EU development and cooperation policy, within the Turkish accession process.

This chapter analyses the data compiled from the Treaties establishing the EU, related documents of the European Commission, the Council, the EP and the EEAS on foreign policy and external assistance instruments of the EU such as the IPA, the ENI, the DCI and the EDF, as well as from in-depth interviews⁸⁹ with EU officials responsible for Development and Cooperation Policy from DG DEVCO⁹⁰, DG TRADE⁹¹ and the EEAS⁹², Enlargement Policy, the Western Balkans and the ENP from the DG NEAR⁹³ and the EEAS conducted in Brussels in April and December 2013, February 2016 and March 2017.

This chapter further argues that any policy convergence between the EU and candidate states does not have to be the result of the Europeanisation in any case. Country specific factors can lead to window of opportunities for policy convergence and cooperation between the EU and its candidate states in specific policy areas and thus, increases the possibility of differentiated integration for some candidate and partner countries. Thus, it shows that the Turkish accession case instead of the impact of the Europeanisation, country-specific reasons caused rapid evolution of development and cooperation policy of Turkey that achieved to comply with most of the EU development *acquis*. As it will be explained in the first part of this chapter, neither the Enlargement

⁸⁹ The interviews were conducted by Damla Cihangir-Tetik in Brussels, in April and December 2013, February 2016 and March 2017.

⁹⁰ Directorate General for International Cooperation and Development

⁹¹ Directorate General for Trade

⁹² European External Action Service

⁹³ Directorate General for European Neighbourhood Policy and Enlargement Negotiations

policy of the EU nor the related DGs of the Commission (DG DEVCO and DG NEAR) maintain any opportunity or condition for cooperation between the EU, member states and candidates in development and cooperation policy, until the very end of the accession negotiations.

Accordingly, this chapter has two propositions;

Proposition I: There is not any legal cooperation opportunity between the EU and its candidate states in development cooperation policy, since this policy area constitutes a priority neither for the EU nor for the accession countries in the pre-accession strategies and process.

Proposition II: Significant patterns of convergence between the EU and its candidate states in development and cooperation policy area could be considered as differentiated integration.

This chapter proceeds in the following steps. It starts with the analysis of the EU development cooperation policy and tries to examine the scope of this specific policy area in the accession negotiations and to what extent it allows for cooperation and division of labour with EU candidate states. Then, it searches for European and Turkish integration or differentiation in development cooperation policy. The chapter concludes with brief information on EU-Turkey relations, in order to understand whether there is any impact of Europeanisation on the evolution of Turkey's development cooperation policy.

7.1 EU Development Cooperation Policy and Accession Negotiations with Candidates

Development and Cooperation policy of the EU has historical importance for European states since it is one of the oldest and institutionalised policy areas of the Union. Europe has a long-history of trade, foreign aid and development cooperation with third countries, since many of its member states have colonial pasts. The EU stands as a prominent transnational agency in the global financial aid scheme. Secondly, EU's development and foreign aid policy is an inseparable part of its foreign, security and trade policies. Also, development policy of the EU is one of the first common policies of the Union, beginning from 1950s and was mentioned in Part IV of the Treaty of Rome as well (Lister 1997).

Even though EU external assistance policies did not present a separate pillar with the Maastricht Treaty like CFSP did, - it was one of the so-called first pillar issue areas- the Maastricht Treaty granted competences to the Commission and the EP in decision-making regarding development cooperation policy. Finally, it has been asserted that existing EU institutions, especially European Commission, DG DEVCO and EEAS possess great bureaucratic and diplomatic skills to extend and unify EU's foreign aid policy. This supranational evolution of the EU's development and cooperation policy supports further deepening of the EU and maximizes its integration capacity in its foreign policy. However, even though the Union has achieved to have and sustain a common development policy in its agenda for decades, firstly, it is considered as "soft-law", which is not legally binding for member states (Grimm and Harmer 2005) and at the same time, member states continue to develop and implement their bilateral, national development and foreign aid policies. According to Grimm and Harmer, this is partly due to the level of integration in external relations; the Commission had only limited competences in this policy area (Grimm and Harmer 2005). As mentioned in the previous chapters of this study, in this specific policy area, EU institutions and member states have parallel competences. The development and cooperation policy of the EU has been transformed during the last decade with the role of global developments, EU enlargements, Treaty reforms and recently, by the entry of the Lisbon Treaty into force.

The EU's development policy is an important policy area that illustrates the EU as a global actor in different parts of the world. Foreign aid could be seen as a litmus test for development policy as a civilian tool in achieving the foreign policy objectives of the Union. The EU has relied on the development policy as one of its most powerful tools for promoting its foreign policy (Carbone 2007, Holland 2002; Holland and Doidge 2012). It is through its development and external assistance policy that the EU would enable the diffusion of the European norms and values to the developing states, thereby triggering a social, political and economic transformation. In addition, EU's development policy is a test case for its foreign policy in terms of the strength of its soft-power capabilities and its leadership role in global politics. As for the normative power of the EU, it would be strengthened with the success of the development policy, where many developing nations would adopt and project European values and norms and also become more and more prosperous and peaceful. Development policy of the EU is an important policy area that illustrates the EU as a global actor in different parts of the world.

Foreign aid policy of the EU is not independent to the global development agenda. The OECD DAC is the principal development forum that impact the content of the development policy of the EU and also, bilateral aid policies of its member states. The OECD DAC operates as an important supranational organisation for the construction and dissemination of transnational research and policy ideas across a wide range of contemporary issues, particularly, it established the international peer review system in the field of development cooperation (Mahon and McBride 2009, 84-86). The DAC was established in 1960s in order to coordinate and promote aid from Western donor states, by creating common rules and defining what is ODA (Riddell 2007, 18). Since the OECD promotes democracy and the market economy, its member states also share those common values and norms (Kragelund 2008). The fact that the majority of the OECD DAC member states are also EU members, makes the EU the strongest partner of the OECD DAC in the development cooperation and promotion of these values globally. Thus, the EU pays attention to the soft norms of the OECD DAC and develops them via *acquis communautaire* (Orbie and Versluys 2008). The EU uses the peer review system of the OECD DAC in order to create a “soft” pressure on the development policies of its member states (Horky 2011) and implement a common EU soft development law. The OECD DAC also shapes the global development agenda, which is beyond the EU, but the majority of the EU development *acquis* depends on it. The fundamentals of the EU development *acquis* are clearly linked to the UN MDGs and quantitative aid targets are derived from the 2002 Monterrey Consensus (Orbie 2012). “The rules aimed at increasing aid effectiveness link in to the global aid effectiveness agenda, such as the [2005] Paris Declaration [on Aid Effectiveness], the [2008] Accra Agenda [for Action] and the [2011] Busan Partnership [for Effective Development Co-operation]” (Lightfoot and Szent-Ivanyi 2014). Therefore, confusing the recommendations of the EU development *acquis* and the international development requirements is considered as the “OECD-isation” of EU development policy (Orbie and Versluys 2008; Lightfoot 2010).

It is necessary to look at the content of the EU development *acquis* in order to be able to compare with candidate states’ actions taken during the accession process. The EU development *acquis* is the main programme of the development and cooperation policy of the EU. A great majority of the EU development *acquis* is about the common development and cooperation policy with third states – especially with the ACP states under the EDF- but not limited to the ACP states, it also covers relations with Latin

American and Asian states under the DCI. However, there is no doubt that since old member states of the EU, which are also traditional donors, have political and economic interests with their former colonies, especially in Africa, they have a significant role in shaping the overall common development policy. As explained in detail in the previous chapters, development and cooperation policy of the EU is a parallel competence policy area between EU institutions and member states, that the former cannot legally influence the individual priorities of the latter. Therefore, the development *acquis* is not directly applicable in member states, in other words, the rules and regulations of it are not binding for member states. Thus, the development *acquis* remains limited as “EU recommendations” for both bilateral aid policies of member states and to achieve common EU development policy. On the other hand, development and cooperation policy is much more “Communitised” policy area than the foreign policy of the EU by the role of growing body of recommendations for the bilateral ODA policies of the member states (Orbie 2012). “These recommendations, mainly in the form of Council conclusions, form an extensive body of ‘soft-law’ instruments that are not binding, ‘but rest solely on their moral force’” (Carbone 2007, 50; Lightfoot and Szent-Ivanyi 2014, 1260). Significant recommendations of the development *acquis*, which concern candidate countries as future members are listed below (Lightfoot and Szent-Ivanyi 2014):

- For old member states (EU-15), increasing aid spending to 0.56 per cent of their gross national income (GNI) by 2010 and to 0.7 per cent of their GNI by 2015 (Council of the European Union, 2007) – these targets have not been achieved by all member states by 2010 and 2015- ;
- For new member states (EU-12 and later on includes Croatia as well), increasing aid spending to 0.17 per cent of their GNI by 2010 and to 0.33 per cent of their GNI by 2015, and setting out an ODA growth path to achieve this (Council of the European Union, 2007) – these ODA/GNI ratio targets have not been achieved by none of the new member states by 2010 and 2015- ;
- Changing geographical aid allocation to devote more resources to Africa and LDCs, generally located in the sub-Saharan Africa, while also recognizing the value of concentrating Member State activities in areas and regions where they have comparative advantages (European Consensus, 2006);
- Untying aid from exports (European Consensus, 2006);
- Increasing policy coherence for development (Council of the European Union, 2012a);

- Better co-ordination between the bilateral policies of Member States (European Consensus, 2006);
- Engaging in joint actions and multi-annual programming with other donors (Council of the European Union, 2011a);
- Reducing the number of countries and sectors supported in order to avoid fragmentation, thus promoting joint-programming (Council of the European Union, 2011a);
- Increasing transparency (Council of the European Union, 2011b); and
- Making increased use of the budget support modality (Council of the European Union, 2012b);
- Establishing sound legislative framework, institutional and administrative structures (Lightfoot 2010, 343).

The Copenhagen European Council in 1993 was a turning point in the enlargement policy. It clarified for the first time the main criteria for becoming an EU candidate country and also, identified the accession package for candidates, which includes the *acquis communautaire*, a body of the EU legislation on specific policy areas. Recently, candidate countries have to adopt and implement each of the 35 chapters of the *acquis* prior to their accession to the EU. During the accession negotiations development and cooperation policy, together with the humanitarian aid policy, is a part of the chapter on external relations, - Chapter 30 in Turkish accession case and usually does not take up space more than a paragraph- (See Table 2, Appendix). This situation clearly shows that development aid is not a priority issue for the EU, especially for the Commission, which carries out the negotiations and pushes for political and economic reforms, during the negotiation process with the candidate countries. Regarding the enlargement policy, “inconsistency” between national policies and EU policies in this area was not serious enough to create a situation, where a new member state would be denied membership (European Commission 2003, 14).

However, when accession is achieved, first of all new member states have to implement the existing *acquis communautaire* of the EU (Grimm and Harmer 2006), which also covers the development *acquis*. Thus, all new member states have to implement development *acquis* without any derogation following their accession to the EU. “In the field of development, all EU member states were meant to act in compliance with the European Consensus on Development and the conclusions of the European Council and the Council of the EU addressing various aspects of the EU’s development

policy” (Lightfoot 2010, 333) and new member states are not the exception to this. In those regards, new member states have to seek poverty reduction in aid-giving, cooperate with LDCs and participate to the EDF (which is intergovernmental, outside the EU budget, so member states have to contribute from their national budgets). Importantly, they have to implement the “3Cs” (complementarity, coordination, coherence) principles of the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour. Finally, new member states are required to spend 0.33 per cent of their GNI for ODA. However, there is not any clear recommendation or guidance for the implementation of the development *acquis* for candidate states from the Commission, but it is expected that the *acquis* will be implemented directly by the day of accession.

The 2007 *Triolog Paper* clearly mentions EU’s lack regarding the development policy during the accession negotiations. It states that “development cooperation constitutes a priority neither for the EU nor for the accession countries in the pre-accession strategies, and therefore accession countries have not received official directives regarding development cooperation, [and] consequently, their role in EC Development Cooperation remains unspecified. [This], in turn, leaves future Member States uninformed of the implementation capacities and financial contributions that are expected of them” (Triolog 2007, 7). Additionally, the EU conditionality is very vague in development policy and there is not any specific “EU model” or direct incentives that candidate states are obliged to adopt compared to other policy areas (Timofejevs Henriksson 2014). There is pre-accession funding, the IPA, in order to increase administrative and technical capacities of accession countries. However, these funds and programs are not enough for preparing candidate states for the harmonization of development and cooperation policy. “There is therefore a slight irony in the fact that whilst CEE states were in the ‘unique situation of being recipients of aid from the EU [via the pre-accession funding] while simultaneously preparing to become donors’ (Carbone 2004, p. 245), the EU development aid was not helping them prepare for the challenges ahead” (Lightfoot 2010, 334; Lightfoot 2008).

Accession of the CEECs is the first EU enlargement example to which the 1993 Copenhagen criteria were effective and full harmonization of all chapters of the *acquis* into the national legislation has been applied. Therefore, previous studies regarding the harmonization of the development *acquis* during the pre-accession period and also, the

adoption of it by full membership are good examples for recent studies on EU development policy and accession negotiations. Existing studies in the literature on the “Europeanisation” and adoption of the EU development *acquis* by the CEEs during both pre and post-accession periods (Lightfoot 2008; Lightfoot 2010; Lightfoot and Szent-Ivanyi 2014) support the argument that EU power over the accession states varied according to the phase of the accession and also according to how salient the policy area was to the EU (Haughton 2007, 235). In this regard, during the accession negotiations of the CEEs, the development and cooperation policy was only discussed, when negotiations were far advanced, after 2002, so this shows the weak status of the policy area (Lightfoot 2010). After their accession to the EU, all 10 new member states, - including CEEs, Bulgaria and Romania in 2007-, had to implement the development *acquis* without any derogation. Thus, they agreed to establish the necessary legal framework, administrative structures and policy frameworks in order to be able to meet the requirements of the *acquis*, such as meeting the ODA targets, contributing to the EDF and allocating aid to African LDCs. However, as Lightfoot mentions, for the CEEs, many issues associated with meeting the requirements of the development *acquis* remain missing (Lightfoot 2010, 346). At least, the CEEs became new European aid “donors” with their accession to the EU instead of staying as recipient states. Therefore, even limited, these new member states have achieved some progress in implementing the existing EU development *acquis* under the pressure of the accession process and partly due to peer pressure and social learning (Timofejevs Henriksson 2015). However, their priority countries have remained unchanged (i.e. their Eastern neighbours, such as Moldova, Georgia, Ukraine and Western Balkan countries, whilst they have preferred to use their transition experience as a comparative advantage and provide aid for democratization efforts and economic transition issues of third countries (Lightfoot 2010; Timofejevs Henriksson 2015). Additionally, there were several training programmes and expert meetings between the EU and member states officials, national governments and non-governmental development organizations (NGDOs) representatives, even if they fell short, in order to prepare the CEEs as donors after their accession to the EU (Timofejevs Henriksson 2015). The European Commission organized seminars on key policies and programmes for the officials of candidate countries. Also, a special task force was set up by the EU and member states to support the candidate states in establishing their foreign aid policies. Some member states organized events as well in candidate states. “However, compared with the amount and extent of assistance given in other policy areas, especially

regional policy and Justice and Home Affairs (JHA), the lack of importance given to the topic of development cooperation during accession becomes clear” (Lightfoot 2010, 336).

These events, seminars and training programmes were the main cooperation opportunities between the EU, member and candidate states during the accession processes of the CEEs. Apart from these, there were not any cooperation, joint programming, complementarity and division of labour opportunity between the EU, member and candidate countries. Firstly, the CEEs were not aid donors during the accession process. Secondly, they were transition countries and priority was given to political and economic transition instead of foreign policy and development aid. Finally, their domestic preferences and priorities were also different and institutional and legal arrangements and capacities were not enough to cooperate with the EU and its member states in development cooperation policy, when they were EU candidates. However, the situation and both external and domestic conditions would be different for recent EU candidates, and especially for Turkey.

Turkey has an active foreign policy and foreign aid policy as well during the last decade. It has effective development and humanitarian aid policies, whilst it is an EU candidate. Even though the *acquis communautaire* and thus the development *acquis* of the EU that all candidate states must adopt prior to their accession remain the same, the adoption capacity and pace of each candidate country for any policy area would be different. Therefore, each candidate’s ability to cooperate and take joint action with EU institutions and member states would differentiate. As mentioned earlier in this study, although, the adoption capacity with the EU law and reform processes of candidate countries are tried to be explained by the Europeanisation discourse (Sedelmeier 2011; Epstein and Sedelmeier 2008), any policy convergence between the EU and candidate states does not have to be the result of the Europeanisation in any case. This study argues that country specific factors can lead to window of opportunities for policy convergence and cooperation between the EU and its candidate states in specific policy areas and thus, increases the possibility of differentiated integration for some candidate and partner countries. For example, beside the formal Turkish accession process, in 2012 a “Positive Agenda” was agreed between Turkey and the EU as a supportive and complementary strategy for the ongoing negotiation process, in order to enhance cooperation in some specific policy areas, such as foreign policy, energy, trade and Customs Union. These policy areas are the ones that Turkey has comparative advantage and also, long-standing

relations with the EU and its member states. This study shows that foreign aid policy, in other words, development and cooperation policy is also among the policy areas where Turkey and the EU could cooperate and deepen their integration levels prior to or even without Turkey's full membership to the EU.

7.2 European and Turkish Integration/Differentiation in Development and Cooperation Policy

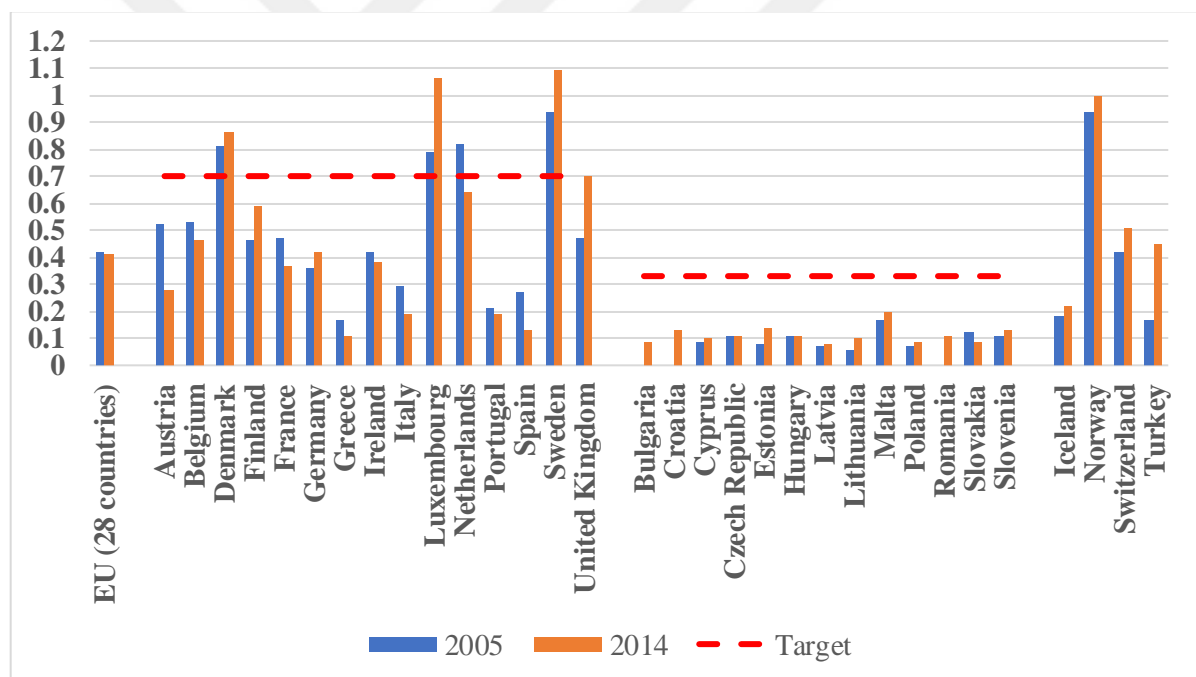
As a pro-argument in the existing literature, this study also argues that the EU's centralisation and territorial extent vary across policies and "integration has been accompanied by differentiation". Thus, differentiated integration explains both varieties of application and participation of member states in institutional policy making within the EU and the integration of non-EU member states to the EU rules, law and institutions in some specific policy areas (Müftüler-Baç and Luetgert, 2016). This is reflected in the interview at the DG NEAR as "with 28 current member states and six candidate countries, three of whom are negotiating for accession, differentiated integration is widely accepted as both a strategy and functional reality"⁹⁴. Even though the EU -still- has 28 member states and *acquis communautaire* covers plenty of issues that are traditionally under the jurisdiction of nation states, the depth, breadth and territorial expansion of all policies are diverse. In other words, the European integration varies across policies, members and non-member states and according to the level of authority between EU institutions and national governments. On the other hand, "differentiated integration, or flexible integration, can be viewed as a demand for preserving national sovereignty as well as an integral part of the European integration process" (Cianciara 2014, 2).

Since the development and cooperation policy of the EU is a parallel competence policy area, although the external assistance objectives and recommendations, as mentioned above, of the EU are concrete according to EU Treaties, individual EU member states might prefer to implement different national foreign aid policies than that of EU institutions and other member states. In addition, member states would apply EU soft-law, in other words, EU recommendations in development cooperation policy in different levels. This variation among member states is clearly visible from their

⁹⁴ Interview with EU officials in the DG NEAR, responsible from Turkey, Enlargement Negotiations, Brussels, 15 February 2016.

hypervariable ODA volumes and ODA/GNI (gross national income) percentage ratios different than each other and recommended EU levels as well (See Figure 7.1). Figure 7.1 also shows ODA/GNI ratios of Iceland, Norway, Switzerland and Turkey. While Iceland, Norway, Switzerland and Turkey are not EU members, first three of them are also DAC members, and Turkey is an OECD member, only reporting to the DAC, and an EU candidate country. Therefore, comparison of these countries' recent ODA/GNI ratios with EU member states would enable us to understand the performances of these countries' development assistance policies. While enormous variation among EU member states' ODA/GNI ratios is clear, non-EU but OECD member states like Norway, Switzerland and recently, Turkey perform much better than many EU member states.

Figure 7.1: EU-28, Iceland, Norway, Switzerland and Turkey's ODA/GNI Comparison in 2005 and 2014 (Figure drawn by the author)



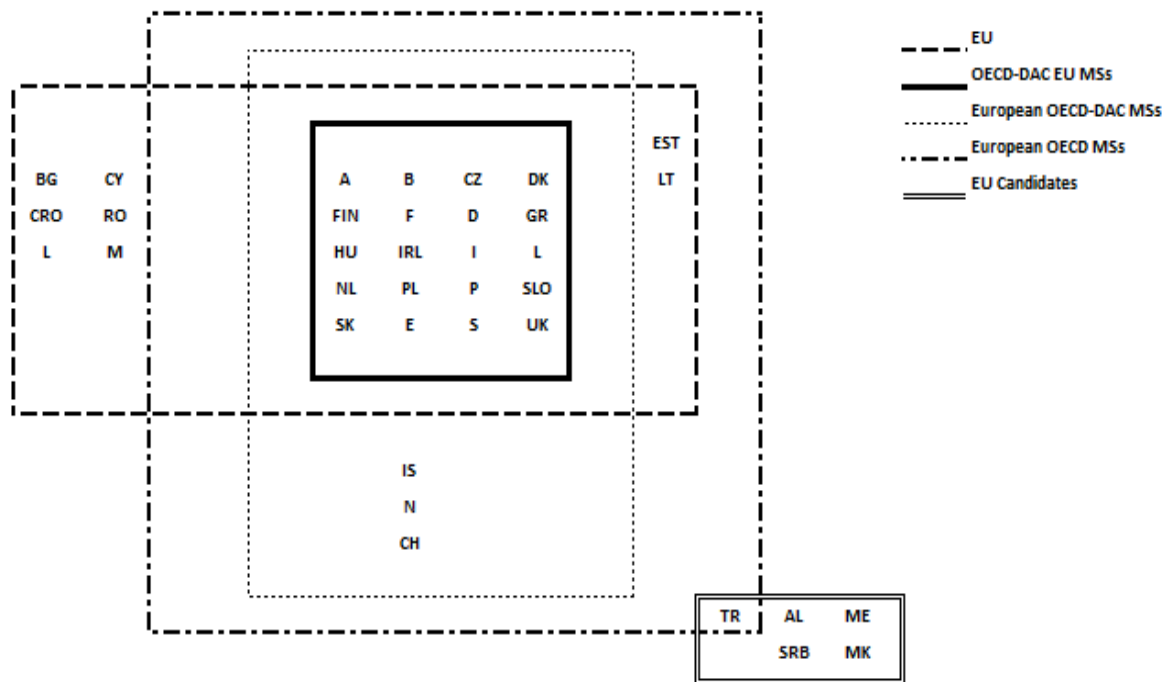
Source: OECD Development Statistics

If member states decide to act individually or coordinate their activities with each other, they do so whenever they want outside the EU framework regarding the development and cooperation policy. These elements of European integration in development cooperation policy crystallize vertical differentiation, in other words, internal differentiation in the level of centralisation of the development and cooperation policy of the EU. Even though the level of integrity in development and cooperation

policy of the EU has increased over time, this does not prevent member states to launch their own individual foreign aid policies and activities or implement activities outside the EU structure and decision-making process as a group of member states. In addition to vertical integration and differentiation, Leuffen *et al.* emphasize the importance and necessity of the analysis of “horizontal (territorial) integration and differentiation” in order to capture fully the territorial integration of the EU, which is more than enlargement that “is usually associated with the uniform extension of the EU’s jurisdiction to new member states” (Leuffen *et al.* 2013, 12). Territorial integration “captures the territorial extension of the EU’s jurisdiction” in different policy areas. It is important to note that horizontal integration does not only include EU member states, it also covers non-EU member states, who would prefer to adopt EU rules formally or informally.

The EU has vastly expanded and differentiated its institutional relations with third countries since the early 1990s. The EEA, the Bilateral Agreements with Switzerland, SAAs with the Balkans, and the ENP extend EU rules and policies beyond EU borders (Leuffen *et al.* 2013, 26-27). The 1995 Customs Union Agreement (CUA) between the EU and Turkey and Turkey’s involvement to the European Security and Defense Policy (ESDP) missions are also the examples of external integration of some EU policies beyond EU borders. In these regards, “if EU rules apply uniformly to all member states but outsiders also adopt these rules, we observe an externalization of the *acquis communautaire* (external differentiation)” (Leuffen *et al.* 2013, 17). Free movement of goods and services is the main policy area where external horizontal differentiation is well reflected. In addition to all 28 member states of the EU, Iceland, Liechtenstein and Norway are also members of the EEA and subject to the provisions governing the free movement of goods and services. Having said that, territorial extension of EU development and cooperation policy includes EU-28, Iceland, Norway, Switzerland (as European OECD DAC members in addition to EU-DAC member states) and Turkey, which is the only current EU candidate country that is a founding member of the OECD (1961) and has held observer status with the OECD DAC since 1991 (See Figure 7.2).

Figure 7.2: Map of differentiated membership in the European Development and Cooperation Policy (Figure drawn by the author)



Source: OECD, OECD DAC, EU

Even this categorization of European states shows us the high level of Turkey’s compliance with the EU development *acquis* in comparison to other EU candidates (current and previous), and also other emerging donors, such as China, India, Brazil, and Mexico, -which is also an OECD member-. The territorial dimension of European integration is likely to remain important for both the future of the EU and Turkey’s accession process, since while some EU member states prefer to opt-out from specific policies, some non-member states, especially Turkey prefer to opt-in. This means Turkey subjects itself to EU rules governing a particular policy area at a particular point in time. Turkey has already involved in several institutional arrangements of EU development and humanitarian aid policies. It is included into the Civil Protection Committee of the Commission’s DG ECHO since 2015 and closely linked with the EU in the long-term policies of the DG DEVCO and the DG ECHO⁹⁵.

