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Part IV

International organisations
The World Bank

Eugenia Baroncelli

The European Union (EU) is collectively the largest donor to the World Bank, itself the prime multilateral development agency in the world. Yet, only EU member states (MS) are shareholders to the World Bank, and have seats at its Board. The Union is not a member and does not even have an observer status.2 The absence of legal standing may be the most evident reason why very little has been written on the EU’s role at the World Bank. Ambivalence in World Bank staff about the EU’s competence concerning development policies is, justifiably, patent (Baroncelli, 2009). Conversely, within the broader literature on the EU in multilateral institutions (Latikainen and Smith, 2006; Jørgensen, 2009) a small but growing body of studies has focused on the role of the EU in the International Monetary Fund (IMF), where the EU has an observer status (through the ECB) (Coeuré and Pisani-Ferry, 2009; Bini Smaghi, 2004, 2009; Truman, 2006; see also Chapter 15), plausibly favoured by the puzzle of a single currency union with multiple external representatives in monetary affairs. While some authors have analysed the Bank jointly with the IMF (Woods and Lombardi, 2006; Pisani-Ferry, 2009; Faini and Grilli, 2004: 1), very few contributions have focused exclusively on the role of the EU at the Bank (Baroncelli, forthcoming). However, even if development policies fall into the area of shared competence, and even in the absence of a Euro-like incentive to collective action, this contribution argues that there are in fact several reasons to take a closer look at what the EU does at the World Bank and with the World Bank, why it does it and, especially, how and how well it does it.3

First, the sheer weight of resources devoted by the EU to promote development and eradicate poverty, both bilaterally (Carbone, 2007), and through the World Bank, has grown remarkably since the late 1990s, a trend that further proves the relevance of the combined weight of the EU (Commission and member states) in finance for development. The amount of funds channelled by the Commission to the World Bank in 2005 was 50 times higher than the amount supplied in 2000 (ADE, 2008; Faini and Grilli, 2004).4 Second, at around 33 per cent over total voting at the Bank’s Executive Board, the combined votes that EU member states can mobilise through the World Bank’s constituency system far outweighs either the weight of the US quota (16 per cent) or the 15 per cent required to form a blocking minority (Pisani-Ferry, 2009: 23–24). Third, progress has occurred since 2003, when an informal consultation group (the so-called Eurogroup) was set up by the Office of the Italian Executive Director (hereinafter ED) to coordinate the position of EU EDs at the Board on matters of joint European interest. After
Lisbon, the upgrading of the Union to an ‘enhanced observer’ status in the United Nations General Assembly (UNGA) in May 2011, has suggested that a similar evolution could take place also in the Washington-based IFIs. However, there does not appear to be any such plan for the foreseeable medium term, in spite of repeated official calls, advanced also by the Commission and the Parliament, on the advisability of condensing the representation of EU EDs at the World Bank’s Board into fewer constituencies, eventually leading to a single seat (Baroncelli, forthcoming).

What are the main reasons behind such a gap between devoted resources and delegated authority? How has informal coordination served as a substitute for an enhanced role of the Union at the World Bank’s Board so far? How has their cooperation proceeded on the ground, i.e. in partner countries, particularly in the light of the relevant changes that have occurred in development policymaking since the launching of the Millennium Development Goals (MDGs) in 2000? This chapter looks at these issues under both theoretical and policy lenses.

With respect to theory, and in line with recent IR studies on organisational change (Nielson, Tierney and Weaver, 2006) it is argued that both institutionalist and constructivist literatures have much to contribute to answer such questions, and that their inputs into delegation and role theory, respectively, can provide useful tools to analyse and conceptualise more broadly the overall set of relations between the Union and the Bank. Furthermore, on the basis of the available evidence, this chapter contends that neither of the two approaches can fully account for the multiple processes that are set in motion as a result of the interaction between the two complex EU and World Bank systems. Inputs from multilevel governance, business and development literatures are here considered as potentially relevant towards a better understanding of the cooperation between the Union and the Bank, and, more broadly, of the interaction between large multilateral organisations with overlapping memberships.

Finally, this chapter is intended as a contribution to reflect on one of the least explored cases of the EU’s role in international organisations, surprisingly one in which the Union invests substantial resources and could potentially exert considerable leverage. Looking at how effective the Union is in channelling such resources (making good use of funds through its combined weight in the Board, but also making good implementation policies on the ground) appears of paramount importance.

The next section offers a short introduction to the EU’s and World Bank’s respective missions and roles in the global political economy. Subsequently, along the lines of a critical review of the small but growing literature on the study of the EU in international financial institutions in general, issues of informal coordination and collective principality are briefly discussed, relative to the EU at the World Bank. Inputs from the business and development literatures on multi-stakeholder models are shortly taken up, and their potential is highlighted to broaden the understanding of the EU–World Bank relations in the current global context. Next, the relevance of contributions from the constructivist camp on role theory is discussed with respect to the investigation of role change that has occurred in the EU’s approach to development policy since the new millennium, both in general and at the World Bank’s Board in particular, taking into consideration the implications of the post-Lisbon environment for the EU and the ‘voice reform’ within the World Bank. The previous arguments are synthesised in the last section, which also recapitulates the key policy inputs and highlights avenues for further investigation on the broad set of EU–World Bank relations.

