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The European Union and International Development

The politics of foreign aid

Maurizio Carbone

The European Union and International Development

The European Union is a leading actor in international development, providing more than half of the world's foreign aid, but also a unique case, combining the characteristics of a bilateral and a multilateral donor. Despite the general acknowledgement that policy co-ordination substantially improves both the effectiveness of foreign aid and the visibility of the EU in the international arena, Member States have consistently resisted any intrusion into what they consider a key area of their national sovereignty. The increase in volume of aid, the ambitious agenda on aid effectiveness and the adoption of the European Consensus on Development indicate a change of direction.

Using development policy as a starting point, this book provides a systematic analysis of the interaction between the European Commission and Member States. It explores the conditions in which the European Commission influences the outcome in the EU decision-making process. It ultimately argues that the European Commission plays a leadership role, but this leadership is contingent upon the presence of an institutional entrepreneur, its internal cohesiveness and the astute use of a repertoire of tactics.

Demonstrating that development policy may provide fresh insights into EU integration theory, this book will be of interest to students and scholars of European Politics and International Development.

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– *Nonna, ’ammi a benirizioni.*
– *Bonu e benirittu tuttu, figgiu.*

To my grandmother, nonna Maria

Contents

Figures

Tables

Acknowledgements

This book is partially based on my PhD dissertation, which I completed at the University of Pittsburgh in April 2004. At that time, the European Commission, and consequently the European Union (EU), was still reaping the fruits of the Barcelona commitments on quantity and quality of aid. The Monterrey conference on Financing for Development had been a success, but it soon became the first step of a process. Since then, much has changed in the field of EU development policy, and I hope there will be more Europe in the future; but another Europe, in which both the European Commission and its Member States do much more to eradicate world poverty. In the past, many Member States thought first of planting their flags and only later about the consequences for developing countries. With the new century, there have been some signs of a change of attitude, at least in the EU. The terrorist events of September 11 in the US implied for some a further securitisation of aid, while for others an increased need to bridge the gap between rich and poor. After a decade of disillusionment, there is a growing body of evidence that foreign aid works. But aid alone is not enough. Now, it is the turn of policy coherence for development. This is an exceptional challenge for the EU, which must be fought.

When I thought about this project, I knew I was embarking on a difficult task. First, I would be addressing two distinct audiences, whose *forma mentis* is very different – people interested in European integration and people interested in international development rarely engage in scholarly dialogue. While writing this book, therefore, I was obliged not to assume too much, but at the same time I wanted to keep my project small. For this reason, for example, the reader will not find the traditional analysis of the relationship between the EU – or rather the EC because the two terms are often confused – and the developing world. This is not a book about the Lomé Convention or the Cotonou Agreement. It is a book about the EU as a multilateral donor and the interaction between the European Commission and the Member States in the EU decision-making process. This leads me to the second difficulty I had to face, that of minimising the potential bias derived from being directly involved in some of the decisions I discuss in this book. To do so, I tried to acquire as much information as possible, relying mostly on primary sources and elite interviews, as well as on some critical reports from non-state actors. Finally, a discussion on the leadership of the European Commission was difficult to justify in an era in which the EU's executive was being continuously criticised. Looking back, however, I found an interesting coincidence – it is not the first time that development is a very dynamic field during periods of weak Commission leadership (for instance, between the late 1960s and the early 1980s); in contrast, during periods of strong Commission leadership (for instance, under Hallstein and Delors), development policy was not in the forefront. From the foreign aid perspective, the European Commission under Prodi and under Barroso, at least until 2007, should be evaluated positively.

Now is time to say thanks, but space allows me to mention only some key people and institutions. My deepest gratitude goes to Alberta Sbragia, whose mentorship was the main reason for starting my academic career. Her rigour and humanity are well known in the international academic world, so nothing new can be added here. I also wish to thank a number of people who have encouraged my research activities over the years: Guy Peters, Martin Staniland, Paul Nelson, Louis Picard, Kelly Kollman, Sean Molloy, Alasdair Young, Stephen White, Laura Cram, Stephen Dearden, Giandomenico Majone, Marjorie Lister. I also want to thank the Robert Schuman Centre of the European University Institute and Helen Wallace, the Institut d'Etudes Européennes of the Université Libre de Bruxelles and Eric Remacle, the School of International Studies of the University of Trento and Sergio Fabbrini, the University of Canterbury in Christchurch and Martin Holland, for offering me space during various periods over the past five years. A special thanks goes to Michelle Cini, one of the editors of the UACES/Contemporary European Studies Series, Heidi Bagtazo, senior editor, and her assistant Amelia McLaurin, at Routledge for their feedback and patience: the RAE is a sort of guillotine for British academics, but Michelle, Heidi and Amelia allowed me to escape it just on time. I would also like to express my sincere gratitude to the numerous individuals from the European Commission and the Permanent Representations of the EU Member States who agreed to be interviewed. A special thanks goes to Koos Richelle, Bernard Petit, Hugo-Maria Schally, Françoise Moreau, Luana Reale, Piera Calcinaghi, Remco Vahl, Franco Conzato. Two people must be singled out: Giovanni Mastrogiacomo and Dorothy Morrissey. Giovanni and Dorothy shared time, perspectives and lives, and for this I will forever be indebted to them.

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Ceramida (Italy) and Glasgow (Scotland),
June 2007

Author’s note

The term European Union (EU) is generally used to refer to the *sui generis* entity that originated with the Treaty of Maastricht in 1993, whereas for the period between 1957 and 1992 the term European Community (EC) is often preferred. In this book, the terminology ‘EU’ is used when it refers to the foreign aid managed by the European Commission and the Member States. In case of the foreign aid managed solely by the European Commission, the term used is EC, which is also what the Development Assistance Committee (DAC) uses in its publications. Another useful distinction in EU development policy is between EU-15 (which includes Member States until May 2004), EU-10 (the new Member States that joined in May 2004) and EU-12 (which include the Member States since 2004 and 2007).

Abbreviations

ACP	Africa, Caribbean, Pacific
AIDCO	EuropeAid Co-operation Office
ALA	Asia and Latin America
ASEAN	Association of South East Asian Nations
ASEM	Asia-Europe Meeting
AU	African Union
CAP	Common Agricultural Policy
CARDS	Community Assistance for Reconstruction, Development and Stabilization (in the Balkans)
CEEC	Central and East European Countries
CFSP	Common Foreign and Security Policy
CLONG	Committee for Liaison with NGOs
CODEV	Development Working Group (in the Council)
CONCORD	Confederation of European NGO for Relief and Development
COREPER	Committee of Permanent Representatives (to the EU)
COREU	CORespondance EUropéenne
CSP	Country Strategy Paper
DAC	Development Assistance Committee (of the OECD)
DCI	Development Cooperation Instrument
DG	Directorate-General
DG Ecfin	Directorate-General for Economic and Financial Affairs
DG Relex	Directorate-General for External Relations
DG Taxud	Directorate-General for Taxation and Customs
EBA	Everything but Arms
EBRD	European Bank for Reconstruction and Development
EC	European Community
ECDPM	European Centre for Development Policy and Management
ECHO	European Community Humanitarian Office
ECJ	European Court of Justice
EDF	European Development Fund
EEC	European Economic Community
EIB	European Investment Bank
EIDHR	European Instrument for Democracy and Human Rights

EMP	Euro-Mediterranean Partnership
EMU	European Monetary Union
ENP	European Neighbourhood Policy
ENPI	European Neighbourhood and Partnership Instrument
EPA	Economic Partnership Agreement (with ACP countries)
EU	European Union
FDI	Foreign Direct Investment
FfD	Financing for Development
G-8	Group of 8 countries
G-77	Group of 77 countries
GAC	General Affairs Council
GAERC	General Affairs and External Relations Council
GNI	Gross National Income
GNP	Gross National Product
GPG	Global Public Goods
GSP	Generalised System of Preferences
HIPC	Heavily-indebted Poor Countries
IDA	International Development Association (of the World Bank)
IGC	Inter-governmental Conference
iQSG	Inter-service Quality Support Group
ISPA	Instrument for Structural Policies for Pre-Accession
LDC	Least Developed Country
LIC	Low Income Country
MDG	Millennium Development Goal
MEDA	Mesures d'ajustement (in the Mediterranean)
MERCOSUR	Southern Cone Common Market
MIC	Middle-Income Country
NGO	Non-Governmental Organization
NIP	National Indicative Programme
OA	Official aid
OCT	Overseas Countries and Territories
ODA	Official Development Assistance
OECD	Organization for Economic Co-operation and Development
OLIC	Other Low-Income Country
PHARE	Poland-Hungary: Aid for Restructuring of the Economies
PRSP	Poverty Reduction Strategy Paper
QMV	Qualified Majority Voting
RSP	Regional Strategy Paper
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEA	Single European Act
STABEX	Stabilization of export earnings (in ACP countries)
SYSMIN	System for Mineral Products (in ACP countries)
TACIS	Technical Assistance for the Commonwealth of Independent States

TEU	Treaty of the European Union
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
WFP	World Food Programme
WTO	World Trade Organisation
WSSD	World Summit on Sustainable Development

Introduction

> Never before have poverty eradication and sustainable development been more important. The context within which poverty eradication is pursued is an increasingly globalised and interdependent world; this situation has created new opportunities but also new challenges. Combating global poverty is not only a moral obligation; it will also help to build a more stable, peaceful, prosperous and equitable world, reflecting the interdependency of its richer and poorer countries.
>
> (European Consensus on Development, 2005:1)

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 the efforts of its twenty-seven Member States. The sum of these two dimensions makes it the largest provider of foreign aid in the world: in 2006 it channelled about US$ 59 billion, which represents 57 per cent of the aid provided by the members of the Development Assistance Committee (DAC).[1] Despite the wide acknowledgement that policy co-ordination substantially improves the impact of its development co-operation policy, both in terms of effectiveness and visibility in the international arena, the Member States consistently resisted any intrusion into what they considered a key area of their national sovereignty. Since the beginning of the 2000s, this state of affairs has significantly changed. The adoption of the European Consensus on Development in December 2005 and the Code of Conduct on Complementarity and Division of Labour in May 2007 indicate a turning point in the relations between the EU and the developing world. For the first time, Member States, European Commission and European Parliament have agreed on a common view and set of strategies to guide their policies and actions in the promotion of international development. All these initiatives represent the culmination of a process that started with the commitments made by the Member States in Barcelona, on the eve of the 2002 international conference on Financing for Development (FfD), to boost the quantity and enhance the quality of foreign aid.

At the academic level, EU development policy has received scant attention. The existing studies – drawing mostly on International Political Economy and Foreign Policy Analysis or simply providing a description of various programmes – concentrate on its bilateral dimension, with a particular focus on the relations with a privileged group of countries in Africa, the Caribbean and the Pacific (ACP). Most of these studies see the Member States, specifically France and the United Kingdom (UK), as the leading actors in shaping this policy, whereas the European Commission is generally considered a marginal player (Grilli, 1993; Lister, 1997; Cosgrove-Sacks, 1999, 2001; Brown, 2002; Holland, 2002; Babarinde and Faber, 2005). This book, in contrast, provides a more systematic analysis of the European Commission–Member States interaction. Going beyond the intergovernmentalist–supranationalist and the rationalist–constructivist divides in EU studies, it explores the conditions under which the European Commission, by acting both 'instrumentally' and 'persuasively', influences outcomes in the EU decision-making process. The basic argument is that the European Commission plays a leadership role in the EU, but its leadership is contingent upon three conditions: the presence of an institutional entrepreneur, internal cohesiveness and the astute use of a repertoire of tactics. A number of contextual factors – that is, adaptation in Member States, the opening of a policy window, a co-operative Presidency – increase the likelihood of success, yet the European Commission can alter the *status quo* by combining instrumental and persuasive behaviour.

More generally, this book shows that integration theories, normally used to explain the EU's internal policies, can also be used for its external policies. Contrary to existing studies (Babarinde, 1998; Holland, 2000; Forwood, 2001; Holland, 2002; Arts and Dickson, 2004), it goes further than EC development policy to analyse the EU as a multilateral donor. This choice is unusual but challenging for various reasons. First, development co-operation has acquired a higher profile than it had at the end of the 1990s. By agreeing to the Millennium Development Goals (MDGs) in September 2000, and by substantially increasing their volume of aid, the EU's Member States have unequivocally committed themselves to eradicating world poverty. Second, public resources transferred by the EU to developing countries have significantly increased and are expected to increase even more – from US$ 25 billion in 1999 to US$ 59 billion in 2006, respectively 47 and 57 per cent of the world's foreign aid (DAC, 2007a). Third, development policy is among the EU's oldest policies. The Treaty of Rome introduced some elements of a common policy, but the process towards further integration of aid failed to progress for the following forty-five years. Even though the Treaty of Maastricht urged Member States to co-ordinate their efforts, the recent decisions go beyond any expectation. Fourth, development policy is a test (or an example) of the EU's ability to speak with one voice in the international arena, and is increasingly a central component of the EU's identity in the international arena.

The argument in brief

At the end of the 1990s, development policy in the EU was characterised by two impasses. The first impasse concerned the integration of aid. Despite the fact that the Treaty of Maastricht had established the principles of co-ordination and complementarity, Member States continued to resist any attempt by the European

Commission towards further integration of aid. The second impasse was linked to how to finance development. Following the adoption of the MDGs in September 2000, calls to mobilise financial resources to achieve them burgeoned. Nevertheless, Member States failed to make concrete plans to increase their volume of aid. The funding of global public goods (GPGs) – that is, goods whose provision or associated benefits spill over national boundaries – through innovative sources of financing met with significant resistance. The untying of aid, which would free about 25 per cent in additional aid, had been on the agenda of the DAC since the mid-1970s. An apparent consensus had emerged in early 2001, but the stubborn opposition of the few countries (i.e. not only the US and Japan, but also France and Denmark) was blocking the final agreement.