Turkey has effective development and humanitarian aid policies, whilst it is an EU candidate, an OECD member, and has an observer status in the OECD DAC Group. Even though the content of the *acquis communautaire* and thus, the development *acquis* of the

⁹⁵ Interview with an EU Official, DG ECHO, Brussels, 17 February 2016.

EU that all candidate states must adopt prior to their accession remain the same, the adoption capacity and pace of each candidate for any policy area would be different. Therefore, each candidate's ability to cooperate and take joint action with EU institutions and member states would differentiate. This chapter argues that Turkey is already included into the EU framework as a "differentiated" member in EU development and cooperation policy prior to its accession as a result of its foreign aid capacity, institutional structure and geographical and thematic focus areas. In addition, this would create a window of opportunity for policy convergence and cooperation between the EU and Turkey, increasing the possibility of differentiated integration in a policy area, in which Turkey has comparative advantage. Development and cooperation policy emerges as a key policy area where Turkey and the EU could cooperate and deepen their integration levels prior to, or even without Turkey's full membership to the EU. The level of the convergence of Turkey's development cooperation policy with the EU will be analysed in the following chapter. Prior to this, it would be useful to assess at the historical evolution and recent developments in EU-Turkey relations.

7.3 Case of Turkey: Brief History of EU-Turkey Relations

In order to understand the role of EU accession process, in other words, Europeanisation, (if there is) in the evolution of Turkey's development and cooperation policy during the last decade, it would be necessary to review the background of EU-Turkey relations. EU-Turkey relations date back to the signing of 1963 Association Agreement with the EEC and this treaty constitutes the legal basis for Turkey's eligibility for EU membership (Müftüler-Baç 1997). On this basis, Turkey applied for full membership in 1987, but the Commission concluded in 1989 that Turkey was not ready for full membership at that time. The Copenhagen European Council in 1993 identified the main criteria, which were considered essential for obtaining EU membership, including the ability to adopt the *acquis communautaire*, which forms the accumulated body of legislation of the European Community on specific policy areas. Hereafter, all EU candidates, including the CEEs, Croatia, Western Balkan countries and Turkey as well, became liable to the Copenhagen criteria. This was something no previous enlargement had included (Dimitrova 2002; Papadimitriou and Phinnemore 2004). The Customs Union for industrial and processed

agricultural products was established between the EU and Turkey in 1995. This was the first example in the EU history where a Customs Union was established with a country prior to the country's accession. However, major turning points for Turkey's "Europeanisation process" were the 1999 Helsinki European Council Summit, where Turkey became an official candidate of the EU based on its ability to meet some of the political aspects of the Copenhagen criteria, and the initiation of accession negotiations in October 2005 based on the Commission's recommendation, which stated that "Turkey sufficiently fulfils the political aspects of the Copenhagen criteria".

As different from earlier negotiations, the Commission increased the number of chapters to 35 from 31 for all candidates to negotiate after 2005. Also, the Commission adopted "opening benchmarks" and "provisional closure" for chapters, but these could be vetoed by member states even if the candidate meets the opening or closure requirements. In the Turkey's accession case, individual member states, especially France and Cyprus, increasingly rely on vetoes to stop the country's accession process, even though Turkey meets the opening benchmarks. Until today, Turkey has provisionally closed only one chapter in June 2006, which is Chapter 25, Science and Research. While 16 chapters are still under negotiations, 2 chapters are vetoed by France (Chapters 11, 34), 6 chapters are vetoed by Cyprus (Chapters 2, 15, 23, 24, 26, 31) and the opening of 8 chapters are suspended by the Council decision dates back to 2006 regarding the remaining restrictions of Turkey on the free movement of goods carried by vessels and aircraft registered in Cyprus or whose last port of call was in Cyprus (chapters 1, 3, 9, 11, 13, 14, 29, 30). Between June 2010 and June 2013 no chapters were open, so this means the accession negotiations were stalled. In addition to those existing limitations, there is no doubt that Turkey's accession would also bring several changes to the political construction of the EU and its institutions, because of the size of its population. The size of Turkey's population is 78 million and would be the second largest member state, if it becomes member as of today. This would have significant impacts over the distribution of the number of seats in the EP and some member states, including Germany, would have to give up their seats for Turkish parliamentarians. In addition to that, in the Council of Ministers Turkey would have a great voting power under double majority voting. Thus, Turkey would be an effective veto player in most of the EU legislation (Müftüler-Baç 2016, 71). Not surprisingly, this situation increases the power of the arguments in the EU, which emphasize that the EU could not work efficiently, if a large country like Turkey

would become a member. Therefore, Turkish accession case is different than any other previous and recent accessions both in scope and magnitude that has a significant potential on the EU (Sjursen 2006; McLaren 2007). Thus, Kibris and Müftüler-Baç argue that “the Turkish accession process to the EU cannot be evaluated solely with respect to Turkish ability for fulfilling the EU’s accession criteria...the Turkish accession depends on to large extent to the EU’s ability to deal with the many challenges ranging from cultural fit, new geostrategic concerns to EU’s decision-making procedures that such an accession would ultimately pose” (Müftüler-Baç and Kibris 2011; Müftüler-Baç 2016, 20). Following this argument, Müftüler-Baç asks the question whether another form of integration is possible for Turkey, which “would enable Turkey and the EU to complement one another on economic cooperation schemes, on foreign and security policies as well as energy security” (Müftüler-Baç 2016, 21).

Since 1999, the EU’s impact on the Turkish political structures and norms was enhanced by EU conditionality. “The EU’s political conditionality and the Turkish desire to fulfill these political criteria in order for accession negotiations to begin became critical in triggering a vast political transformation in Turkey, which in turn impacted collective identity formation in Turkey” (Müftüler-Baç and Gürsoy 2010, 411). The political reforms adopted after 1999, during the harmonization process of the EU *acquis*, have considerable impacts on the changes in several policy areas in Turkey during the 2000s onwards (Müftüler-Baç and Gürsoy 2010; Öniş and Yılmaz 2009). The EU have been allocating pre-accession funding (IPA) to Turkey since 2001, in order to support Turkey’s technical and administrative harmonization process of the EU *acquis*⁹⁶. However, it would be difficult to explain the transformation of Turkey’s development assistance policy by the EU conditionality and support of IPA funds allocated to Turkey. Instead of this, first of all the EU accession process paved the way for several political reforms in Turkey between 1999 and 2011. At the beginning of the accession process, the Copenhagen criteria were critical and EU conditionality was an anchor for achieving political reforms, which would lead to democratic consolidation in Turkey. Besides, Turkey has made progress on several issues ranging from increasing industrial production and exports due to the Customs Union, to food safety standards, consumer health production due to the harmonization process of the EU *acquis*. However, there is no doubt

⁹⁶ Total allocated pre-accession funds to Turkey between 2001 and 2006 were 3.615 billion Euro; Total IPA I funding for Turkey between 2007 and 2013 was 4.819 Billion Euro; and total IPA II funding for the period between 2014 and 2020 will be 4.453,9 billion Euro.

that recent backsliding into authoritarianism and systemic violations of the principle of rule of law in Turkey (Müftüler-Baç and Keyman 2012; Keyman 2013; Esen and Gümüşçü 2016) were not expected from an EU candidate country as the results of EU political conditionality. It is clear that Turkish example challenges the main argument of EU conditionality that it enables an acceding country to adopt the EU's democratic principles (Scimmelfennig and Scholtz 2008; Schimmelfennig and Sedelmeier 2002) and shows us the limits of EU conditionality (Müftüler-Baç 2016).

Turkey's backsliding into authoritarianism is one of the main reasons that go down like a bomb over the EU-Turkey relations. On the other hand, both Turkey and the EU encountered significant changes in the last decade that brought relations almost to the point of suspension. "These changes have largely resulted in an alteration of their already not so smoothly running association. While the EU found itself confronting new challenges in terms of solidarity, economic strength, institutional deepening and a highly unstable neighbourhood, Turkey confronted internal transformation, democratic consolidation and a rising power status for itself" (Müftüler-Baç 2016, 143). In order to overcome this stalemate and increase dialogue between Turkey and the EU, the Positive Agenda was introduced in 2012. The Positive Agenda aimed cooperation and harmonization between the EU and Turkey on issues, which are particularly stuck because of member states' vetoes on chapter openings but mutually beneficial for both sides, such as the Schengen regime, energy policy, foreign policy, the fight against terrorism and the Community programs that Turkey has already been participating. The Positive Agenda initiative clearly shows that both sides have been searching for alternative modes of cooperation and integration, even when accession negotiations stalled, firstly, because of the necessity of successful operation of existing mechanisms between the both sides and secondly, because of the importance of cooperation on economy and foreign policy issues for the future of both sides, EU-Turkey relations and even for the regional stability and security.

The most recent development in Turkey-EU relations is "the Joint Action Plan", in other words, "the Refugee Deal" between Turkey and the EU, agreed on 29 November 2015. Even, it has suddenly become the top priority subject in the DG NEAR, regarding Turkey-EU relations, since there has been a stagnation in all of the other policy areas and

accession negotiations⁹⁷. The latest Middle Eastern country that impacted from the increasing turmoil and chaos after the 2010 Arab Spring has been Syria. There is an ongoing civil war in Syria since March 2011 and recently, almost all global and regional powers, including Turkey, have been involved in the crisis, together with several terrorist and insurgent groups. The Syrian civil war has triggered the world's largest humanitarian crisis since the World War II. More than 250,000 Syrian citizens have lost their lives during the civil war and more than 11 million people have been forced to leave their homes until today⁹⁸. Thus, recently, the EU and Turkey have been facing the most serious immigration problem and refugee crisis of their histories. Turkey hosts over 3 million Syrian refugees and spent around 8 billion USD for this humanitarian crisis, whilst EU member states have resettled only 8,268 persons by 11 July 2016⁹⁹. However, more than 5 billion Euro have been mobilized for relief and recovery assistance to Syrians in the country and to refugees and their host communities in neighbouring Lebanon, Jordan, Iraq, Turkey and Egypt. The EU has also pledged 3 billion Euro at the London Conference held in February 2016¹⁰⁰. Faced with a common challenge, Turkey and the EU have undertaken a Joint Action Plan on 29 November 2015, with the Readmission Agreement reutilized as the primary policy instrument. As a result of the Joint Action Plan, the EU with Member States launched the Facility for Refugees in Turkey to deliver efficient and complementary support to Syrian and other refugees and host communities in close cooperation with Turkish authorities. Thus, the humanitarian crisis has presented a window of opportunity for re-energizing the tepid Turkish accession process. Demirsu and Cihangir-Tetik show that “in the context of EU-Turkey partnership on the refugee crisis, five interwoven thematic fields come to the fore, namely *joint approach to a common problem, border control and security, Turkey's position in the region, humanitarian aid, and finally Turkey's accession process*” in their current analysis (Demirsu and Cihangir-Tetik 2017). An EU official from DG ECHO also mentions “what is happening last year with the Joint Action Plan and the Turkish-EU Summit, which restarted the negotiations. I think that is already evident that is created some new

⁹⁷ Interview with an official in DG NEAR, Brussels, 21 March 2017.

⁹⁸ BBC, “Syria: The Story of the Conflict”, 11 March 2016, <http://www.bbc.com/news/world-middle-east-26116868>, accessed in December 2016.

⁹⁹ European Commission, Press Release, 13 July 2016, http://europa.eu/rapid/press-release_IP-16-2435_en.htm, accessed in December 2016.

¹⁰⁰ European Commission, DG ECHO Fact Sheet, “Syria Crisis”, https://ec.europa.eu/echo/files/aid/countries/factsheets/syria_en.pdf, accessed in November 2016.

opportunities to engage”¹⁰¹. Accordingly, this Joint Action Plan seems to be a significant cooperation opportunity for the EU and Turkey in equal terms regarding several significant issues, importantly on humanitarian aid coordination and implementation for the solution of a common security and migration problem. Although initial steps have been taken, the earlier momentum has reached to a standstill due to discord on other intersecting issue-areas. One of the main reasons of this standstill according to the Turkish side is the break of the EU’s promise on the amount of the aid that would be allocated to Turkey. The EU and member states had committed to allocate 3 billion Euro to Turkey in 2016 and 2017 under the Refugee Facility for Turkey, but only 588 million Euro have been delivered until the end of 2016¹⁰².

Ultimately, as a political reaction on rapidly increasing democratic backsliding in Turkey, especially after the 15th July 2016 failed coup attempt in the country, the EP voted to suspend Turkish accession negotiations in November 2016. In the non-binding resolution, “the crackdown and disproportionate repressive measures” taken by the Turkish government against their political opponents was condemned¹⁰³. However, the European Council did not take such a suspension measure against ongoing relations with Turkey in its December 2016 meeting, but this decision could not achieve to improve relations so far. “Precisely, because the EU and Turkey, no longer, seem to be moving forward towards a closer cooperation scheme, due to the halt in the negotiation process, the EU might see a more independent, autonomously acting Turkey who might no longer be defining its own material interests similar to the EU member states” (Müftüler-Baç 2016, 136).

Finally, Turkey-EU relations have become much worse just after the constitutional change referendum hold on April 16, 2017, under the state of emergency¹⁰⁴ in Turkey. 18 amendments of the draft constitution, which enable to a regime change from Parliamentarian system to Presidential one, increase powers of the President and

¹⁰¹ Interview with an EU official in DG ECHO, responsible from the Syria Crisis and Turkey, Brussels, 18 February 2016.

¹⁰² European Commission, DG ECHO Fact Sheet, “Turkey: Refugee Crisis”, http://ec.europa.eu/echo/files/aid/countries/factsheets/turkey_syrian_crisis_en.pdf, accessed in January 2017.

¹⁰³ European Parliament, Joint Motion for a Resolution, 23.11.2016, <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+MOTION+P8-RC-2016-1276+0+DOC+XML+V0//EN>, accessed in December 2016.

¹⁰⁴ In response to failed coup attempt on July 15, 2016 in Turkey, the government has declared state of emergency on July 21, 2016 for three months, but state of emergency has been extended for three more months for the third time after this first declaration. Reuters, <http://www.reuters.com/article/us-turkey-security-emergency-pm-idUSKBN17J1MU?il=0>, accessed in May 2017.

bring into question the separation of powers and checks and balances in the system, were voted in the referendum. “Yes” campaign, supported by the government, Nationalist Movement Party (MHP) and President Erdogan won slightly by getting 51.4 per cent of the votes amid dispute over ballots. The Supreme Election Council (YSK) declared that “unsealed, non-official voting slips would be counted as valid votes” during the counting process of votes and this surprise declaration has overshadowed the referendum results according to the opposition, in other words, “No” voters¹⁰⁵. In spite of official objections of the main opposition party, the Republican People’s Party (CHP), the Supreme Election Council has declared official results as 51.4 per cent “Yes” and 48.6 per cent “No” votes. President of the European Commission Jean-Claude Juncker, High Representative for Foreign Affairs and Security Policy/Vice-President of the European Commission Federica Mogherini and Commissioner for European Neighbourhood Policy and Enlargement Negotiations Johannes Hahn issued a statement just after the referendum and they stated;

“We are awaiting the assessment of the OSCE/ODIHR International Observation Mission, also with regard to alleged irregularities. The constitutional amendments, and especially their practical implementation, will be assessed in light of Turkey's obligations as a European Union candidate country and as a member of the Council of Europe. We encourage Turkey to address the Council of Europe's concerns and recommendations, including with regards to the State of Emergency. In view of the close referendum result and the far-reaching implications of the constitutional amendments, we also call on the Turkish authorities to seek the broadest possible national consensus in their implementation.”¹⁰⁶”

The Organization for Security and Co-operation in Europe/Office for Democratic Institutions and Human Rights (OSCE/ODIHR) issued a statement of preliminary findings and conclusions and emphasized that “the Turkish referendum fell short of international standards, both sides did not have equal campaign opportunities...Late changes in counting procedures removed an important safeguard...and in general, the referendum did not live up to Council of Europe standards¹⁰⁷”. In addition to that, the Parliamentary Assembly of the Council of Europe (PACE), on April 25, 2017, decided to

¹⁰⁵ Euronews, <http://www.euronews.com/2017/04/18/turkish-referendum-opposition-focuses-on-role-of-electoral-council>, accessed in May 2017.

¹⁰⁶ EEAS, Statement on the referendum in Turkey , https://eeas.europa.eu/headquarters/headquarters-homepage/en/24709/Statementper_cent20onper_cent20theper_cent20referendumper_cent20inper_cent20Turkey, accessed in May 2017.

¹⁰⁷ The OSCE/ODIHR, Statement of preliminary findings and conclusions, <http://www.osce.org/odihr/elections/turkey/311721?download=true>; Deutsche Welle English, <http://www.dw.com/en/osce-turkey-referendum-contested-on-an-unlevel-playing-field/a-38453816>, accessed in May 2017.

re-open monitoring procedure in respect of Turkey, who has been under post-monitoring dialogue since 2004, on the grounds that the functioning of democratic institutions in Turkey have been regressed and the existence of “serious human rights concerns”¹⁰⁸. These recent developments in Turkish politics have empowered the opponents of Turkish accession in the EU, squeezed the future of Turkey-EU relations and even, Turkey’s candidacy status.

On the other hand, Turkey has already incorporated in several EU frameworks – the Customs Union, CFSP, joint NATO operations- and has an active membership status in Western institutions established after the World War II, such as the NATO, OECD and Council of Europe for a long time. Therefore, even though Turkey is not going to be a member in the close future, a search for strengthening existing cooperation mechanisms under the common-umbrella institutions and possible further cooperation opportunities would benefit the EU, EU member states and Turkey, while all sides have been facing with similar security, social, political and economic challenges, which are particularly derived from the unrest in their close neighbourhood.

7.4 Conclusion

This chapter proposes that since there are few, ineffective legally binding rules on EU candidate states’ development policies during the accession process, any impact of Europeanisation seems rather unsatisfying or shallow. The lack of conditionality or material interests can be explained by the lack of prioritization of the development policy in the accession negotiations both by the EU (European Commission) and candidate state governments. Since EU development policy is a parallel competence policy area, many member states see the development *acquis* as a menu from which they choose the aspects that suit their bilateral aid policies (Lightfoot and Szent-Ivanyi 2014). Therefore, it would be difficult to expect cohesion and complementarity with the EU from EU candidate states in their development cooperation policies.

¹⁰⁸ PACE website, <http://website-pace.net/web/apce/plenary-session>; The Guardian, <https://www.theguardian.com/world/2017/apr/26/council-of-europe-turkey-human-rights-pace>, accessed in May 2017.

However, this chapter shows that as one of the challenging candidate states of the EU, Turkey's increasing engagement with the global development and humanitarian assistance agenda and recent activities in this field increase the convergent policy areas between the EU and Turkey, which paves the way for further cooperation, particularly in development cooperation policy. This could be also considered as a window of opportunity for the EU to strengthen its global actorness in the field of development assistance, while the EU's internal problems, ranging from Brexit to migration crisis, the changing global governance structures and emerging powers' increasing role in development assistance carry some risks of undermining the EU's existing global role and power.



CHAPTER 8

THE EUROPEAN UNION AND TURKEY AS FOREIGN AID DONORS: PATTERNS OF DIVERGENCE AND CONVERGENCE

Both as an emerging donor and a recipient state tied to its EU accession process, Turkey has received relatively less academic attention in studies on foreign aid or development and cooperation policy. In this aspect, one could consider Turkey as a possible partner for the EU in development cooperation policy. According to the OECD DAC statistics, Turkey has allocated almost 4,5 billion USD ODA funds in 2015, while its total ODA amount was only 44,2 million USD 15 years ago, in 2000 (See Figure 8.2). Thus, Turkey's ODA/GNI ratio has also increased drastically from 0.09 per cent in 2007 to 0.54 per cent in 2015. The high volume of ODA that Turkey provides is far above what other emerging donors allocate. It also exceeds those of many EU member states, which are also OECD DAC members, such as Spain or Greece. Given Turkey's foreign aid figures, one would expect it to be included in OECD DAC Group. What is also interesting in the Turkish case is that, it still receives a significant amount of aid, especially from the EU. For example, the total amount of IPA-I funds of the EU for Turkey was 4,8 billion Euro for the period between 2007 and 2013, and 4,5 billion Euro for 2013-2020 (Müftüler-Baç 2016, 70). This chapter argues that Turkey has a potential to contribute to multilateral global governance and to tackle common regional, economic and political problems through a cooperation scheme with the EU, especially in foreign aid policy.

In the literature, there are plenty of studies on the evolution, effectiveness and future of EU development and cooperation policy, including traditional EU member states' activities in this policy area. As for Turkey, while there are some studies on Turkish development and cooperation policy (Fidan and Nurdun 2008; Kulaklıkaya and Nurdun 2010), but they are limited in their scope, and do not provide any comparative analysis with traditional Western donors' and EU's development cooperation policies. This is why; the comparison conducted in this chapter is one of its kind in both Turkish foreign policy and EU studies literatures.

This chapter poses the following questions; i) Is there any convergence between the EU's and Turkey's development and cooperation policies? ii) If so, then what are the main convergent areas and limits occurred from both sides?

Accordingly, this chapter has two propositions;

Proposition I: One would be able to see the transformation of Turkey's development assistance policy in parallel with its foreign policy objectives and strategic interests, which makes Turkey as one of the important emerging donors, but not as the result of "Europeanisation" as it could be expected from EU negotiating candidates.

Proposition II: The convergence between the EU's and Turkey's development aid and humanitarian assistance policies would be recognized by analysing the institutions responsible for development policy, the quantity of aid and the geographical and thematic focus in Turkey.

This chapter begins with background information on the change in Turkish foreign policy and development assistance during the EU accession process, since the development policy provides insights into the foreign policy of Turkey. Secondly, it analyses the institutions responsible for development policy, objectives of Turkish and EU development assistance, the quantity of aid and the geographical and thematic focus of both Turkish and EU aid, in order to understand complementarity and divergence with the EU development policy and EU member states' foreign aid policies. The chapter concludes with an evaluation of outcomes of the analyses.

8.1 Turkish Foreign Policy during the EU Accession Negotiations

Since the development policy provides insights into the foreign policy of Turkey, it would be useful to analyse the changing nature of Turkish foreign policy and recent emerging power status since the beginning of the accession negotiations in 2005. The changing nature of Turkish foreign policy and significant evolution of development and cooperation policy of Turkey go hand in hand in the last decade. Therefore, it would be necessary to understand the main dynamics of Turkish foreign policy in order to explain the foreign aid behaviour of Turkey. During the last decade, Turkish foreign policy has been transformed and thus, Turkey has started to increasingly emphasize the role of

foreign aid in its external affairs. 2000 onwards Turkey has extended the allocation of financial aid, in the name of development aid (ODA) and humanitarian assistance as an effective tool of its foreign policy. In its foreign policy, Turkey has increased its soft-power capabilities, which are considered as diplomatic, economic and humanitarian tools, especially in its neighbourhood, towards the Middle East, Central Asia and Africa. The last decade has witnessed the re-orientation of Turkish foreign policy. Previously Turkey had stable relations with Western countries under the framework of post-World War II institutions, such as NATO and OECD. However, during the last decade Turkish foreign policy has shifted its orientation towards East depending on its strategic interests. As Turunç mentions “Turkey’s foreign policy is no longer determined by simple Cold-War Manichaeian alliances. It is now characterised by multi-faceted, shifting and interest-based alliances as opposed to ideological and cohesive partnerships” (Turunç 2011, 543). Thus, it is also recently discussed in the literature that Turkish foreign policy increasingly moves away from its pro-Western orientation (Aydın-Düzgüt 2013; Keyman 2013; Kirişçi 2009; Müftüler-Baç 2011). Additionally, the concept of “soft-power” has been widely used among scholars and government officials to explain the recent transformation of Turkish foreign policy (Altunışık 2008; Kalm 2011; Oğuzlu 2007; Öniş and Yılmaz 2009). Nevertheless, this re-orientation of Turkish foreign policy did not come along without multiple failures.

It is without doubt that the rapid rise of Turkish economy led to its active involvement in foreign affairs at the same time. The rise of “the rest” primarily the rise of five major national economies; Brazil, Russia, India, China and South Africa (BRICS) which is closely followed by a newer, fast-track countries in global economy; Mexico, Indonesia, South Korea and Turkey (MISTs) due to their rapidly growing economies in the last decade. As their economic and military power increases, the rising powers also have been becoming active providers of development aid in the world and thus, constitute alternative models to traditional Western donors for developing states. As Quirk mentions “... these new players have challenged Western influence in general and transatlantic approaches to and norms of development particularly” (Quirk 2014, 45). Among emerging donors, the ones called as “rising democracies”, pay lip service to liberal norms and promote them in their foreign policies in rhetoric, but in practice they are still reluctant to embrace a clear democracy and human rights agenda or suffer from sets of problems preventing them to become fully fledged democracies. At the same time, they

experience problems with regards to the application of fundamental human rights and liberal democracy in their domestic politics. Additionally, since they prioritize their economic ties, trade relations and security interests, rather than democratic ideals, they place great emphasize on respect to national sovereignty and non-intervention in their foreign policies (Kupchan 2012) and these would impact their priorities while allocating aid. Turkey is among this group of rising donors. Even though recently Turkey seems to enter to a period of economic recession together with a political instability and increasing terrorist attacks all around the country, especially since the end of 2015, it had strengthened its political and economic power in regional governance and international security constellations during the last decade. As the fifteenth largest economy in the world, Turkey expanded its trade and investment links especially in its neighbourhood, the Middle East, Africa and even in the Far East Asia (Kirişçi 2009; Kirişçi and Kaptanoğlu 2011). Especially after the 2010 Arab Spring, Turkey became an important model for the countries in the Middle East as being a predominantly Muslim and secular democracy, who has EU membership aspirations. This definitely increased the visibility of Turkey in the region (Müftüler-Baç 2016) and would be particularly important given the recent restructuring in the Arab countries (Keyman 2013).

This increasingly different and pro-active foreign policy choices of Turkey regarding its neighbourhood compared to its previous position since the World War II and its desire to be vocal in international politics, especially in regional security issues, resulted with the incremental arguments that Turkey is moving away from the West and Western security structures. This caused several disagreements between Turkey and its Western allies, including the USA and EU member states, in several foreign policy and security issues. For example, Turkey voted against sanctions to Iran in the UN Security Council (UNSC) in 2010; froze its diplomatic relations and military cooperation with Israel after the “Mavi Marmara” incident in 2010; openly supported the Muslim Brotherhood in Egypt in 2012 and 2013 (Müftüler-Baç 2016, 43); but also cut its diplomatic relations with Egypt and Syria as well; in the 2011 Libyan crisis Turkey did not directly participate to the military intervention backed by France and tension between the two countries increased; since 2011, by Turkey’s active involvement to the Syrian crisis, its relations with Russia, Iran, Iraq and even with the USA became rocky; Turkish military forces shot down a Russian warplane on 24 November 2015; and importantly, relations with the EU entered into a period of stagnation, particularly since 2011. These

incidents clearly show the changing foreign policy choices of Turkey, its desire to be an independent and active regional power and to play a role in international power constellations. Therefore, as Turkey becomes much more independent and visible in international politics, it moves away from the European preferences and policies internationally, thus also from the EU accession process (Müftüler-Baç 2016). A recent report of the US National Intelligence Council states that “the problem of an increasingly independent and multi-directional foreign policy in Turkey and its nondemocratic impulses, at least over the medium term, will add to the disintegrative currents in Europe and pose a threat to the coherence of NATO and NATO-EU cooperation” (US NIC Global Trends Report, 2017). However, the existing ties and role of Turkey in Western security constellations, its significant role and cooperation experience with the European foreign and security structures, increasing security challenges equally for both sides in the Middle East driving from the Syrian crisis, ISIS terrorism and migration issue and its ongoing negotiating candidacy status still make Turkey an important partner for the EU, even though accession negotiations slow down and Turkey is not going to be an EU member in the close future. Therefore, it would be crucial to search for the further cooperation possibilities and convergent areas between the EU and Turkey.