The European Union and the World Bank: development in the making

By sheer size, the EU is the major player in the world trade system (accounting for 15 per cent of merchandise trade in goods, up to 25 per cent of trade in services; DG Trade, 2011). The EU
is also the main source in the world of FDI, with a total of Euro 274 billion, or 34 per cent of the overall total of global FDI flows.6 Most significantly, the EU (institutions and MS) is the most generous donor worldwide, providing 83 billion (current USD) in total public aid flows.7

Since the associationist philosophy that informed the free trade agreements with third countries in former colonies of the six founding fathers, then joined by the UK (1973), Spain and Portugal (1986) (Bonaglia, Goldstein and Petito, 2006), the EU has gone a long way to strengthen its role in cooperating towards development with partner countries. First, overcoming the unilateral and reciprocal nature of the Association agreements as they had been designed in the Treaty of Rome (Art. 131–36), the EU cooperation towards development has become voluntary and negotiated, since the Yaoundé Convention of 1968, as well as non-reciprocal and stable through the Lomé Convention of 1974. Second, in addition to the Yaoundé and Lomé Conventions which covered relations with former colonies of MS, the ACP (African, Caribbean and Pacific Group, formed in 1975), the EU has broadened its reach particularly since Maastricht, to include partnership agreements with Latin American and Asian countries (ALA). The entry into force of the Maastricht Treaty in 1993 marked an important formal turning point, as its text embodied the first provision ever on an explicit competence of the Community in development cooperation (art 177).

In 2000, the Lomé framework was replaced by the Cotonou Partnership Agreement, which emphasised the contractual nature of the ACP-EU relations, but increased the range of political conditionalities and pushed the envelope of trade liberalisation as a tool for development (Bretherton and Vogler, 2006: 122–27). Most importantly, since the 1990s the Union has expanded the range of its cooperation to development, to include the Southern Mediterranean Partners (through the Barcelona Process in 1995, then changed into the European Mediterranean Partnership), and, particularly, the Eastern Partners after the end of the Cold War. In 2004, both Mediterranean and Eastern Partners were grouped under the concept of ‘neighbouring countries’ and a specific policy framework, the European Neighbourhood Policy, was set up to guide the EU relations with them. Trends in EC Official Development Aid (ODA) flows also reflected the increasing importance of the EU neighbourhood and the relevance of security and foreign policy objectives in the EU’s approach to development policy.

In spite of the emphasis on poverty reduction (in both Title XVII of the Maastricht Treaty of 1992, and Art. 177 of the Amsterdam Treaty) between 1980 and 2000, the share of the (increased) amount of official development aid by the EC to Part II neighbours (Central and Eastern European, as well newly independent countries from former Soviet Union) equalled that devoted to other middle-income countries and, most notably, LDCs (Least Developed Countries) (Bonaglia, Goldstein and Petito, 2006: 176–77). To date, the EU channels about 54 per cent of its development resources to middle-income countries (DFID, 2011, 94). Most relevantly, while a Consensus on EU Development Policy has been produced in 2005, the Lisbon Treaty has left the competence on development cooperation a shared one, between the Union and its member states.

Since its creation in 1944, after the provisions incorporated in the Bretton Woods Agreements, the World Bank Group (IBRD, IDA, IFC, MIGA) is the most important multilateral institution in the business of development lending. The Board of Governors of its main non concessional branch, the International Bank for Reconstruction and Development (IBRD) is composed by Financial or Economic Ministers of 187 member states, subscribing to different portions of its shares. The resources committed from its 187 shareholders (paid-in subscriptions and callable capital, i.e. both the funds actually deposited by member states and the amounts subscribed as a guarantee portion) have earned the Bank a triple-A rating from the market, and have allowed it to borrow on capital markets at highly preferential rates. As a result, its lending to client
countries has occurred on particularly convenient terms (World Bank, 2008), amounting to more than $400 billion since 1946, with a cost for member governments of around $11 billion. In the early years the Bank’s activities were mainly devoted to finance post-war reconstruction in Western Europe; through time its mission has evolved to cover development issues in post-colonial and post-Soviet transition countries, throughout the debt crisis of the 1980s and the financial crises of the 1990s. While its strategy has been often informed by the epistemic principles shared by its staff, largely educated in Anglo-Saxon ivy-league universities, political priorities of member states, particularly during the Cold War, along with external constraints and incentives, have also influenced the shape and direction of its policies and activities. Vociferously criticised for the failures in many of its supported structural adjustment programs (supposedly envisaged to help needing developing countries out of their indebtedness in the 1980s and onwards), the Bank has redefined its mission on a number of occasions, and, since the Wolfenshon Presidency it has led with much determination and technical support most of the prominent components of the poverty and governance envelopes that have informed the post-Washington Consensus (Murphy, 2008).

The Union and the Bank are two rather different examples of institutionalised cooperation at the international level, but also show institutional and policy elements that put a special emphasis on convergent roles and interests on multiple counts. The next section approaches their institutional specificities and the conceptualisation of their interaction at the high politics level through the lenses of the institutionalist and organisational literatures. The following section suggests how their role projections and policy performance can be interpreted with tools provided in the literature on role theory.