These two impasses have been forcefully tackled since the beginning of the new century. The terrorist attack in the US in September 2001 was the ultimate signal pointing to the gap between rich and poor. Nevertheless, the US did not modify its agenda on volume of aid, but continued to emphasise the developmental role of trade and foreign direct investment (FDI). The EU, in contrast, following a lengthy discussion, committed to boost its volume of aid on the eve of the FfD conference. In reaction to the EU pledge, President Bush announced the doubling of the US foreign aid programme, but only for those countries that performed well on various economic and political indicators. Less important, but still valuable, was the Recommendation to untie aid to the Least Developed Countries (LDCs), adopted by the DAC in May 2001 thanks to the significant input of the EU. The FfD commitment and the DAC Recommendation paved the way for two further ambitious decisions in the EU: a new target for volume of aid (May 2005) and two regulations fully untying EC aid (December 2005). More significantly, by acting as a unitary actor, the EU was able to shape the direction of international development. The increases in volume of aid and the new international agenda on aid co-ordination are a consequence of what has been achieved within the EU. In contrast, the attempt in the context of the FfD conference and the World Summit on Sustainable Development (WSSD) processes to identify and finance a number of key GPGs failed. France and Sweden decided to set up an International Task Force on GPGs in April 2003 to take the discussion further, but its work did not produce any significant result. In light of these considerations, the questions that this book addresses are: how can we explain such a radical change of direction in EU development policy? How can we explain success in some cases and failure in others?

To answer these questions, I explore the interaction between the European Commission and the Member States in the EU decision-making process and determine the conditions that allow the European Commission to play a leadership role. In a nutshell, I posit that an institutional entrepreneur, composed of various people within a Directorate General (DG) sharing the same 'mission', is successful only when it manages to unify the European Commission. While other models of supranational leadership either ignore the internal dynamics of the European Commission or simply assume that it is a unitary and rational actor, I de-construct the monolith and show that its internal fragmentation significantly affects its assertiveness vis-à-vis Member States. Finally, I argue that to secure its preferences the institutional entrepreneur uses a repertoire of tactics in which elements of the logics of consequentialism and appropriateness are simultaneously at play. In particular, it may engage in strategic behaviour, thus offering positive and negative incentives to the Member States, and in persuasive behaviour, thus convincing the Member States of the merit of its proposals. In light of these considerations, the central question of this book becomes: under what conditions does the European Commission play a leadership role in the EU?

Leadership in the EU

The theoretical debate about the evolution of the EU is characterised by various divides, in which particular relevance is granted to the role of the European Commission. The last two decades have seen the rise of two divides. The first is between intergovernmentalism and supranationalism. Put concisely, intergovernmentalists argue that national governments drive the integration process forward and that the European Commission is a useful facilitator, but cannot affect the pace and content of decisions (Hoffman, 1995; Moravcsik, 1998). Supranationalists maintain that the European Commission has an independent effect not only on everyday policy but also on treaty reforms (Pierson, 1996; Sandholtz and Stone Sweet, 1998). The second divide is between rationalism and constructivism. In brief, rationalist scholars claim that the EU is the result of conscious actions by national governments pursuing their material interests, whereas constructivists argue that interactions with other EU partners alter national positions on integration (Pollack, 2001; Wiener, 2006). This book goes beyond these two divides. In doing so, it joins a first group of scholars who have tried to articulate conditions under which the European Commission can be expected to affect outcomes, particularly in cases in which its proposals are opposed (Smyrl, 1998; Tallberg, 2000; Pollack, 2003; Beach, 2005) and a second group of people who have tried to build bridges between rationalist and constructivist accounts of European integration (Moravcsik and Checkel, 2001; Lewis, 2003; Jupille *et al.*, 2003; Checkel, 2005; Zürn and Checkel, 2005).

The central argument of this book is that the European Commission plays a leading role in the EU decision-making process, but its leadership is contingent upon a number of factors. First, an institutional entrepreneur must place an issue on the agenda. While previous models concentrate on visionary leaders (Ross, 1995; Endo, 1999; Drake, 2000) and, less often, on senior officials (Nugent, 1995; Cini, 1996), the emphasis here is on institutional entrepreneurs: institutional entrepreneurship includes a number of people belonging to the same policy sub-units of the European Commission – in the administrative (i.e. Directors General and senior officials) and in the political arm (i.e. Commissioners and their staff) – pushing in the same direction. Second, the European Commission must act as a unitary actor. Tensions may occur between DGs, between Commissioners, and between Commissioners and the Services (Peters, 1992;

Christiansen, 1997; Cram, 1997). Although it is true that once the *Collège* makes a decision its employees are required to defend it in negotiations (Beach, 2005), the claim here is slightly different. This book posits that this internal fragmentation significantly weakens the ability of the European Commission to play an assertive role in the Council. Third, institutional entrepreneurs face resistance not only inside the European Commission, but also (and above all) from Member States. To overcome this opposition, they may take advantage of the opportunities that come from the external environment – such as, for instance, policy crises in Member States, policy windows, deadlines – or may generate new opportunities by using a number of tactics at each stage of the decision-making process.

In using these tactics, institutional entrepreneurs may follow both the logic of consequentialism, and therefore manipulate incentive structures for Member States, and the logic of appropriateness, and therefore rely on good arguments and persuasion (March and Olsen, 1989; Risse, 2000). At the policy initiation stage, institutional entrepreneurs must choose the appropriate time to submit their proposals, which may entail taking advantage of a policy window, postponing a decision, engineering a crisis or setting an artificial deadline. They may mobilise consensus by publishing documents, engaging in the public debate, organising bilateral or multilateral meetings. At the policy formulation stage, they must frame issues in ways that make them acceptable to opponents, choosing a suitable policy image and deciding whether to politicise or depoliticise the issue in question. They may engage in forum-shopping, which implies having a similar decision adopted in a more favourable setting before returning to the Council. They may also use camouflage, by asking a Member State to present a proposal in order to circumvent any potential scepticism about their role in a particular situation. At the policy adoption stage, they may manipulate outcomes by using positive and negative incentives or they may persuade Member States of the merit of their proposal (Cram, 1997; Vahl, 1997; Smyrl, 1998; Tallberg, 2000). The use of these tactics emerges very clearly from the three cases that I discuss in Chapters 3, 4 and 5 of this book.

In the first case, I analyse the EU's decision to increase the volume of its Member States' foreign aid. In March 2002, the EU set a collective target of 0.39 per cent of its combined Gross National Income (GNI) to be reached by 2006 (and an individual target of at least 0.33 per cent) and in May 2005 a collective target of 0.56 per cent to be reached by 2010 (and an individual target of at least 0.51 per cent for EU-15 Member States and 0.17 per cent for EU-10 Member States). Although the first decision seems a modest achievement, its real merit is that of reversing a decade of declining trends in foreign aid. Moreover, it was agreed despite the strong opposition of a number of Member States (i.e. Germany, Italy, Spain, Portugal, Greece and initially also France). The European Commission, acting as a unitary actor, managed to lead throughout the decision-making process. To do so, DG Development, that is, the institutional entrepreneur, used a number of tactics, namely: it chose the right time to launch its proposal (i.e. exploiting the policy window created by the terrorist attacks in the US); shaped the agenda by using a new policy image for development co-operation (i.e. linking it to international security rather than only to poverty eradication); mobilised consensus by taking a number of initiatives (i.e. sending a bold COREU and undertaking a *tour des capitales*);[2] played a very active role in the Council (i.e. various officials in the Development Working Group and in the COREPER and the Commissioner in the Development Council used both persuasion and some incentives to convince the most recalcitrant Member States). Building on its previous achievements and by incisively using a questionnaire monitoring the performance of the Member States, at the beginning of 2005 the European Commission launched a proposal for more ambitious targets, which was eventually adopted by the Council. This second decision largely reflected the patterns of the previous decision. Despite the change of Commissioner, Director General and a number of senior officials, DG Development managed, once again, to lead the process.[3]

In the second case, I analyse the EU's commitment to promoting global public goods. At the end of the 1990s, GPGs were seen as innovative instruments to generate additional resources for developing countries and, for some, a tool to manage the negative consequences of globalisation. At the policy level, the GPG issue was initially discussed in the context of the FfD conference and later in the context of the WSSD. A parallel discussion started within the EU, where Member States agreed to setting in motion a participatory process designed to lead to the identification and financing of key GPGs. A detailed analysis of the policy process shows that this weak commitment is linked to a number of conflicts inside the European Commission, between DG Ecfin and DG Development. DG Ecfin claimed that addressing GPGs, as a financial issue, fell within its competence. More significantly, it wanted to stress the positive effects and downplay the negative effects of globalisation. DG Development claimed that as the issue of GPGs had initially been introduced in the context of the FfD conference it fell within its competence. More significantly, DG Development framed it as a way to address the negative consequences that globalisation has for developing countries. While these clashes continued within the European Commission, a great majority of Member States were eager to experiment with alternative ways to address the MDGs and some actually waited for the Commission's inputs in this area. However, because of its internal divisions the European Commission was not able to exercise leadership. Sweden (more) and France (less) tried to play a leading role within the EU, but managed only to eventually launch an International Task Force on GPGs together with the United Nations Development Programme (UNDP), with disappointing results. By the publication of the final report in late 2006, it was clear (at least among EU Member States) that the momentum had been lost.

In the third case, I analyse the EU's decision to untie aid. In May 2001, following lengthy and difficult negotiations, the Member States, together with other donors in the DAC, adopted a Recommendation to untie aid to the LDCs, with the exclusion of food aid and technical assistance. This Recommendation was followed by two regulations on EC aid adopted by the EU in November 2005. These regulations went further than the DAC Recommendation as they established full untying of EC aid – with no distinction between LDCs and non-LDCs and with the inclusion of food aid and technical assistance – but at the same time the principle of reciprocity with other international donors limited its scope. Initially, there were a series of clashes both between two Commissioners (i.e. Poul Nielson, in charge of Development, and Chris Patten, in charge of External Relations) and then between these two Commissioners and their Services (i.e. DG Development and DG Relex), which paralysed the European Commission. Subsequent changes in DG Development (i.e. the appointment of a new Director General and the strong commitment of a number of officials in DG Development) enabled it to act as an institutional entrepreneur. To push for further untying, DG Development used a number of tactics, first in the DAC, and then in the EU, namely: it took advantage of two external circumstances (i.e. a deadline in the DAC and the momentum generated by its success in the context of the FfD conference); mobilised consensus (i.e. summoning an important meeting of senior experts from Member States); politicised the issue (i.e. referring to the potential violation of single market rules); engaged in forum-shopping (i.e. pushing for a decision in the DAC before re-launching the debate in the EU); acted strategically and persuasively during the final stages of the negotiations (i.e. using co-optive justification which implied recalling previous decisions in the EU). The conclusion was the adoption of two groundbreaking regulations in December 2005 on EC external assistance.

Research design and methodology

This study combines a case study approach with process tracing. To address some of the criticisms that are often directed at supranational entrepreneurship (Moravcsik, 1999), the selection of cases is central. First, I analyse three 'hard' cases. While development policy is generally considered a consensual policy with agreements easily achieved, in each case a number of Member States (including one or more of the big ones) opposes closer co-operation. Second, students of leadership often concentrate on successful cases and then claim that leadership must have played a role. The three cases present a degree of variance in the dependent variables (i.e. the Commission is both united and fragmented; the context is both receptive and difficult) as well as in the independent variable (i.e. success, partial success, failure in the policy outcome). Third, I consider various possible alternative explanations, particularly that national governments could or did exercise leadership, thus making supranational leadership futile or redundant. In other words, 'Would similar policy ideas have been advanced even in the absence of the Commission or other supranational officials?' (Moravcsik, 1995:616). Answering this question is a very difficult task, but to deal with it, I examine the goals of all Member States, particularly France, the UK and Germany. Another challenge is to discover whether the positions expressed correspond to real preferences. I assume that statements of intentions are true preferences, but I am confident that the analysis of a number of confidential documents and a series of interviews helped me get as close as possible to discovering more about the real preferences of both the Member States and the European Commission (Beach, 2005).

To better assess leadership, I engage in process tracing. Process tracing tries to identify the causal chain that links the independent variable with the dependent variable. The decision-making process, often treated as a 'black-box', becomes the centre of the investigation (George and Bennett, 2005). Assuming that the European Commission plays a leadership role if Member States accept its proposals is not enough (Matláry, 2000). The risk is to conflate action with influence over the final decision. Process tracing therefore forces the investigator to consider alternative paths through which an outcome may occur (Bennett and George, 2005; Checkel, n.d.). Between the cause and the effect, I discuss a number of tactics that allow me to posit more fine-grained connections between the preferences and policy outcomes (Checkel, n.d.). Process tracing also helps to address the 'rational anticipation' problem: while seeking to pursue its own agenda, in order to make its proposal more likely to succeed, the European Commission may tailor it to the preferences of the Member States (Pollack, 2000a).