In the light of these developments, the Middle East and North Africa and Western Balkans are the main regions where the EU and Turkey could cooperate particularly in foreign policy. As explained above, one of the most important areas of Turkish foreign policy has been its active involvement in the Middle East, increasingly since 2007 (Müftüler-Baç 2011; 2016). The 2010 Arab Spring has triggered regime changes, turmoil and/or civil wars in several Arab states, including Tunisia, Egypt, Libya and recently Syria. These developments did not only pave the way for the change of balance between the regional states, it also revealed several terrorist and insurgent groups that try to increase their power and control the region. This situation, in other words, security and stability of the Middle East and North Africa equally affects both internal and external policies of Turkey and the EU, since the existing instability and violence in the region export terrorism, illegal migration and increasing social problems to Turkey and EU member states. On the other hand, the EU and Turkey have long-standing political, cultural and economic ties with the countries in the region. Foreign policy of Turkey was seen as an opportunity to assert Turkey as a “role model” for the neighbouring countries and also for the Middle Eastern and North African countries after the Arab Spring.

Therefore, Turkey chose to direct its aid to its close neighbourhood and it strived, posing as a donor country, to increase its international prestige.

Turkey preferred an increasingly proactive and transformative foreign policy approach that aimed the expansion of strategic and economic interests of Turkey by using development aid and humanitarian aid as main foreign policy tools, especially in the neighbourhood and countries, where Turkey has historical and cultural ties. Turkish Minister of Foreign Affairs of the time Ahmet Davutoğlu named that strategy as “a new discourse and style in spreading soft power” (Davutoğlu 2010). He suggested that as Turkey positions itself with the historic political transformation in its region, it “requires new instruments which might be missing in Turkey’s traditional foreign policy toolkit” and underlined “active involvement in new areas such as international development assistance” (Davutoğlu 2012, 5). However, the EU’s and Turkey’s ability to work together in the region and in other parts of the world as well regarding the development aid policy and humanitarian assistance remained limited until “the EU-Turkey Joint Action Plan”, which is also known as “the EU-Turkey Refugee Deal”, agreed between the EU and Turkey on 29 November 2015. The deal has been criticized firstly, because of being an anti-human, secondly, it was somehow associated with the accession process and visa liberalization process for Turkish citizens, although those three issues were separate in the eyes of the Turkish government. Even though the Joint Action Plan is an opportunity for the EU and Turkey to cooperate in foreign aid policy and to ensure the security and stability of the region, the deal could not succeed in decreasing the existing tensions between the EU and Turkish government, because of growing political instability, violations against human rights, freedom of association and speech, and move away from democracy and the rule of law recently in Turkey. Thus, the level of successful implementation and results of the deal remain to be seen.

When examining Turkish foreign aid, even in the previous decades Turkey had been also interested in its neighbourhood and culturally tied countries in its development policy, but there was an expectations–capability gap in Turkey’s foreign policy, which would prevent it to become an active player in development and humanitarian assistance policy (Hatipoğlu and Palmer 2013). In those regards, “the last decade witnessed a narrowing of the expectations–capability gap in Turkey’s increasingly active foreign policy. Turkey frequently attempted to revise, bilaterally and multilaterally on many geographic fronts, the status quo for a number of international issues and achieved

considerable success in some of these endeavours” (Müftüler-Baç 2011). Turkey’s development and cooperation policy is among those ones, which have succeeded in a short period of time. It would be necessary to discuss further the change in Turkey’s development and external assistance policy, in order to figure out the commonalities and divergence with the overall development and cooperation policy of the EU and future cooperation opportunities between the two actors in this specific policy area.

8.2 Foreign Aid Policy of Turkey

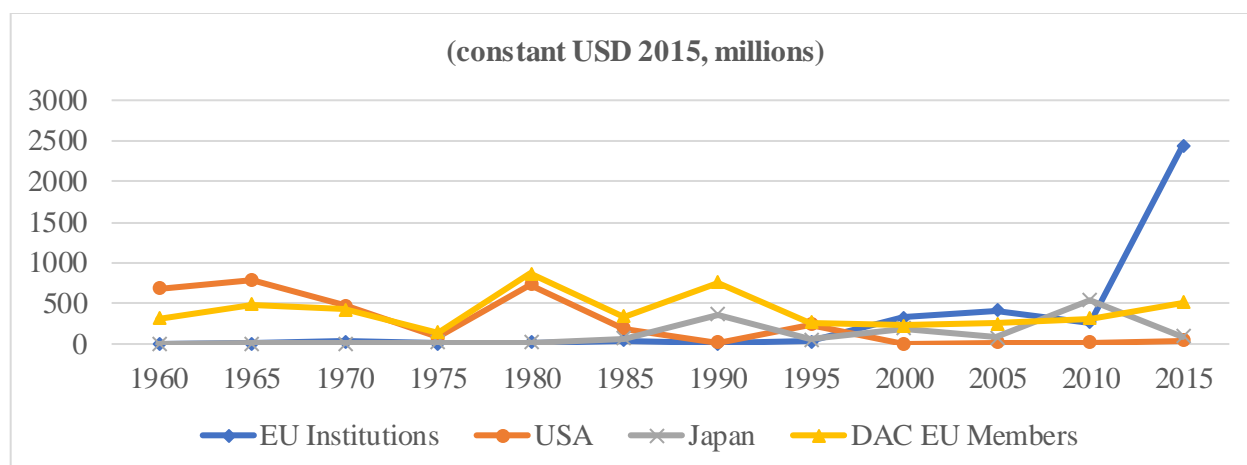
Development and cooperation policy is not represented under a separate title in the *acquis* and thus, during the accession negotiations with candidate states. It is one of the sub-topics of Chapter 30, External policy, -was under Chapter 26 until the 2005 Progress Report, since there were 31 chapters in total until then-. Neither Turkey nor the European institutions, including DG NEAR and DG DEVCO, prioritise development and cooperation policy neither as a technical nor political aspect in the accession process. This is seen as significant because it reflects the view that enlargement would not fail due to development and that development has a low political priority within the EU. Granell argues that “development has not been a contentious issue in the accession negotiations process and for this reason the subject has not received a lot of attention” (Lightfoot 2010). On the other hand, Turkey’s compliance with the EU development *acquis* is considerably high compared with the CEEs’ compliance levels or even, with some of the old EU member states, known as traditional donors, as well as with other emerging donors. However, “a series of similarities can be found when comparing Turkey with other new donor countries: its status as an emerging economy; its experience as a recipient of development aid; the relatively minimal strategic foundation of its own development cooperation; the aforementioned waiving of political conditionalities; and the focus on isolated projects (no comprehensive programmes)” (Hausmann 2014, 12). Turkey differs from other new donor countries particularly due to its proximity to the OECD DAC and its candidacy status to the EU. Turkey is pursuing a similar concept of development cooperation and shares the basic values of the DAC donors and thus, of the EU donors as well, setting it apart from other emerging donors.

According to the literature, the first explanation that comes to mind is the significant role that “Europeanisation” plays on the policy changes and reforms in candidate states (Sedelmeier 2011; Epstein and Sedelmeier 2008). However, in the Turkish accession case, instead of the impact of the Europeanisation, country-specific reasons caused rapid evolution of development and cooperation policy of Turkey that achieved to comply with most of the EU development *acquis*. As it is explained in Chapter 7, neither the Enlargement policy of the EU nor the related DGs of the Commission (DG DEVCO and DG NEAR) maintain any opportunity or condition for cooperation between the EU, member states and candidates in development and cooperation policy, until the very end of the accession negotiations. However, since both the EU and Turkey face significant economic, political and security problems at the moment and since Turkey’s accession process to the EU is in a period of severe stagnation, alternative modes of cooperation and communication, even integration would be beneficial, especially in issue areas where both sides share similar policies, views and common values. In order to analyse the complementarity and divergence between the EU and Turkey, the chapter examines three key areas of the formal *acquis* for development aid in the following sections: *the institutions* responsible for development policy, *the quantity of aid* and the *geographical and thematic focus* in Turkey.

8.2.1 Background, Institutional Structures and Objectives of Foreign Aid

Transformation of Turkish foreign aid policy coincides with the impressive development of Turkish economy 2000 onwards. The recent economic development of Turkey, in part is due to development aid that the country received for decades since 1960s and its EU negotiating candidacy since 2005. According to the OECD Development data, Turkey received almost 63 billion USD (constant 2015 prices) in total from the USA, EU institutions, DAC EU Member States and Japan since 1960. Additionally, Turkey has enormous experience with World Bank and IMF programmes conducted in the country for decades. Turkey’s official candidacy to the EU in 1999 and negotiating candidacy in 2005 have rapidly increased the amount of aid received from EU institutions and DAC EU member states to Turkey, but in parallel to that decreased US aid to Turkey during the last decade. Aid received from Japan has never been so significant, but rose as well, especially between 2005 and 2010 (See Figure 8.1).

Figure 8.1: Gross ODA Disbursements to Turkey by Donor, 1960-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Turkey did not become a significant donor country suddenly. First aid programme of Turkey was a comprehensive aid package directed to Gambia, Guinea Bissau, Mauritania, Senegal, Somalia and Sudan and coordinated by the State Planning Organization (SPO) in 5 June 1985. This aid package aimed to support “institutional capacity construction” in these countries. At that time, it was important for Turkey to use foreign aid as an effective tool to improve trade relations with developing countries (Kulaklıkaya and Nurdun 2010). Later on, the Turkish Cooperation and Development Agency (TIKA) was established in 1992 by the Decree Law No. 480 within the Ministry of Foreign Affairs (MFA) with the view of increasing Turkey’s political and economic ties with Turkic Central Asian states after the end of the Cold War, using foreign aid as a strategic foreign policy tool. TIKA is the main institution, which has both decision and coordination capability in foreign aid policy of Turkey, in collaboration with the MFA in particular and with other related institutions and organizations. It was in the late 2000s that Turkey made a more concrete effort to broaden and increase its assistance programs, which resulted in the re-orientation of the TIKA in parallel to re-orientation of Turkish foreign policy. TIKA was tied to Prime Ministry in 1999, but it has been re-shaped in accordance with the priorities of the Turkish foreign policy by the Decree-Law No. 656 of 24 October 2011. Thus, the term “development” abolished from its name and it replaced with the term “coordination” so the institution became “Turkish Cooperation and Coordination Agency”. Article 2 (1) of the Law declares that;

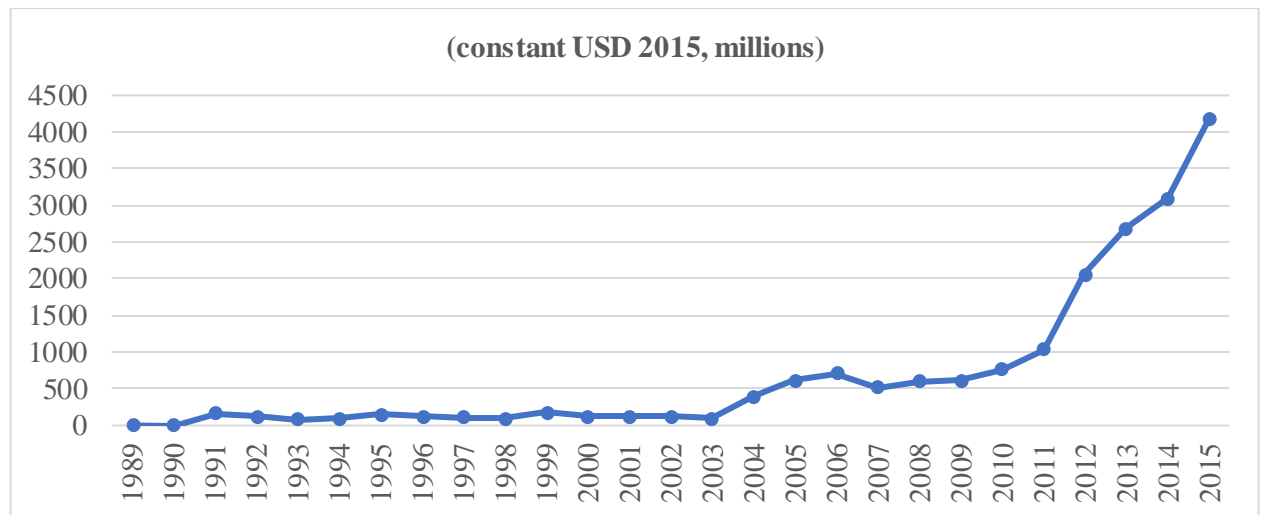
“Turkish Cooperation and Coordination Agency Directorate was founded under the Prime Ministry with its own public legal entity and special budget to make improvements with the states and communities that are the target of cooperation in the scope of economic, commercial, technical, social, cultural and educational projects, programs and activities; to conduct all the processes involved in providing aid and contributions and to carry out all the other tasks that have been assigned by laws. The abbreviated name of institution is TIKA”¹⁰⁹.

Realizing the need to coordinate its foreign aid efforts to gain more political leverage, the Turkish government decided to restructure the TIKA. Previously a ministerial agency involved in ad-hoc (and relatively small) educational and foreign aid projects in Turkey’s immediate neighbourhood, TIKA became tied to the prime minister’s portfolio and was commissioned for “effective channelling of foreign aid” by “coordinating various state agencies in accordance with [Turkey’s] foreign policy principles and requirements” (Denizhan 2010, 21). Following this change, one of the major turning points of Turkey’s development assistance was its harmonization with the OECD DAC rules of classification and reporting beginning from 2001. By then, Turkey’s volume of aid started to be registered officially, increased year by year and paved the way for Turkey to be an effective ‘emerging donor’, which became also in much more cooperation with other bilateral donors and international institutions (See Figure 8.2). Especially since 2009, there is a significant change in the volume and means of TIKA’s ODA and in its geographic scope (Parlak 2007; TIKA Annual Report 2013). Turkey, though not a DAC member, voluntarily reports its ODA to the DAC. The OECD DAC seems as the major forum instead of the European Commission or other multilateral agencies, for Turkey for sharing expertise and organizing its new development aid policy. Turkey’s proximity to the OECD DAC and then the European Commission differentiates Turkey significantly from most other emerging donors, who normally place importance on dissociating themselves from the established donors, and also other EU candidates. Turkey’s conception of development cooperation also seems to be generally covered by the conception of the Western donors (Hausmann 2014). However, Turkey still is not an OECD DAC member state, even it is not a participant country like the United Arab Emirates (UAE), which is the first and only participant country in the DAC at the moment. Even though Turkey fulfils the membership criteria and if it applies it will be accepted as an OECD DAC member, it “clearly does not wish to be tied too closely to the traditional

¹⁰⁹ TIKA, http://www.tika.gov.tr/en/page/organisation_law-8529 , accessed in November 2016.

Western donors in order to gain the freedom of action resulting from the fact that it is not tied to the principles and obligations that the DAC members have set". This makes the decision of application to the OECD DAC membership as a political will, which is currently not seen from the Turkish side (Hausmann 2014, 11).

Figure 8.2: Gross ODA Disbursements of Turkey, 1989-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Objectives of Turkish Foreign Aid Policy are listed in Article 3 (1) of the Law No. 656 of 24 October 2011. According to the Article's content, the main aim of Turkey on development assistance is "to develop economic, commercial, technical, social, cultural and educational relations with countries that are the target of cooperation...appropriate to target cooperation country development goals and needs¹¹⁰". In this regard, it seems Turkey prioritizes recipient needs in its development assistance. Additionally, Turkey prioritizes countries "with which it has historical, geographical, social and cultural ties regardless of their level of development¹¹¹".

Further, Turkey clarifies its main activity areas aiming to provide assistance, such as "economic growth, preparation and development of investment environments, reduction of unemployment and poverty, raising the level of education, good governance practices, the role of women and family in the development of community life, transfer of information technologies, management of environmental and natural sources, energy,

¹¹⁰Turkish Cooperation and Coordination Agency, Statutory Decree No: 656; http://www.tika.gov.tr/en/page/organisation_law-8529, accessed in May 2017.

¹¹¹ Ibid.

infrastructure, sustainable development; and to provide support to these countries towards improving institutional, human resources and other capacities¹¹²”. Accordingly, it seems that Turkey aims a wide range of development cooperation policy and it aligns to a large extent to these of the EU. However, the EU development assistance policy also includes other objectives.

The EU prioritizes common values, which are democracy, human rights, rule of law, good governance, market economy principles and sustainable development, which are not mentioned in Turkish development assistance policy, except attribution to *raising good governance practices and sustainable development* in the Law. These elements of good governance are considered as preconditions for sustainable and equitable development, for providing effective development assistance, as well as an objective in its own right (Hackenesch 2011, 8). By the introduction of the European Consensus on Development in 2005, in addition to traditional policy areas interlinked with development, such as economic growth, institutional and human development, poverty reduction, democratization, etc., new policy areas were taken into consideration in decision-making. Gender equality, climate change, environment, sustainable development, untying of aid, social impacts of globalization were among the specific policy areas included in EU development policy for the first time (European Consensus on Development, 2006). While Turkey also aims to *raise the role of women and family in the development of community life and management of environmental and natural sources*, actually, it does not emphasize “gender equality”, “untying of aid” and “climate change” among its development assistance objectives.

The priority of focusing on poverty reduction and eradication has been distinguished in several EU documents; in Article 177 of the 2002 Official Journal of the European Communities, the 2005 European Consensus on Development and finally, in the Lisbon Treaty. The Lisbon Treaty states that all member states share the goal of poverty reduction (Lightfoot 2010). The Treaty of Lisbon of 2009 has established a new European context in development policy. Development became an explicit part of EU’s external action, poverty reduction, aid to LDCs became one pillar of external action and even though the existence of economic crisis, commitment to the UN MDGs and ODA declared once again. Since Turkey prefers countries with which it has historical,

¹¹² Ibid.

geographical, social and cultural ties regardless of their level of development for development assistance, this element of Turkish foreign aid does not overlap with the EU's aim to increase aid to LDCs. Finally, the EU aims to decrease aid fragmentation by increasing joint programming with EU member states, other donors and international organizations¹¹³. Turkey also aims at contributing to “international co-operation efforts relevant to its task field and ensure coordination, and if necessary, to conduct projects jointly with international organizations and their agencies”¹¹⁴.

Contrary to EU candidate states, EU member states have to create administrative and legal structures for development and cooperation policy both at home and in Brussels. Prior to accession the European Commission only demands for minor changes in the legal and administrative structures of accession states when full accession becomes closer. However, new member states have to establish detailed development cooperation strategies and institutions, to be implemented. “While establishing a sound legislative framework and ensuring policy coherence through coherent legislative arrangements is crucial, the *acquis* explicitly refers to sound institutional and administrative structures” (Lightfoot 2010). If Turkey's accession to the EU would be soon, institutional and legal structures that Turkey has to create in order to harmonize its national law with the EU *acquis*, would be one of the issue areas that the level of alignment would be the highest. The European Commission finds “Turkey's level of alignment in the field of development and humanitarian aid policy is satisfactory” in all of the progress reports for Turkey since 2007 (See Table 2, Appendix). The last progress report for Turkey of the European Commission states that;

*“As for development policy and humanitarian aid, official development aid granted by Turkey stood at EUR 2.8 billion or 0.46 per cent of ODA/GNI in 2015, mostly on Syria-related activities. Turkey's assistance to Syrian refugees on its own territory makes it the donor contributing the second largest amount in 2015. It is host to the largest refugee population in the world, with about 3 million refugees from Syria, Iraq and other countries. In April, Turkey joined the EU Civil Protection Mechanism”*¹¹⁵.

When and if Turkey acceded to the EU, institutional and legal structures on the development and cooperation policy that Turkey has to establish and introduce in order

¹¹³ Council of the European Union, 2011, EU Common Position for the Fourth High Level Forum on Aid Effectiveness, https://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/126060.pdf; accessed in May 2017.

¹¹⁴ Ibid.

¹¹⁵ European Commission, 2016 Progress Report for Turkey, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_turkey.pdf, accessed in December 2016.

to harmonize its national law with the EU *acquis*, would be one of the issue areas that the level of alignment would be the highest.

8.2.2 The Quantity of Foreign Aid and Approaches to Development Cooperation

This section first explains the rapid increase of the volume of Turkish foreign aid and then discusses the different approaches of Turkey towards performing development cooperation and compares them with the EU and DAC EU countries. The following three questions are addressed in the second part: are Turkish and European development cooperation pursued via multilateral or bilateral channels? Is the development assistance made via grants or loans? What do these show us about the performance of Turkish development assistance in comparison to the European one?

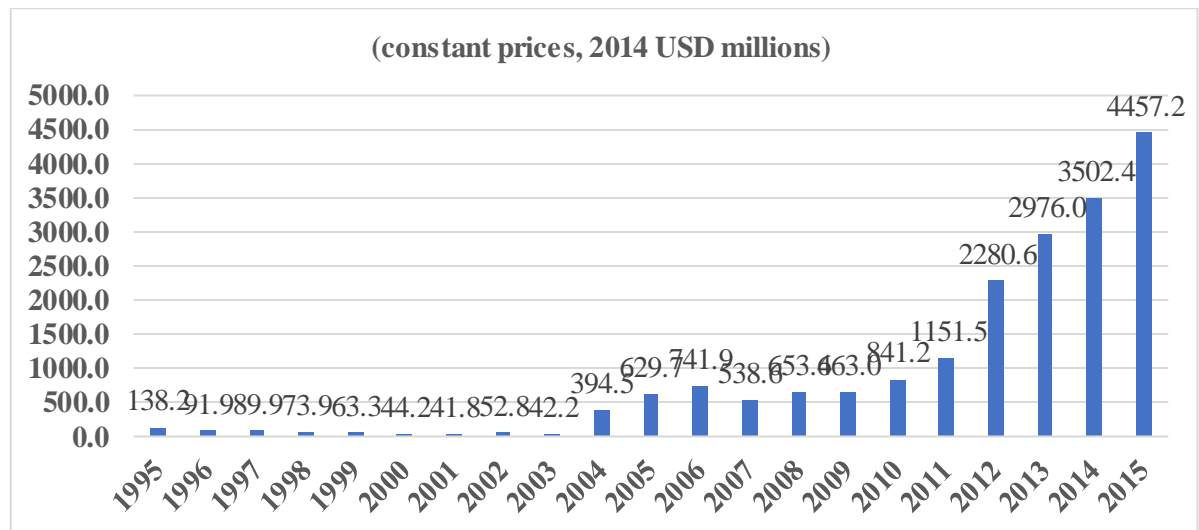
Turkey is the sixth largest economy among the EU members and candidate states, and fifteenth largest economy in the world. Turkey's efforts to exert its regional power capacity and scale up its global influence have been mostly visible in the field of development cooperation. According to its increasing quantity of aid, expanding geographical and thematic scope in recipient countries and recent institutional arrangements, Turkey is an "emerging donor" in the global foreign aid scheme compared with EU member states, especially with DAC EU members. The volume of Turkey's bilateral ODA has increased from 85 million USD in 2002 to 3.3 billion USD in 2013 (2.5 billion Euro¹¹⁶). This indicates a 30 per cent increase over 2012 (TIKA Annual Report 2013). OECD reported that development assistance by OECD DAC members rose by 6.1 per cent in real terms in 2013 to reach 134.8 billion USD, which is the highest level ever since. Surprisingly, Turkey increased its official development assistance by 29.7 per cent in 2013 to exceed 3.3 billion USD. In that regard, Turkey was ranked with the highest rate of increase in assistance among the rest of the donor countries (TIKA Annual Report 2013). Importantly, this increase has continued in 2014 and 2015 as well. This increase has continued in 2014 and 2015 as well. 3.59 billion USD (2.8 billion Euro¹¹⁷) represented Turkish ODA in 2014. According to the preliminary data of the OECD for 2015 ODA

¹¹⁶ European Commission, 2014 Regular Progress Report for Turkey, 8.10.2014, http://www.ab.gov.tr/files/IlerlemeRaporlari/2014_progress_report.pdf, accessed in December 2016.

¹¹⁷ European Commission, 2015 Regular Progress Report for Turkey, 10.11.2015, http://www.ab.gov.tr/files/5percent20Ekim/2015_turkey_report.pdf, accessed in December 2016.

figures, Turkish ODA is 3.91 billion USD (around 2.8 billion Euro¹¹⁸ again) and 0.54 per cent in ODA/GNI ratio¹¹⁹ (See Figures 8.3 and 8.4). Including private flows Turkey's ODA amount rises to 4.347 billion USD in 2013. 820 million of the assistance was direct investments of Turkish private sector and Turkish non-governmental organisations (NGOs) allocated 280.23 million USD in 2013 (TIKA Annual Report 2013). Official Turkish assistance and private assistance flows totalled 6,403 million USD in 2014. This figure represents an increase of 47.3 per cent from the previous year (TIKA Annual Report 2014).

Figure 8.3: Total Bilateral Aid of Turkey Between 1995 and 2015 (Figure drawn by the author)

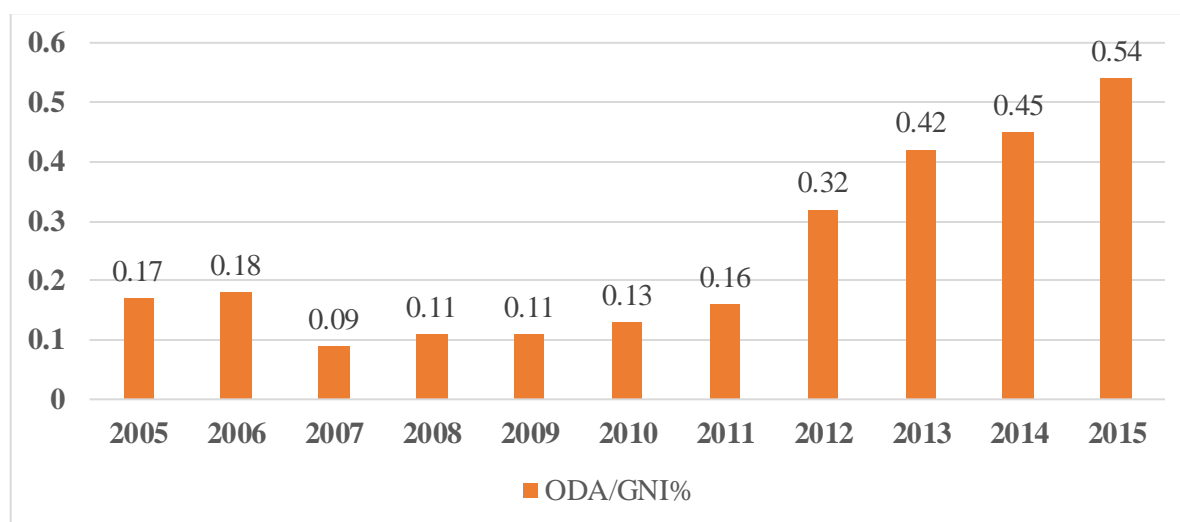


Source: OECD Development Statistics

¹¹⁸ European Commission, 2015 Regular Progress Report for Turkey, 9.11.2016, http://www.ab.gov.tr/files/pub/2016_progress_report_en.pdf, accessed in December 2016.

¹¹⁹ OECD Preliminary Data for 2015, <https://www.oecd.org/dac/stats/ODA-2015-complete-data-tables.pdf>, accessed in January 2017.