The EU at the World Bank: institutional rules and informal coordination

The European Union embodies a mixture of supranational and intergovernmental processes, and, while multilateral in its ambitions, was born as a regional economic and political compact. Its complex decision making is differentiated between unanimity, qualified and simple majority, across several institutions, which acknowledge the rights of both member states and citizens. Conversely, the World Bank has an explicitly global reach and its membership is open, potentially, to any country. At its Executive Board, the delegated body where decision making takes place on behalf of the Governors, formal rules in the Articles of Agreement provide for majority decision making, but decisions are mostly reached by consensus among its EDs who represent the interests of their respective constituencies, formed by shareholder states. All EU member states are also shareholders to the World Bank, but only three of them can appoint their own Executive Director at the Board (France, Germany and the UK). Representation at the Bank is indeed organised along an asymmetric collective system whereby member countries, who are allotted voting weights according to a fixed amount (basic votes) and a variable one, accounting for their subscribed shares, are grouped into 25 different constituencies, each led by an Executive Director which wields the voting power of the whole constituency. Two other member states (the US and Japan) enjoy the privilege of a single-state constituency since the early days, as in the case of the EU big three, but also Russia, Saudi Arabia and China have now obtained such privileged status. The other 24 EU member states are currently scattered across seven constituencies, five of which are led by an EU ED (Italy, Spain, Austria, Sweden and the Netherlands) and two of which only contain one EU member state (Poland and Ireland, within the constituencies led by Switzerland and Canada, respectively). Collectively, the EU member states can mobilise through the constituency system around 33 per cent of voting power at the World Bank’s board, thus outweighing the de facto veto power enjoyed by the US with its 16 per cent voting weight.8
Focusing on voting behaviour and welfare maximisation, recent studies on the coordination of EU member states within the boards of IFIs have engaged with the puzzle of the ‘accidental player’: a weighty Union that seeks to become more influential but, apparently, does not succeed to punch at its weight (Pisani-Ferry, 2009; Bini Smaghi, 2009). Agency problems that stem from the delegation of authority from collective principality are typical of most international organisations (Keohane and Martin, 1999). The Union is no exception (Pollack, 1997), and neither is the Bank, particularly with respect to bureaucratic shirking by its management and staff, originated by the waveling inputs from a board composed of 187 member states, compacted into 25 constituencies (Nielson and Tierney, 2003; Woods, 2006). The peculiarity of the Bank’s lending activities—borrowers and lenders sit at the same table albeit with highly asymmetric negotiating resources—has led scholars to consider agency problems within a wider perspective, by factoring in the role played by recipient countries (Gutner, 2005b). On their conceptualisation a debate has opened in the field, which has focused on the nature of the World Bank collective principality with respect to implementing governments in partner countries (Nielson and Tierney, 2005).

The EU’s coordination at the World Bank adds a further layer of interaction, amounting to an overlapping informal (also much wavering, in influence and results) principality of the Union over the Bank’s management, through its member states. Three elements must be considered in order to fully appreciate the set of inter-institutional links and agency patterns that are consistently generated. First, the degree of delegation (and of correlated EU authority over decisions taken in IFIs Executive Boards) depends on EU competences vis-à-vis member states (Bini Smaghi, 2006, 274). As competence in development policy is a shared one between the Union and its member states (and it has remained as such even in the new Lisbon treaty, according to Art. 4.4 TFEU), these latter should in principle act as agents of the former only when Board decisions refer to aspects that are covered by agreements between the Community and third states, as in most cases with ACP and ENP countries, or, since the 2005 EU Consensus on Development, on aspects that are being increasingly communitarised, such as aid harmonisation and donor coordination. Second, and closely related, to the shared nature of competence in development policy it has to be added the different approaches that member states have adopted so far in their own bilateral policies to reducing poverty (Carbone, 2007). In fact, the EU member states have made some relevant progress in taking on the duty to cooperate in matters of common competence with respect to consultation and, to some extent, cooperation in decision making at the Board. The Eurogroup, the informal gathering of EU EDs, alternates and advisors, chaired by the ED or Alternate (or Advisor) holding the rotating presidency in that semester, has met since 2003 every Friday morning and, very often, on an ad hoc basis it consults on matters of either EU MS or common relevance. Since then, it has produced a high number of joint statements on several topics, ranging from use of country procurement system and response to global food price volatility. However, on the basis of the available evidence, it appears that on sensitive matters, such as the redefinition of shareholding rights under discussion in the World Bank’s ‘voice reform’, ambitions for the EU EDs to coordinate over a broader revision of the criteria to allocate voting rights more equitably in favour of developing and transitioning countries have collapsed against last-minute revealed strictly national objectives (Baroncelli, forthcoming). Third, while not being a shareholder to the Bank’s board, the Commission (EU) provides substantial resources through the World Bank’s managed projects and programs (486 million Euros in 2009), and has therefore a well-established presence among the WB donors. While not enjoying an observer status there, the Union speaks through the ED (alternate, or Advisor) holding the rotating presidency or, within the Development Committee in the occasion of the annual meetings of the BWI, through the Development Commissioner, who is exceptionally allowed to speak on behalf of the Presidency country.
Such limited rights do not structure the ties that arise from the delegation of political authority, but do in fact reveal the existence of other mechanisms of accountability. On the one side, these features have been studied in the business and corporate governance literatures, through shareholder and multitasks agency models (Holmstrom and Milgrom, 1991; Hall and Soskice, 2001; Tirole, 2001). Indeed, in shared-competence matters such as development, or exclusive competence matters that are development-related, such as trade or agriculture, the Union has been a potential source of monitoring on its MS to ensure that their bilateral aid strategies through the Bank are consistent with the EU general mandates (European Consensus on Development 2005). Additionally, the Commission has recently developed tools to assess the effectiveness of projects financed through its grants (in the shape of Result Oriented Monitoring Programs), be it through the Bank or other development agencies. This amounts to verification procedures along the lines of contracts with other donors that are not subscribers to the Bank, i.e. with a limited monitoring allowance relative to the fulfilment of that contract, albeit within the (larger) scope of the overall framework agreement (EU, IBRD, IDA and IFC 2009).