One of the greatest challenges in doing process tracing is that it requires 'enormous amounts of information' (George and Bennett, 2005:223). Between 1 October 2001 and 28 February 2002, I worked as a *stagiaire* in the European Commission's DG Development. At the end of the stage, I was included in the EU delegation at the FfD conference in Monterrey. I was hired again as *intra-muros* consultant in DG Development between January 2003 and April 2004. By working in the European Commission I was able to consult a significant number of documents, most of which were meant only for the use of participants in the decision-making process, namely: various drafts of proposals, minutes of meetings, policy memos, e-mails, COREUs. I was also able to interact with a number of officials and discuss issues informally with them. I did not keep a detailed diary, but took notes during and after the most important meetings. Participant observation, in some ways, is one of the features of this book. The object of my study, however, is not DG Development, but the EU decision-making process. To deal with the potential bias of adopting a pro-Commission view, I triangulated my 'participated' data with various primary and secondary sources. In particular, I consulted a large number of official documents of the European Commission (e.g. communications, staff working papers, press releases, speeches and interviews of its employees), resolutions of the European Parliament, official documents and press releases of the Council, the peer reviews of the development programmes of all Member States conducted by the DAC as well as the 'Reality of Aid' reports conducted by various non-state actors.[4] I also consulted newspapers and magazine articles from various countries in Europe and a number of specialised and very often critical reports of EU development policy edited by various European Non-governmental Organisations (NGOs).

Finally, I conducted fifty-six formal interviews, thirty-six with senior officials in the European Commission, fourteen in the Permanent Representations of the Member States and six with international practitioners. The first and most significant round took place between 1 March and 16 March 2002 – I had by then already concluded my initial period with DG Development – when I interviewed twenty-four key officials from the European Commission and the Permanent Representations of the Member States. Other rounds of interviews were conducted in November 2002, in November 2003, in January–February 2004, in November–December 2005, March 2006, November 2006 and May 2007. These interviews, which lasted between 30 and 90 minutes, were conducted with officials directly involved in the making of EU development policy. In the case of officials working in the Permanent Representations of the Member States in Brussels, I focused on the counsellors for development. In the case of the European Commission, I interviewed almost all the officials, and certainly the key ones, involved in the three case studies. A majority of these interviews were with people working in DG Development, but several officials in other DGs dealing with development issues (i.e. DG Trade, DG Relex, DG Ecfin, Legal Service) were also interviewed. I did not formally interview any Member of the European Parliament (MEP), but I exchanged opinions with some MEPs who were part of the EU delegation in Monterrey. Finally, I interviewed a few international practitioners, both from international organisations and European NGOs.[5]

The structure of the book

This book consists of five substantive chapters. Following this introduction, Chapter 1 presents the theoretical framework of the book. It first reviews a number of existing approaches regarding the role of the European Commission in the EU, looking in particular at two divides: intergovernmentalism vs. supranationalism and rationalism vs. constructivism. It then discusses the conditions that allow the European Commission to play a leadership role in the EU decision-making process and the tactics it uses to secure its preferences. Chapter 2 offers an overview of the relations between the EU and the developing world. It first examines the evolution of EC development policy and the main characteristics of the bilateral policies of the various Member States. It then explores the policy framework, including the role of the two main actors (i.e. European Commission and Council), the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour. Chapter 3 explores the issue of volume of aid. In particular, it examines the decisions that the Member States made in March 2002 and May 2005 to boost their volume of aid, respectively to achieve a collective EU average of 0.39 per cent of their GNI by 2006 and 0.56 per cent by 2010. Chapter 4 looks at the issue of global public goods. In particular, it explores why the EU failed to make a strong commitment towards the identification and financing of a number of key GPGs in the context of the FfD conference and the WSSD. It then concentrates on the work of the International Task Force on GPGs, including the parallel discussion within the EU on innovative sources of financing for development. Chapter 5 deals with untying of aid. In particular, it analyses the Recommendation on untying of aid to the LDCs adopted by the DAC in May 2001 and the two regulations on untying EC external assistance, adopted by the EU in December 2005. Finally, the conclusion reviews the main findings of the book but also looks at the future of foreign aid and the role of the EU as a development actor.

1 Leadership in the European Union

The European Commission and the EU decision-making process

The European Commission has played a fundamental role in the evolution of the European Union. Its fortunes are often associated with visionary leaders but its privileged position in the EU's institutional system has allowed it to significantly affect the pace of European integration. Over the past fifty years, not only has it progressively crept competences and enhanced its autonomy vis-à-vis national governments (Pollack, 2000b; Egeberg, 2006), but it has also established itself as a sort of 'conscience of Europe', a 'catalyst of integration' (Ludlow, 1991; Cini, 1996; Peterson, 1999). This institutional growth, combined with decreasing support from Member States, has resulted, for some, in a serious threat to its credibility (Majone, 2005). Nevertheless, claims that it is in a state of permanent decline are exaggerated (Kassim and Menon, 2004; Dinan, 2005). From a theoretical point of view, the European Commission finds itself in the midst of two major divides in EU studies, that is, intergovernmentalism vs. supranationalism and rationalism vs. constructivism. In brief, supranationalists argue that the European Commission acts autonomously and significantly influences decisions, whereas intergovernmentalists maintain that it may be a useful facilitator, but it does not affect outcomes. Rationalists emphasise that it is a context that provides incentives and information to national governments which pursue their material interests, whereas constructivists highlight that it has deeper effects on the interests and even identities of actors.[1]

This book intends to go beyond these two divides. In doing so, it joins a first group of scholars who have presented conditions under which the European Commission is expected to affect outcomes, particularly in cases in which its proposals are opposed (Smyrl, 1998; Tallberg, 2000; Pollack, 2003; Beach, 2005) and a second group who have tried to build bridges between rationalism and constructivism (Moravcsik and Checkel, 2001; Jupille *et al.*, 2003; Checkel, 2005; Zürn and Checkel, 2005). The basic argument is that the European Commission plays a leadership role in the EU, but its leadership is contingent upon a number of conditions. In particular, it is argued that an institutional entrepreneur – which includes a number of people belonging to the same policy sub-units of the European Commission pushing in the same direction – not only must place an issue on the agenda, but also support it throughout the decision-making process: in fact, resistance can come from inside the European Commission and from the Member States. To overcome this resistance, it may take advantage of the opportunities that come from the external environment, such as a policy crises in Member States, such as, for instance, policy windows, or a particularly cooperative Presidency. However, even when the context is not propitious, it can still advance its agenda, but to do so it must use a repertoire of tactics, underpinned by two complementary logics: the logic of consequentialism and the logic of appropriateness. The European Commission, therefore, engages in strategic behaviour, offering positive and negative incentives to Member States, and in persuasive behaviour, convincing Member States of the merit of its proposals. Before discussing this leadership model, the first section of this chapter briefly reviews the basis for leadership and the main theoretical debates on the roles that the European Commission plays in the EU decision-making process.

The evolving European Commission

The European Commission is a unique institution, more than a secretariat in an international organisation, but less than a national executive: it initiates, formulates, implements and monitors policies, but it shares many tasks with the Council and with the Parliament (Hix, 2005; Egeberg, 2007). In addition to these formal roles, it plays a number of informal roles, some of an administrative and some of a political nature, which allow it to affect the pace of European integration. This variety of functions makes it a complex institution, where inter-institutional as well as intra-institutional tensions are always latent. If, on the one hand, the Commission must possess technical expertise to deal with an ever-growing number of policy areas, on the other hand, it must have great political skills if it wants its proposals to be adopted successfully (Christiansen, 2001; 2006). This dynamism, however, is frequently viewed with suspicion by most Member States, which, fearing further intrusions into their sovereignty, periodically ask it to 'curb its enthusiasm'.

The basis for leadership

The term 'European Commission' refers to two different branches of the same institution: political (i.e. the *Collège*), consisting of the President, the Commissioners, and their Cabinets; administrative (i.e. the Services), consisting of various Directorates General and special services. Although it is often presented as a single entity, 'the members of each may have very different perspectives and, most importantly, very different interests or preferences' (Cram, 2001: 776). The consequences of these divisions are not always negative and, in some cases, disagreements may even contribute to improving the quality of policy proposals. Nevertheless, an excessive identification with a particularistic interest (either by a Commissioner or by a DG) weakens the ability of the European Commission to play an assertive role in the EU decision-making process.

The President is generally considered the primary source for the supply of leadership and, in fact, variation in the overall record of the European

Commission is generally associated with a visionary President. Its profile was certainly high during the Hallstein and Delors Presidencies.[2] Nevertheless, even during periods of weak presidential leadership, the European Commission is still able to advance the process of integration. Leadership may be supplied by the various Commissioners, and in fact there is a wide consensus that the enthusiasm and imagination of Commissioners are important factors in making some parts of the Commission more dynamic than others (Nugent, 2000). While for many years the post of Commissioner was reserved for low-profile figures, increasingly it has been occupied by senior figures in national politics (Smith, 2003; Joana and Smith, 2004; Egeberg, 2006; Peterson, 2006b). The Cabinets, composed of between five and seven people, work closely with the President and the Commissioners. Their task is not only to assist the Commissioners and the President in their functions, but also to enhance vertical and horizontal co-ordination within the Commission. They have gradually grown in importance and have become more involved in policy initiation. This may cause some tensions: senior officials frequently claim that Cabinets excessively interfere in functions that should be performed by the administration (Spence, 2006; Peterson, 2006b). In contrast, a close collaboration between the Cabinets and the Services significantly increases the likelihood of a policy proposal to be adopted as proposed.

Leadership can also be provided by the administrative arm. New officials are often surprised by 'the amount of room for policy and legislative initiation that is available to them. Their duties are often broadly defined and there can be considerable potential, especially for more senior officials, to stimulate development in specific . . . policy areas' (Nugent, 2006:167). Cini warns that '[t]his is more likely, though, when the DG concerned finds itself stepping in to fill a policy vacuum, or, perhaps, if it is known that the leadership is in the process of mobilizing support for a particular policy' (Cini, 1996:143). While this may be true, I posit that the desire 'to be doing something useful and important' is integrated into the *raison d'être* of the administration itself. The idealist vision of the early employees may have been replaced by a more pragmatic attitude, but the notion that the European Commission must push ahead with integration is widely held inside the 'house' (Nugent, 1995; 2001). In this sense, it is not surprising that officials 'usually display the qualities of a successful policy entrepreneur to a degree unmatched by national civil servants' (Majone cited in Laffan, 1997:424).

The European Commission plays four official roles. It acts as the 'guardian of the Treaties', which means that, together with the European Court of Justice, it is responsible for making sure that the EU law is properly applied in all Member States. It is responsible for the management, implementation and supervision of a few policies, such as for example EC external assistance. It represents the EU internationally; notably it is the sole negotiator in trade negotiations, has the responsibility to conclude international agreements on behalf of the EU, and it maintains diplomatic relations with non-EU countries through more than 130 delegations all over the world. Leadership, however, is generally associated with one of its formal roles, that is legislative initiation. The European Commission enjoys a monopoly of initiative in the first pillar (Community), which also includes the right to amend or withdraw its proposals at any stage in the process, and some shared rights in the second and third pillars (Common Foreign and Security Policy and Judicial Cooperation respectively). In performing these functions, it must serve the 'general interest of the Community', which implies not only that it must shy away from national and sectoral interests, but that it has a normative role, a 'duty' to act (Nugent, 1995; Peterson, 1999). These formal roles must be complemented by a series of informal roles, which are central to determine the influence of the European Commission in the decision-making process (Cram, 1999). The ability of the European Commission to be 'at the heart of the Union' (Nugent, 2000), in fact, depends on the entrepreneurial role of different institutional actors, who constantly seek opportunities to launch new initiatives, beyond what is formally established by the treaties.

Theoretical divides

The theoretical debate about the EU is characterised by stages and divides (Cowles and Curtis, 2004; Cini and Bourne, 2006). During the first stage, the literature, drawing on international relations, focused mainly on the process of European integration, and the divide was neo-functionalism vs. intergovernmentalism. After a period of crisis, with the revival of European integration and in particular of the single market, neo-functionalism was modified and re-formulated: in opposition to the dominant intergovernmentalist approaches it was theorised that increasing levels of transactions across EU borders would lead to new demands for the establishment of 'supranational governance' (Tranholm-Mikkelsen, 1991; Sandholtz and Stone Sweet, 1998). In the meantime, with new studies drawing on comparative politics and public policy (Sbragia, 1992; Richardson, 2006), attention shifted to the policy-making process. The EU was no longer studied only as an international organisation, or as a *sui generis* system, but also as a polity, which meant that the border between international relations and comparative politics started to become blurred. The rediscovery of institutionalism and the new literature on multi-level governance (Hooghe and Marks, 2001; Schneider and Aspinwall, 2001) added some nuance to the existing debate: the new divide was intergovernmentalism (or state-centric views) vs. supranationalism. By the end of the 1990s, influenced by the debate in international relations, a new split emerged also in EU studies, that is, rationalism vs. constructivism. This section concentrates on the last two divides, paying particular attention to the different views on the role of the European Commission in the EU decision-making process.[3]

The first divide: intergovernmentalism vs. supranationalism

Intergovernmentalism emerged in the mid-1960s as a reaction to neo-functionalism. Drawing on realism, it posited that European co-operation (rather than integration) was driven by Member States pursuing their national interest, which was mainly influenced by their position in world politics. It rejected the concept of spillover and the continuum between politics and economics, arguing that some level of co-operation may occur, but only in areas of low politics (e.g. economic and welfare policies), whereas in areas of high politics (e.g. political affairs, foreign policy) national governments maintained full sovereignty (Hoffman, 1995). Building on intergovernmentalism and on the functional theory of regimes, Moravcsik throughout the 1990s elaborated a comprehensive theoretical framework, which soon became dominant in the field, the null hypothesis for most studies of the EU. Refined over the years, liberal intergovernmentalism separates the EU decision-making process into three stages: national preference formation; inter-state bargaining; institutional delegation. First, Member States aggregate their preferences at the national level, on the basis of the economic interests of powerful domestic groups. Second, they engage in hard bargaining as unitary actors and adopt various strategies (e.g. linking issues, threats of exclusion) to influence outcomes. Third, they delegate authority to supranational institutions to enhance the credibility of their commitments and solve problems of incomplete contracting, monitoring and compliance. Decisions reflect the relative power of Member States and integration proceeds only when there is a convergence of preferences of the three most powerful Member States – that is, France, Germany and the UK. The European Commission is a passive structure, which may facilitate co-operation by disseminating ideas, providing a negotiation forum, and monitoring compliance of common decisions, but does not have real power, if not only what is delegated by the Member States (Moravcsik, 1998).[4]

Rational institutionalists have various points in common with intergovernmentalists, but they place much more emphasis on the role of institutions in the process of European integration. Relevant for my purpose in this book (but I will come back to this in the next sub-section) is the work of a group of scholars who has asked why and under what conditions Member States (principal) delegate authority to the European Commission (agent). The underlying assumption is that the principal chooses when to delegate power and that the agent produces outcomes which respond to the principal's preferences. The agent, however, may have its own preferences, which do not necessarily coincide with those of the principal, and therefore it may use the delegated power to pursue its own interests. In other cases, the structure of the delegation itself offers incentives to the agent to behave in ways that are in opposition to the preferences of the principal. Member States can adopt various measures to limit the scope of the agency activity or to make sure that the agent performs its functions faithfully. In sum, supranational autonomy varies across issues and depends on these control mechanisms, information asymmetry and differences in preferences between the principals (Pollack, 1997; see also Thatcher, 2001 and Tallberg, 2002; Pollack, 2003).