Figure 8.4: Turkey's ODA/GNI Ratio Between 2005 and 2015 (Figure drawn by the author)



Source: OECD Development Statistics

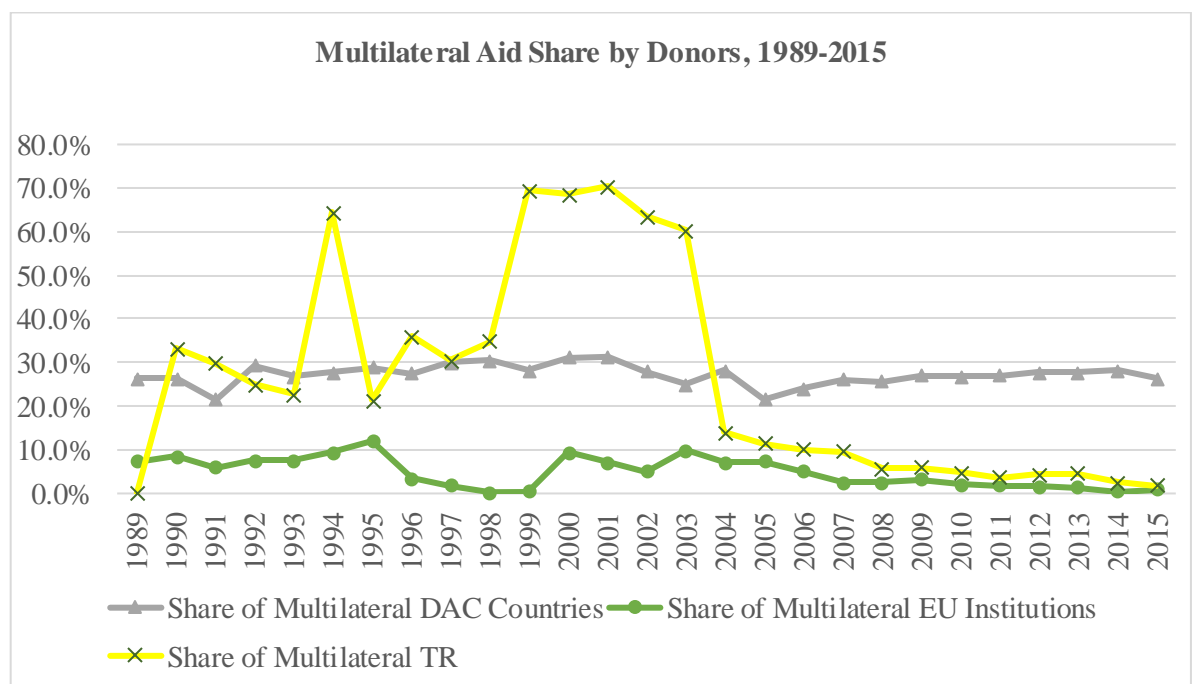
As one element of the EU development *acquis*, the EU decided specific aid volume targets for EU-15 and new EU member states following the UN target of 0.7 per cent in ODA/GNI ratio by 2015. Correspondingly, the EU targeted for old member states (EU-15), increasing aid spending to 0.56 per cent of their GNI by 2010 and to 0.7 per cent of their GNI by 2015 and for new member states increasing aid spending to 0.17 per cent of their GNI by 2010 and to 0.33 per cent of their GNI by 2015¹²⁰. These rules are non-binding for EU member states, so any EU demand or conditionality over candidate states in achieving these targets is out of the question, but the fact that they are a part of an international agreement signed by the EU in Monterrey gives them a high political status (Dauderstadt 2002). In this regard, although Turkey could not meet the UN and the EU target of 0.7 per cent in ODA/GNI ratio by 2015, its ODA/GNI ratios have been increasing tremendously since 2010; 0.13 per cent in 2010, 0.17 per cent in 2011, 0.32 per cent in 2012, 0.42 per cent in 2013, 0.45 per cent in 2014 and 0.54 per cent in 2015 (See Figure 8.4). This increase clearly shows that Turkey is far advanced than some of the EU member states and all of the new EU member states regarding the quantity of aid and achieving the global ODA/GNI ratio targets. Calculated as ODA divided by GNI, i.e.

¹²⁰ Council of the European Union, CONCLUSIONS OF THE COUNCIL AND OF THE REPRESENTATIVES OF THE GOVERNMENTS OF THE MEMBER STATES MEETING WITHIN THE COUNCIL ON EU Code of Conduct on Complementarity and Division of Labour in Development Policy http://register.consilium.europa.eu/doc/srv?l=EN&f=STper_cent209558per_cent202007per_cent20INIT; accessed in May 2017.

the ODA/GNI ratio, Turkey's MDGs achievement level was well above the 0.29 per cent average of member countries of the OECD DAC in 2014. The top donors as ranked by the said ratio in 2014 were Sweden, Luxembourg, Norway, Denmark, United Kingdom, Netherlands, Finland, Switzerland and Belgium with Turkey ranking tenth (TIKA Annual Report 2014). Turkey's foreign aid is comparable to these countries as well, especially regarding some of the recipient countries in Africa.

Apart from the quantity of aid, the share of multilateral aid, loans and grants in a donors' total aid allocation also inform us about the development assistance preferences of that specific donor. The use of multilateral aid channels instead of bilateral ones is considered as much more beneficial in its contribution to development, according to some scholars in the literature (Kharas and Rogerson 2012; Keohane *et al.* 2009). Keohane *et al.* argue that multilateral aid channels limit the influence of domestic interests of donors on using assistance for political or commercial ends (Keohane *et al.* 2009). "Multilateral channels contribute to a better coordination of resources, and can improve efficiency on spreading the aid burden and leverages experience, expertise, geographic reach, and other assets that can be better deployed through joint efforts" (OECD 2011). The multilateral aid share of Turkey, DAC members and EU institutions are presented on Figure 8.5.

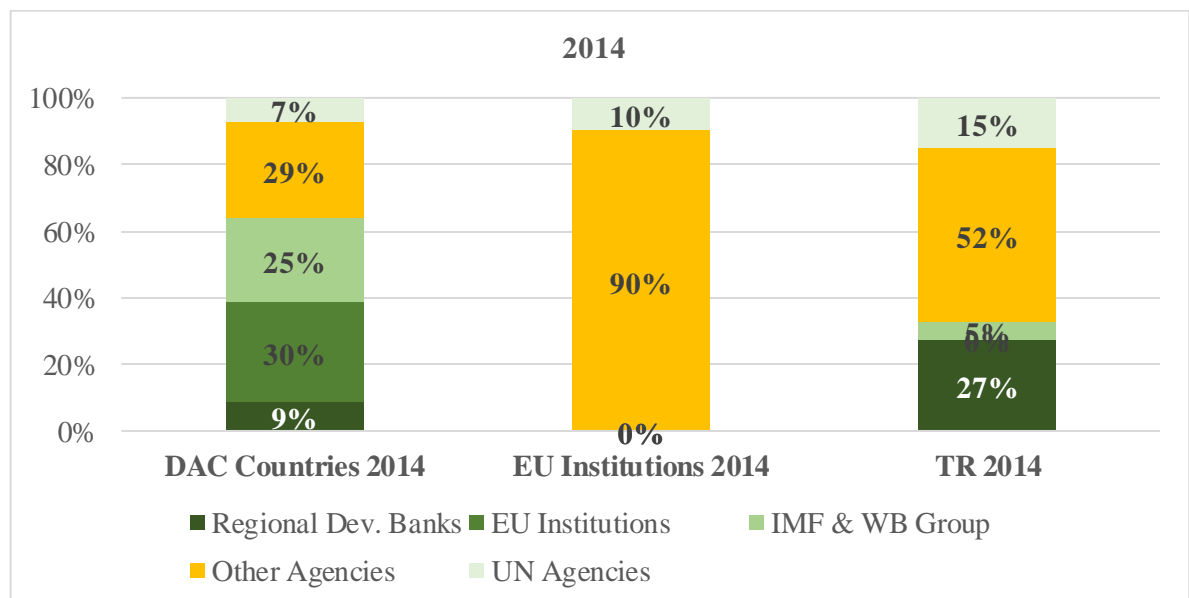
Figure 8.5: Multilateral Aid Share by Donors (Figure drawn by the author)



Source: OECD Development Statistics

This figure shows that Turkey mainly used multilateral aid channels in its development assistance between 1993-1995 and 1998-2004. According to the OECD development data, Turkey allocates high level of aid to the ADB, International Development Association (IDA) of the World Bank and other multilateral agencies between 1993 and 1995 and to other Regional banks, the United Nations Development Programme (UNDP), IDA, the Islamic Development Bank (IDB) and special funds of the ADB (AsDB) between 1998 and 2004. 2004 onwards Turkey has changed its multilateral aid approach and increased its bilateral aid tremendously that the share of its multilateral aid first declined to 10-5 per cent and recently it is around 2 per cent of its total ODA. In the last decade, Turkish multilateral share has been below the average of DAC members (around 30 per cent), but close to the share of EU institutions' multilateral aid allocations (around 2 per cent). However, EU's low level of multilateral aid share is expected, since the EU itself is also a supranational organization, whose aid allocations are provided by individual EU member states. Majority of multilateral aid provided by DAC countries is allocated to EU institutions (around 30 per cent) in 2014, since 20 of OECD DAC states are EU member states (See Figure 8.6). While Turkey's multilateral aid to the International Bank for Reconstruction and Development (IBRD) of the World Bank and African Development Fund has increased since 2004 and 2013 respectively, it continued to provide aid to the ADB, other multilateral agencies and the UN agencies.

Figure 8.6: 2014 Percentage of Multilateral Flows by Destination (Figure drawn by the author)

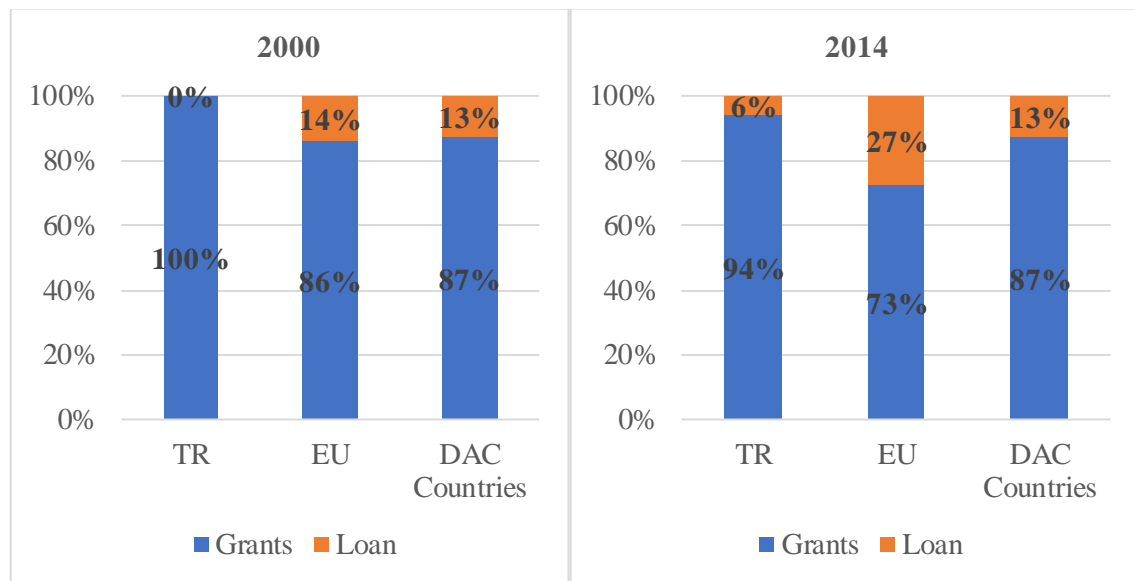


Source: OECD Development Statistics

There are two main arguments in the literature that explain the reasons of the decline in multilateral aid. According to linkage politics, foreign policy choices affect domestic politics and vice versa (Bueno de Mesquita and Smith 2012; Fearon 1998). Thus, multilateral aid preferences of a donor country could not be supported by its domestic political actors and public. Secondly, this decline could be explained by the principal-agent model. Since the donor country (principal) loses control over the funds in favour of a multilateral actor (agent), it could prefer to decrease the share of its multilateral aid allocations (Milner and Tingley 2011). Turkey's volume of development aid has been increased significantly since 2004. One of the partial explanations for the decline of the percentage of its multilateral aid can be this increase of its aid volume, since this additional volume of aid exclusively allocated through bilateral channels. Another explanation for this change is the increasing power of aid bureaucracy in Turkey, which does not prefer to share its power with other institutions and especially with other governments' bureaucracies, which is in accordance with the principal-agent model. However, Turkey's increasing involvement and commitment to global development agenda and priorities by its cooperation with the major donors and multilateral organizations would increase its experience and make it an important partner for the EU and EU member states in development cooperation.

Secondly, I compare the use of loans and grants of Turkey, EU institutions and DAC countries. The main difference between loans and grants is the allocation of grants without any repayment requirement, while loans are paid back to donors by recipient states under special bilateral agreements. As it is seen in Figure 8.7 almost all aid provided by Turkey is in terms of grants. According to OECD development data, Turkey gave loan to Kyrgyzstan for the first time in 2006 (49.98 million USD, 2015 constant prices) and since 2012, Turkey provides few amount of loans to Kyrgyzstan, Egypt (2012-2013) and Tunisia (2014). These data show that Turkey provided loans to the governments of Egypt and Tunisia after the Arab Spring. While DAC countries' share of loans and grants did not change between 2000 and 2014, it is surprising that the share of loans provided by EU institutions had increased in 2014, even though still the majority of aid is allocated as grants. Due to international efforts to ensure debt sustainability, mainly in the case of LDCs, loans as aid mechanisms are perceived doubtful. Thus, it is expected that the EU refrains to give loans to developing countries.

Figure 8.7: Grants versus Loans, 2000 and 2014 (Figure drawn by the author)



Source: OECD Development Statistics

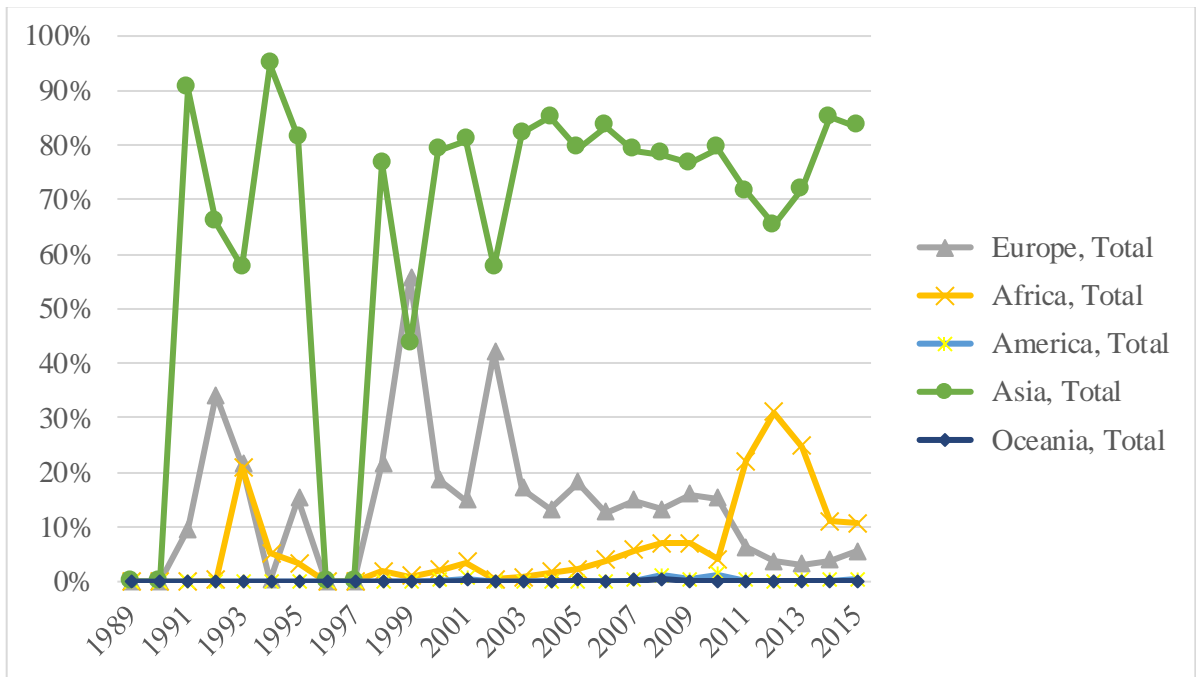
8.2.3 Geographical and Thematic Focuses

In addition to increasing volume of Turkish aid, Turkey has also expanded its geographical and policy scopes in its development and cooperation policy, in parallel to its foreign policy priorities. As illustrated in Figure 8.8, Turkey has a clear focus on aid to Asia since 2003, especially to Turkic states in the Central Asia, such as Kyrgyzstan, Kazakhstan, Azerbaijan and Turkmenistan. 1990s onwards, around 80per cent of the whole Turkish aid was addressed to Asia (OECD Development Statistics data are missing regarding Turkish ODA to regions and countries in 1996 and 1997). Although, this focus is understandable from Turkey’s cultural, historical and social ties with these countries, it seems Turkey’s economic interests play significant role in its aid to those countries, instead of poverty alleviation goals, since none of these countries are considered as LDCs or low-income countries (LICs). The high amount of aid allocated to Afghanistan and Iraq also shows that Turkey prioritizes security concerns in these countries similarly to the USA, EU and EU member states. Additionally, again high amount of aid addressed to Egypt and Tunisia show that Turkey supported those countries after the Arab Spring and was concerned about the security and stability of its neighbourhood, especially the Middle East. Bosnia and Herzegovina, FYROM and Kosovo are also among the top recipients of Turkish aid, which shows that Turkey aims to strengthen its cultural,

political, social and economic ties with these countries in the Balkans. Finally, while Turkish aid volume to Africa increases slightly since 2005, it has rapidly increased in 2010, when Turkey declared the “African Year”.

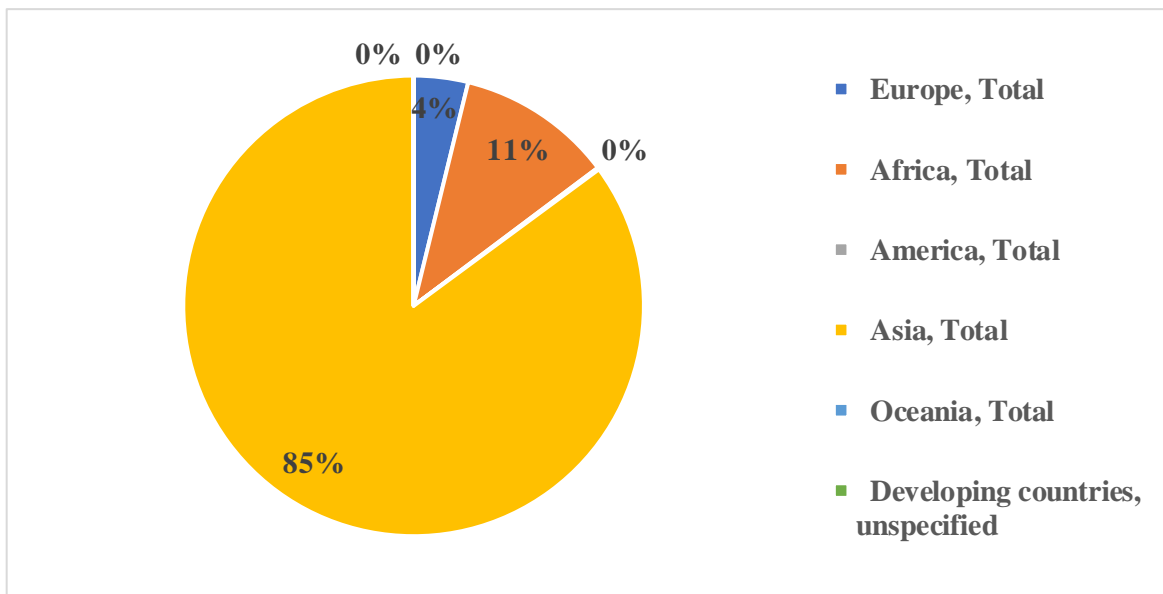
For example, 55.9 per cent of development projects conducted by Turkey in 2013 were in the Middle Eastern countries; 24.7 per cent of them were in Africa; 15.3 per cent of them were in South and Central Asia; while finally, 3.1 per cent of them were in the Balkans and Eastern Europe. When it is looked at the geographical scope of Turkish ODA in 2014, South and Central Asia ranked at the top by regional distribution in 2014 at 53.03 million USD and a share of 28.60 per cent in overall TIKA-mediated assistance. Azerbaijan, Kyrgyzstan, Kazakhstan and Turkmenistan were the top beneficiaries of TIKA action in the Central Asia and Caucasus region in 2014. Africa became the second ranking recipient region in 2014. Turkey’s relations with African countries have become stronger since 2005 which Turkey declared the “African Year”. In line with this new reorientation of Turkish foreign policy, TIKA opened new offices across Africa. TIKA’s assistance to African projects in 2014 totalled 44.24 million USD, which accounted for 23.86 per cent of the TIKA budget. The total assistance in 2014 to the Balkans and Eastern Europe was 39.4 million USD. Bosnia-Herzegovina, FYROM, Kosovo and Albania were the top recipients of assistance in the region. Recently Turkey started to allocate aid to such distant countries as Bhutan, Indonesia, Kiribati, Malaysia, Palau, Solomon Islands, Tuvalu and Vanuatu as well. Turkish aid to the Far East totalled 7.74 million USD, 1.89 million USD to countries in the Americas and 0.4 million USD to Oceania. Overall, the top beneficiaries of Turkish ODA in 2014 were Syrian refugees in Turkey’s territory 2,291.5 million USD, Tunisia 200.7 million USD, Kyrgyzstan 84.8 million USD, Somalia 74.4 million USD and West-Bank and Gaza Strip 65.9 million USD (See Tables 8.1 and 8.2). In order to be able to compare the geographical focus of the EU and Turkey, tables below show their priority countries and regions in aid-allocation between 1995 and 2015 (See Tables 8.1 and 8.2).

Figure 8.8: Turkish ODA Share by Region, 1989-2015 (Figure drawn by the author)



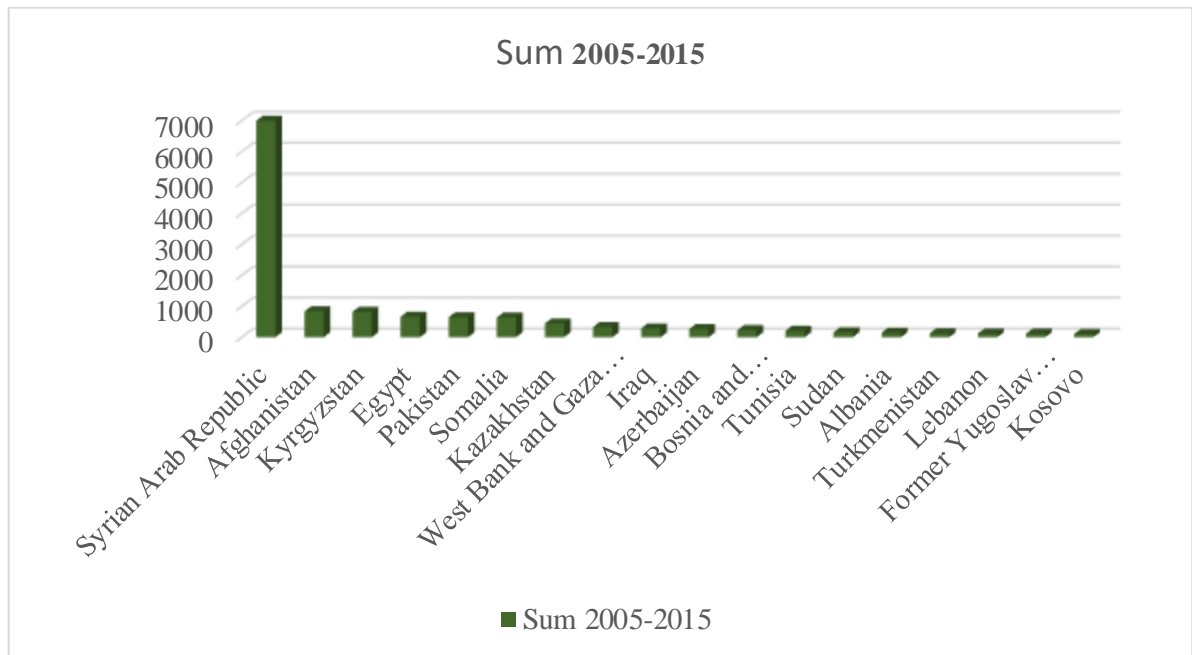
Source: OECD Development Statistics

Figure 8.9: Turkish ODA Share by Region, 2014 (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.10: Top Recipients of Turkey, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Data of the top 5 countries of Turkish ODA shows that Kyrgyzstan, Kazakhstan and Azerbaijan are among the priority countries in the Turkish foreign aid policy. While Afghanistan is among the top 5 recipients of Turkey since 2005, Somalia also became among the major recipients of Turkish aid since 2011. According to the data, what is surprising is that none of the African states with the exception of Somalia have been among the top 5 recipients of Turkish aid since 1995. Additionally, Egypt is the second ranking recipient country according to the volume of Turkish aid only in 2012 and 2013. Before and after these years, Egypt is not among the priority countries of Turkish foreign aid. This clearly shows the impact of good relations of the Turkish government with the Morsi government in Egypt between 2011 and 2013.

Table 8.1: Top 5 Recipients of Turkey's Bilateral ODA 1995-2015 (constant prices 2014 USD millions) (Table compiled by the author)

Recipient	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Grand Total
Syrian Arab Republic	19.9														152.2	960.1	1,544.7	2,291.5	3,122.2	8,090.6
Kyrgyzstan		12.0	3.5	3.6	3.4	4.9	3.6	47.0	68.0	130.6	68.7	47.1	67.5	76.6	69.6	99.3	124.0	84.8	114.0	1,028.1
Egypt																474.4	508.0			982.4
Afghanistan									33.8	66.6	70.8	126.1	96.1	98.1	122.9	142.9	84.6		65.8	907.5
Somalia															87.7	81.5	109.1	74.4	364.9	717.6
Pakistan									149.2	65.2		74.9		123.0	192.5					604.7
Kazakhstan	11.3	7.7	5.7	2.8	3.0		4.6	36.7	54.9	52.3	42.3	54.7	62.3	49.5						387.7
Iraq	19.9							33.2				46.1	42.3	51.1	35.9					228.6
Azerbaijan	16.2	12.1	3.9	6.4	7.4	8.2	5.8	31.0	33.9	42.6	35.8									203.1
Tunisia																		200.7		200.7
West Bank and Gaza Strip													48.0					65.9		113.9
Albania			11.0			3.3													99.4	113.7
Turkmenistan		10.5		4.5	3.2	3.8	4.7	25.4												52.2
Bosnia and Herzegovina	13.3	7.1	15.4			12.7														48.5
Mongolia						8.2														8.2
Saudi Arabia				3.1																3.1
Georgia					1.9															1.9
Grand Total	80.4	49.2	39.6	20.4	18.8	33.0	26.9	173.3	339.7	357.3	263.7	345.0	325.0	383.1	624.8	1,758.2	2,370.4	2,717.2	3,766.3	13,692.2

Source: OECD Development Statistics (There was not any data for the years 1996 and 1997).