On the other hand, the multiple levels in the set of delegation chains, from citizens in borrowing and lending states to their governments and, ultimately, to the Bank’s and EU’s staff, often through transnational advocacies suggest that useful inputs can also be derived from the literature on multilevel governance (Kohler-Koch and Rittberger, 2006, for a review within EU studies). Its roots, in European continental research on public administration at the central and local levels, appears particularly fruitful to conceptualise the processes and performance outcomes stemming from the interaction of these two complex systems, which involve both input and output legitimacy issues (Mayntz, 1978; Scharpf, 1999). While the difference between conceptualising citizens as either ultimate principals of the Union and the Bank, or as stakeholders that are external to the organisations (particularly when acting through advocacy groups) is not a trivial one, empirical evidence has shown that in the practice the two roles are often mixed with one another.

Research on the power dynamics of the constituency systems of the Bretton Woods institutions have particularly criticised the low legitimacy inherent in the mechanism of accountability engendered by the constituency system with particular reference to under-represented borrowing member countries, and over-represented founding donors (Martin and Woods, 2005; Woods and Lombardi, 2006). With respect to such aspect, the case for compacting the EU’s representation into fewer, and, eventually, one single seat has been advanced, on grounds of both improved legitimacy of the BWI institutions and increased effectiveness of the EU’s coordination within them (Bini Smaghi, 2004, 2006; Grimm and Philips, 2006; Pisani-Ferry, 2009; DG External Policies of the EU Parliament 2011). Under the current voting distribution, such

| Table 14.1 Voting powers under WB current constituency system, Voice Reform Phases 1 and 2 |
|---------------------------------|------------------------|------------------------|
|                                 | % Voting Power*        | % Voting Power after Voice Reform Phase 2 |
|                                 | Voice Reform Phase 1   | Reform Phase 2          |
| EU (direct representation under current constituency system) | 32.97                  | 32.38                  |
| United States                   | 16.07                  | 15.85                  |
| Japan                           | 9.61                   | 6.84                   |
| G7§                             | 20.05                  | 16.67                  |
| DTCs±                           | 44.06                  | 47.19                  |
| 17 non-G7 Industrialized economies | 14.19                  | 13.40                  |

* Calculations based on WB Corporate Secretariat online data, August 2011.
§ The datum includes the aggregate voting power of the constituencies led by Canada and Italy.
± Developing countries and countries with economies in transition.
redefinition would bring the total EU votes from approximately 33 per cent to 28 per cent of the voting weight at the World Bank’s Board.

Despite these multiple calls, EU member states have not yet taken the issue up for serious discussion. The persistence of the US veto, which has been left untouched by the ‘voice reform’ (which will eventually bring down its voting weight of 0.22 percentage points, to 15.85 per cent, still above the 15 per cent blocking minority), is a major obstacle to any significant reform of the internal governance of the World Bank’s constituency system. However, the passive stance of EU member states on this subject indicates that informal principality on the side of the Commission still falls short of exerting the political traction necessary to initiate a polity change, at the level of the EU’s external representation in the World Bank’s board.

On the other hand, the evolution of informal coordination among EU EDs at the World Bank’s Board has taken place against the background of a broader set of changes, which involved an expansion and redefinition of the EU own external development mission, as well as relevant evolutions at the policy level. In order to complete the instant picture of inter-institutional dynamics described above, and to understand their implications for the evolution of the EU–WB relations in development policies, it is therefore important to track back their roots. It is to the

<table>
<thead>
<tr>
<th>EU MS representation under single EU constituency</th>
<th>% Voting Power*</th>
</tr>
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<tbody>
<tr>
<td>Austria</td>
<td>0.68</td>
</tr>
<tr>
<td>Belgium</td>
<td>1.77</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.83</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.07</td>
</tr>
<tr>
<td>Finland</td>
<td>0.53</td>
</tr>
<tr>
<td>France</td>
<td>4.21</td>
</tr>
<tr>
<td>Germany</td>
<td>4.39</td>
</tr>
<tr>
<td>Greece</td>
<td>0.12</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.33</td>
</tr>
<tr>
<td>Italy</td>
<td>2.72</td>
</tr>
<tr>
<td>Latvia</td>
<td>0.10</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>0.11</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.16</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.35</td>
</tr>
<tr>
<td>Slovenia</td>
<td>0.09</td>
</tr>
<tr>
<td>Spain</td>
<td>1.71</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.92</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>4.21</td>
</tr>
<tr>
<td>Cyprus</td>
<td>0.10</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>0.40</td>
</tr>
<tr>
<td>Hungary</td>
<td>0.50</td>
</tr>
<tr>
<td>Poland</td>
<td>0.67</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>0.21</td>
</tr>
<tr>
<td>Malta</td>
<td>0.08</td>
</tr>
<tr>
<td>Romania</td>
<td>0.26</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.33</td>
</tr>
<tr>
<td>Lithuania</td>
<td>0.11</td>
</tr>
<tr>
<td>Total</td>
<td>27.96</td>
</tr>
</tbody>
</table>

Note: * Calculations based on WB Corporate Secretariat online data, August 2011.
relevance of ideas, perceptions and roles that we now turn. Explaining the evolution of the EU’s role at the Bank and with the Bank in the broad context of development policies requires indeed looking beyond the set of their inter-institutional relations, to incorporate the influence of external actors and the impact that ideas had on their policy cooperation and, ultimately, on their performance.