Supranationalists emphasise the role of non-state actors, particularly the European Commission and the European Court of Justice, in the process of integration and in everyday politics. For instance, neo-functionalism portrays European integration as a process, rather than a series of inter-state negotiations, in which the logic of spillover is a central explanation. Functional spillover means that integration in one sector leads to integration in a closely linked sector, even when that was not the original intention. National elites develop supranational identities through actor socialisation, become loyal to Europe, and then put pressure on their home countries to speed up the integration process. Of particular relevance is the European Commission, which, relying on its expertise and capacity to solve problems, pushes proposals to upgrade the common interest, even when Member States are against it. The European Commission was considered an 'agent of integration', which would 'cultivate' a special relationship with national political elites and facilitate integration by a transfer of loyalty of national elites to the European level (Haas, 1958; Lindberg, 1963; Rosamond 2000). These views on institutions were embraced by the 'new institutionalists'. Their basic argument is that institutions are actors in their own right and affect policy outcomes, yet the three types of institutionalism – rational, historical and sociological – offer different, and sometimes alternative, accounts of how institutions matter. I have dealt with the rational one above and will deal with the sociological one in the next section. Historical institutionalists emphasise that decisions are influenced by what happened in the past; institutions do not simply reflect the intentions of their founders, but become guardians of long-established policies. Member States take decisions that have a 'lock-in' effect and they cannot retain control over supranational institutions because of 'sunk costs': changes are difficult unless there are some exogenous shocks (Pierson, 1996). In this sense, the European Commission is not simply a supranational technocracy, but it is also a political actor, capable of engaging in informal politics and coalition building to pursue its goals (Cram, 1997). Finally, multi-level governance (and similarly policy network analysis) just added an additional layer to existing explanations, arguing that intergovernmentalism must be integrated by including the role of actors operating at different levels. In this sense, the European Commission may affect policy processes and policy outcomes by teaming up with non-state actors at the EU level (e.g. private sector organisations, civil society) and at the Member States' level (i.e. regional and other sub-national entities and even national experts) (Hooghe and Marks, 2001; Peterson, 2004).

Finally, in light of the argument made in this book, particular attention must be given to a number of scholars who have theorised on the leadership of the European Commission.[5] Wayne Sandholtz (1992, 1993; see also Sandholtz and Zysman, 1989), focusing on technology policy, argued that collective action in Europe depended on the adaptive mode in Member States – that is, Member States facing policy crises are more inclined to accept collective action – and the activities of a supranational leader that organises collective action – that is, the European Commission thanks to its broad authority, technical preparedness, and presence of activist supranational officials. In addition to this demand and supply of leadership, he added, state leaders must perceive some sort of benefit from their involvement in that co-operation effort or they would not participate. Vahl (1997), focusing on the external dimension of agriculture policy and more specifically on the negotiations in view of the Uruguay Round, in a model that incorporated some intergovernmentalist claims, maintained that the ability of the Commission to be a leader is contingent upon the support it receives from the Member States. In particular, to be successful, it needs the support of, at least, two of the larger Member States (i.e. France, Germany and the UK). External pressures, such as an international commitment or relations with non-EU actors, may soften up the most reluctant Member State. Moreover, the performance of the Commission is affected negatively by the fact that sometimes it takes too long to make a decision and by its 'rigid' rather than 'creative' behaviour in the Council. Finally, Beach (2005), looking at intergovernmental conferences amending EU Treaties, argued that the European Commission might push governments to accept solutions that are outside 'the zone of acceptable agreements' only if it has modest goals – that is when its proposals simply aspire to reach the 'highest' common denominator – otherwise it is destined to 'fail spectacularly'. Furthermore, its leadership is strongly contingent upon resources, the negotiating context and the choice of an appropriate leadership strategy.[6]

A new divide: rationalism vs. constructivism

By the end of the 1990s, a new cleavage emerged in EU studies, between rationalists, who generally 'depict European institutions as the product of conscious Member States design', and constructivists, who 'posit a more profound role for EU institutions in socialising and constituting the actors within them' (Pollack, 2001:237). The basic argument of rationalism is that individual actors, who have perfect information on the consequences of their actions and on the preferences of other actors, act strategically to pursue their goals; they form their preferences on the basis of their interests, calculate means and ends, and select the best option to secure those preferences (i.e. logic of consequentialism). Co-operation is possible but only when Member States gain some benefits – that is, they get a concession in the same or another policy area, they return a previous favour, or they fear being excluded from the process. Interests and identities are given prior to the interaction with the EU. Member States establish or choose institutions that allow them to maximise their utility. Institutions are simply a context that offer information to Member States or have a monitoring role but only to help them achieve their goals. The empirical focus of most rationalist scholars is on the role of formal decision rules, relative power and instrumental rationality in explaining outcomes (Moravcsik, 1998; Pollack, 2001; Lewis, 2003; Scully, 2006).

Sociological institutionalists and social constructivists start from different premises: human agents do not exist independently of their social environments, but are influenced by structural conditions, which affect their interests and preferences. Rather than simply trying to maximise their benefits, actors are rule-guided, try to do the 'right thing' in a given situation (i.e. logic of appropriateness).[7] Sociological institutionalists emphasise how EU institutions 'constitute' actors, provide them with new understandings, define who 'we' are as members of a social community (Risse, 2004). Considering a dense environment like that of the EU, the issue of socialisation defined as 'a process of inducting actors into the norms and rules of a given community' (Checkel, 2005:804) has received a lot of attention. But socialisation is far from being an automatic process. It may involve strategic calculation, that is agents searching for incentives and rewards; role playing, that is agents adopting certain roles which they believe are appropriate in a particular setting; normative suasion, that is agents actively internalising new understandings of appropriateness. Socialisation becomes deeper when it moves from incentives-based to normative mechanisms (Checkel, 2003, 2007).[8]

The constructivist view of institutions refers to how the organisational culture can shape interests and identities (Lewis, 2003).[9] In this sense, sociological institutionalism allows us to understand why different DGs behave differently and at times even enter into conflicts. Another central element in the constructivist literature is the impact of norms on behaviour (Trondal, 2001; From, 2002; Egeberg, 2004). While some emphasise that norms have a constitutive influence, others look at international institutions, such as the EU, which offer a space for elites who take an active role in diffusing these norms, ideas and values (Wiener, 2006:38–39). The latter view, particularly relevant for this book, entails the influence of supranational institutions in diffusing these norms. The European Commission, therefore, is not a passive structure which limits or widens the range of choices available to the Member States. It has its preferences, which it tries to advance. However, (some) constructivists assume that negotiators can be easily convinced by the use of good arguments. In reality, this logic of arguing, which is a process of convincing others through argument and principles debate (Checkel, 2003), must be supplemented by the logic of bargaining, which implies reaching an agreement through 'give and take', by using positive and negative incentives (Risse, 2000). In some cases, actors can justify their preferences (and try to persuade others) on the basis of general principles and norms, using language and communication as rhetorical devices (Schimmelfennig, 2000, 2003).

The differences between rationalism and constructivism and between supranationalism and intergovernmentalism are real, but they can be surmountable: the best way 'for bridging this putative divide center on the specification of the conditions under which institutions matter and precisely how the causal mechanism operate' (Jupille *et al.*, 2003:16). This book is an attempt to link 'rival' approaches, an example of what Cini and Bourne (2006:12) call centripetal tendency in EU studies, which 'involves openness to and acknowledgment of the validity of claims generated by various approaches . . . a search for commonality among approaches, rather than just the identification of difference'. To do so, however, I cannot escape a discussion of the shortcomings of some of the approaches presented above. For instance, Moravcsik overestimates the ability of governments to supply leadership. This book finds that Member States rely on the European Commission much more than intergovernmentalists assume. Pollack argues that the Member States are inclined to collaborate if the distributional costs are not high. This book finds that that even in areas in which the interests of Member States at stake are significant (i.e. volume of aid and untying of aid), the European Commission can still play a leading role. Pollack and Moravcsik emphasise the role of asymmetrical information as a key factor for leadership. This book finds that information is often widely available, but the European Commission is in the ideal position to pursue the collective good. Sandholtz not only overrates the role of adaptation in Member States as the major trigger for the demand of leadership, but also seem to suggest that the European Commission simply helps Member States overcome collective action problems. Along (not too) different lines, constructivists point to the role of norm entrepreneurs and policy windows as central to policy change. This book finds that the European Commission does patiently wait for a policy window, but can also engineer a crisis and can set artificial deadlines (when one does not exist already) to advance its agenda. Finally, Sandholtz and Beach – not to mention Moravcsik and Pollack – assume that the European Commission acts as a rational actor to pursue its goals; by doing so, they overlook the issue of preference formation and assume the logic of consequentialism. This book, through a detailed process tracing, analyses the Commission not only as an actor but also as an arena, and finds that its internal fragmentation undermines its leadership capacity in the Council. It also finds that the European Commission is not motivated by a desire to increase its power and budget but by two interlinked goals: increasing the effectiveness of foreign aid; enhancing the EU's 'identity' in international development. In order to achieve these goals, the European Commission uses a number of tactics that are underpinned by two logics, which complement each other: the logic of consequentialism (traditionally applied by rationalists) and the logic of appropriateness (traditionally applied by constructivists).

The European Commission as a leader

The central argument of this book is that the European Commission plays a leading role in the EU decision-making process, but its leadership is contingent upon various conditions. First, an institutional entrepreneur must place the issue on the agenda. Institutional entrepreneurs are people belonging to a DG (both administrative and political staff) of the European Commission pushing in the same direction, regardless of their motivations. Second, the European Commission must act as a unitary actor. Tensions may occur between DGs, between Commissioners, and between Commissioners and the Services. While it is true that once the *Collège* makes a decision its employees are required to defend it in negotiations (Beach, 2005), the claim here is slightly different. In fact, this book posits that the Commission's internal fragmentation weakens its ability to be assertive in the Council. Third, the institutional entrepreneur faces resistance not only inside the European Commission, but also (and above all) from Member States. To overcome this opposition, it may take advantage of the opportunities that come from the external environment – such as, for instance, policy crises in Member States, the opening of policy windows, the presence of deadlines – or may generate new opportunities by using a number of tactics at each stage of the policy process.

Institutional entrepreneurs

The first condition for the Commission to play a leadership role in the EU decision-making process relates to the presence of an institutional entrepreneur, capable of providing leadership throughout the decision-making process. Although leadership in multilateral settings has received more attention over the past two decades, a shared definition does not exist. Two of the most cited definitions see it as 'an asymmetrical relationship of influence in which one actor guides or directs the behavior of others toward a certain goal over a certain period of time' (Undertal, 1994:178); 'the actions of individuals who endeavor to solve or circumvent the collective action problems that plague the efforts of parties seeking to reap joint gains in the process of institutional bargaining' (Young, 1991:285). I define leadership as the ability to obtain desired outcomes relying on non-power resources, particularly in cases of opposition. To be considered leaders, actors must: (a) lead in the policy process from initiation to adoption; (b) be involved in a series of calculated actions aimed at driving the process in a desired direction; (c) pursue the collective good and not simply their own interest (Sjöstedt, 1999).

While previous models concentrate essentially on political leaders, the emphasis here is also on senior officials: the term institutional entrepreneur (Powell and DiMaggio, 1991; Fligstein, 2001) includes several people belonging to the same sub-units of the European Commission – in the administrative (i.e. Director General and senior officials in the same DG) and in the political arm (i.e. Commissioners and their staff) – pushing towards the same direction. In order to accomplish their goals, individual people do not necessarily need to share the same values or interests or pursue the same strategy. In this sense, 'it is perfectly possible to agree on a strategy without sharing the same long-term goals – just as it is possible to agree on goals and disagree on strategy' (Jabko, 2006: 28). Institutional entrepreneurs differ from mediators. They both work to overcome bargaining impediments, but institutional entrepreneurs do not limit themselves to assisting and facilitating negotiations among the various parties, but engage in a series of activities so that their proposal is adopted (Young, 1991).