Table 8.2: Top 5 Recipients of EU Institutions' ODA 1995-2015 (constant prices 2014 USD millions) (Table compiled by the author)

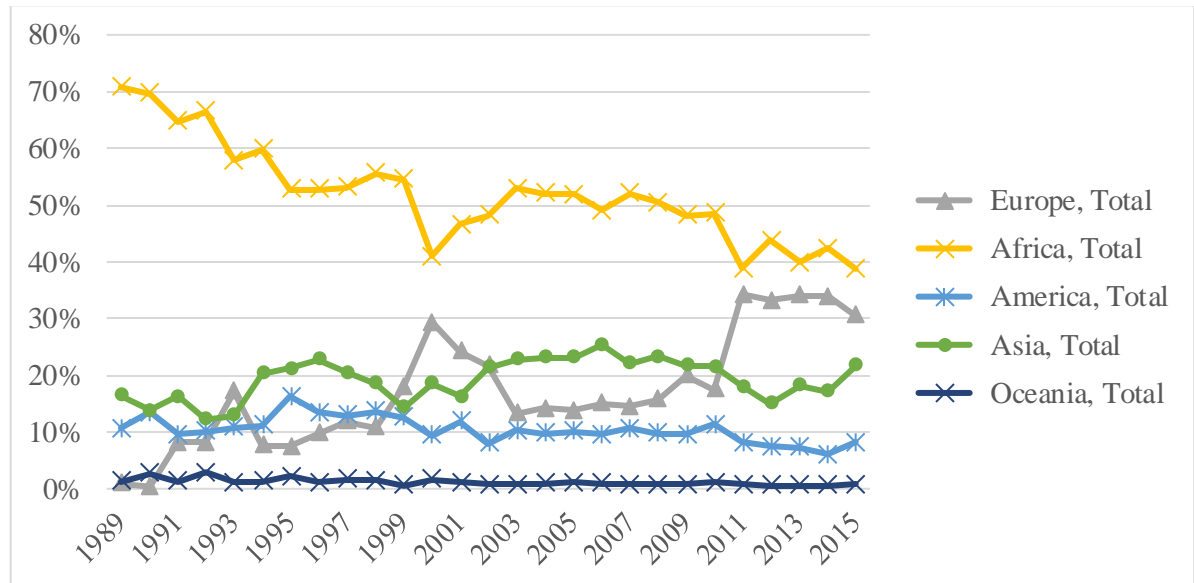
Recipient	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Grand Total
Turkey						338.1	259.4	254.3		372.2	472.4	449.1	570.7	424.9	788.7	308.8	2,752.2	3,074.0	2,511.7	2,698.3	2,131.7	17,406.5
Serbia						852.8	1,118.3		470.5	449.5		391.9			293.6	303.6	1,031.1	933.0	598.1			6,442.2
Morocco	146.2	301.4	305.4	360.4	482.9	212.4	240.1		270.1	353.2	396.8	322.3	322.0			293.6	397.0	517.1	555.3	525.1	412.2	6,119.9
West Bank and Gaza Strip		183.4	179.8					288.3	249.3			302.2	567.7	648.2	539.5	461.5	392.7			481.3	480.4	4,774.1
Tunisia		158.0	211.3			251.3		345.2									436.4	589.7	442.3	452.7	381.6	3,268.5
Afghanistan								242.4	286.4	260.4	309.2		322.7	341.5	396.2	298.2						2,457.0
Bosnia and Herzegovina	207.5		332.6	204.2	380.6	355.1	280.7	218.0														1,978.6
Egypt	129.5		302.2	290.3	239.8													811.5				1,773.3
Ethiopia				175.9									382.8	437.1								995.8
Sudan									340.1		256.4	350.8										947.3
Democratic Republic of the Congo										306.8	257.4					381.1						945.3
Ukraine																			371.3	490.5		861.8
South Africa					217.3	217.0																434.3
Algeria				374.4																		374.4
Brazil																					337.3	337.3
Kosovo															316.6							316.6
Bangladesh	153.5	156.8																				310.3
Tanzania								254.8														254.8
Mozambique								232.4														232.4
Jordan		157.6																				157.6
Uganda	155.1																					155.1
Grand Total	791.7	957.2	1,331.2	1,405.2	1,571.9	1,975.4	2,243.7	1,235.5	1,601.1	1,659.1	1,648.6	1,890.6	2,166.1	2,173.7	2,334.6	1,753.2	5,009.4	5,925.2	4,478.7	4,647.8	3,743.2	50,543.0

Source: OECD Development Statistics

Figures 8.11 and 8.12 indicates that the EU allocates aid to countries and regions in a more balanced way than Turkey. This figure clearly shows that the EU's focus is on primarily Africa, then Europe and Asia in aid allocation. This is partly because of the EDF financial assistance mechanism of the EU to ACP countries undergoing for decades and the EU's enlargement and neighbourhood policies, which provide financial assistance to candidate and neighbourhood countries and thus, increase aid volume to Europe. In

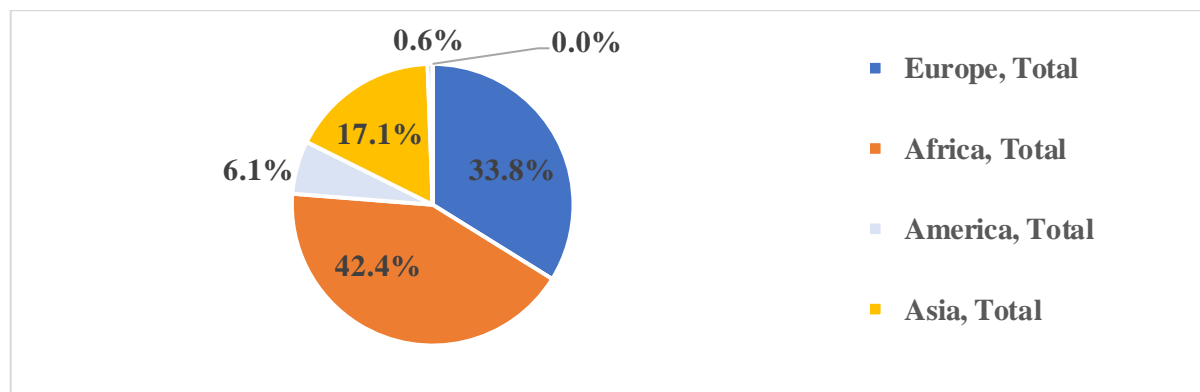
2014, 42.4 per cent of the EU aid was sent to Africa, 33.8 per cent was sent to other European recipient countries, 17.1 per cent to Asia and 6.1 per cent to the Americas. The pie chart shows that, EU aid is more distributed than the Turkish one, which is mainly focused on Asia. Also, the top recipient countries of the EU over the last decade indicate that the European distribution is spread more evenly across the world.

Figure 8.11: EU Institutions ODA share by region, 1989-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.12: EU Institutions ODA by Region, 2014 (Figure drawn by the author)



Source: OECD Development Statistics

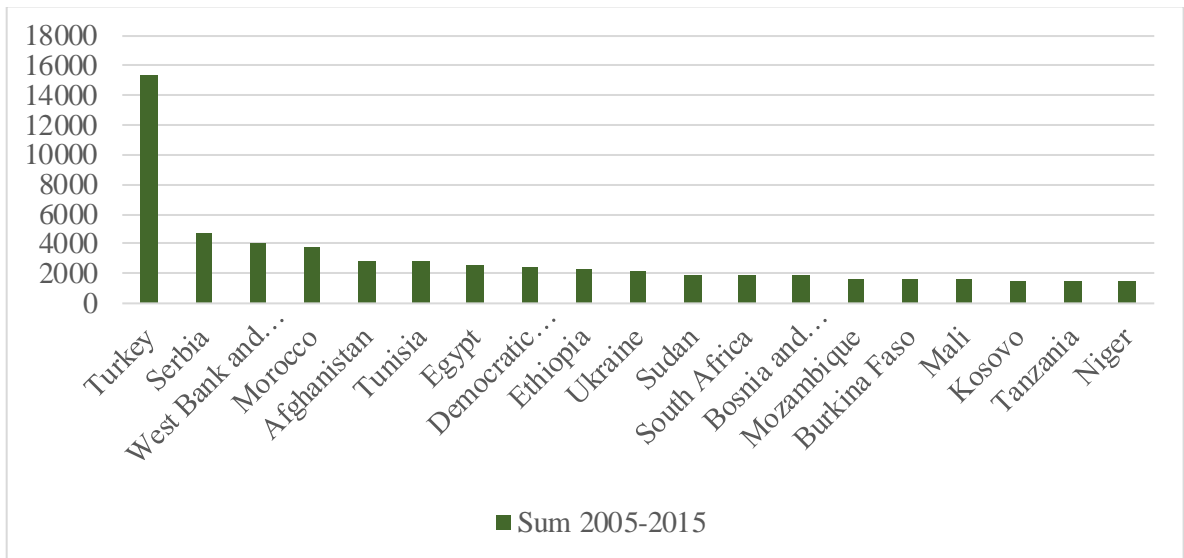
According to the data shown in Table 8.2 and Figure 8.13, it is clear that the EU institutions' main priority recipients in Europe are their candidate and neighbouring states such as Turkey, Serbia, Bosnia and Herzegovina and Ukraine. Morocco, Tunisia, Afghanistan and West Bank and Gaza Strip are among the darling countries of EU

institutions, since both of these countries are usually included in top 5 recipients of the EU since 1995. Development cooperation approach of the EU towards the Middle East and Mediterranean countries have been heavily criticized because they are considered more security oriented instead of focusing on political and economic reforms. EU's counterterrorism and migration policies directly aim at the security of the EU and the continuation of political stability in the Mediterranean and Middle East region in order to achieve securitization of the EU. During the Arab Spring the EU has suffered from a "growing credibility deficit" (Hollis 2012). In the current context of deep economic, financial and governance crisis and in the post-Arab Spring, the EU is experiencing increasing difficulties in acting as a model in its neighbourhood, both because it had devoted most of its energies and resources to tackle the crisis, but also because neighbouring countries perceive it less and less as a political and economic model. This situation directly decreases cooperation level and opportunities between the EU and the Mediterranean countries. While Tunisia and Morocco have been among the priority recipients of the EU, Egypt, Syria, Libya, Iraq have not been among the top 5 recipients of EU institutions. For example, data show that Egypt became one of the top 5 recipients of the EU only in 2012 after 1999.

This situation contrasts sharply with Turkey which increased its foreign aid, specifically to countries such as Syria since 2011. As mentioned before, actually this huge amount of aid was not allocated to the Syrian government. It is the humanitarian aid that Turkish government has been spending for Syrian refugees living in Turkey. Therefore, according to Global Humanitarian Assistance Report 2016, Turkey's humanitarian aid is not strictly comparable with the international humanitarian assistance totals from other donors and thus, it is not included in the total volume of international humanitarian aid stated in the report¹²¹. However, since the OECD DAC includes these data as an ODA and humanitarian aid, they are also used in this paper accordingly. This does not also mean that the EU does not provide aid to Syrian refugees. The data shows that the Syrian government is also not among the top recipients of the EU aid, but the EU provides huge amount of humanitarian and emergency aid to Syrian refugees, especially in the neighbouring countries, including Turkey.

¹²¹ Global Humanitarian Assistance Report 2016, <http://www.globalhumanitarianassistance.org/wp-content/uploads/2016/07/GHA-report-2016-full-report.pdf>, accessed in January 2017.

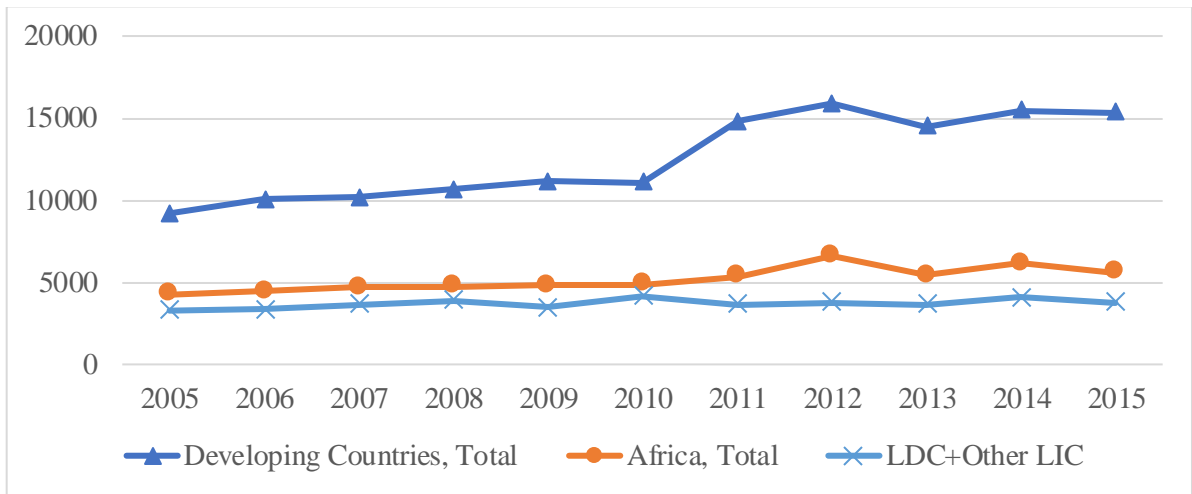
Figure 8.13: Top Recipients of EU Institutions, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

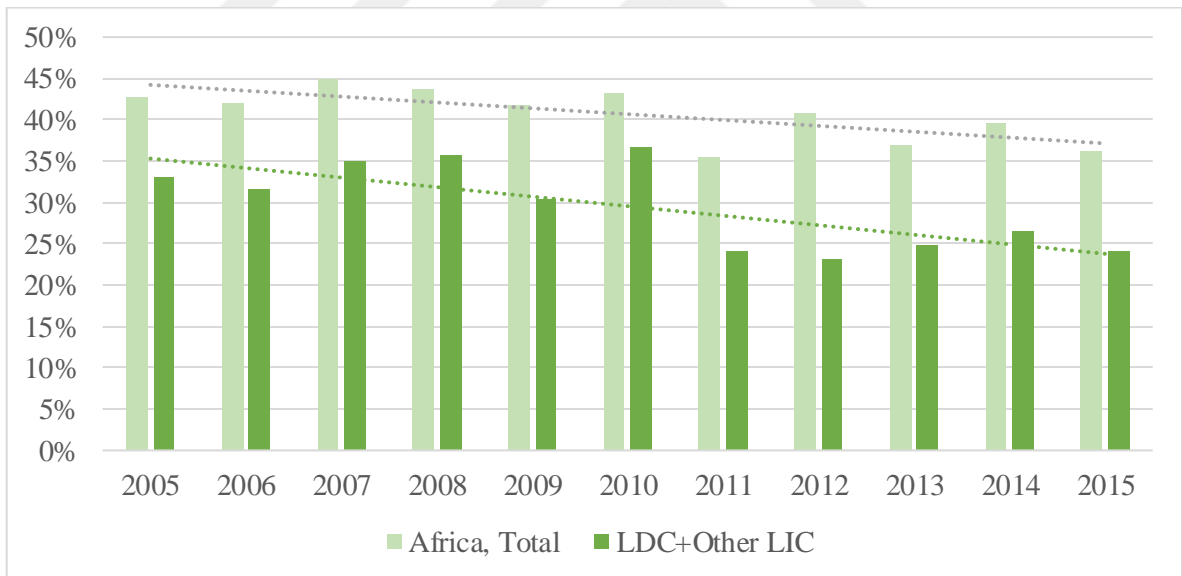
The thematic and geographical priorities of the EU *acquis* focus on poverty eradication in LDCs, especially in sub-Saharan Africa (Lightfoot 2010). The priority of focusing on poverty reduction and eradication has been distinguished in several EU documents; in Article 177 of the 2002 Official Journal of the European Communities, the 2005 European Consensus on Development and finally, in the Lisbon Treaty. The Lisbon Treaty states that all member states share the goal of poverty reduction (Lightfoot 2010). The Treaty of Lisbon of 2009 has established a new European context in development policy. Development became an explicit part of EU's external action, poverty reduction, aid LDCs became one pillar of external action and even though the existence of economic crisis, commitment to the UN MDGs and ODA declared once again. Although the EU prioritizes the poverty reduction and aid to LDCs in parallel to the global development principles, again these elements of the *acquis* are not binding and EU member states are independent to choose which countries they want to support in development (European Parliament 2007). Additionally, there is a trend where the share of EU ODA to LDCs has been declining, despite the increasing absolute volumes (See Figures 8.14 and 8.15) (Van Reisen 2007; Bonaglia *et al.* 2006).

Figure 8.14: EU Aid to Developing Countries, Africa LDCs and Other LICs, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.15: EU Aid Share to Developing Countries, Africa, LDCs and Other LICs, 2005-2015 (Figure drawn by the author)

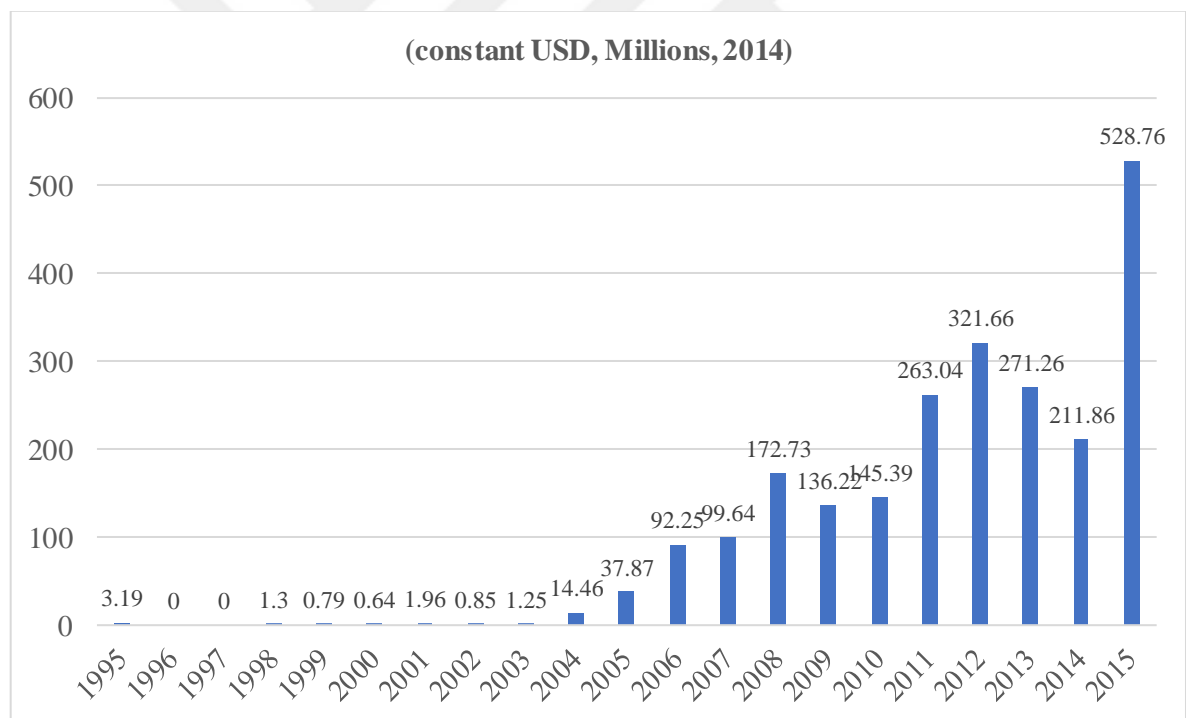


Source: OECD Development Statistics

In these circumstances, Turkey's increasing ODA to LDCs and focus on Africa (See Figure 8.16) show another pattern of complementarity between the Turkish development aid and the EU *acquis*. Turkey has committed itself to the MDGs and the needs of developing countries at international level. One example is the hosting of the UN Conference on the LDCs in Istanbul in 2011 (UN LDC-IV), a conference held every ten years. There the Turkish government promised a total of 200 million USD a year to

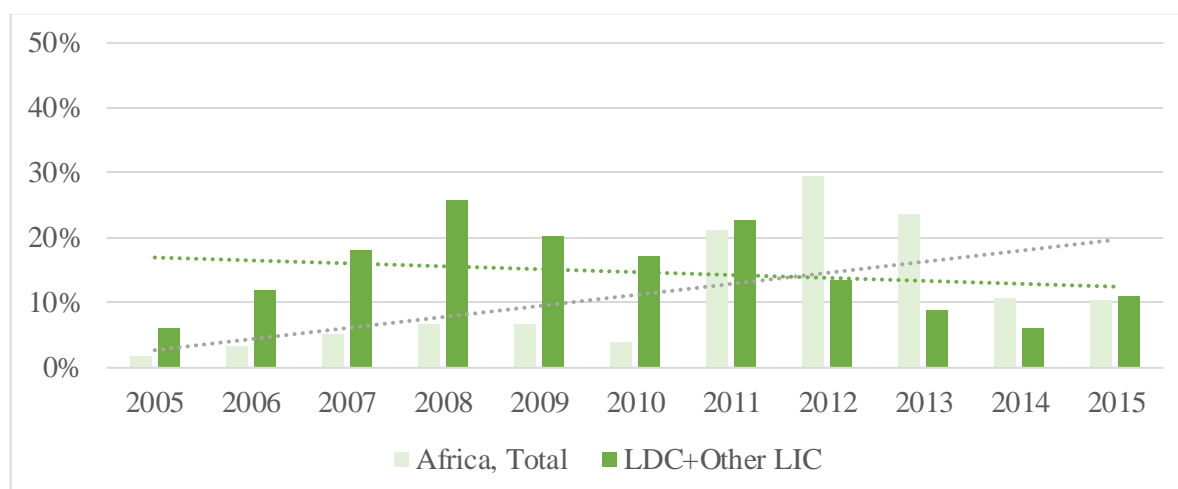
the LDCs (Hausmann 2014). However, even though “reducing poverty” is mentioned as one of the objectives of Turkish foreign aid (TIKA Annual Report 2014, 9), the highest priority is not attached to it and foreign aid has political aims in Turkey as well, thus it is also a tool to achieve various ends in Turkish foreign policy, similar to the EU and its member states. During the last decade, maximum total share of Turkish aid to LDCs and LICs is 26 per cent in 2008. Even though, the absolute volumes have been increasing, after 2011, the share of Turkish aid to LDCs decreased to 14 per cent, 9 per cent, 6 per cent and 11 per cent respectively between 2012 and 2015. One of the possible reasons for this decline is the tremendous increase in the volume of humanitarian aid to Syrian refugees following the Syrian Civil War, although the volume of both whole Turkish aid and aid to LDCs and LICs have increased.

Figure 8.16: Turkish ODA Disbursements to the LDCs between 1995 and 2015 (constant USD, Millions, 2014) (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.17: Turkish ODA share to Africa, LDCs and Other LICs, 2005-2015
(Figure drawn by the author)



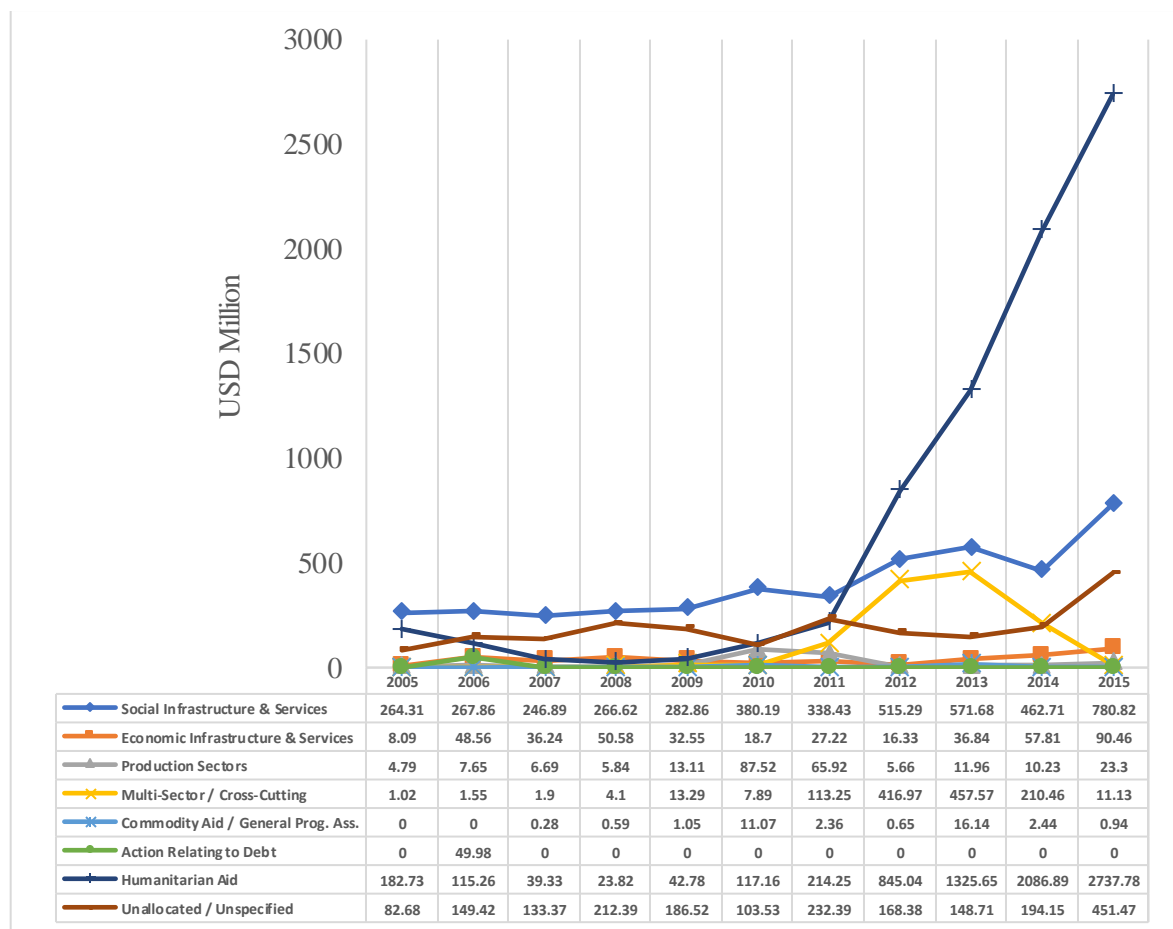
Source: OECD Development Statistics

8.2.4 Thematic Focus Areas

Even though Turkey has expanded its geographical focus from Central Asian Turkic states in the 1990s to the different regions of the world ranging from the Middle East to Africa, such expansion is not valid for thematic focus of the Turkish aid. Figure 8.18 shows Turkish aid for each focus sectors, included in the OECD development data, since 2005 and Figure 8.19 presents the top six priority sectors of Turkish aid between 2005 and 2015. The humanitarian aid, social infrastructure and services, including basically health, education, cultural cooperation, agriculture, administrative and civil infrastructure, water and sanitation are the well ahead sectors that Turkey supports in recipient states during the last decade (See Figure 8.19), as it is also mentioned in the founding objectives of TIKA and Turkish foreign aid. However, among these sub-sectors, “education” takes the lead. While ODA shares of EU institutions and DAC countries scatter in a balanced way between 2000 and 2015 (around 2 to 9 per cent), Turkish ODA share in education highly surpasses these levels, but slightly decreases until 2015 (See Figure 8.20). Turkish aid to “Multi-sector/Cross-cutting” sector increases since 2010. It is the fourth priority sector. Aid for multi-sector supports projects with a concentration on the environment, gender projects and urban and rural development. This thematic area includes “general environment protection” and “other multisector” sub-themes. Additionally, Turkey seems to increase its support to “government and civil society” sector in 2015, which is one of the sub-sectors of “social infrastructure and services” main

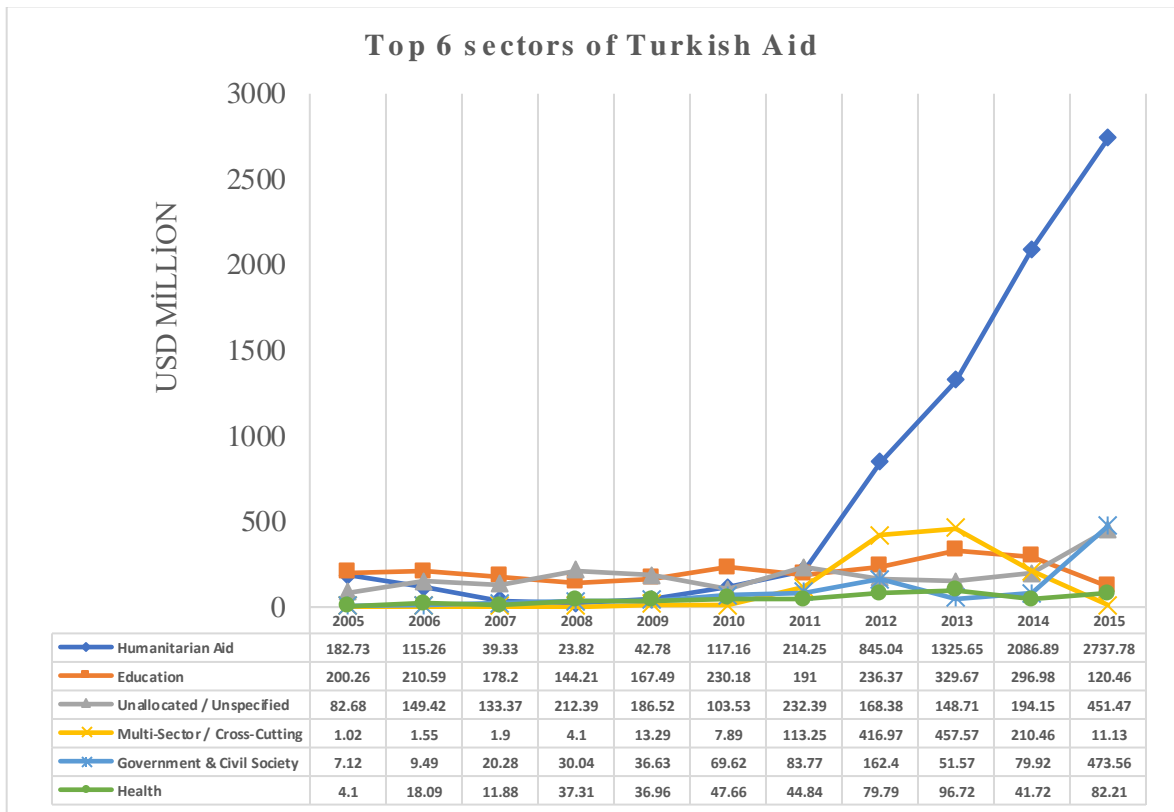
sectors. This sub-sector includes these two sub-themes; “government and civil society-general” and “conflict, peace and security”. This recent marked increase is because of increase of Turkish aid for “conflict, peace and security” sub-theme than “government and civil society-general”, whose share is well above the share of both EU (3 per cent) and DAC countries (2.2 per cent) in this field in 2015 (around 10 per cent) and also between 2010 and 2012 (around 7 per cent in average) (See Figures 8.20 and 8.21).