Role conceptions and expectations: the EU and the World Bank in the new millennium

As outlined by Aggestam (2006: 19), role conceptions refer to the ‘subjective dimension of national foreign policy’, are structured around ‘normative expectations that the role beholder expresses towards itself’, while role expectations specifically refer to images (norms, values, principles, intentions, descriptions of reality) that other actors retain with reference to the role beholder. An investigation on conceptions of the EU about its own role in development policy, and on role expectations on the EU within the World Bank, has proven particularly useful to understand the structuration of the EU’s own role in development policy making, and the changes undergone in its policies through the Bank, during the first decade of the new millennium (Baroncelli, 2008 and 2009; Baroncelli, forthcoming). Several contributions from EU studies have pointed out the shift that occurred in the definition of the EU development policy since the end of the 1990s. They focus particularly on the need to reconcile altruistic and opportunistic goals in a better devised strategy, towards an improved performance in delivering development, and the promotion of a more coherent image in the external world (Elgström, 2006; Bretherton and Vogler, 2006; Bonaglia, Goldstein and Petito, 2006; Orbie and Vesluys, 2009). The sustainability and human dimensions of development have gained prominence since being included in the Maastricht Treaty of 1992, and so have the promotion of democracy and the respect for human rights (EU Commission, 2000). Political conditionality was officially endorsed in Association Agreements since 1995, while the promotion of peace and security became pivotal aspects of the foreign policy role conception of the Union through the Cotonou Partnership Agreement Development promoter, active democracy supporter, human rights defender and facilitator of further integration in the world economy have then emerged as the main EU role conceptions in development policy making throughout the 1990s. In 1996, the Commission first acknowledged the need to link aid disbursement to performance assessment, marking a shift from the ‘paternalistic’ attitude that had guided allocations in the first three Lomé agreements towards a more technical, performance-based approach (Lethinen, 1997; Bonaglia, Goldstein and Petito, 2006: 172). Recent evolutions indicate that the Union has fully embraced such post-Washington consensus values as ownership, partnership, inclusion (‘participation’) of civil society into political dialogue, gender equality and action to address security and state fragility issues (European Union, 2005). Additionally, emphasis on the normative and altruistic dimension of development promotion, as well as a preference for positive conditionality, as opposed to negative sanctions, have also led some to hypothesise the emergence of a ‘Brussels Consensus’ (Carbone, 2007: 55). Relevant achievements in the area of financing for development, since the Monterrey consensus of 2002, and the successful pressuring that led the Commission to have member states increasing their ODA/GNI levels have also gained the EU a leading role in advancing the implementation of the Paris–Accra Agenda on aid harmonisation and donor coordination. Finally, since the entry into force of the Lisbon Treaty on January 1, 2010, the EU has been given legal personality in international affairs, and its external representation has been considerably strengthened through the creation of the High Representative post, and of the European External Action Service, to her avail.
Better funding, changes in role conception and a new framework for external representation have not occurred in a political void, neither at the level of EU-internal developments, nor at the level of the global international system. In addition to the need to re-launch the role of the Commission after the resignation of the Santer Commission in 1999, under alleged lack of competence and corrupted management of the EU development aid and humanitarian policies, the Union’s search for a new role in development promotion also owed to the parallel evolutions in the ideas and practices of development policymaking. While Oxfam reports criticised the Bank for its excessive reliance on trade liberalisation as a tool for development (Oxfam, 2002), the OECD exposed the weakness of the EU development approach for its inability to clarify its vision, priorities and identity (OECD, 1998).

From its side, the World Bank, itself a target of much criticism against the liberalising recipes that had been the hallmarks of the Washington Consensus structural adjustment policies (Woods, 2006), had been able to redefine its goals by incorporating several of those critical remarks (Murphy, 2008; Nielson, Tierney and Weaver, 2006). The shift from a sector-based approach to a more global concept of development promotion, through the setup of the Comprehensive Development Framework in 1995, as well as the official sponsoring of inclusive and participatory development through the creation of the PRSP approach in 2001 were two major turning points. While the emphasis on poverty reduction reshaped the original ‘growth mission’ of the World Bank, the reliance of conditionalities on governance criteria (policy selectivity), as well as the incorporation of good governance among the goals of World Bank’s sponsored programs and projects, marked an explicit politicisation of what was to remain, at least formally, an apolitical mission in delivering development to developing borrowers. The redefinition of the own Bank’s mission, and its taking up a new role as the sponsor of participatory, inclusive, poverty-reducing, and accountable development was then in itself a response to external stimuli, largely brought about by the unsatisfactory results of several of its structural adjustment programs. Discontented borrowers, NGOs and advocacy groups had emphasised the poor performance of SAPs, and the perverse effects of their multiple conditionalities. Setbacks of WTO negotiations in Seattle (1999), and the tragic handling of anti-global protests at the G7 meeting in Genoa (2001) had clearly shown that the ‘club model’ to development policy making was no longer a viable solution to the widening inequality between those who had successfully integrated in the global economy and those who had been left out of the growing FDI and trade flows. While there is no doubt that an important role was played by the material failures of the policies adopted under the aegis of the Washington Consensus in the late 1990s, it is important to note here how changes in the making of development policies of the Union have also responded to external ideational inputs. These have come from borrowing partners, but have been crucially mediated by more distant stakeholders, such as citizens, academia and (mostly Northern, at least initially) advocacy groups of pro-poor sustainable development (Knodt, 2004; Nielson and Tierney, 2005; Woods, 2006; Carbone and Lister, 2006). The ‘post-millennium focus on poverty alleviation’ (Bretherton and Vogler, 2006) has indeed been the product of a redefined ideational consensus. As will be discussed below, changes in the organisational culture and official discourse on development by the Bank were to have a significant impact on the EU’s definition of its own role in development policies.