Institutional entrepreneurs may rely on various types of resources: position, intellectual capital, skills (Young, 1991; Undertal, 1994; Malnes, 1995). In the first case, they possess or control resources that are important to others. They calculate the options available to each participant and then decide on the use of positive or negative incentives, or link a proposal to other issues in a sort of exchange of concessions across issues. In the second case, they produce ideas, which shape the way in which decision-makers understand issues. These ideas can be original, that is developed as first-time solutions; adapted, that is brought from other contexts and modified to fit the new situation and context; borrowed, that is solutions copied with little change (Roberts, 1992:57). In the third case, they affect the negotiation process by submitting well-crafted proposals and engaging in a series of entrepreneurial activities to support them throughout the policy process. For instance, at the pre-negotiation stage, they assess the feasibility of their proposals and frame issues in a way that would help achieve an agreement. At the negotiation stage, they do not simply broker compromises and conclude agreements that are acceptable to all parties, but defend their proposals. In doing so, instrumental leaders rely more on persuasion than threats and offers; followers become convinced of the merits of the proposal or trust the leader to find an adequate solution. It is now clear that each of the three types of leadership relies on a different source of authority and has distinctive functions that cannot be easily fulfilled by the other. However, different functions are performed in different stages of the policy process by a team of people pushing in the same direction. An optimal mix of the three types of leadership modes, therefore, significantly enhances the likelihood of success (Undertal, 1994).

Institutional entrepreneurs affect change not only because of the personal qualities of various individuals, but more because of the legitimacy and credibility of their institution. This, however, does not mean that competence, knowledge, bargaining skills and ability to argue are not important. Competence implies possessing the necessary expertise to deal with complex situations. Knowledge implies disposing of information on the substance of the problem, as well as on the nature and intensity of Member States' preferences. Negotiating skills and the ability to use argument are crucial in all the stages of the policy process. While it is often said that the EU institutional framework represents a 'paradise' for policy entrepreneurs (Peters, 1994:21), it may turn out to be 'hell'. The EU is a complicated system filled with numerous potential veto points, which risk jeopardising entrepreneurship. To be successful, institutional entrepreneurs must be active throughout the decision-making process, starting from within the European Commission, which is the subject of the next section.

The internal dynamics of the European Commission

The second condition for the Commission to play a leadership role in the EU requires that it must be clear about what it wants. As I mentioned earlier, the Commission is not always a unitary actor, but, on the contrary, sometimes different people or different units promote different goals, even in contradiction among themselves. Therefore, to maximise its influence vis-à-vis the Council, the Commission must first minimise the causes of its internal incoherence and inefficiency (Cram, 1999; Nugent, 2000).

A number of scholars from various perspectives (e.g. organisation theory, sociological institutionalism, anthropological studies) have contributed to a better understanding of how the European Commission functions. Most theories on the EU, however, tend to overlook this issue. While intergovernmentalists claim that the European Commission does not have autonomous preferences, supranationalists have generally treated it as a monolithic actor. Furthermore, the key proponents of the leadership approach either fail to acknowledge the importance of the Commission's internal dynamics (Sandholtz, 1992) or, while admitting that internal clashes may occur, still accept the unitary actor assumption (Beach, 2005). 'Taking preferences seriously' should not be limited to the Member States (Moravcsik, 1997). The European Commission, it is argued here, is not only an actor but also an arena, and the organisational context shapes and is shaped by interests, behaviour, and identities of individual actors. Moreover, the prevailing assumption that the Commission, like any other bureaucracy, wants to maximise its influence within the EU system should not be assumed. On the contrary, its employees (not all, obviously) – both at the administrative and political level – generelly just want to upgrade the European interest, regardless of any material return (Cram, 1997; Dimitrakopoulos, 2004; Egeberg, 2006).

This book, therefore, de-constructs the 'monolith', an enterprise previously carried out by other scholars with diverging results. For instance, at the level of the *Collège*, Smith (2003) shows that many Commissioners, though they want to develop an image of 'European' independence, frequently defend the same line as their national governments. In contrast, Egeberg (2006) shows that the *Collège* is neither so much permeated by national interests nor do Commissioners seem to act solely in the name of the European interest, but they tend to champion the interests that are linked to their briefs. Similarly, at the administrative level, some scholars show that national origin affects the preferences of individual officials (Hooghe, 2001) and that intercultural contacts, rather than producing a common identity, reinforce barriers among people coming from different countries (Abélès and Bellier, 1996; Shore, 2000). Hooghe (2005) claims that the European Commission does not encourage the development of 'local cultures', though she concedes that 'a small group of top officials is entrenched in a departmental world' (Hooghe, 2005:879). This view seems to contradict a number of studies, which shows how the European Commission is characterised by a 'sector logic', in which the attachment to a particular DG is far more important than the national background of officials (Armstrong and Bulmer, 1998; Nugent, 2000; Egeberg, 2006). This book supports the latter view. In particular, DGs often engage in 'ideological conflicts' – and, therefore, preferences on policies and programmes are influenced by their mission, culture, policy style. Moreover, even 'territorial conflicts' – which implies defending the scope of their responsibilities and, when possible, trying to get additional tasks and policy areas (Stevens, 2001) – may also be linked to their view of the world rather than only to material interests. Irrespective of the nature of the conflict and the potential benefits that these intra-institutional tensions may bring – that is, a culture of compromise and bargaining prepares the European Commission well for the negotiations in the Council by introducing multiple points of view at an early stage (Harcourt, 1998; Christiansen, 2006) – I, nonetheless, conclude that the European Commission is seriously damaged by its internal divisions. The claim that the European Commission significantly affects policy outcomes in the EU needs a first adjustment: it does, but its leadership is contingent upon the ability of institutional entrepreneurs to minimise the Commission's internal fragmentation.

Contextual factors

The context within which the European Commission operates is very important. The international environment, the preferences of the Member States and the interaction with other EU institutions are not fixed constraints. It is true that policy change may be the result of exogenous shocks, 'but one should not underestimate how the interaction among actors can in itself produce change' (Radaelli, 1999b:768). In this sense, the argument runs, the exogenous view should be complemented by the role played by the European Commission in forging the political context in which its proposals become plausible and necessary (Radaelli, 1999b). The argument is that the European Commission 'does not simply wait passively for an opportunity to take action' (Cram, 1997:164), but it generates new opportunities by relying on various tactics. Three issues are examined here: external turmoil, inter-institutional dynamics, information asymmetry.

The first element to consider is a cluster of factors, namely policy adaptation in Member States, external shocks, deadlines. In the case of policy adaptation, Member States are more willing to consider collective action (as an alternative to unilateral action) when they face a protracted policy failure and cannot find a solution. For instance, by the mid-1980s technological innovation and foreign liberalisation produced strong pressures on traditional national telecom systems and led to a reconsideration of past policies and a search for new ones (Sandholtz, 1993). External shocks not only delegitimise the policies underpinning the *status quo*, but also open possibilities for new approaches (Boin and t'Hart, 2003). For instance, the 9/11 events contributed to changing the way international security was conceived and led to calls for urgent changes. Deadlines are imposed externally or can be set 'artificially' by the Commission to introduce a sense of urgency in Member States. For instance, the Commission used the negotiations in the Uruguay Round to reform the agriculture sector, by claiming that the whole round would fail without an agreement in the EU (Vahl, 1997). Similarly, the selection of 31 December 1992 for the completion of the single market was part of a carefully calculated strategy to promote fast decision-making on a very complex issue (Sandholtz and Zysman, 1989). In these three cases, a sense of urgency was created which could be used by skilful institutional entrepreneurs: 'A sense of urgency may serve to override the caution . . . manifested during more tranquil times and allows for unusual rapid and uncritical acceptance of reform proposals' (Keeler, 1993:441). Policy failures in Member States, external shocks, and deadlines work as a trigger, but change will not materialise unless an entrepreneur steps in. The European Commission, by using its initiation role, is in an ideal position to step in and, by taking advantage of a 'climate of expectations' (Endo, 1999:22), can offer solutions that are close to its preferences.

The second element to consider relates to inter-institutional dynamics, in particular the relationships between the Commission and the rotating Presidency. There is little doubt that a cooperative Presidency increases the likelihood that the Commission's proposal will be adopted as proposed. Problems emerge in the case of an adversarial Presidency. Recent comparative research shows that national governments, rather than acting as 'honest brokers', use the rotating Presidency as a vehicle to pursue their national interest. For these reasons, the European Commission must try to engage in dialogue with the Presidency at an early stage. Presidencies can exclude items from the agenda, delay decisions by deliberately presenting impossible compromises, or even steer negotiations towards their preferred outcome (Elgström, 2003; Tallberg, 2006). In these cases, the Commission must try to use various techniques to convince the Presidency, as it does with reluctant Member States (see next section). In particular, by threatening to withdraw the proposal and/or by politicising the issue being negotiated, it may raise the 'cost of no-agreement' that the Presidency would face for failing to reach a decision. In this sense, the emphasis on results forces the Presidency not just to promote its preferred outcome but to get results (Tallberg, 2006).

The third element to consider concerns the role of information. The importance of information is acknowledged by rational choice institutionalists and intergovernmentalists, who claim that Commission leadership can occur only when information is not available at low cost, otherwise Member States would find a solution (Moravcsik, 1998; Pollack, 2003), and by supranationalists, who argue that the Commission's influence is greatest in areas in which Member States face imperfect information (Sandholtz, 1992; Vahl, 1997). The Commission can acquire information from international organisations, academic research, in the meetings of the Council Working Groups and of the Coreper. It may also take a number of initiatives to gain a 'comparative informational advantage', such as start a *tour des capitales*, engage in bilateral meetings with Member States, request reports from Member States (Sbragia, 2000).[10] These initiatives allow the Commission to learn about the distribution and intensity of national preferences (Pollack, 2003; Beach, 2005; Beach and Mazzucelli, 2007). The key issue here is how the Commission uses that information, or better how it uses its informational advantage to effectively design its tactics.

Tactics

To overcome any potential resistance of Member States, the European Commission may exploit all the opportunities offered by the external environment, but even when the context is not propitious, it can still advance its agenda. To do so, it must dip into a repertoire of tactics, underpinned by two complementary logics: the logic of consequentialism and the logic of appropriateness. The European Commission, therefore, engages in strategic behaviour, thus offering positive and negative incentives to Member States, and in persuasive behaviour, thus convincing Member States of the merit of its proposals. To be successful, the Commission must start at an early stage of the policy process. The decisions-making process is, therefore, divided into various stages, and for each, one or more tactics are analysed.

Policy initiation

The European Commission alone has the formal power to initiate legislation, but policy ideas may emerge from a variety of sources: a request from Member States in the Council or from the Parliament; pressures from international organisations or interest groups; commitments made in the international arena; external shocks (Peters, 1994; Cini, 1996). However, regardless of where ideas or proposals stem from, 'once the Commission begins working on them it can do much to frame the terms in which they are considered, when they are considered, by whom they are considered, and with what receptivity they are considered' (Nugent, 2001:220).

The European Commission must choose the appropriate time to submit a proposal if it wants to be successful. Policy windows allow advocates of proposals to push their pet solutions, or draw attention to their special problems, but institutional entrepreneurs must be quick, because policy windows do not remain open indefinitely (Keeler, 1993; Kingdon, 1995). A disturbance external to the policy area in question may alter the *status quo*, but policy change is more likely to occur if the institutional entrepreneur is capable of and willing to exploit these disturbances (Mintrom and Vergari, 1996). While policy windows represent an exceptional moment, the normality is different. In the majority of cases, the Commission must wait patiently for an occasion to rise, which implies postponing the launch of a proposal when an agreement is impossible and re-introduce it at a more propitious time (Cini, 2002). In some cases, it may engineer crises (Coombes, 1970) or set deadlines (Sandholtz and Zysman, 1989), which force Member States to take action.

The European Commission must mobilise support for its proposals at an early stage of the policy process and for this reason it takes a number of initiatives (Vahl, 1997). The aim of all these activities is not only to gain an informational advantage and investigate possible resistance from Member States, but also (and even more important) 'to disseminate information with the goal of creating an informed demand among ... Member States for a new type of policy' (Smyrl, 1998:90). Three broad types of initiatives can be identified. First, it may use 'soft' instruments (e.g. staff working papers, communications, green papers) to suggest new approaches to current policies (Cram, 1997; Nugent, 2001). Second, it may participate in the public debate, which includes making speeches in international settings (e.g. European Parliament; World Bank; high-level conferences), giving interviews and writing articles for a newspaper/magazine, generally by the President, the Commissioner, or senior officials. Third, it may target Member States more directly by making a *tour des capitales*, organising seminars involving all Member States, engaging in bilateral meetings with individual Member States, sending a COREU (though this method is used only in external relations). In these cases, the Commission is asked by the Council to take such initiatives, but it may still use this opportunity to mobilise support for its proposals (Vahl, 1997; Wozniak Boyle, 2006). Finally, the Commission often cooperates with a wide range of non-state actors, not only to add expertise and legitimacy to its proposals, but also to put indirect pressure on Member States (Cowles, 1995; Christiansen, 2006).

Policy formulation

Policy formulation is a very important stage in the policy cycle as most of the legislation adopted by the EU largely reflects what is drafted by the European Commission. It may involve framing, deciding whether to politicise or de-politicise the issues, choosing the most appropriate venue. Therefore, the institutional entrepreneur has an interest in performing this activity in the best possible way and taking into account the possible difficulties 'by presenting proposals that are technically feasible, yet politically well informed' (Cini, 1996:29).

Framing implies introducing controversial proposals in ways that make them more acceptable to potential opponents. By framing, the Commission is able to set the parameters within which negotiations take place in the Council (Cini, 1996; Matláry, 1997). Framing provides Member States with new reasons to cooperate (Fligstein, 2001), imparts the basis for direction in the integration process (Mörth, 2000), is a way to address at an early stage all the interests that may be affected (Kohler-Koch, 1997) or exclude potential adversaries by narrowing policy options (Nylander, 2001). Framing is not a static activity and, in some cases, re-framing is necessary (Mörth, 2000), which implies creating a different policy image. Policy images are a mixture of 'empirical facts' and 'emotive appeals' that shape the way in which a policy is understood and discussed (Wendon, 1998:344). For example, Wendon (1998) argues that DG IV achieved its goals when it changed the policy image for social policy, shifting from regulation and social rights into a productive factor. Similarly, choosing the right terminology is also important. For instance, the concept of 'social exclusion' allowed the Commission to move poverty policy away from traditional labour-market reintegration approaches. 'Had the fight against social exclusion been defined simply as a facet of traditional re-employment policy, the continuity of the Commission's involvement would have been threatened' (Bauer, 2002:388).