Figure 8.18: Turkish Aid by Sector, 2005-2015 (Figure drawn by the author)



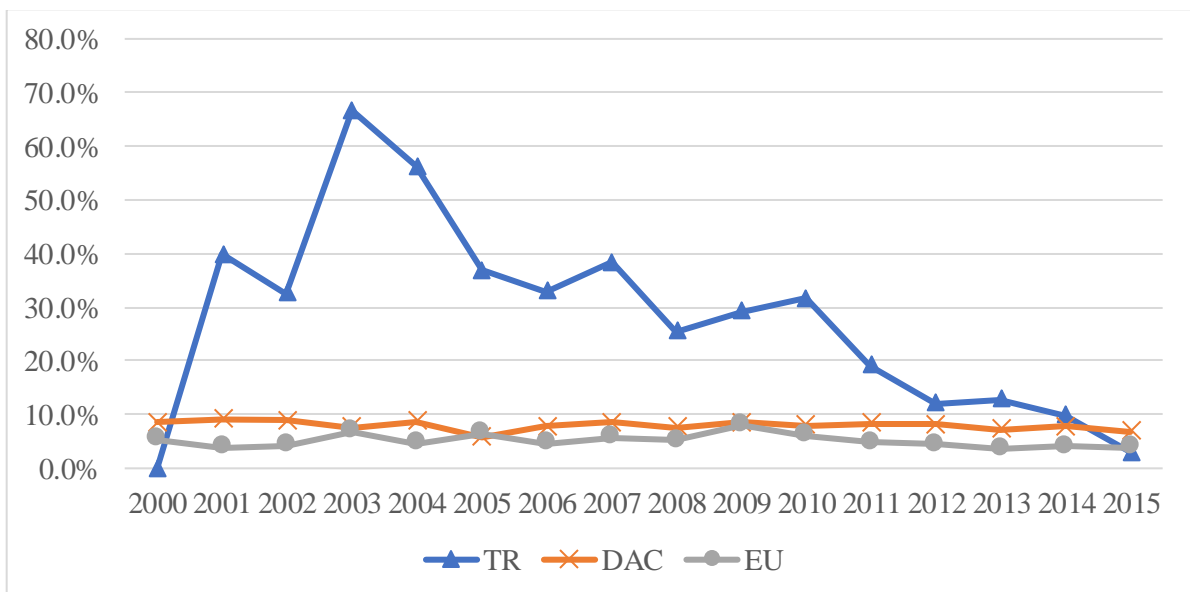
Source: OECD Development Statistics

Figure 8.19: Priority Sectors of Turkish Aid, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

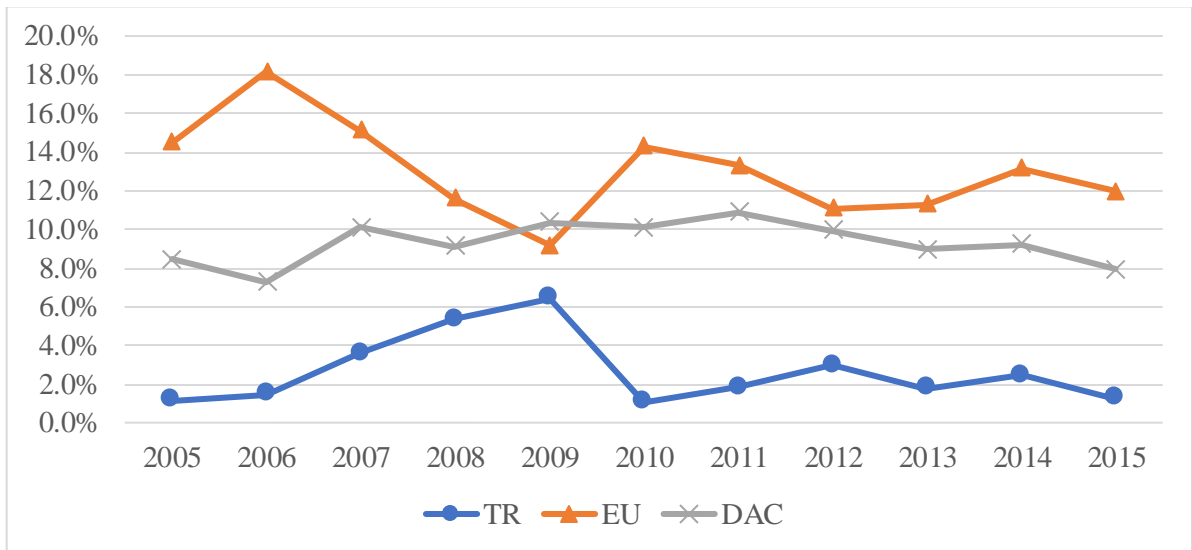
Figure 8.20: ODA shares in Education, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

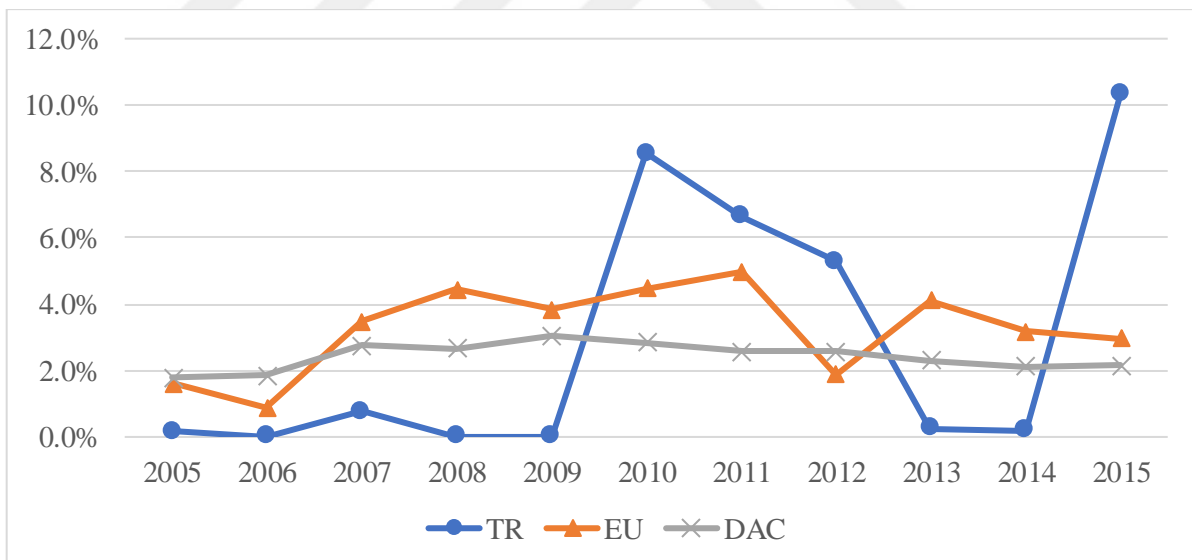
Turkey continued to implement projects in the following sectors in 2014 across countries. The sectoral distribution of assistance expenditures and percentage shares of TIKA's budget were as follows: 121.97 million USD (72.46 per cent) for social infrastructure and services; 22.76 million USD (13.52 per cent) economic infrastructure and services; 15.71 million USD (9.32 per cent) on multi-sector initiatives and 7.9 million USD (4.70 per cent) for production sectors. Under the social infrastructure and services category, the health sub-sector ranked first at 44.41 million USD, followed by cultural cooperation and restoration projects at 30.73 million USD; strengthening educational infrastructure at 25.96 million USD; strengthening administrative and civil infrastructure at 13.11 million USD; and water and sanitation at 2.82 million USD (TIKA Annual Report 2014). In the neighbouring, culturally and historically tied countries, also in the Central Asia, Western Balkans and Middle East, Turkey especially prefers to aid projects related with education and health, the preservation of cultural heritage and facilitation of cultural activities. However, contrary to the EU, DAC countries and previous EU candidates, CEEs, there is not any emphasis on democratic and economic transition as priority focus areas of Turkish foreign aid in third countries. This can be measured by a donor's aid allocation share to "government and civil society-general" sector (See Figure 8.21). While the CEEs have been assigning a higher priority to the issues such as promotion of democracy, rule of law and achieving economic transition in the recipients as analysed and explained in detail in the previous chapter, Turkey prefers to focus more on humanitarian aid, education, health and conflict, peace and security. This shows that Turkey has comparative advantage especially in humanitarian assistance, health, education, civil infrastructure, water and sanitation and conflict, peace and security fields. Additionally, thematic focus of Turkey shows that Turkey follows an independent foreign aid policy according to its economic and political priorities, like its foreign policy. Thus, its cooperation opportunities with other bilateral and multilateral donors seem limited. Even though it is limited, Turkey has joint programmes with some of the bilateral development agencies of major donor countries and international institutions such as United States Agency for International Development (USAID), Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Canadian International Development Agency (CIDA), Department for International Development (DFID), United Nations Development Program (UNDP), World Bank and European Bank for Reconstruction and Development (EBRD) (Fidan and Nurdun 2008).

Figure 8.21: Turkish ODA share in Government and Civil Society-General, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.22: Turkish ODA share in Conflict, Peace and Security, 2005-2015 (Figure drawn by the author)

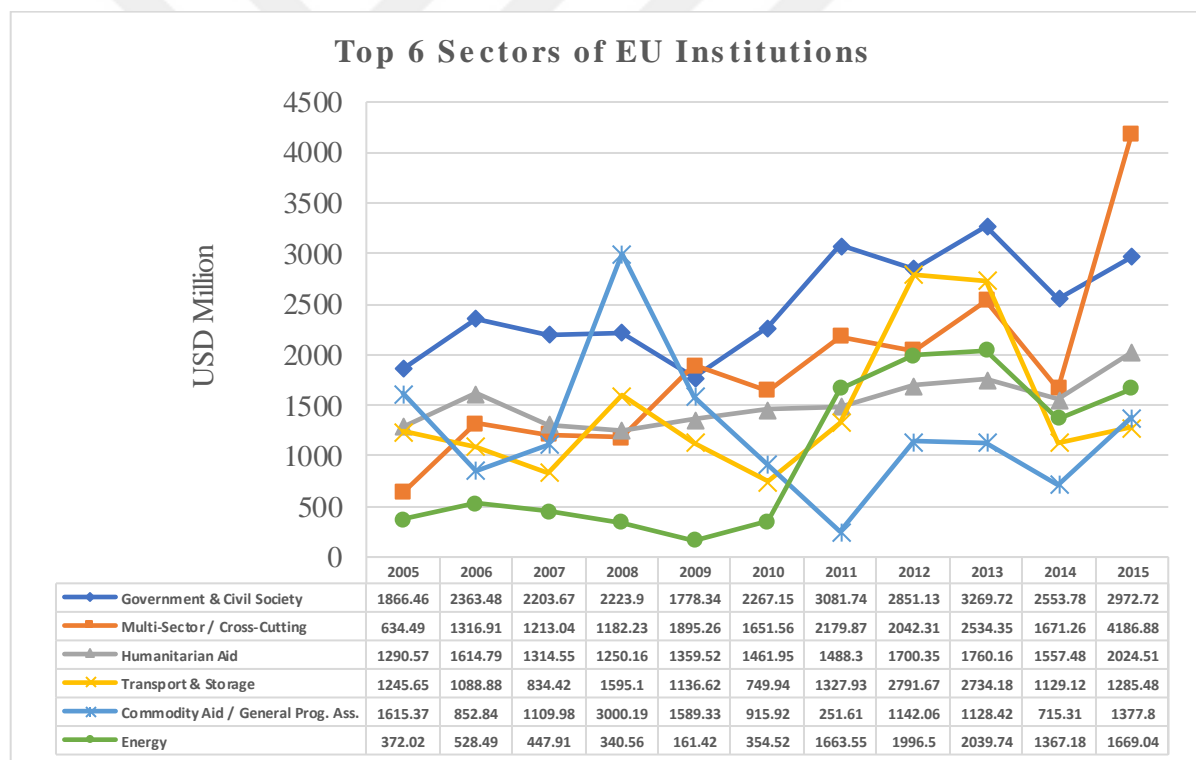


Source: OECD Development Statistics

Concerning the performance of EU institutions and DAC-EU member states regarding their focus sectors, we observe difference between the priority sectors of the EU, when DAC-EU members' preferences are considered (See Figures 8.23). However, "government and civil society" sector is the top priority sector in all circumstances. This shows the main difference between the thematic focus areas of the EU and Turkish aid as

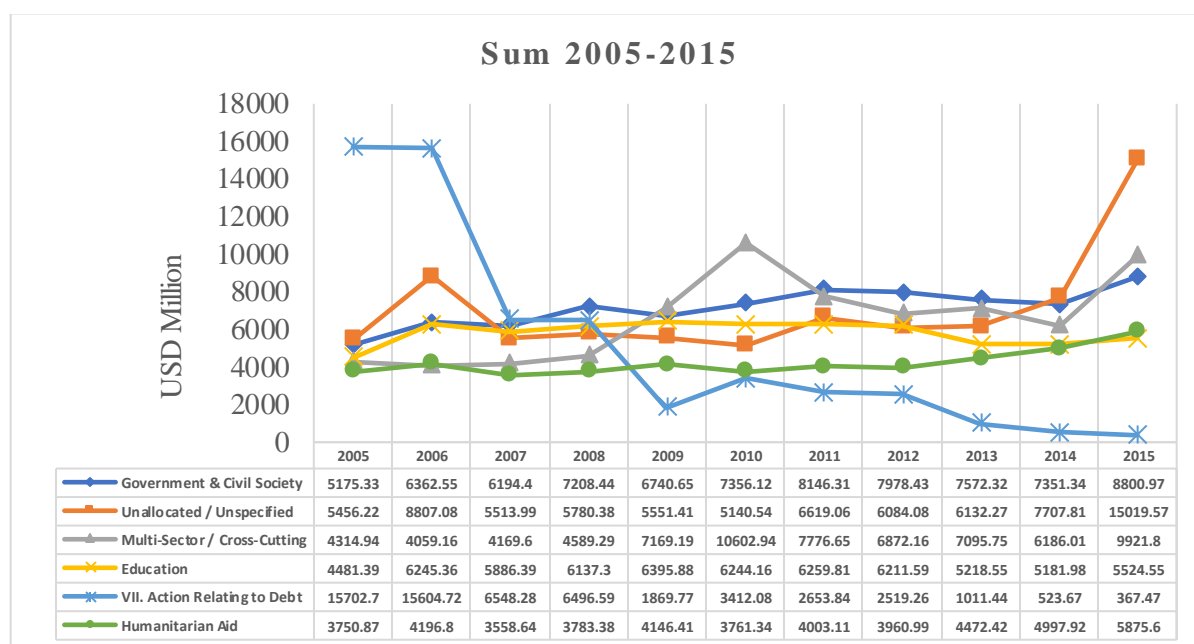
well. As shown in figures 8.19 and 8.23, while the EU prefers to support “government and civil society-general” field, which includes aid for the empowerment of the rule of law, human rights, good governance, economic transition, etc., Turkey prioritizes “conflict, peace and security” sector. While EU institutions prefer to support “transport and storage”, “commodity aid”, which includes budget support, food aid, commodities usually supporting LDCs and “energy” sectors, when DAC-EU members’ priority sectors are added to the calculation, those EU priority sectors are replaced by “unallocated/unspecified”, “education” and “action relating to debt” thematic areas. Also, humanitarian aid field regresses from third place to the sixth one (See Figures 8.22 and 8.23).

Figure 8.23: Top 6 Sectors of EU Institutions ODA, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.24: Top 6 Sectors of EU Institutions and DAC EU members ODA, 2005-2015 (Figure drawn by the author)

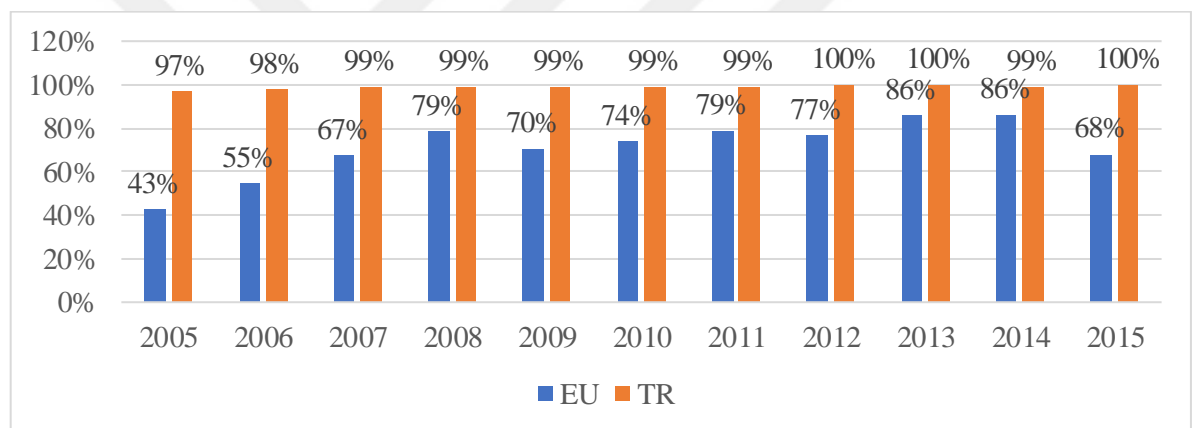


Source: OECD Development Statistics

As explained in the previous chapters, what is significant for further integration of the EU's Development and Cooperation Policy is the implementation of "the Code of Conduct on Complementarity and the Division of Labour" approach proposed by the Commission and decided by the Council in 2007. The Code of Conduct promotes complementarity, policy coherence and division of labour among EU member states in order to reduce aid fragmentation and thus, increase aid efficiency. According to the Code of Conduct, principle of ownership is accepted; member states must concentrate their activities not more than three sectors per recipient; the number of active donors per sector should be reduced to a maximum of three and member states will try to limit the number of priority countries and reinforce their geographical focus (Carbone 2007, 57). While these principles of the EU development *acquis* are not obligatory even for EU member states, they cannot be part of the EU accession negotiations for candidate countries. However, considering Turkey's recent geographic and thematic focus areas in development aid, it seems that Turkey could also participate to some of these EU mechanisms and complement the EU development agenda, especially regarding humanitarian aid, education and conflict, peace and security fields, in several recipient countries and sectors. This convergence would further increase cooperation between the EU, EU member states and Turkey in development assistance policy. The issue of the

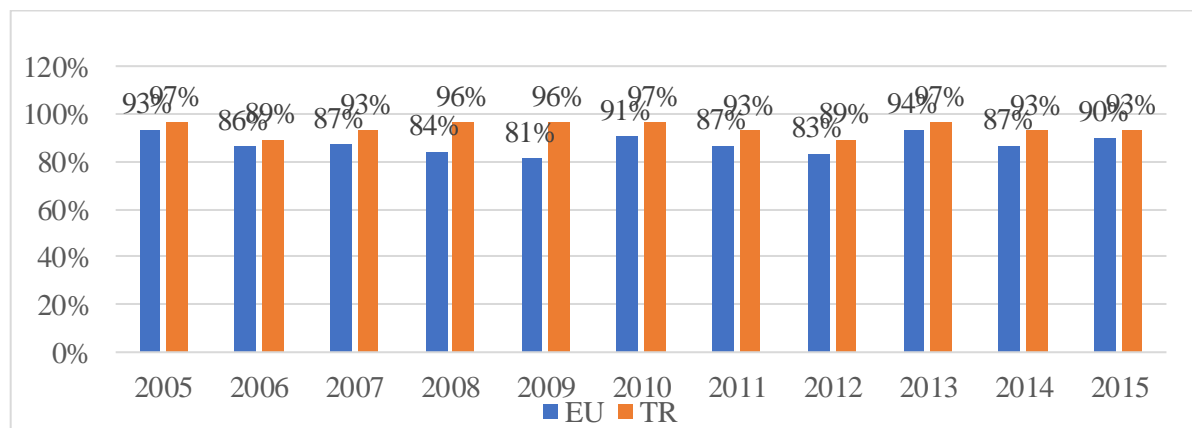
division of labour between donor countries, in this analysis, between the EU, EU member states and Turkey, needs to be further analysed. However, the available evidence, that this study reveals, shows that almost all recipients and sectors of recent Turkish aid are common with the EU institutions' aid recipients and sectors (See Figures 8.25 and 8.26). Whether a sector is assisted commonly in the same recipient country or not is the question of another and further study, which elaborates more on the possibility of division of labour between these donors. Even though the division of labour between the EU and Turkey has not been materialized yet, these results lead to a high level of convergence that both donors could cooperate. These shared countries and sectors represent opportunities for collaboration.

Figure 8.25: Share of Common Recipients of Turkish and EU Institutions Aid, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Figure 8.26: Share of Common Sectors of Turkish and EU Institutions Aid, 2005-2015 (Figure drawn by the author)



Source: OECD Development Statistics

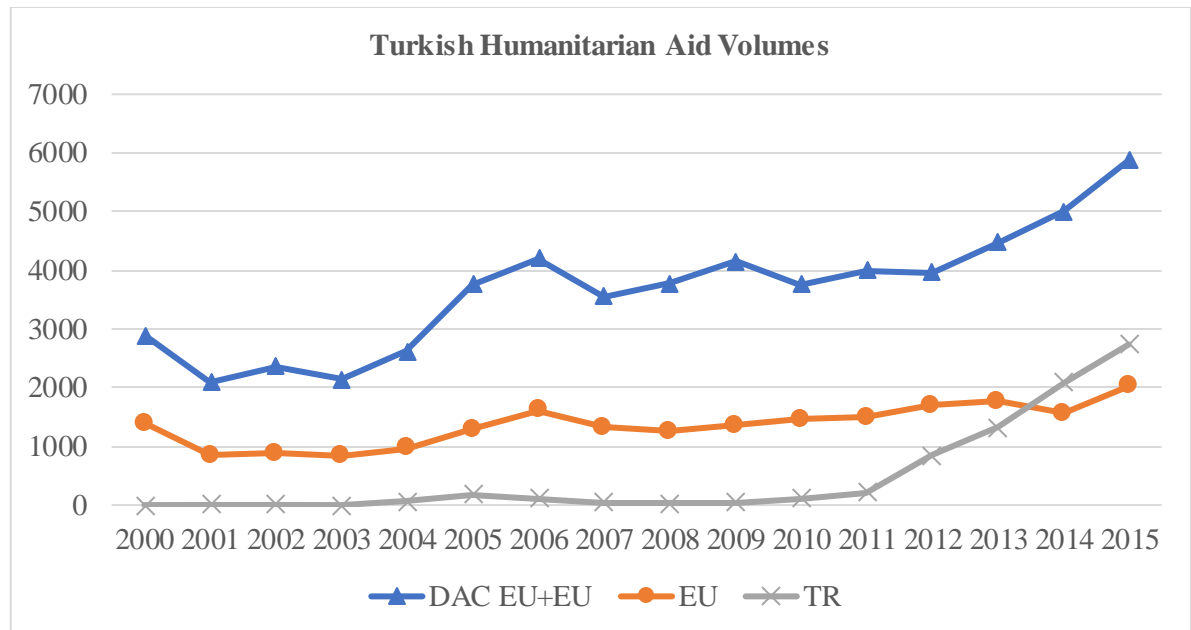
Lastly, recently most significant aid allocation of both sides is humanitarian aid because of increasing humanitarian crisis in their neighbourhood. Since the EU is among the top humanitarian aid donors, sharing the European experience and know-how would benefit further Turkey’s development assistance and humanitarian aid policy. Therefore, without doubt humanitarian assistance is among the main priority areas where the EU and Turkey could cooperate. On the other hand, “government and civil society” sector is among the most compelling focus areas for Turkish-EU cooperation in third states. Since democratic backsliding becomes much more apparent in Turkish politics recently, it is understandable that Turkey does not emphasize supporting political reforms, democratization and economic transition in its development and cooperation policy.