Role changes and policy performance: conceptualising the EU–World Bank relations in the post-Washington Consensus

Evidence from the interaction between their respective managements about cooperation in Sub-Saharan Africa and Neighbourhood countries indicate indeed that significant changes
occurred at the policy level in response to both material and perceptual inputs from both sides (Baroncelli, forthcoming). At the simplest level, ‘standard’ cooperation between the Bank and the Commission occurred along the lines of an exchange of expertise in project management, pooling and coordination over funds from one side, and provision of resources with limited political shielding, in selected countries, from the other. In essence, the Bank provided both financial and technical assistance to development projects while, in its relation with the Bank, the EC (now EU) was mainly concerned with financial assistance, through the sponsoring of Bank-managed trust funds, either single- or multi-donor. Supervision over spending was (and still is) left to World Bank’s regulations. As seen above, at the high level, the Union also played an indirect role in stimulating coordination among EU EDs at the Board. Additionally, through its delegations in the field, the EC (now EU) cooperated – whether formally or not – with the Bank and other international, national and local partners. However, this neat division of roles and tasks has been gradually evolving.

Along with the inputs towards role change from the post-Washington Consensus, the EU engaged on its own path towards constitutional redefinition, on both internal and external aspects. While the failure to ratify the so-called Constitutional Treaty in 2004 curtailed the expectations about a stronger and more coherent foreign EU policy, through the Consensus on Development (2006) the Union explicitly claimed an enhanced role for the Commission as a strategic goal setter and coordinator of both the Union and member states development policies. Enhancing the visibility of its funds channelled through World Bank trust funds became a priority for the Commission, which had to cope with an increased demand from the Parliament, NGOs and civil society in the UK and Nordic member states, initially, for a more efficient and accountable delivery of aid. The Commission’s attempts at gaining more visibility, however, ran against the Bank’s specific policy of un-earmarking (ADE, 2008). To increase its strategic reach over the vast amount of funds that it was devoting to promote development, the EU (through DG DEV, within the Commission) launched the African Infrastructure Trust Fund (ITF) in 2007. The Fund, much along the lines of similar World Bank Trust Funds, was the first of a series of blending facilities created by the Union for the different regions where it had relevant development and foreign economic policy interests. Their rationale was to leverage the potential for increased lending from a wider range of donors (both private and institutional) through the provision of initial starting grants by the Commission. In 2008 it was the NIF (Neighbourhood Investment Facility), followed by the WBIF (Western Balkans Investment Facility) in 2009, the LAIF (Latin America Investment Fund) in 2010 and the recent AIF (Asian Investment Facility) and IFCA (Investment Facility for Central Asia) in 2010. By building EU blending facilities for development (pooling grants and loans), the Commission showed that it wanted to be in the driver’s seat with respect to planning, pooling and supervisory tasks of development financing and delivery in its priority areas. The creation of the ITF was considered as a highly confrontational move by the World Bank’s management, as it indeed carved out for the Union a role that had been traditionally covered by the Bank. However, it was precisely such critical receiving from the Bank that reinforced the Commission’s officers (DG DEV at the time) in their determination to back the moral and financial influence of the EU’s development policy through the empowerment of the Commission as the main strategist, pooler and manager of those resources (Baroncelli, forthcoming).

Not surprisingly, since the end of the past decade, the World Bank’s expectations concerning the political potential that can be wielded by the EU in its development policymaking appear particularly high. Different from the Bank’s own role conceptions (a formally apolitical mandate to eradicate poverty worldwide), the World Bank’s role expectations about the Union point to a normative, and potentially political, leader in development policies, thanks to its opportunity to advance the promotion of political values into economic policies. The non-coercive
approach of the EU to its foreign economic policy making is contrasted with the more coercive US approach, positively acknowledging its ‘unselfish’ methods in linking economic and security goals in the making of its foreign policy (Baroncelli, 2009). The EU is also seen in the Bank as a very important player in shaping trade policies in the world, likely to grow in this role in the future, even if a minor, in some cases virtually non-existent player in shaping security equilibria (Baroncelli, 2010). Overall, the Union is perceived as a key ally of the Bank in development promotion, even if, as seen above, turf battles have occurred with respect to fund pooling and financing facilities in Sub-Saharan Africa. In Central, Eastern and Southern European countries (new member, candidate and potential candidate countries), the cooperation between the Union and the Bank was managed by a joint office, which operated in Brussels from 1999 to 2008 with funds provided by the Commission, to help transitioning countries graduating from the Bank and incorporating or approximating the acquis, depending on status. Past frictions that had occurred with the Commission over what was perceived as its undue shielding of the European Investment Bank (EIB) from its responsibilities, have been gradually overcome, also thanks to the participation of the Bank as a donor in the EU blending facility for the Western Balkans, the WBIF, along with the EIB and the European Bank for Reconstruction and Development (EBRD), albeit with a status of associate member. While the consistency of its policies in the different partners of the neighbourhood has varied, the Union is seen without any doubt as a leader in supporting political and economic transition (Baroncelli, forthcoming).