The Commission generally crafts proposals in a technical fashion to minimise potential areas of disagreement (Majone, 1996). A typical piece of EU legislation would be an 'impenetrable' document, dealing with issues 'which do not steal emotions', for which political parties, mass media and the general public show little, if any, interest. It may even happen that for whatever reason Member States may not be fully aware of its full implications (Harcourt and Radaelli, 1999). In some cases, the Commission can intentionally decide to switch from a technocratic to a political discussion (Vahl, 1997). An important example is in the field of tax co-ordination. Between 1989 and 1994, the Commission was convinced that its low salience would avert political rows over tax sovereignty and, therefore, its proposals were mostly technical, concentrating on how distortionary domestic taxes would hamper trade and investment in Europe (Radaelli, 1997, 1999a). In 1995, facing a deadlock, Commissioner Monti decided to politicise the issue by constructing a narrative of 'dramatic tension' between the consequences of inaction, that is rising unemployment and degradation of welfare state, and the measures to be taken, that is tax co-ordination (Radaelli, 1999a). The agreement reached in December 1997 was not 'revolutionary', but set up the preconditions for a more profound change: 'Left to technocratic debates on the efficiency of the European tax systems, EU direct tax policy would never have gone further than minimal measures' (Radaelli, 1999b:766; see also Radaelli, 1997a, 1999).

The European Commission may engage in 'forum-shopping' and shift to the venue where the chances for the adoption of its proposals would be greatest.

The objective is not only to exclude potential adversaries, but also to look for new allies (Guiraudon, 2000). These venues may be either internal or external to the EU. The European Commission can appeal to the European Court of Justice, though its ruling may not always be completely in line with what the Commission wanted. It can create new institutional venues, such as, for example, the Social Dialogue, to reduce the influence of national governments. Although the Council may not always adopt what has been decided in the Social Dialogue, this is unlikely to happen, as the social partners add legitimacy to policy formulation (Wendon, 1998). Finally, it can present proposals in a way that the majority voting rule, rather than unanimity, is used, such as, for example, in the case of social policy measures introduced as health and safety measures (Vahl, 1997).[11] It may also look outside the EU. A number of regulations and directives in environment policy had previously been developed in the context of the OECD, which is considered less threatening to Member States' autonomy. The OECD was responsible for the adoption of the polluter-pays principle, the precautionary principle, strategies to address trans-boundary air pollution, which were then integrated into EU environment policy (Zito, 2000; Kellow and Zito, 2002).

The European Commission may lobby receptive governments to present proposals as their own so that it can circumvent the scepticism about its role. Camouflage is often used during Inter-Governmental Conferences (Tallberg, 2000). Similarly, through 'regulatory competition', the European Commission induces Member States to suggest national regulatory patterns as a solution at the EU level: however, this strategy 'would fail if Member States could trust each other not to make proposals to the Commission' (Schmidt, 2004:118).

Policy adoption

The European Commission, according to the Treaties, does not play any role in the Council. However, this is far from the practice and in reality it is fully engaged in negotiations. Hayes-Renshaw and Wallace (2006) argue that the Commission can act either as a mediator or as a protagonist. It is a mediator when it looks for a compromise between two or more conflicting coalitions, which generally implies softening up its own original position. It is a protagonist when, 'owning' the text being discussed, it tries to maintain its original objectives. This book is in line with the second view, arguing that the Commission uses several techniques to build consensus vis-à-vis Member States, such as package deals, convincing and explicit threats, lobby sponsoring. Two different mechanisms are at work: bargaining, which consists of offers and threats, aimed at changing the options available to other actors; arguing, which refers to empirical and normative statements, aimed at changing beliefs without using any type of manipulation (Undertal, 1994; Zürn and Checkel, 2005).

The European Commission may manipulate outcomes by using positive and negative incentives. The decision rule plays an important role: in the case of consensual decisions, all Member States must accept its proposal, whereas in cases of qualified majority voting (QMV) the Commission can build a winning coalition, or, at least, prevent the emergence of a blocking minority. In the case of positive incentives, the Commission may package a number of different issues, which may imply only using some words in the final text to compensate some reluctant Member States for agreeing to unwanted decisions. Similarly, it may target individual Member States with 'side-payments', either within the same or in a different policy – though this last case is rare and generally occurs in 'history-making' decisions. These techniques do not always work as desired. For instance, the adoption of cohesion policy was nothing other than a 'side-payment' to poorer countries for their consensus in the Economic and Monetary Union (EMU). In contrast, when in the mid-1960s the Commission tried to link the funding of the Common Agriculture Policy (CAP), the creation of an independent Community budget, and the extension of the power of the European Parliament, the French, led by President De Gaulle, decided to withdraw their delegation from the Council (Cini, 1996). In the case of negative incentives, the Commission may threaten reluctant Member States in two different ways. First, it can withdraw the proposal being discussed at any stage before Ministers in the Council have reached an agreement on the text. Second, it may bring the matter to the European Court of Justice (Bulmer, 1994). Whether the Commission is tough or accommodating vis-à-vis the Council depends on the situation (Haynes-Renshaw and Wallace, 2006).

The European Commission may engage in persuasion. Rather than 'tricking' Member States, it attempts to persuade them 'to adopt its policy preferences on their merits' (Smyrl, 1998:97). Activities start at the initiation stage when institutional entrepreneurs find the best frame or policy image for their proposal. They continue at the policy adoption stage, with a series of initiatives. Some of the initiatives examined to mobilise support can also be used in this stage of the policy process – for instance, speeches, new scientific evidence, articles and interviews in newspapers – especially when negotiations face a protracted deadlock. The reputation and diplomatic skills of the various negotiators may have a significant impact on the negotiations (Risse, 2000). But to reinforce their argument, institutional leaders can use a number of techniques. They can use 'co-optive justification', through which they appeal to principles and beliefs held by Member States, therefore justifying policy proposals in ways that make them more difficult for governments to reject (Tallberg, 2000). They can use the 'Russian doll' strategy, by building on existing legislation at the EU level to achieve concessions from Member States, which feel obliged to agree to the new proposal by having agreed to the previous (Schmidt, 2004: 118). This could imply not only a reference to previous Conclusions of the Council, ruling of the ECJ, but also to decisions in other international settings, such as the UN or the OECD. A slightly different tactic is the 'lesser evil strategy', by which Member States accept certain proposals only to avoid the negative consequences ('the evil') arising from a deadlock (Schmidt, 2000; 2001).

The European Commission often works in collaboration with a number of non-state actors to promote the European interest. This activity, however, is not always limited to mere collaboration. In some cases it may engage in lobby sponsoring, which implies that it ‘starts creating [its] own constituencies with the clear intention of raising support for particular policy solutions and, thus, of influencing deliberations and indirectly setting political priorities’ (Bauer, 2002:389). In other words, the European Commission is involved in a ‘subtle’ lobbying strategy, which implies the creation and financing of networks capable of putting pressure on Member States to shape the policy process in ways that are more favourable to its preferences. Commissioners and Commission officials may attend activities organised by these ‘sponsored’ groups, thus attracting media coverage and public attention (Bauer, 2002). Lobby sponsoring is likely to be most effective if it is co-ordinated to influence policy deliberations at the European or national level directly before crucial decisions are taken. The chances of success increase when the Council’s view on a specific question is split. Member States officials are very responsive to this sort of pressure. Finally, while it is true that mobilised constituencies enhance the ability of the Commission to play a leading role, non-state actors may also constrain the autonomy of the Commission. Thus, the Commission may need to directly address these non-state actors, which, by putting pressure on Member States, can block a Commission’s proposal (Smith, 1998).

Conclusion

This chapter has introduced a new leadership model to explain the role of the European Commission in the EU decision-making process. Drawing on previous leadership models and on insights coming from bureaucratic politics and sociological institutionalism/social constructivism, I posit that the presence of an institutional entrepreneur – that is, people belonging to the same DG sharing the same goals but not necessarily the same strategy – is a necessary condition for leadership. I also argue that the European Commission plays a leadership role only if it manages to minimise its internal fragmentation. While other supranational leadership models either ignore its internal dynamics or simply assume that it is a unitary actor, I carefully investigate how the European Commission forms its preferences and show that, not only different DGs hold different views on individual proposals, but also, more importantly, its internal fragmentation significantly undermines its leadership capacity vis-à-vis Member States. I also show that to secure its preferences the European Commission uses a repertoire of tactics, in which elements of the logics of consequentialism and appropriateness are simultaneously at play. In particular, it can engage in strategic behaviour, thus offering positive and negative incentives to Member States, and in persuasive behaviour, thus convincing Member States of the merit of its proposals.

2 The politics of foreign aid in the European Union

The EC, the Member States and the end of aid fragmentation

It is often said that the European Union is the largest provider of foreign aid in the world – for instance, in 2006 it allocated US$ 58.9 billion (56.7 per cent of the DAC aid), whereas the US allocated US$ 22.7 billion and Japan US$ 11.6 billion (21.9 and 11.1 per cent of the DAC aid respectively). The figure for the EU, however, includes resources managed by the European Commission (about US$ 10.2 billion, or 17.3 per cent of the total EU aid) and by the Member States (about US$ 48.7 billion, or 82.7 per cent of the total). To these figures, we should also add the contributions of the EU-12 Member States (about €592 million), which are not members of the DAC (European Commission, 2007d). Despite this impressive performance, the high degree of fragmentation has undermined the effectiveness of EU aid and prevented it from influencing the course of international development. The adoption of the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour, following the collective commitment to boost the quality and enhance the quantity of aid in the context of the Monterrey and Paris processes, indicate a change of direction. This chapter cannot and does not seek to provide a thorough analysis of the development policies of the European Community and the twenty-seven Member States. Its aim is to offer some useful background to better understand the decision-making process in EU development policy and appreciate the challenges that the EU faces when it tries to act as a unitary donor. In the first section, I concentrate on EC development policy and pay particular attention to the relationship with the ACP group, not only because it is the most developmental of the various co-operation agreements but also because it offers a good example of the interaction between the European Commission and the Member States over the years. In the second section, I discuss the evolution of development policy in the Member States, which I divide into various groups: the big three, the northern Member States, the southern Member States, and the eastern Member States, depending on their performance in quantity and quality of aid. In the third section, I analyse the various attempts, generally by the European Commission, to advance aid co-ordination between the EC and the Member States, from the Treaty of Rome to the adoption of the European Consensus and the Code of Conduct.

Development co-operation in the EC

The origins of EC development policy date back to the Treaty of Rome, which contained some provisions on the relations between the six members of the European Economic Community (EEC) and their colonies in the developing world. Since then, EC development policy has gradually progressed from a relationship with a few countries in Africa to a global policy, covering all regions of the developing world. But it has evolved in a piecemeal way, reacting to events rather than following a coherent plan, setting up new programmes without adapting existing mechanisms for delivery (Lister, 1998). It may not be a coincidence that two recent books in this field start with a similar question: is there a need for an EC development policy? For Martin Holland (2002), the EC does have its own distinctive approach to relations with the developing world, which rests on the following elements: equality between EC and ACP partners; bottom-up philosophy in aid delivery; effectiveness of collective efforts, especially in cases of emergency aid. More significantly, he argues that EC development policy is not an optional extension of the process of European integration but it is fundamental to the process of European integration and to the EU's global role. In contrast, for Arts and Dickson (2004), EC development policy is characterised by a tendency to follow global trends (in particular the Washington Consensus) rather than setting them and by an excessive preoccupation with creating an image as a global actor, which is often translated into form rather than substance. They conclude, rather pessimistically, that EC development policy is 'a policy which is neither unique nor successful', 'a symbolic gesture . . . primarily useful to demonstrate its breadth of commitment to, and relationship with the South' (Arts and Dickson, 2004:3). These two books, however, could not duly take into account what has happened since the beginning of the 2000s, when, I contend, a new season started for EC development policy, and, more generally, for EU development policy. But before dealing with this new season, the next section begins from the preceding two phases.