Table 8.3: What is EU aid spent on in 2014? (Table compiled by the author)

# Ranking	Sector	USD Millions, 2014
1	Humanitarian Aid (e.g.: emergency food aid)	2,272
2	Government and Civil Society (e.g.: human rights)	2,258
3	Banking and Financial Services (e.g.: monetary institutions)	2,197
4	Transport and Storage (e.g.: water transport)	1,871
5	Commodity Aid and General Programme Assistance (e.g.: food aid)	1,360
6	Energy Generation, Distribution and Efficiency	1,307
7	Administrative Costs of Donors	814
8	Agriculture	811

Source: European Commission, EU Aid Explorer

Figure 8.27: Humanitarian Aid of Turkey, EU Institutions and DAC EU Members, 2000-2015 (Figure drawn by the author)



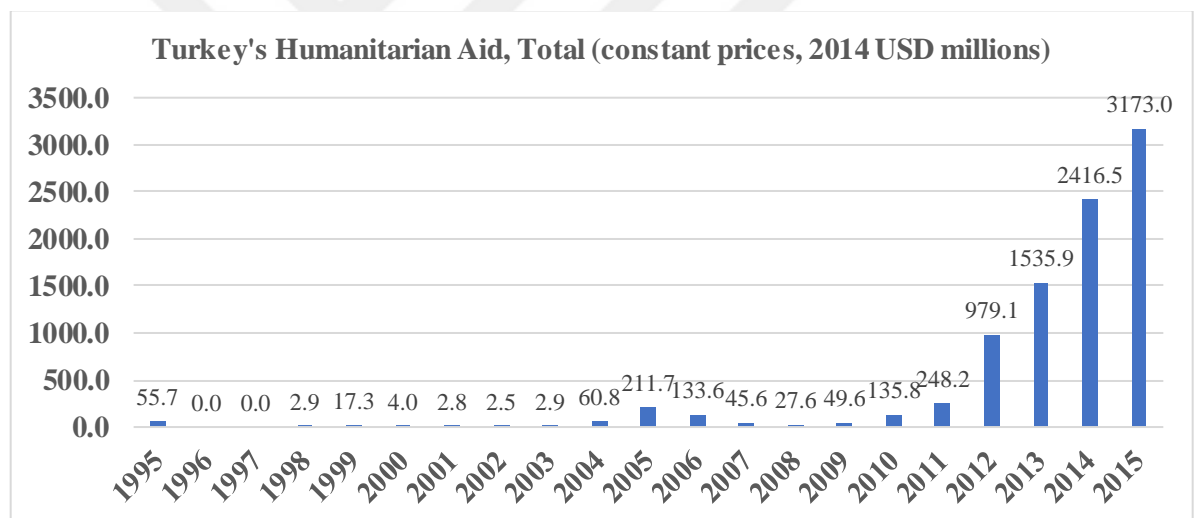
Source: OECD Development Statistics

In addition to Turkey’s increasing ODA contributions to the third states, its growing role in humanitarian assistance is also important. One of the changes in Turkish development assistance is the sharp increase in its humanitarian aid levels by 2012 (See Figures 8.27 and 8.28). OECD DAC 2013 report indicates that Turkey was the fourth largest donor of official humanitarian aid after the USA, EU and UK with a humanitarian aid of 1.6 billion USD. By the humanitarian aid/GNI ratio, Turkey was the top donor country in the world with its 0.21 per cent ratio (TIKA Annual Report 2013). In 2014, the Turkish humanitarian aid comprising a total of 2.4 billion USD corresponded to 67 per cent of Turkey’s total ODA, which is so much higher than the share of EU institutions’ and DAC EU members’ humanitarian aid (See Figure 8.29). According to the initial official data for 2015, Turkey has extended its humanitarian assistance to 2.7 billion USD¹²². With this amount of humanitarian aid, it is clear that Turkey’s humanitarian aid is higher than the amount given by many new EU member states and the ones which try to recover after the financial crisis. Additionally, Turkey’s increasing flow on humanitarian assistance and its significant rank in the global order makes the country as one of the emerging actors in the field of humanitarian assistance, where the EU also has given priority. Also, when looking at the recipients of Turkey’s humanitarian assistance,

¹²² Republic of Turkey Ministry of Foreign Affairs, “Turkey’s Humanitarian Assistance”, <http://www.mfa.gov.tr/humanitarian-assistance-by-turkey.en.mfa>, accessed in December 2016.

it can be recognized that Turkey's aid is directed to the areas, where there are severe conflicts and to the LDCs (See Table 8.4). Turkey has been allocating significant amount of its humanitarian aid for Syrian refugees which are hosted by the Turkish government within Turkey. Unlike other donors, Turkey reports this aid as a humanitarian aid. Therefore, according to Global Humanitarian Assistance Report 2016, the humanitarian assistance Turkey voluntarily reports to the DAC is not strictly comparable with the international humanitarian assistance totals from other donors. However, Turkey's assistance to Syrian refugees on its own territory makes it the donor contributing the second largest amount in 2015. When considered as a percentage of GNI, Turkey (0.37 per cent), Kuwait (0.33 per cent), the UAE (0.25 per cent) and Sweden (0.19 per cent) were the four donors that provided the most in 2015¹²³.

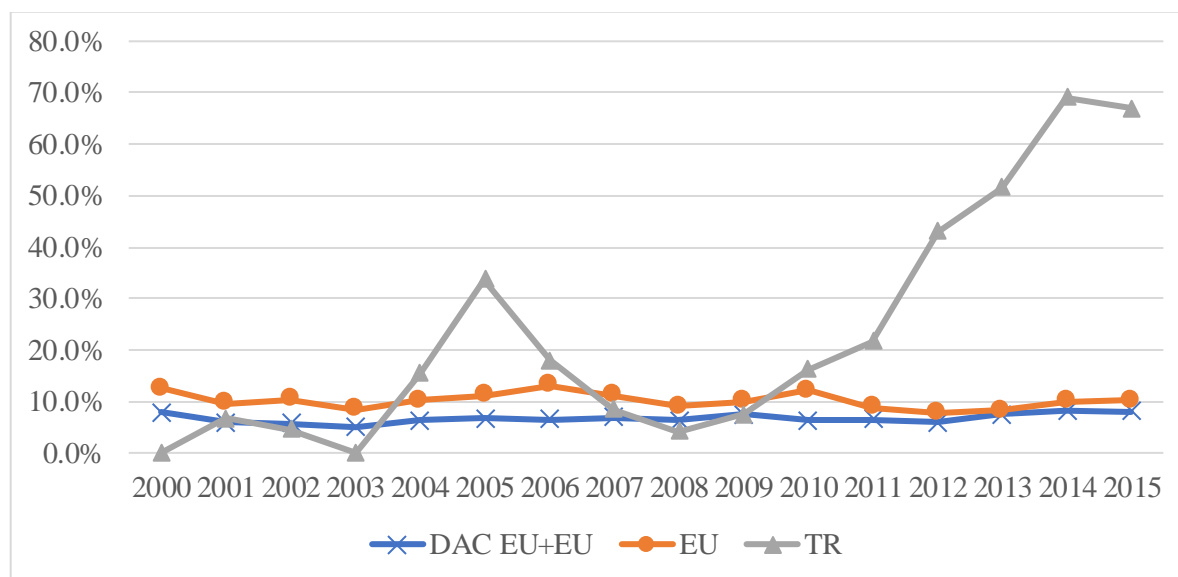
Figure 8.28: Total Humanitarian Aid of Turkey Between 1995 and 2015 (Figure drawn by the author)



Source: OECD Development Statistics

¹²³ Global Humanitarian Assistance Report 2016, <http://www.globalhumanitarianassistance.org/wp-content/uploads/2016/07/GHA-report-2016-full-report.pdf>, accessed in January 2017.

Figure 8.29: Share of Humanitarian Aid of Turkey, EU Institutions and DAC EU Members, 2000-2015 (Figure drawn by the author)



Source: OECD Development Statistics

Table 8.4: Turkey’s Top Ten Humanitarian Aid Recipients in 2014 and 2015 (Tables compiled by the author)

Recipient	USD Million, 2014	Recipient	USD Million, 2015
Syria (Syrian Refugees in Turkey)	2280	Syria (Syrian Refugees in Turkey)	3120.7
Somalia	33.7	Somalia	13.8
Iraq	27.2	Myanmar	4.1
West Bank and Gaza Strip	24.6	West Bank and Gaza Strip	3.2
Bosnia and Herzegovina	14.8	Afghanistan	0.7
Pakistan	13.9	Guinea	0.6
Myanmar	3.5	Liberia	0.6
Serbia	2.3	Sierra Leone	0.6
Afghanistan	0.7	Nepal	0.6
Montenegro	0.6	Pakistan	0.5
Grand Total	2401.2	Grand Total	3145.4

Source: OECD Development Statistics

Finally, it is noteworthy to mention that “norm and values based” foreign policy approach of Turkey towards its neighbourhood and culturally close countries is challenged by the country’s increasing internal problems, mainly related with the lack of further democratization, deterioration of the rule of law and human rights violations. In those regards, Turkey seems to pay lip service to liberal norms and promotes them in its

foreign and development policies in rhetoric, but in practice it is still reluctant to embrace a clear democracy and human rights agenda or suffer from sets of problems preventing the country to become fully fledged democracy. At the same time, Turkey experiences problems with regards to the application of fundamental human rights and liberal democracy in its domestic politics. Additionally, the evidence shows that Turkey prioritizes its cultural, historical, economic ties, trade relations and security interests, instead of universal democratic ideals. Therefore, there is not any “carrot or stick” approach in Turkey’s development assistance policy. This is similar to the development policies of other emerging donors, such as China, India, Brazil, and South Africa in that sense (Müftüler-Baç and Cihangir-Tetik 2014).

8.3 Conclusion

This chapter analyses the growing compliance between the EU and Turkey in the area of foreign aid policy in the last decade. It proposes that the transformation of Turkey’s development assistance policy in parallel with its foreign policy objectives and strategic interests create both competing and complementary elements between the EU and Turkey. The alignment of Turkey with the EU development *acquis* is mostly visible in the institutional structure of Turkish foreign aid, increasing volume of Turkish development and humanitarian aid and the geographic and thematic extension of Turkish aid. As a result, it concludes that while Turkey has made great progress in reforming its institutional structure and increasing its volume of ODA, especially its humanitarian aid, in parallel to its changing foreign policy objectives and strategies, still there are geographical and thematic limits in the allocation of Turkish aid. While Turkey’s increasing engagement with the global development and humanitarian assistance agenda makes Turkey as a valuable partner for the EU in development cooperation policy, its cooperation with the OECD DAC and the EU would also improve the quality and efficiency of Turkish foreign aid. According to the analysis of this chapter, Turkey is far advanced than many EU member states in complying with the EU development *acquis*. Therefore, increasing cooperation opportunities with the EU in some geographic areas such as in the Middle East, Asia and Western Balkans and thematic areas like humanitarian aid and social infrastructure and services, including education and health

sectors, and conflict, peace and security field would be beneficial for improving ongoing rocky Turkey-EU relations.

However, whether strengthened Turkish foreign aid bureaucracy would like to share its power with the EU and EU member states or whether Turkey with increasing authoritarianism and security problems in its domestic politics would be able to prioritize development policy and international cooperation remain to be seen. Thus, while Turkey-EU relations still keep their fragility, unexpectedly development cooperation policy comes to the fore as one of the most likely area between the EU and Turkey for alternative modes of cooperation and even, integration. Given both Turkey's and the EU's existing political, economic and security problems arising from the common neighbourhood, mainly the Middle East and North Africa, and Turkey's increasing contribution to international development landscape in a much higher degree than some of the EU member states, development and cooperation policy remains as one of the critical and soft-law policy areas for further cooperation and improve relations.

Finally, even though the OECD DAC is the main forum for global development agenda, the rules and principles of efficient, transparent and accountable aid allocation for the EU and EU member states as effective donors, its relevance is challenged by highly evolving international development landscape with the rise of emerging donors, such as China, Brazil, Russia or Turkey. Emerging donors provide alternative ways of development than traditional donors to developing countries. Thus, in order to keep their influence in the global development landscape, the EU and member states firstly, have to achieve unity, coherence, complementarity and division of labour among each other. Otherwise, the ability of the EU to respond to global development challenges, thus the global role of the EU in development policy would be weakened. Second, cooperation between the EU and emerging donors in specific regions and thematic areas needs to be enhanced. This chapter argued that cooperation and alternative modes of integration between the EU and Turkey in development policy is a window of opportunity for both actors in order to respond several security based and economic challenges that they face, and learn from each other and develop their capacities in this specific field. Turkey's integration to the EU in this policy area would act as an example of alternative modes of integration for the EU, enhancing cooperation with third countries, such as rising powers and emerging donors.

CHAPTER 9

CONCLUSIONS

This dissertation studies the variation in the European integration process, particularly in the foreign aid policy of the EU, which includes all external assistance policies and financial aid instruments of the EU. By doing so, it considers EU institutions, EU member states and candidate states as the main actors in this field.

Amid several existential crises in the European integration process, the EU has achieved over time to be further communitarised through flexible differentiated integration in different policy areas. Thus, the scope and level of European integration vary among different policy areas. However, the EU is now faced with the suspension risk of the European integration process and is even on the verge of disintegration with the impact of the Brexit and internal problems within the EU and in EU member states. In these circumstances, this study proposes and bases its main arguments on the necessity of a new mode of integration based on the combination of the Community method promoted by EU institutions and coordinated action of EU member states, as well as on the contribution of non-EU member but, candidate or partner countries, in order to respond effectively to the existing internal and external challenges that the EU faces and shape the future of the EU.

One of the main findings of this dissertation shows that “differentiated integration” is a successful mode of integration in parallel competence policy areas where the EU continues to deepen further its integration but at the same time, member states do not prefer to transfer completely their national competences and intergovernmental decision-making authority in that policy area to supranational institutions. The foreign aid policy is one of the policy areas that these diverging preferences of the EU and member states in aid allocation and at the same time, their complementary interests regarding the content and aim of any financial aid instrument, the sector that they disburse aid, recipient country or region, are successfully accommodated by differentiated European integration over time. According to the results of the analysis of the European integration on external assistance policies and financial aid instruments of the EU, while in all relevant policy areas of the EU (CFSP, enlargement, neighbourhood and

development and cooperation) and foreign aid instruments (IPA, ENI, DCI, EDF) the level of centralisation has been increased in time, the level and scope of this integration differs significantly. Importantly, since member states prefer to keep foreign aid policy as a parallel competence policy area, in IPA, ENI and DCI instruments, the level of integration could not be further deepened, even though the scope of integration in decision making has reached the OLP. This shows that in parallel competence policy areas, since member states are able to continue to implement their individual policies in the light of their national interests independently to the policies of EU institutions, at the same time, they do not hesitate from further Europeanisation or consider the deepening of the scope of integration as a threat to their autonomy in this field. In the EDF instrument, the case is different since this instrument is not under the EU budget and both the level and scope of integration continue to be at intergovernmental level. Even though these cleavages in between both related policies and financial instruments of European financial aid mechanisms seem to eradicate the cohesion between the EU and its member states in foreign aid policy, because of the varying degrees of integration in them, actually they enable informally the burden-sharing between EU institutions and member states inherently, which could explain the different aid allocation patterns of EU institutions and member states.

Moreover, multiple patterns of the European integration and differentiation are also analysed in this study through a detailed comparison of these four main external assistance instruments of the EU in respect to their geographical and policy scopes, institutional arrangements and the national preferences and interests of member states regarding the regions and countries that these instruments cover. This analysis shows that even though member states and EU institutions continue to have different preferences and interests in their foreign aid policies, the EU integration process in foreign aid policy is a differentiated one with the introduction of different EU foreign aid instruments over time, according to different regions, countries and sectors, and policies of member states as complementary to the policies of EU institutions. However, one has to keep in mind that being “complementary” does not necessarily means “convergent” that the EU member states would prefer to withdraw their bilateral aid policies and continue multilateral aid allocation over EU institutions. Alternatively, they enjoy the parallel competence status of EU external assistance policies and instruments and do not accept any major

intervention from the EU on their bilateral aid allocations until they allow for further integration.

In an attempt to explain further the divergence or convergence between EU member states and EU institutions in their foreign aid allocation preferences, this dissertation aims to support its previous findings on the level of European integration in external assistance policies with empirical analyses. Since this dissertation proposes the existence of a relationship between the level of European aid allocation and the level of European integration in a recipient country or a region, an aid fractionalisation index is developed for the years between 2005 and 2015 in order to measure the level of diversification/fractionalisation of European donors, including the EU and nineteen OECD DAC-EU members in those recipients and regions. According to the results of the index, European aid fractionalisation is higher in the regions covered by the DCI and the EDF instruments than the regions of IPA and the ENI recipients, because the enlargement and neighbourhood policies of the EU are much more centralized policy areas than the development and cooperation policy. While the three of the regions covered by the EDF, the DCI and the ENI have higher degrees of fractionalisation, the IPA region has a moderate level of aid fractionalisation. Thus, none of the regions has low level of aid fractionalisation. This reveals that in none of the regions high level of Europeanisation of foreign aid policy is seen but, in the region covered by the IPA, the amount of the aid given by the European Commission in respect to the aid given by individual EU member states increases. In that region, the domination of EU institutions is the illustration of convergent policies of the EU and its member states in enlargement policy and the high level of delegation of authority of member states to the EU institutions on the funding of candidate countries.

Also, the determinants of European aid fractionalisation in these four different regions are explored in this dissertation through a conducted regression analysis. This dissertation proposes that there are some priority countries and regions where European donors prefer to aggregate or disaggregate their aid allocations according to several factors, which could be based on recipient needs and good governance indicators, since the EU prioritizes them in its aid allocation mechanisms during the last decade. Thus, I argue that in a recipient country if economic growth increases, poverty declines, socio-economic development and governance qualities improve and there occurs the absence of any type of violence and conflict or if a recipient country does not respect to political

freedoms and civil liberties and becomes much more authoritarian, EU member states prefer to withdraw their aid allocations immediately from those countries, so the level of aid fractionalisation decreases. However, according to the results of the aggregated empirical analysis in the second part of this chapter, economic growth, intra state conflict, government effectiveness and rule of law variables have correlated relationship with the level of aid fractionalisation. Neither the level of human development, which also includes GDP per capita income and infant mortality rate, nor the level of democracy (polity score) test significantly in the model. When the data is disaggregated to the regions, the results differ. Interestingly, the regions covered by the IPA and the EDF have similar results. In both of them GDP growth and government effectiveness impact the level of aid fractionalisation negatively. Differently than these regions, different factors explain the level of aid fractionalisation in the European neighbourhood, which are the level of human development, regulatory quality and the perception of the control of corruption. These results once again show that there are different preferences of European donors according to the geographical scopes, economic development levels and good governance practices of the recipients while allocating aid. This also shows the divergent preferences of EU member states in applying the normative but non-binding principles of the EU in foreign aid policy, in different regions by evaluating different characteristics of the recipients and regions in general. Surprisingly, none of the independent variables have enough power to explain the factors that cause aid fractionalisation in the recipients covered by the DCI, even though this region has the second highest level of European aid fractionalisation. This means that there should be some other factors which are not included in this study, but explains the level of European aid fractionalisation in the region covered by the DCI. One of the important findings of this dissertation is both in the aggregated estimation and four geographical region estimations of the regression analysis. The trend variable becomes negatively significant with the level of European aid fractionalisation, which means in general, the level of European aid fractionalisation decreases over time *ceteris paribus*. This result is in accordance with the previous findings of this study that the level of centralisation increases over time in European external assistance policies.

This dissertation does not only cover an analysis on internal European integration in EU external assistance policies, it also looks at the possibility of external European integration in this policy area by investigating the role of Europeanisation in the foreign

aid policies of candidate states during their accession processes. However, the main findings of this analysis indicate that there is not so much role of the Europeanisation in the evolution of the foreign aid policies of candidate states, since neither the European Commission nor the candidate states' governments give priority to the harmonization of foreign aid or in other words, development aid policy. On the other hand, accession countries, which have already developed a comprehensive foreign aid policy prior to their accession to the EU, such as Turkey, are good examples illustrating the external differentiated integration of the EU in this specific policy area. In this regard, one of the main findings of this dissertation indicates that as one of the challenging candidate states of the EU, Turkey's increasing engagement with the global development and humanitarian assistance agenda, recent activities in this field and its proximity to the EU development *acquis* and to OECD DAC rules increase the convergent policy areas between the EU and Turkey, which paves the way for further cooperation, particularly in development cooperation policy.

Finally, the dissertation provides a major contribution to the enlargement and Turkey-EU literature by comparatively analysing the convergent and divergent issue areas between the EU and Turkish development aid policies. According to the results of the analysis the institutional structure of Turkish development policy, the recent volume of development and particularly, humanitarian aid allocated by Turkey and its ratio over Turkey's GNI seem much more convergent with the EU development and cooperation policy than the policies of any other candidate states and even many of the EU member states. Even though there are plenty of convergent geographical and thematic focus areas between Turkey and the EU, their priority policy areas differ. While Turkey prioritizes aid allocation in thematic areas such as humanitarian aid, social infrastructure and services, including education and health sectors, and conflict, peace and security field, the EU invests more on government and civil society field, which includes aid for the empowerment of the rule of law, human rights, good governance and economic transition. This dissertation proposes that the growing compliance between the EU and Turkey in the area of foreign aid policy during the last decade is considered as a window of opportunity to improve ongoing rocky relations between Turkey and the EU, to re-energize Turkish accession process and to cope with the existing common security, economic and political challenges by increasing cooperation between the two partners in this policy area. Also, development and cooperation policy stands out as one of the

effective policy areas for the establishment of alternative mode of integration between the two partners, in the absence of Turkey's membership to the EU.

This dissertation contributes to the literature in three different research areas, which are either understudied or missing in the literature. First of all, it explains both the divergent and complementary aid allocation preferences of the EU and its member states through "differentiated integration", in other words, through the analysis of the level of scope of authority in decision making on EU external assistance policies and financial aid instruments. Thus, it measures the level and scope of integration in EU external assistance policies beginning from the 1958 Treaty of Rome until today for the first time. Its second contribution is on the empirical studies about the fractionalisation of aid and the determinants of this fractionalisation, which have not been explored in the literature previously. Thus, it composes for the first time a European Aid Fractionalisation Index for the periods between 2005 and 2015 and tries to clarify the main determinants of aid fractionalisation by looking at the several characteristics of recipient states and regions. Finally, the analysis of the European integration in foreign aid policies of EU accession states is another contribution of this dissertation to the literature, by taking the case of Turkish foreign aid policy and comparing it with the EU development policy. This is a novel contribution not only for the European integration literature, but also for the literature on enlargement and Turkey-EU relations as well.

Appendix:

Table 1: European Aid Fractionalisation Index Results, 2005-2015 and Total European Fractionalisation Index

Region	Sub-Region	Recipient	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total	Ranking
DCI	Africa DCI	South Africa	8.60	8.70	8.71	8.70	8.57	8.63	7.87	7.80	7.47	8.16	7.20	8.52	21
	Africa DCI Total		8.60	8.70	8.71	8.70	8.57	8.63	7.87	7.80	7.47	8.16	7.20	8.52	5
	Asia	Cambodia	9.15	9.10	9.02	9.17	9.19	9.14	8.78	8.93	8.72	8.12	7.96	9.00	5
		Viet Nam	9.21	9.05	9.26	9.21	9.10	8.44	8.48	8.62	8.23	7.90	7.96	8.87	9
		Sri Lanka	8.89	8.44	8.76	8.46	9.09	8.22	8.18	7.86	7.94	8.23	6.20	8.85	11
		Lao People's Democratic Republic	8.87	8.62	8.51	8.70	8.72	8.60	8.67	8.32	8.25	8.36	8.28	8.77	13
		Philippines	7.83	7.89	8.31	8.22	8.25	6.76	8.00	7.69	8.81	8.14	7.70	8.76	14
		Myanmar	8.12	8.53	8.53	8.49	7.55	7.81	7.63	8.18	6.18	7.06	7.12	8.69	17
		Afghanistan	8.57	8.65	8.78	8.87	8.92	8.74	8.57	8.42	8.35	8.31	8.39	8.69	18
		Thailand	8.50	7.69	8.07	8.34	8.79	8.40	8.33	8.25	8.22	8.41	8.31	8.47	25
		Indonesia	8.64	8.45	8.30	8.39	8.32	7.72	8.18	7.96	8.36	6.51	6.62	8.43	30
		Maldives	7.82	4.94	7.11	5.01	5.48	5.67	3.67	6.55	4.90	6.01	5.33	8.25	35
		Malaysia	7.78	8.18	7.02	6.58	7.86	7.71	7.72	7.35	7.79	7.63	7.57	7.98	49
		Nepal	7.97	8.02	7.51	8.15	8.32	7.71	7.60	7.72	7.00	6.59	7.93	7.82	55
		Bangladesh	7.92	8.12	7.86	7.98	7.80	8.08	7.16	7.52	6.81	7.06	7.34	7.65	63

		Mongolia	7.24	7.78	7.98	7.49	7.70	7.95	7.06	6.26	5.77	6.75	7.23	7.46	70
		Pakistan	8.99	7.19	7.99	6.65	7.57	8.15	7.58	7.58	6.01	6.68	5.87	7.31	74
		China (People's Republicof)	7.43	7.77	8.26	7.70	7.73	7.41	7.05	6.98	6.60	5.72	5.40	7.28	75
		Bhutan	6.71	6.30	5.99	7.25	7.25	6.47	6.30	7.22	7.13	7.62	7.04	7.18	80
		India	7.12	7.27	6.25	6.01	6.29	6.45	6.65	6.78	6.86	6.65	5.87	6.98	87
		Asia Total	8.89	8.84	8.83	8.71	8.77	8.65	8.43	8.43	8.34	8.12	7.97	8.57	4
	Central Asia	Tajikistan	5.84	6.66	8.42	8.12	7.90	7.22	7.02	6.98	7.59	8.29	7.37	7.81	58
		Kyrgyzstan	7.83	8.30	7.88	8.07	7.84	8.07	7.24	7.08	6.88	6.24	6.32	7.54	66
		Kazakhstan	8.07	7.38	4.54	7.17	8.02	7.55	7.24	7.71	7.53	7.69	7.98	7.50	69
		Uzbekistan	7.53	7.33	7.24	5.82	4.74	5.03	6.10	3.49	5.28	5.40	7.42	6.16	104
		Turkmenistan	7.39	6.60	6.05	6.44	6.64	5.04	5.38	5.58	6.90	5.84	5.40	6.16	105
		Central Asia Total	7.84	7.87	7.55	7.85	7.78	7.47	7.28	6.86	7.09	7.41	7.31	7.54	8
	Latin America	Nicaragua	9.18	9.05	9.11	8.84	8.48	8.57	8.89	9.23	6.30	8.21	7.07	9.14	2
		Bolivia	9.04	9.13	8.99	8.95	8.92	9.03	9.16	9.02	8.66	9.05	8.80	9.11	3
		Argentina	8.27	8.13	8.24	8.16	8.27	7.88	8.41	4.93	7.49	7.61	5.38	8.47	26
		Ecuador	8.36	8.32	7.70	7.66	7.90	7.42	8.16	7.99	8.46	8.21	6.70	8.36	32

		Venezuela	7.11	7.68	7.54	8.02	8.08	8.32	8.30	7.96	8.16	7.89	7.59	8.29	33
		Colombia	8.66	8.54	8.64	8.80	8.13	8.15	8.00	8.48	7.53	6.18	6.69	8.28	34
		Costa Rica	8.97	8.41	7.90	7.50	8.28	7.00	7.22	7.10	7.46	8.17	6.61	8.20	42
		Peru	8.39	8.56	8.01	7.98	8.08	7.53	6.03	7.54	7.77	7.49	7.58	8.10	44
		Guatemala	8.73	6.12	5.89	6.20	7.88	8.12	8.83	9.03	7.85	8.45	8.47	8.08	45
		Uruguay	7.27	7.45	7.44	7.51	7.82	7.98	7.63	8.14	6.72	2.80	5.16	8.03	46
		El Salvador	8.24	8.41	7.51	7.36	6.21	6.92	7.77	8.22	7.95	8.49	8.39	7.85	54
		Haiti	6.87	6.29	6.97	7.28	7.33	8.63	8.01	7.70	7.45	6.20	5.61	7.82	56
		Panama	6.69	6.28	5.31	5.96	6.06	4.95	5.74	6.63	6.78	5.46	7.63	7.79	59
		Brazil	7.68	7.38	7.68	7.90	7.05	6.58	7.72	5.72	7.12	5.32	7.28	7.60	64
		Paraguay	8.31	7.46	7.37	7.45	6.80	6.79	6.75	7.05	6.86	6.32	6.21	7.42	72
		Mexico	7.41	7.59	7.92	8.32	7.98	4.97	5.59	6.78	5.75	6.58	5.93	6.91	90
		Chile	7.49	6.55	6.99	7.02	7.57	5.91	6.29	4.58	6.48	4.48	6.98	6.61	95
		Cuba	8.09	7.17	5.82	5.03	6.64	6.47	7.00	8.52	8.16	8.77	3.20	6.56	97
	Latin America Total		9.05	8.89	8.71	8.54	8.45	8.83	8.68	8.28	8.46	7.69	8.13	8.77	2
	Middle East DCI	Iraq	8.59	8.88	7.09	8.12	8.75	8.85	8.73	7.78	7.67	8.74	8.65	8.63	19
		Yemen	8.18	8.07	7.97	8.20	8.09	8.07	7.80	8.23	7.76	7.71	8.02	8.24	36