More sceptical views within the World Bank refer to the role of the Union as ‘supporter of free trade’, much along the lines of findings from other contexts (Elgström, 2006). Different from role concepts expressed in the Consensus on Development (Consensus on Development, 2006: 35), images from World Bank political and management staff indicate a particularly critical stance on the EU’s role as promoter of development through both horizontal and vertical trade integration, as shown in the negotiations over the EPAs (Elgström, 2008; Baroncelli, forthcoming). With respect to policy performance, the World Bank retains the Union as at times too timid in taking up the potential that its political mission could wield in some parts of the world. While recent developments indicate that the Union may be ready to play a more influential role to support the bottom-up democratic transitions in the Arab Spring countries, role expectations in the World Bank about the MENA region indicate that the Union has indeed missed several opportunities to strengthen the respect of human rights and the rule of law through its neighbourhood policy in the past. EU voices have on the contrary blamed the Bank for its excessively bureaucratic lending, particularly in fragile and highly securitised contexts. While praising the overall World Bank approach to development promotion in fragile states, evidence from specific cases of cooperation between the two organisations, such in West Bank and Gaza and Iraq, witness of a clear apprehension on the side of the Commission towards the suspension of disbursement from trust funds where the EU is a large contributor. Both organisations would prefer the other to remain engaged as long as possible, so that the chances to recover past arrears (for the Bank) and continue lending, and to back political dialogue with continued positive incentives on the economic side (for the Union), enhance the possibility that both deliver on promised results. Recent evolutions indicate that progress has occurred towards an approximation of the Bank and the Union’s respective accountability systems, to increase the effectiveness of their cooperation in new members and candidate countries, and to limit fragmentation and setbacks in disbursement, particularly under conditions of state fragility (Baroncelli, forthcoming).

Conclusion

Through a review of key aspects of EU–World Bank relations, this chapter has examined the conceptual understandings of the EU’s role at the World Bank’s Board, also touching upon...
performance issues of either the World Bank’s managed trust funds or the EU’s own new blending facilities. The EU has for a long time invested considerable resources in reducing poverty by channelling funds through the Bank. The subscribed shares of its member states allow it to enjoy substantial (potential) voting leverage in the World Bank’s Board. Adding to the subscriptions of World Bank’s shares by EU member states, the assets channelled by member states and by the Commission through World Bank-managed trust funds, the European Union currently accounts for approximately 60 per cent of the Bank’s resources. Supported by substantial policy and financial progress occurred since the mid-2000s, through the FfD process (2002) and the EU Consensus on Development (2005), current official statements from the Commission and the Parliament openly call for a larger and more influential role of the Union in development policies and, particularly, in the World Bank. Since 2003, the EU member states have acted upon this line, setting up a method for informal coordination among EU EDs at the board through the Eurogroup. Also, closer cooperation has taken place between the two organisations, particularly in candidate and potential candidate countries and, more recently, in Sub-Saharan African partners. While frictions have occurred over roles, methods and timings, the Union has gone a long way to improve the effectiveness of its action on the ground, through developing a new approach in result measurement and a new concept on division of labour between different donors. To be true, both organisations, the Union and the Bank, have contributed to improve the impact of their cooperation on development opportunities for partner countries, by setting up joint programs and gradually approximating their respective accountability systems. At the policy level, the two organisations have shown a clear will to shift from an ad hoc coordination to more structured and better planned action courses. Coordination over budget support in fragile states, multiple initiatives to finance development in candidate and neighbouring countries, as well as a sustained effort to deliver on the agreed MDG targets are examples that witness of such shift. More importantly, such enhanced cooperation has increased the approximation between the two systems: this has given the Union an opportunity to strengthen the building of a new role as development manager and strategist, beyond its traditional function as provider of funds.

At the polity level, however, in spite of the post-Lisbon strengthened position of the Union in external affairs, and notwithstanding the World Bank’s internal voice reform, not much has changed since the mid-2000s. While numerous joint positions have been issued by EU EDs at the Board over time, the evidence shows that meaningful coordination has typically occurred on an ad hoc basis, and that agreement on sensitive issues, such as reform over shareholding rights, has not yet materialised. The absence of concrete progress in the direction of institutional compacting of an EU representation indicates that the Union (institutions and member states) does not appear always able (or willing) to act consistently on matters of constitutional importance, such as competence over development policy (which has been left as a shared matter in the hands of both the Commission and the member states) and representation in the board of international financial institutions.