Fifty years of development co-operation

The first phase in EC development policy started with the Treaty of Rome and ended in the mid-1980s. One of the best ways to represent this phase is by pointing to the debates between regionalists and globalists. Regionalists – that is, France, Belgium and less openly Italy (eventually joined by the other southern Member States) – emphasised the strategic links between Europe and its former colonies. Globalists – that is, Germany and the Netherlands (eventually joined by the northern Member States and by the UK, which has also defended the interests of the members of the British Commonwealth) – placed more emphasis on poverty eradication (Grilli, 1993). This debate also involved the European Commission, where initially the regionalists were dominant, but eventually the number of globalists increased (Dimier, 2006). The provisions of the Treaty of Rome (1957–1963) and the two Yaoundé Conventions (1963–1975), particularly the *ad hoc* European Development Fund (EDF) and the reciprocal trade privileges for a small number of countries mainly in West Africa (colonies first, Associated States later), sanctioned the victory of the regionalists. In contrast, the Lomé Convention (1975–2000) was a compromise between the two in that it extended the trade and aid privileges to accommodate the former British colonies in East Africa, in the Caribbean and in the Pacific. Signed at the height of the New International Economic Order (NIEO), the Lomé Convention was celebrated, at least during its first decade, as the most progressive framework for North–South co-operation.[1] It included: a contractual right to aid, that is, resources were committed for a five-year period, regardless of performance; non-reciprocal trade preferences, that is, almost all ACP goods were allowed to enter the EU free of any tariff or quota restrictions; separate trade protocols (i.e. sugar, beef, bananas, rum) and two commodity systems for stabilisation of exports (i.e. STABEX, Stabilisation of Exports) and to mitigate losses from mining operations (i.e. SYSMIN, System for Mineral Products); a strong emphasis on partnership, that is, decisions were taken jointly and a number of joint institutions were created to support this dialogue.[2] While the ACP states enjoyed all these privileges, development co-operation in other regions was negligible. It was only in the mid-1970s that a small programme started in Asia and Latin America (ALA), under the decisive influence of the European Parliament; very modest sums of financial assistance were also allocated for a few countries in the Mediterranean. Meanwhile, under the pressure of the Netherlands and Germany, in 1971 the EC initiated a General System of Preferences (GSP),[3] which conferred preferential tariff advantages unilaterally and on a non-reciprocal basis to the developing countries belonging to the Group of 77 (G-77) for processed agricultural products and for finished and semi-finished industrial products.[4]

The second phase started in the mid-late 1980s and lasted until the late 1990s. This was a decade of profound transformation, both in the international arena and in the European Union, which significantly affected the evolution of development co-operation. The end of the Cold War resulted in a massive transfer of economic assistance to Central and Eastern Europe countries (CEECs). The Poland–Hungary: Aid for Restructuring of the Economies (PHARE) programme, which from its early focus on these two countries soon extended to other CEECs, was designed to promote the transition from socialism to market economies, but eventually became a central tool in the enlargement process.[5] A programme aiming at transferring knowledge and expertise (Technical Assistance for the Commonwealth of Independent States, TACIS) was also established in July 1991 to assist countries in the former Soviet Union in their reform efforts. In the field of international development, the Washington Consensus, with its strong emphasis on macro-economic stability and trade liberalisation, became the dominant paradigm. Initially the EC, with DG Development and France in the forefront, tried to resist it by designing ‘softer’ structural adjustment programmes in order to preserve its special relationship with the ACP countries, but it eventually capitulated. Economic and eventually political conditionality became normal practice in all development co-operation agreements, including the Lomé Convention (Brown, 2004). At the EU level, the two most significant events that affected development co-operation were the enlargement rounds of the 1980s and 1995 and the adoption of the Treaty of Maastricht in 1991. The accession of Spain and Portugal is, certainly, one of the reasons for the increased attention to Latin America and the Mediterranean; in contrast, the accession of Sweden and Finland contributed to a broadening of the policy scope of development co-operation, by including new themes such as participatory approaches, gender equality and sustainable development. The Treaty of Maastricht not only 'constitutionalised' development co-operation (see following sections on this), but also established the basis for a common foreign and security policy (CFSP). The intensification of the relationship with the Mediterranean and Latin America, and even with Asia, can also be read as a consequence of the EU's attempts to affirm its role as a global actor (see Table 2.1 for allocation of aid in various regions). The inter-regional agreements with the Southern Cone Common Market (Mercosur) (more) and with the Andean Community (less) contributed to significantly reinvigorating the attention to Latin America and to supporting the democratisation process there, though the trade and cultural dimensions were more important than the aid dimension (Freres, 2000). The relaxation of the tensions of the Cold War also resulted in a strong involvement in political dialogue and conflict resolution in Central America (Bretherton and Vogler, 2006). Similarly, the new interest in the Mediterranean, which culminated in the Euro-Mediterranean Partnership (EMP) in 1995, reflected political and security concerns generated by the increased instability in

Table 2.1 Geographical distribution of bilateral allocable EC aid, 1984–2005 (percentage of total)

	1984–1985	*1994–1995*	*2004–2005*
Region	S.-S. Africa 65.5, S. and C. Asia 13.0, N. Africa 6.4, N. and C. America 4.3, Europe 3.2, S. America 2.4, Far East Asia 2.2, Oceania 1.7, Middle East 1.2	S.-S. Africa 47.9, S. and C. Asia 11.2, N. Africa 9.6, N. and C. America 8.2, Europe 7.7, Middle East 5.5, S. America 4.3, Far East Asia 3.9, Oceania 1.8	S.-S. Africa 43.4, S. and C. Asia 10.0, N. Africa 10.3, N. and C. America 5.4, Europe 14.4, Middle East 8.2, Far East Asia 3.9, S. America 3.2, Oceania 1.1
Countries	India 6.3, Ethiopia 6.2, Sudan 3.5, Egypt 2.8, Tanzania 2.4, Ghana 2.2, Bangladesh 2.2, DRC 2.2, Mali 2.1, Zambia 2.0, Mozambique 1.8, Turkey 1.7, Chad 1.6, Uganda 1.5	Morocco 2.8, Ethiopia 2.5, Egypt 2.3, Ex Yugoslavia 2.2, Côte d'Ivoire 1.9, Mozambique 1.7, Cameroon 1.6, Zimbabwe 1.6, Uganda 1.6, Bangladesh 1.5, Palestinian Adm. Areas 1.5, Tanzania 1.4, Senegal 1.4, Bosnia-Herzegovina 1.4, Mali 1.3	Turkey 3.9, Serbia and Montenegro 2.8, Morocco 2.8, Afghanistan 2.5, DRC 2.5, Egypt 2.4, Palestinian Adm. Area 2.1, India 1.8, Mozambique 1.7, Tanzania 1.7, South Africa 1.7, Zambia 1.6, Bosnia-Herzegovina 1.5, Ethiopia 1.5, Sudan 1.5

Source: DAC (2007).

North Africa and the Middle East (Lister, 1997).[6] The institutional structures to manage aid, however, did not change. In a much-cited piece, Clare Short, the then British secretary for international development, launched a scathing attack on EC development policy:

> The European Commission's programmes have huge potential to do good, but they are much less effective than they should be . . . the Commission is the worst development agency in the world. The poor quality and reputation of its aid brings Europe into disrepute. In the midst of this sorry state of affairs, there are some encouraging signs. The new Commission is committed to a wide programme of reforms . . . in particular to speed the abysmally slow delivery of aid. But the EU also needs to improve vastly the quality of its programmes as well as the speed of implementation. Otherwise we will just have bad programmes delivered quickly.
>
> (Short, 2000)

The third phase started in the early 2000s, and is characterised by three interlinked phenomena: co-existence of development and foreign policy goals;[7] policy and administrative reforms; strong emphasis on co-ordination and complementarity. One of the most significant changes of this period involved the relationship with the ACP group. By the mid-1990s, it had become evident that the EC-ACP partnership model needed to be revised. Following a long process stimulated by the publication of a Green Paper by the European Commission (1996), the Cotonou Agreement was adopted in June 2000. The Cotonou Agreement introduced a number of fundamental changes to the Lomé *acquis*. Allocation of aid is no longer based only on need but also on performance, with the possibility of adjustment through a system of rolling programming; STABEX and SYSMIN, despite great pressure from the ACP group, were eliminated; trade liberalisation replaced preferential treatment. Following a seven-year transitional period, new free trade agreements – the so-called Economic Partnership Agreements (EPA) – must enter into force by January 2008 to comply with World Trade Organisation (WTO) rules (Hurt, 2003).[8] Finally, the political dimension of the relationship was strengthened to include new issues such as security, arms trade, migration and, following the first revision in 2005, the fight against terrorism and the proliferation of weapons of mass destruction.[9] Nonetheless, poverty eradication and, since 2005, the achievement of the Millennium Development Goals (MDGs), remain the central goal of EC–ACP relations.[10] This co-existence of political and security-related goals with 'pure' development goals, epitomised in the Cotonou Agreement, is a central element of this phase in EC development policy. The terrorist attacks in the US in 2001 did have an impact on the relations between the EC, and more generally, the EU and the developing world; for instance, the European Security Strategy, adopted by the EU in 2003, established that security is a pre-condition for development, but failed to acknowledge the reverse. As we shall see, the European Consensus on Development made the development-security arrow bi-directional. Part of the same trend is the European Neighbourhood Policy (ENP), which has become a central priority in Europe's external relations: large percentages of assistance are used to promote good governance and economic integration with the aim at preserving security in its vicinity. Similarly, the EC has attempted to strengthen its role in Asia, where it started a dialogue on human rights and terrorism; results, however, are not impressive.[11] Finally, in the area of trade and development, the adoption of the Everything but Arms (EBA) initiative was too weak a sign to make a significant indent in poverty eradication, against the backdrop with the failure of the Doha Development Agenda.[12]

Another important element underpinning the new season is the extensive reform process that the European Commission started in May 2000. In addition to the simplification of procedures, the reduction of the gap between commitment and disbursement and emphasis on budget support, it is important to emphasise four components. First, since 2001 a new body, EuropeAid, has been responsible for implementation, monitoring and evaluation of all external aid instruments (policy design rests with DG Development and DG Relex). Second, programming is based on multi-annual Country Strategy Papers (CSPs), which are subject to control from an inter-service Quality Support Group (iQSG) to ensure policy coherence. Third, management responsibility, with the deconcentration process, has been mostly delegated to the external delegations, with the aim of creating stronger ownership of programmes in developing countries and promoting better co-ordination with other international donors. Finally, the number of instruments to finance development activities has been significantly reduced. Following the introduction of the Financial Perspectives for 2007–2013, the two main development instruments are the EDF and the Development Cooperation Instrument (DCI). The EDF is financed by *ad-hoc* contributions from the Member States every five years and is used exclusively for activities in ACP countries. Despite strong pressure from the European Parliament (for many years) and the European Commission (more recently), Member States have constantly resisted its 'budgetisation' (i.e. incorporating it into the EU budget). The DCI is used for activities in Latin America, Asia, the Middle East and South Africa, and for activities (also available to ACP countries) in five thematic areas: environment; migration; non-state actors and decentralised co-operation; food security; investing in people (i.e. health), asylum and migration (see Table 2.2 for all the instruments in EC external relations). The reform process did not only involve the management, but also the content of development policy. Following a first development policy statement (DPS) adopted in November 2000 jointly by the European Commission and the Council, which established that the scope of development co-operation is poverty eradication and refocused it on a limited number of sectors,[13] a new DPS was adopted in December 2005, this time also by the European Parliament. The new DPS, which is part of the European Consensus on Development, establishes that priority must be given to the Least Developed Countries (LDCs) and low-income countries, though attention should also be devoted to middle-income countries with high levels of poverty. The two key principles identified in the DPS are differentiation – that is, the EC approach must be based on the country's or region's needs, priorities and assets – and

Table 2.2 Financial instruments for EC external assistance, 2007–2013

Instrument	*Coverage*	*Replaces*	*Funding**
Tenth European Development Fund (EDF)	Africa, Caribbean and Pacific (ACP) and Overseas Countries and Territories (OCT)	Ninth EDF	22,682 (32)
Development Cooperation Instrument (DCI)	Asia, Latin America, some CSI, South Africa; five thematic budget lines	ALA, TACIS, ten thematic budget lines	16,897 (24)
Humanitarian aid	Humanitarian crises	Largely unchanged	5,613 (8)
Instrument for stability	Crisis response and preparedness; global challenges	Rapid Reaction Mechanism	2,062 (3)
European Instrument for Democracy and Human Rights Initiative (EIDHR)	Democracy, rule of law, human rights	Previous EIDHR regulation	1,103 (2)
Instrument for Pre-Accession (IPA)	Western Balkans, Turkey	PHARE, ISPA, SAPARD, CARDS, Turkey pre-accession	11,468 (16)
European Neighbourhood and Partnership Instrument (ENPI)	Mediterranean, Eastern Europe, Caucasus, Russia, the Middle East	MEDA and TACIS	11,181 (16)
Macro-economic assistance	Case by case	Unchanged	NP
Instrument for Cooperation with Industrialised countries (ICI)	Cooperation and exchange programmes	Previous ICI regulation	172 (0.2)
Instrument for Nuclear Safety Cooperation (INSC)	Nuclear safety	Part of TACIS regulation	About 75 per year (less than 1)

Source: DAC (2007).

Note
* Per cent of total in parentheses; NP: Not programmable.

concentration – that is, the EC must limit its presence to a reduced number of sectors from a list of nine priority areas.[14] The changes which took place between 2000 and 2007 have radically transformed EC development policy, as confirmed by the German Minister for Development Co-operation:

> When I became development minister in 1998, there were all sorts of problems with EC development policy: lack of coordination and coherence, long and complicated procedures.... Since then, a lot of positive things have happened. European development policy has become more focused, the aid poor people need reaches them faster. Those are major achievements.
>
> (Wieczorek-Zeul, December 2005)

Without this (re)gained credibility, it would be impossible to explain the initiatives of the European Commission in promoting complementary and co-ordination between the development policies of the EC and the Member States. Going back to the question posed at the beginning of this section, I believe that the added value of the European Commission in development policy is linked not so much to its global presence, but to its role as promoter of co-ordination and complementarity, which also includes strengthening the EU vision of international development. But for this, the reader needs to wait until the last section of this chapter.