		Iran	6.95	7.70	7.21	6.71	6.48	5.92	5.15	5.49	5.69	5.18	5.27	6.36	101
	Middle East DCI Total		8.62	8.94	7.17	8.15	8.63	8.59	8.15	8.40	8.29	8.28	8.46	8.63	3
DCI Total			9.08	9.20	8.92	8.97	9.00	8.92	8.69	8.64	8.52	8.21	8.20	8.84	2
EDF	Caribbean	Dominican Republic	7.56	7.46	6.02	7.01	6.16	5.94	6.77	5.73	6.80	6.21	3.53	7.33	73
		Suriname	3.95	5.75	3.17	4.51	3.90	3.74	5.38	6.83	6.48	6.63	7.11	5.05	114
		Saint Vincent and the Grenadines	6.04	4.62	4.12	1.48	0.15	0.51	0.40	0.27	0.31	0.39	0.60	4.95	116
		Saint Kitts and Nevis	2.27	0.58	1.76	3.84	0.38	0.30	0.04	3.01	0.15	-	-	4.92	117
		Grenada	5.61	2.77	6.26	2.12	0.21	0.47	0.54	1.04	4.60	4.62	3.11	4.51	121
		Dominica	6.51	2.35	0.89	0.71	0.76	2.57	4.06	3.98	5.21	4.56	6.73	4.51	122
		Trinidad and Tobago	5.70	1.50	4.70	5.72	7.12	8.26	-	-	-	-	-	4.32	123
		Jamaica	6.21	4.94	3.89	2.86	3.27	1.87	5.84	6.37	4.52	3.03	4.77	4.27	124
		Anguilla	-	1.16	-	0.36	1.61	0.78	1.40	2.18	5.03	-	-	3.95	127
		Guyana	5.05	5.67	4.88	2.04	1.67	1.84	3.40	1.25	0.82	2.22	4.84	3.21	131
		Barbados	3.76	1.92	4.47	1.78	1.49	0.45	-	-	-	-	-	3.14	132

		Turks and Caicos Islands	5.18	-	0.76	-	-	-	-	-	-	-	-	2.87	134
		Saint Lucia	4.49	4.79	5.51	1.83	1.21	0.93	0.98	0.66	1.44	5.20	2.94	2.85	135
		Belize	7.85	3.25	2.60	0.79	1.42	1.09	1.44	0.37	2.89	1.97	2.47	2.39	136
		Montserrat	0.81	3.74	2.02	0.83	2.00	4.43	0.80	2.65	1.87	2.44	-	1.95	138
		Antigua and Barbuda	1.83	0.40	2.20	1.30	3.47	0.25	1.30	6.11	1.58	0.67	4.66	1.13	143
		Saint Helena	0.03	3.14	1.53	2.46	0.71	0.01	0.92	-	0.96	0.92	0.03	0.81	144
	Caribbean Total		7.81	7.49	7.73	7.18	6.77	6.37	8.07	7.28	6.65	6.77	7.07	7.65	7
	Pacific	Timor-Leste	6.93	7.45	7.75	8.08	7.66	7.80	7.87	7.22	7.31	6.82	7.10	7.75	60
		Palau	-	1.88	1.79	3.18	1.74	3.81	4.22	2.15	6.50	2.30	3.60	6.15	106
		Vanuatu	5.14	5.15	4.66	4.19	4.59	4.92	5.62	5.35	5.63	4.41	7.04	6.10	107
		Cook Islands	-	0.84	-	-	-	-	-	-	1.60	0.71	-	4.00	125
		Fiji	1.12	3.32	3.03	5.11	2.53	4.59	4.02	5.06	4.39	5.57	3.78	3.72	128
		Papua New Guinea	5.25	2.27	2.75	3.50	3.23	1.76	3.74	5.15	6.46	4.23	2.75	3.53	129
		Solomon Islands	3.04	0.24	3.10	2.75	2.06	0.30	2.74	0.90	2.13	4.64	2.90	2.01	137
		Tonga	0.19	2.25	5.09	5.61	1.90	2.32	0.08	0.83	3.22	0.71	1.44	1.35	139
		Micronesia	-	2.30	0.94	0.18	0.84	1.98	0.72	3.95	4.38	0.46	5.20	1.27	140

		Marshall Islands	5.26	3.37	0.64	0.70	1.75	-	3.58	1.61	2.01	-	-	1.25	141
		Nauru	-	4.68	6.22	-	-	0.21	4.98	-	1.94	0.43	-	1.14	142
		Samoa	0.32	0.16	0.79	0.75	1.18	0.57	1.12	0.18	1.98	0.47	0.19	0.72	145
		Tuvalu	0.74	0.16	0.48	-	-	2.83	0.26	1.28	0.73	0.45	3.02	0.65	146
		Kiribati	0.45	0.44	0.58	0.32	0.37	3.22	0.46	0.27	0.13	0.87	0.11	0.51	147
		Wallis and Futuna	0.11	0.09	0.02	0.12	0.03	0.69	1.16	1.07	0.60	0.13	0.04	0.40	148
		Niue	-	-	-	-	-	-	0.49	-	-	-	-	0.06	149
		Pacific Total	7.54	7.73	7.50	7.43	7.33	7.17	7.07	6.92	6.83	6.77	6.73	7.27	9
	Sub Saharian Africa	Mozambique	9.26	9.29	9.28	9.36	9.43	9.50	9.30	9.31	9.43	9.41	9.47	9.45	1
		Democratic Republic of the Congo	8.46	8.45	8.65	8.76	8.62	8.77	8.25	7.80	8.16	8.20	8.42	9.05	4
		Zambia	8.61	8.64	9.07	8.87	8.86	8.75	8.63	8.65	8.71	8.33	8.77	8.99	6
		Kenya	8.67	8.97	8.98	9.26	9.19	9.04	9.10	8.75	8.61	8.80	8.73	8.98	7
		Angola	8.73	8.33	8.63	8.95	8.84	8.94	8.40	7.69	8.09	6.24	7.81	8.88	8
		Uganda	9.20	8.81	9.03	8.76	9.12	8.70	8.59	8.54	8.49	8.35	8.32	8.87	10

		Tanzania	8.74	8.84	8.92	8.92	9.00	8.88	9.06	8.78	8.38	8.31	8.17	8.83	12
		Ghana	9.02	8.53	8.70	8.78	8.61	8.62	8.77	8.68	8.11	8.46	8.27	8.75	15
		Liberia	7.23	8.22	8.46	6.74	8.62	7.75	8.39	6.90	8.02	7.35	7.14	8.74	16
		Rwanda	8.37	8.65	8.59	8.58	8.70	8.50	8.40	8.54	7.90	8.64	7.72	8.54	20
		Mali	8.10	8.35	7.96	8.65	8.95	8.97	8.74	8.95	8.06	7.63	8.17	8.49	23
		Benin	8.58	8.47	8.50	8.24	8.13	8.18	8.65	8.41	8.32	8.11	8.24	8.49	24
		Sudan	8.55	8.28	8.70	8.58	8.04	8.34	8.40	7.65	7.72	7.86	8.06	8.44	29
		Burkina Faso	8.69	8.32	8.18	8.52	8.55	8.56	8.59	8.46	8.11	7.92	7.66	8.42	31
		Burundi	8.00	9.00	7.75	8.42	7.83	7.88	8.29	8.09	8.11	7.84	7.94	8.22	39
		Togo	7.27	6.72	7.23	6.21	8.48	5.89	8.64	7.32	7.14	7.34	7.84	8.22	40
		Ethiopia	8.95	8.84	8.29	8.39	8.47	7.74	7.32	7.80	6.98	7.75	7.40	8.20	41
		Somalia	7.92	7.85	8.54	8.33	8.71	7.99	8.40	7.91	7.56	7.81	7.66	8.16	43
		Zimbabwe	8.38	7.94	8.19	8.56	8.34	8.10	8.54	7.07	7.40	7.20	7.56	7.98	47
		South Sudan	-	-	-	-	-	-	7.42	8.15	7.95	7.97	7.28	7.91	50
		Nigeria	7.87	7.96	8.06	7.49	6.27	5.21	4.81	5.21	5.70	5.95	5.25	7.89	51
		Namibia	8.72	8.96	8.49	8.29	8.22	8.06	6.44	6.31	6.68	6.31	4.92	7.89	52
		Cameroon	7.40	8.35	6.93	6.79	7.02	6.93	6.75	7.11	6.87	7.71	6.78	7.87	53
		Mauritania	7.91	7.78	7.29	8.16	7.90	7.61	7.09	6.99	7.07	7.14	7.60	7.68	61
		Central African Republic	5.65	6.86	7.51	8.18	7.39	6.68	6.56	6.13	7.96	7.48	7.87	7.66	62

		Senegal	8.02	6.19	7.90	8.00	8.41	7.94	7.79	6.46	7.26	6.09	7.68	7.57	65
		Niger	8.38	7.95	7.65	7.68	8.63	7.78	7.66	7.07	7.04	6.17	6.31	7.53	68
		Malawi	7.86	6.94	7.41	7.15	7.49	6.95	7.35	6.89	6.75	7.53	7.33	7.28	76
		Gambia	9.07	8.41	8.31	8.22	7.00	5.05	5.41	6.34	6.32	5.96	6.20	7.20	78
		Madagascar	8.35	6.11	6.22	6.67	6.51	6.13	6.63	6.31	6.47	5.85	6.47	7.19	79
		Eritrea	8.00	8.68	6.51	8.02	5.66	5.34	4.81	6.75	6.78	6.23	4.90	7.10	82
		Guinea-Bissau	7.30	6.94	6.37	6.90	6.11	7.60	7.94	7.18	7.62	5.23	5.43	6.98	88
		Chad	6.66	7.71	8.16	7.71	7.90	7.52	6.72	5.90	5.15	4.95	5.58	6.92	89
		Guinea	7.20	7.16	6.75	6.80	6.41	6.33	6.84	5.68	5.94	6.35	6.31	6.81	91
		Sierra Leone	6.78	7.40	8.93	6.71	7.00	6.77	7.04	6.67	6.15	4.67	4.63	6.81	92
		Lesotho	7.72	7.67	7.65	7.47	8.22	4.70	4.69	5.47	3.64	4.71	5.79	6.70	94
		Seychelles	5.15	6.74	0.71	4.16	3.00	7.27	6.13	3.74	4.69	6.45	6.04	6.61	96
		Equatorial Guinea	3.92	5.41	4.03	6.14	3.82	4.56	3.68	4.90	5.81	5.57	5.76	6.46	99
		Cabo Verde	7.78	7.47	8.23	8.12	7.89	6.10	5.43	3.78	4.39	4.36	6.89	6.39	100
		Botswana	4.76	3.63	5.30	1.61	3.96	4.99	4.68	6.72	5.17	1.21	4.00	6.06	108
		Côte d'Ivoire	7.47	6.88	7.60	6.11	3.79	7.71	4.16	5.37	7.70	5.03	4.10	6.03	109
		Mauritius	5.54	5.64	4.76	5.00	6.27	5.91	5.97	5.35	5.43	2.60	5.53	5.77	111
		Sao Tome and Principe	6.31	6.95	7.79	6.67	5.37	4.60	4.18	4.44	5.35	5.49	3.71	5.68	112

		Congo	4.13	5.16	6.62	2.29	7.79	4.40	6.34	6.59	4.69	6.20	4.86	5.04	115
		Comoros	3.20	3.53	5.25	4.92	5.10	4.79	4.73	4.74	3.40	4.54	4.87	4.62	119
		Djibouti	2.79	0.83	2.77	3.44	6.35	3.29	5.14	5.73	5.45	5.83	4.17	4.58	120
		Swaziland	5.23	1.96	6.40	5.37	3.97	1.83	1.99	4.93	2.04	3.37	0.97	3.32	130
		Gabon	4.73	3.76	3.48	3.88	2.76	3.29	2.72	2.29	2.33	1.44	2.08	3.03	133
		Mayotte	0.02	0.02	0.03	0.04	0.05	0.03	-	-	-	-	-	0.03	150
	Sub Saharian Africa Total		9.01	8.99	9.15	9.07	9.10	9.09	9.08	8.89	8.77	8.64	8.63	9.02	1
EDF Total			9.00	8.99	9.12	9.04	9.06	9.05	9.05	8.84	8.73	8.60	8.61	8.99	1
ENI	Eastern Europe	Belarus	8.56	8.31	8.19	8.36	8.46	8.68	8.27	8.21	7.89	8.23	8.18	8.50	22
		Azerbaijan	7.04	7.24	6.50	7.39	6.44	6.59	6.43	6.61	7.10	4.68	6.48	7.10	83
		Armenia	8.03	8.58	8.53	7.97	7.31	6.96	5.75	6.78	6.46	6.61	4.67	7.09	84
		Ukraine	7.37	7.18	7.55	6.38	7.30	7.27	7.08	6.46	5.05	5.72	7.38	7.01	85
		Georgia	7.58	7.53	8.29	7.76	6.98	6.69	6.24	6.66	5.27	5.63	5.80	6.99	86
		Moldova	7.66	8.50	7.43	6.89	5.94	5.72	4.56	4.73	5.22	4.78	6.20	5.92	110

	Eastern Europe Total		7.88	7.89	8.44	7.60	7.49	7.19	6.64	6.64	5.77	6.13	7.31	7.17	10
	MENA	Libya	6.61	7.46	7.79	5.25	5.71	8.01	8.80	8.32	6.82	6.98	7.67	8.45	27
		Syrian Arab Republic	7.52	7.68	7.55	8.04	7.90	7.55	7.44	8.50	8.29	8.45	8.11	8.45	28
		Lebanon	6.71	7.46	8.61	7.26	8.21	8.39	7.68	7.69	6.93	7.93	8.13	8.23	38
		West Bank and Gaza Strip	8.19	8.07	6.79	7.51	8.01	8.24	8.38	8.37	8.24	7.79	7.67	7.98	48
		Egypt	7.91	7.97	8.14	8.15	8.18	7.84	7.96	5.54	7.51	6.93	7.49	7.81	57
		Jordan	7.63	6.93	7.09	7.14	7.76	6.42	6.47	7.42	7.08	6.54	8.14	7.54	67
		Morocco	7.45	7.42	7.90	8.15	7.90	7.44	6.80	6.67	6.18	7.19	7.41	7.43	71
		Tunisia	7.14	7.65	7.31	6.53	7.60	7.72	6.88	5.83	6.15	5.75	6.30	7.24	77
		Algeria	5.39	6.48	6.59	7.25	7.24	6.60	6.56	5.88	6.17	6.30	5.93	6.54	98
	MENA Total		7.88	8.05	8.14	8.26	8.35	8.32	7.92	7.35	7.95	7.87	8.21	8.10	6
ENI Total			8.06	8.11	8.30	8.27	8.34	8.29	7.87	7.38	7.76	7.67	8.10	8.05	3
IPA	IPA	Albania	8.25	8.38	8.91	8.85	8.67	8.45	7.82	7.42	6.78	6.86	7.12	8.23	37
		Bosnia and Herzegovina	7.45	8.77	9.15	9.13	9.07	8.32	6.36	4.79	4.72	4.34	5.16	7.17	81

		Montenegro	-	7.38	7.95	8.74	8.27	8.28	4.17	5.65	5.54	3.61	4.33	6.72	93
		Serbia	9.03	8.84	7.67	7.76	6.29	6.61	3.07	2.67	2.98	4.40	3.99	6.23	102
		Former Yugoslav Republic of Macedonia	8.10	7.53	7.79	8.26	7.82	6.44	4.25	5.53	5.49	4.12	1.90	6.22	103
		Kosovo	-	-	-	-	5.84	4.96	4.70	6.03	5.80	5.42	5.35	5.47	113
		Croatia	6.19	4.15	5.22	4.61	4.75	4.92	-	-	-	-	-	4.88	118
		Turkey	6.04	6.56	6.21	7.41	6.26	7.49	2.98	1.51	2.51	3.59	3.12	3.97	126
		IPA Total	7.89	8.30	7.63	8.20	7.08	7.33	3.86	2.89	3.41	4.06	3.83	5.43	11
IPA	Total		7.89	8.30	7.63	8.20	7.08	7.33	3.86	2.89	3.41	4.06	3.83	5.43	4
Grand	Total		9.13	9.09	9.10	9.11	9.04	9.02	8.68	8.44	8.50	8.38	8.38	8.87	

Table 2: Turkey's Alignment to the EU Development and Cooperation Policy based on Turkey's Progress Reports 1998-2016 (Table compiled by the author)

<p>2016 Progress Report (pp. 90-91)¹²⁴</p>	<p>As for development policy and humanitarian aid, official development aid granted by Turkey stood at EUR 2.8 billion or 0.46 per cent of ODA/GNI in 2015, mostly on Syria-related activities. Turkey's assistance to Syrian refugees on its own territory makes it the donor contributing the second largest amount in 2015. It is host to the largest refugee population in the world, with about 3 million refugees from Syria, Iraq and other countries. In April, Turkey joined the EU Civil Protection Mechanism.</p>
<p>2015 Progress Report (pp. 80-81)¹²⁵</p>	<p>In the fields of development policy and humanitarian aid, the total amount of official development aid granted by Turkey reached EUR 2.8 billion or 0.46per cent of ODA/GNI in 2014. Most of this was for Syria related action.</p>
<p>2014 Progress Report (pp. 73-74)¹²⁶</p>	<p>In the field of development policy and humanitarian aid, the total amount of official development aid granted by Turkey in 2013 increased from €1.9 billion in 2012 to € 2.5 billion. The level of alignment in this field is satisfactory.</p>
<p>2013 Progress Report (p. 74)¹²⁷</p>	<p>In the field of development policy and humanitarian aid, the total amount of official development aid granted by Turkey in 2012 doubled and reached €1.9 billion, as compared with €944 million in 2011. The level of alignment in this field is satisfactory.</p>
<p>2012 Progress Report (pp. 86-87)¹²⁸</p>	<p>Turkey made some progress in the field of development policy and humanitarian aid. The total amount of official development aid granted by Turkey in 2011 was about € 944 million in 2011. The level of alignment in this field remained satisfactory.</p>
<p>2011 Progress Report (pp. 105-106)¹²⁹</p>	<p>Turkey made some progress in the field of development policy and humanitarian aid. The total amount of official development aid granted by Turkey in 2010 was about € 730 million, reaching approximately 0.15 ODA/GNI. The level of alignment in this field remained satisfactory.</p>

¹²⁴ European Commission (2016), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_turkey.pdf , accessed in December 2016.

¹²⁵ European Commission (2015), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2015/20151110_report_turkey.pdf , accessed in December 2016.

¹²⁶ European Commission (2014), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2014/20141008-turkey-progress-report_en.pdf , accessed in December 2016.

¹²⁷ European Commission (2013), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2013/package/tr_rapport_2013_en.pdf , accessed in December 2016.

¹²⁸ European Commission (2012), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2012/package/tr_rapport_2012_en.pdf , accessed in December 2016.

¹²⁹ European Commission (2011), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2011/package/tr_rapport_2011_en.pdf , accessed in December 2016.

2010 Progress Report (pp. 94-95)¹³⁰	Turkey made some progress in the field of development policy and humanitarian aid. The total amount of official development aid granted by Turkey reached some €707 million in 2009. The level of alignment remained satisfactory in this field.
2009 Progress Report (pp. 85-86)¹³¹	Turkey made some progress in the fields of development policy and humanitarian aid. The amount of official development aid granted by Turkey totalled some €557 million in 2008, which is 0.1 per cent of GDP. The level of alignment has remained satisfactory in this field.
2008 Progress Report (pp. 80-81)¹³²	In the field of development policy and humanitarian aid, some progress has been made. Turkey granted some 602 million USD of official development aid in 2007. Turkey's level of alignment remains satisfactory in this field.
2007 Progress Report (p. 73)¹³³	In the field of development policy and humanitarian aid, Turkey granted around € 0.5 billion of official development aid in 2006. The Turkish development agency (TIKA) established a new field office in Montenegro, reached 22 field offices in total. Turkey's level of alignment in the field of development and humanitarian aid policy is satisfactory.
2006 Progress Report (pp. 68-69)¹³⁴	In the field of development policy and humanitarian aid, some progress was made. Turkey granted € 500 million official development aid in 2005. The primary beneficiaries of Turkish official development aid were Kyrgyzstan, Kazakhstan, Azerbaijan, Turkmenistan and Kosovo. Turkey offered € 37.4 million emergency aid, mainly allocated to natural disaster relief in Asia. Overall, Turkey's level of alignment with the EC's development and humanitarian aid policy improved considerably.
2005 Progress Report (pp. 126-127)¹³⁵	Concerning alignment with the EU development policy, Turkey implements its development aid projects through the Turkish Cooperation and Development Agency (TIKA) established in

¹³⁰ European Commission (2010), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/turkey_progress_report_2010.pdf, accessed in December 2016.

¹³¹ European Commission (2009), Turkey Progress Report, http://www.ab.gov.tr/files/ceb/Progress_Reports/2009_progress_report.pdf, accessed in December 2016.

¹³² European Commission (2008), Turkey Progress Report, https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/press_corner/key-documents/reports_nov_2008/turkey_progress_report_en.pdf, accessed in December 2016.

¹³³ European Commission (2007), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/turkey_progress_report_2007.pdf, accessed in December 2016.

¹³⁴ European Commission (2006), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2006.pdf, accessed in December 2016.

¹³⁵ European Commission (2005), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2005.pdf, accessed in December 2016.

	1992. The Agency has been active mainly in Central Asian and Balkan countries, and the Russian Federation. No new figures are available on development aid and humanitarian aid. Turkey has, however, provided some humanitarian assistance. The primary beneficiary countries of Turkish official aid are the Central Asian countries, the Russian Federation, and Ukraine.
2004 Progress Report (pp. 149-151)¹³⁶	In the field of development aid and humanitarian aid, Turkey's official aid figures have shown a steady decrease over the last four years. According to Turkey's State Institute of Statistics, the total value of official aid decreased from €444.9 million in 1999 to €115.5 million in 2003. The primary beneficiaries of Turkish official aid were Central Asian countries, Northern Cyprus, the Russian Federation, and Ukraine.
2003 Progress Report (pp. 121-122)¹³⁷	No new figures are available on development aid and humanitarian aid. Turkey has, however, provided some humanitarian assistance.
2002 Progress Report (pp. 125-126)¹³⁸	In the field of development aid and humanitarian aid, Turkey has contributed to international stability through the provision of humanitarian assistance. According to Turkey's State Institute of Statistics, Turkey granted about €1,987,000 official aid in 2000, whereof €410,000.00 in the form of grants. € 234,000 of this amount was destined for developing countries as grant aid and € 34,000 to countries in transition to a market economy. € 20,600 has been spent in 2000 as emergency aid and € 24,200 as project and programme aid.
2001 Progress Report (p. 88)¹³⁹	In terms of development aid and humanitarian aid, according to Turkey's State Institute of Statistics (DIE), Turkey paid about €243 million on official aid last year, of which about €28 million in the form of grants was sent to around 65 developing countries and over € 3 million to around 15 countries in transition to a market economy. In the field of development aid and humanitarian aid, Turkey has contributed to international stability through the provision of humanitarian assistance. A total of over € 1.3 million has been spent in 2000 as external emergency aid mainly via the Turkish Red Crescent.

¹³⁶ European Commission (2004), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2004.pdf, accessed in December 2016.

¹³⁷ European Commission (2003), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2003.pdf, accessed in December 2016.

¹³⁸ European Commission (2002), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2002.pdf, accessed in December 2016.

¹³⁹ European Commission (2001), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2001.pdf, accessed in December 2016.

	For the purpose of the Turkish future financial contribution to the European Development Fund, the Turkish management of its national budget organisation and management of flow of funds to the EC budget is addressed under Chapter 29 – Financial and budgetary provisions.
2000 Progress Report (pp. 65-66)¹⁴⁰	In the field of development aid and humanitarian aid, Turkey has contributed to international stability through the province of humanitarian assistance. Since 1999, according to Turkish estimates, it has provided aid to 69 countries for a total value of Euro 300 million.
1999 Progress Report¹⁴¹	No evaluation on development cooperation and humanitarian aid policy.
1998 Progress Report¹⁴²	No evaluation on development cooperation and humanitarian aid policy.

¹⁴⁰ European Commission (2000), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_2000.pdf, accessed in December 2016.

¹⁴¹ European Commission (1999), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_1999.pdf, accessed in December 2016.

¹⁴² European Commission (1998), Turkey Progress Report, http://www.ab.gov.tr/files/AB_Iliskileri/Tur_En_Realitons/Progress/Turkey_Progress_Report_1998.pdf, accessed in December 2016.

List of Interviewees (All face to face interviews conducted between April 2013 and March 2017 in Brussels)

- 1- Martin Prada – DG DEVCO A. EU Development Policy, 3 April 2013, Brussels
- 2- Sharon Zarb – DG DEVCO A. EU Development Policy, Policy Officer, 4 April 2013, Brussels
- 3- Henry Prankerd – EEAS, Development Cooperation Coordination Division (DCCD), 4 April 2013, Brussels
- 4- Christophe Parisot – Member of the Ashton’s Cabinet, EEAS, 5 December 2013, Brussels
- 5- Claes Bengtsson – Member of the De Gucht’s Cabinet, DG Trade, 5 December 2013, Brussels
- 6- Eric Peters – Adviser for International and Economic Affairs, BEPA, 4 December 2013, Brussels
- 7- Jean-Marc Colombani – Senior Advisor of the EEAS Secretary General Pierre Vimont, EEAS, 6 December 2013, Brussels
- 8- Vasco Cal, Adviser, BEPA, 4 December 2013, Brussels
- 9- Michael Leigh, GMF Brussels, 5 December 2013, Brussels
- 10- Steven Blockmans, CEPS, Head of EU Foreign Policy Unit, 5 December 2013, Brussels
- 11- Alex Gerbrandij, EEAS Development Cooperation Coordination Unit, 6 December 2013, Brussels
- 12- Annika Palo, Counsellor, Embassy of Sweden, SIDA (Interview conducted via email), 18 June 2015, Istanbul
- 13- Rainer Emschermann - DG NEAR Turkey Desk, 15 February 2016, Brussels
- 14- Gianluca Grippa - EEAS, Head of ENP Strategy and Instruments, 16 February 2016, Brussels
- 15- Eduard Auer - EEAS, Head of W. Balkans, 16 February 2016, Brussels
- 16- Anna Vezyroglou from EEAS Team of Mogherini, 16 February 2016, Brussels
- 17- Ernest Maragall - MEP, 16 February 2016, Brussels
- 18- Ricardo Borges De Castro - EPSC (Mr. Juncker's Team) Foreign Policy, 17 February 2016, Brussels
- 19- Sophie Henell, DG ECHO, Middle East, Syria, 18 February 2016, Brussels
- 20- Laurent Sarazin, DG DEVCO, 21 March 2017, Brussels
- 21- Susanne Wille, DG DEVCO, 21 March 2017, Brussels
- 22- Freek Janmaat, DG Near, Turkey Division, 21 March 2017, Brussels

23- Carlo Cappola, DG Near, Turkey Division, Expert on IPA, 21 March 2017, Brussels

24- Peter Hedding, EEAS, 21 March 2017, Brussels

25- Boris Iarochévitch, EEAS, ENP Division, 22 March 2017, Brussels

26- Marten Jung, DG Near, Western Balkans Division, 22 March 2017, Brussels



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