This chapter has argued that both rational institutionalist and constructivist approaches can provide substantial contributions to the understanding of the EU’s role and performance at the World Bank and with the World Bank, in the general conduct of policymaking on development. Institutionalist contributions that rely on the delegation literature can be fruitfully employed to investigate the failure to produce the much advised polity change, both within the EU and in the Bank. Collective principality problems, stemming from the heterogeneity of approaches to development policymaking within EU member states seem to be at the root of the persistent shared nature of the competence on development matters. In this respect, development policymaking is, so to speak, doubly doomed. It does not have the political salience possessed by monetary and
macroeconomic affairs, which is necessary to trigger major polity shifts either in the Union or in the Bank, yet it is, for its origins and evolution, highly politicised, and, as such, it remains highly dependent on foreign policy identities and priorities of EU member states. The absence of a single seat, and the unwillingness to even discuss the matter in official meetings, in spite of the suggestions advanced by the management in technical briefs, shows that delegating representation to a smaller number of EU constituencies, let alone to a single EU constituency, does not currently appear as a feasible option to the majority of EU member states.

Second, resorting to the constructivist literature on role and policy change has appeared potentially fruitful to track back the roots of the evolution of both the EU and World Bank’s roles in development, as well as to better understand how their current approaches are the product of reciprocal interactions at both ideational and material levels. Third, investigating the performance of the EU at the Bank and within the Bank appears to benefit from inputs from other approaches, among whom the political economy of development, business literature on performance assessment and, last, multilevel governance contributions. The first two strands appear particularly promising to help conceptualising performance indicators with respect to both opportunities for intra-institutional behaviour and gaps between planned and achieved goals, as shown in Baroncelli (2011). The third strand, principally through its emphasis on multiple processes at different governance levels, allows an expansion of the analytical focus beyond the observation of mere formal principal-agent relationships. By incorporating the role of other stakeholders (which, as in the case of the Commission, are external to the official shareholding network, but, due to their substantial contribution to the organisation, contribute to a nontrivial extent to the effectiveness of the overall Bank’s performance), the multilevel governance approach touches on issues that are central to the multi-stakeholder governance models that have emerged from the interaction among different multilateral settings (Von Burgsdorf, ODI Panel April 2010).

Finally, this chapter has looked at the relations between the EU and the World Bank, particularly focusing on the EU’s role and performance, having however in sight the relevance of their cooperation towards the overall improvement of development policy making. Investigating the interaction between the two major players in multilateral development policies does not indeed amount to simply considering how the two actors interface with each other through their apexes. It also involves observing how their two systems interact with one another and with the external environment. Additionally, as shown above, the peculiar nature of development policy making, whereby governments and citizens of partner countries are crucial stakeholders in the policy process makes it particularly important to contextualise the relations between the Union and the Bank within the appropriate framework. This entails endogenising the role of those who once were ‘external actors’, both in the making and evaluation of development policies. As shown above, this applies to citizens and groups in both borrowing and lending states, as well as to advocacies that are transnational in nature. While empirical research in this area has just started, the evidence discussed in this chapter appears sufficiently solid to warrant further analysis of inter-institutional relations between prominent partners in the development field, such as the European Union and the World Bank.

Notes

1 This chapter has benefited from comments on a previous version presented at the Conference Europe in Global Governance: Performance, Reform, Power, Rapallo, November 2010, organised by the University of Aarhus. Funding has been provided through the PRIN 2008 ‘The Causes of Inter-State War since the End of the Cold War’, coordinated by F. Andreatta.
It does have an observer status, however, in the Development Committee. Established in 1974, the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries advises ‘the Boards of Governors of the Bank and the Fund on critical development issues and on the financial resources required to promote economic development in developing countries’, see the DC site at http://web.worldbank.org/WSITE/EXTERNAL/DEV
COMMEXT/0,menuPK:60001650~pagePK:60000303~piPK:60000842~theSitePK:277473,00.html.

While certainly providing an incentive to coordinated action under common principles, the EU Consensus on Development (2005) does not amount to a formal full delegation of authority to the Commission in development matters.

In 2000, the Commission provided 11 million Euros through the World Bank. In 2005, including funds provided to HIPC (Highly Indebted Poor Countries), the total amount channeled through the Bank amounted to 579 million Euros (ADE, 2008, Vol.1, 6).

The reference here is particularly to the impetus given by the Commission to financing for development, after the Monterrey Consensus in 2002, as well as to the cooperation between the two organisations within the broader Paris–Accra Agenda on aid coordination and donor harmonisation.


Elaborated from OECD International Development Statistics, 2011, key tables from OECD-ISSN 2074–3866. The datum refers to 2010 net development assistance of EU institutions (12 986 USD million) and EU MS (70 150 USD million).

The veto refers to the required 85 per cent majority, necessary for amending the Articles of Agreement.

Europeaid (2011), contracted amounts, inclusive of EC budget and EDF.

Since the creation of the EEAS, in January 2011, the High Representative has taken up the overall external representation role in high-level meetings, such as the IMF–World Bank Annual Meetings. However, due to their highly technical nature, it is agreed that the Development Commissioner may participate instead.

Political conditionality entered the Union’s development toolkits first in the Lomé IV Convention in 1995, where the respect of human rights, democracy and the rule of law became, at least nominally, official benchmarks in the Union’s aid allocation criteria.

On the transformative role of ideas in IR theory, see the seminal Wendt (Wendt, 1992). On the EU integrative phenomenon see Christiansen, Falkner and Jørgensen (2002), as well as Marks and Hooghe (2004).

The image is that of a ‘Community’ that ‘will assist developing countries on trade and regional integration through fostering, equitable and environmentally sustainable growth, smooth and gradual integration into the world economy, and linking trade and poverty reduction or equivalent strategies’ (Consensus on Development, 2006: 35).

References


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The World Bank