EC development policy and integration theory

Despite being as old as the EU itself, development policy has rarely met integration theory. Holland (2002) and Arts and Dickson (2004) represent two exceptions, but they focus exclusively on EC development policy. In general, most of the existing contributions see the priorities of the Member States as the driving force shaping EC development policy. For example, Cosgrove-Sacks (1999:5) states that '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'. In the 1950s and 1960s, France played a leading role in cultivating a special relationship with a few countries in West Africa. The Lomé Convention, by extending the focus to all former colonies in sub-Saharan Africa, the Caribbean and the Pacific, represented the convergence of the interests of the UK and France. The accession of Greece, Spain and Portugal not only brought new attention to the Mediterranean and Latin America, but also led to the formation of 'a formidable coalition' of southern Member States (which included Ireland) that tried to halt the trade privileges guaranteed to ACP countries by the Lomé Convention (Babarinde, 1998). With the end of the Cold War, Germany started to play a more assertive role by pushing for a re-direction of economic assistance to Central and Eastern Europe. The negotiation of the Cotonou Agreement 'provides some of the richest evidence of intergovernmentalism in EU policy-making' (Holland, 2002:237) in that it reflects the priorities of various Member States as determined by their domestic politics or the leading role of the German and British Presidencies (Forwood, 2001). The most contentious issue during the negotiation process concerned the future of the trade regime, which was linked to the identity of the ACP group. Various options were on the table, such as preserving the *status quo* by asking the WTO for a waiver or integrating the ACP group into the EU's GSP or the European Commission's proposal to establish Regional Economic Partnership Agreements (REPAs). The positions of the Member States broadly reflected their views and traditions in international development. On one side, France wanted to preserve the integrity of the ACP group and the existing trade regime; it also wanted to avoid trade liberalisation as a way to protect its agricultural sector. On the other side, Germany wanted to 'normalise' EC development policy, and therefore suggested re-grouping the ACP states into three regional groups; trade liberalisation and regional integration were two of its key objectives. In the middle, the UK and the Nordics shared the concerns about the potential marginalisation of the LDCs which could arise with the REPAs. But they had different positions on the future of the ACP group: the UK wanted to preserve its integrity, whereas the Nordics proposed a single framework to include both the ACP states and the nine non-ACP LDCs. The southern Member States, similarly to France, opposed further trade liberalisation in order to protect their agricultural producers, but believed that the REPAs were the best solution for the ACP economies. The negotiations in the Council simply softened the initial Commission proposal by granting an extended *interim* period before the new EPAs entered into force in January 2008, and by maintaining trade privileges for 'essentially all products' coming from LDCs (Forwood, 2001; Holland, 2002).[15]

A number of alternatives to these state-centric views have been proposed. Seen through a neo-functionalist lens, the creation of various programmes and instruments over the years reflects the logic of spillover. In the 1950s, EC development policy began with a mix of aid and preferential trade agreements, mainly reserved to countries in francophone Africa. The extension of these provisions to a larger number of countries in the ACP region and the introduction of a new generation of development tools (i.e. GSP, technical co-operation, commodity insurance) in the 1970s, the inclusion of economic and political conditionality and the increased allocation of resources to Latin America and the Mediterranean and the development of a new programme in Central and Eastern Europe in the 1980s and 1990s, the liberalisation of trade in the EC–ACP partnership and the securitisation of aid in the 2000s, reflect the evolution in other policy areas, such as, for example, trade, foreign and security policy, and enlargement (Babarinde, 1998; Holland, 2002; Olsen, 2005). Another attempt to go beyond state-centric views is multi-level governance, particularly useful to explain the evolution of the EC–ACP partnership. The argument is that the role of the Member States must be complemented by a number of non-state actors operating at various levels, notably the EU level – for example, the European Commission, the European NGOs – and the ACP level – for example, states and local civil society – and at both levels – that is, the various EC–ACP institutions (Holland, 2000). Along similar lines, Olsen (2005) claims that EC development policy is a product of trans-national alliances formed between the European Commission, international organisations and some Member States (Olsen, 2005).

An institutionalist dimension in development policy is almost missing in the literature. The role of the European Parliament is simply ignored; nonetheless, not only did it play a central role in the 1970s when it started new budget lines for non-ACP developing countries and for thematic issues, but over the years it has urged Member States and the European Commission to focus their development policies on the eradication of poverty. The European Commission has attracted more attention, but generally for its poor record as a policy manager. A recent review, for example, claims that 'The European Commission has not been capable of providing intellectual leadership to bring the Member States to new ideas and positions. On the contrary, it has been struggling with the implementation of its own aid programme' (Hoebink and Stokke, 2005:20). This book, in contrast, supports a different view: the European Commission can provide leadership and has done so since the beginning of the 2000s. For instance, looking at the evolution of EC development policy, the conventional view that the Lomé Convention simply represented the product of the convergence of British and French interests should be amended to include the role of the European Commission. In this sense, the appointment of the 'globalist' Cheysson as new Commissioner for Development in 1973, who followed the 'regionalist' Deniau, was 'crucial in overcoming the deadlock in which the negotiations seemed to have fallen' (Frey-Wouters, 1980). The reason for this success is explained by Whiteman and Hewitt (2004: 140): Cheysson 'was credible with the reformers, grasping change with both hands, but was still able to preserve enough of what mattered to the French'. Another important example of the need to incorporate the role of the European Commission is the process that led to the adoption of the Cotonou Agreement. Not only did DG Development set the agenda and define the margins of the reform through its Green Paper and the guidelines for negotiation, but it also played a central role during the negotiations. Although it would be misplaced to minimise the role of the Member States and the British and German presidencies, 'it would be equally unbalanced to disregard the fact that the Member States were reacting to the ambitious agenda outlined by the Commission. The context within which decision-making was undertaken was primarily shaped by the Commission' (Holland, 2000:406).

A few more words must be said on how DG Development has evolved since the 1950s. For many years after its inception, EC development policy was 'captured' by France – suffice it to say that from 1958 to 1984 all the Commissioners responsible for development co-operation were French. This French 'hegemony' was counter-balanced, at least in theory, by a continuity of German officials in the post of Director General within DG Development. But the majority of these Directors General, as well as the officials, simply acted as executors of the policy, 'by and large reflecting the official German view that this was a policy included to keep the French happy' (Hewitt and Whiteman, 2004: 135). The role of DG Development was limited to selecting projects and to mediating between the Associated States in Africa and the Member States in the EU. The appointment of Cheysson in 1973 was not only decisive for the conclusion of the Lomé Convention, but caused a clash inside DG Development between those who favoured the old practice of project-based aid and those who favoured programming (Dimier, 2004, 2005). The victory of the latter marked the beginning of a 'successful season for DG Development', which soon emerged as a strong DG within the European Commission and a proponent of innovative ideas in international development (Interview, March 2002). DG Development was however identified with the Lomé Convention so much that 'there are committed career Eurocrats who swear by Lomé' (Babarinde, 1998:486).[16] Since the beginning of the administrative reforms, there has been a partial shift of focus. The preservation of a privileged relationship with the ACP countries is now tempered by a stronger emphasis on making aid more effective. The words of various officials seem to confirm these trends. As expressed by a junior official: 'Until a few years ago DG Development was often considered DG ACP. We now want to play a different role. We are much more interested in convincing Member States to give more aid and to deliver it better and faster' (Interview, November 2006). Along the same lines a senior official said: 'I don't care if DG Development is less important than in the 1970s, although I am not so sure that is the reality. What I am interested in is that development issues receive wider attention within the European Commission and in the Member States' (Interview, March 2002). These views introduce us to the next section, which is how Member States conduct their development policy.[17]

Development co-operation in the Member States

To present a synthetic and coherent overview of the evolution of development co-operation in twenty-seven Member States would be an impossible task. The objective of this section is to offer some useful background to understand the position that each Member State takes on quality and quantity of aid and to assess the challenges that the EU will face in the execution of the European Consensus on Development and the Code of Conduct, which are discussed in the last section of this chapter. While in the case of EC development policy I examined how various integration theories have explained its evolution, in the case of the development policies of the Member States it is useful to ask why countries provide aid. The four perspectives reviewed below help us understand whether and how national governments, supranational institutions and other non-state actors affect decisions on quantity and quality of foreign aid.

Theories of foreign aid

According to realists, foreign aid is driven by governments promoting their national interest, both political and economic. During the Cold War, various countries, in particular the US, placed emphasis on political and security imperatives. For instance, the Marshall Plan was designed to protect Western European countries from the expansion of communism.[18] Since then, the US has channelled disproportionate amounts of money to strategic countries (e.g. Egypt and Israel). Several countries in Europe have also used aid for political motivations. For instance, the eastern Member States (and the Soviet Union) concentrated their efforts on political allies and states that pursued socialist goals. (West) Germany refused to grant assistance to countries that recognised the German Democratic Republic (Raffer and Singer, 2001; Carbone, 2004a). With the end of the Cold War, the political rationale for aid lost its meaning and most donors cut their aid budgets. Security as a motivation for foreign aid re-emerged with the terrorist attacks in the US in September 2001; various countries (the US, but also the UK and Germany) decided to boost the security-related component of their development assistance (Woods, 2005). Providing aid for commercial reasons is often associated with Japan, whose domestic economic interests are included among the official goals of development co-operation. Various countries in Europe, notably Germany and Italy and at times the UK, have sought returns for their exporting firms. Finally, some claim that aid provided by France and the UK to their former colonies, in addition to a moral impetus, is also based on economic interests, namely privileged access to natural resources and markets (Hook, 1995; Cumming, 2001).

Idealists argue that foreign aid is shaped by non-material motivations, such as altruism and moral obligation. In these cases, countries transfer high levels of foreign aid to the poorest countries, simply on the basis of their needs, measured according to the level of poverty and other human development indicators. Unlike realists, idealists are optimistic about the beneficial contribution of aid to reducing world poverty. For this reason, they criticise military aid and aid transferred to local elites, as well as the implementation of programmes which rely on inefficient and distant donor bureaucracies rather than responding to local needs (Hook, 1995). Another related argument is that developed countries must provide foreign aid to reduce the gap between the rich and the poor or to compensate colonies for past exploitation (Lumsdaine, 1993; Riddell, 1996). Closely linked is the concept of 'humane internationalism' (Stokke, 1989; see also Pratt, 1989) which combines obligation and self-interest. The idea is that donors have an obligation towards developing countries, but at the same time providing aid also responds to their national interest. The altruistic perspective is generally associated with the northern Member States (including the Netherlands), and some other like-minded countries, such as Canada and New Zealand.

Institutionalists, though a strong tradition does not exist in the foreign aid literature, emphasise the idea that international organisations are important in setting the international development agenda (Van der Veen, 2000). Scholars closer to the idealist school stress the role of international organisations in establishing targets for quality and quantity of aid. In particular, the United Nations set the 0.7 per cent target, the DAC has been crucial in the debates on untying of aid and aid co-ordination, the World Bank has been highly influential with its studies on aid effectiveness. A similar approach was taken by a number of constructivist scholars (Finnemore, 1996; Barnett and Finnemore, 2004). Scholars closer to the structuralist school in the 1970s argued that increasing the share of aid managed by international organisations was a way to de-link it from the political and commercial interests of the donors and to pursue global economic equality (Hook, 1995; Schraeder *et al.*, 1998). The alleged apolitical dimension of international organisations was questioned by various scholars who maintained that international organisations, particularly the World Bank, impose a Western model on developing countries and implement programmes only to justify their existence (Fergusson, 1994; Escobar 1995).

Liberals explore the domestic dimension of foreign aid. Their argument is that pressure from domestic groups, that is, political parties, businesses, NGOs, bureaucracies, can be more important than other reasons in understanding quantity and quality of aid. First, in the case of political parties, studies have led to inconclusive results (Thérien and Noël, 2000). The general assumption is that left-wing (Stokke, 1989; Lumsdaine, 1993) and Christian parties (Imbeau, 1988) are more generous than parties on the right. However, Hout (1991), looking at the impact of different governing coalitions on aid levels, found little variation when coalitions changed – surprisingly, he found that right-wing coalitions gave slightly more aid. Second, aid bureaucracies, though their role is generally limited to the implementation of programmes and projects, can push for an expansion of the aid budget, but bureaucratic resistance is often considered a key variable in understanding lack of progress in donor co-ordination (Van Belle *et al.*, 2004). Third, in the case of domestic businesses, evidence seems to suggest that large firms have an influence on the choice of sectors and development projects, but the data are inconclusive regarding quantity of aid (Van der Veen, 2000). Fourth, in the case of NGOs, their major contribution is in raising awareness on development issues through public campaigns or in implementing projects, whereas the impact of their advocacy strategies varies greatly (Carbone and Lister, 2006). Finally, the correlation between public opinion and expenditure on foreign aid is not straightforward. Otter (2003) has shown that levels of public support and foreign aid are positively correlated in the US and Denmark, are negatively correlated in Australia and Japan and are not correlated at all in Canada.

Evolution and performance in foreign aid

After carefully examining the approaches and performance of the various Member States, I decided to categorise the various Member States into the following groups: the big three (i.e. France, Germany and the UK), the northern Member States (i.e. Denmark, the Netherlands, Sweden, and Finland), the southern Member States (i.e. Greece, Italy, Portugal and Spain), and the eastern Member States (i.e. Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, but also Cyprus and Malta). Based on their performance in foreign aid, the remaining states can be associated with the northern Member States (i.e. Luxembourg, Ireland and increasingly Belgium) or with the southern Member States (i.e. Austria).[19] Figure 2.1, which

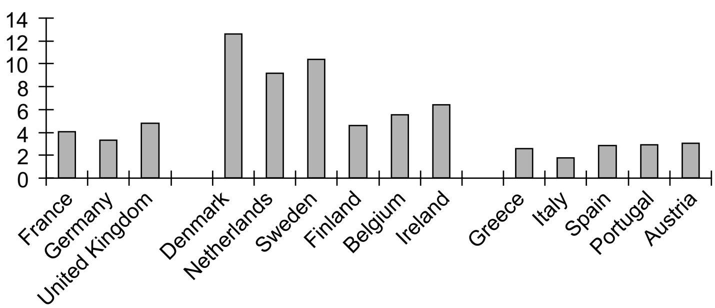

Figure 2.1 Performance of foreign aid by EU Member States, 2003–2006.

Source: Centre for Global Development www.cgdev.org (accessed 15 June 2007).

is based on an index developed by the Centre for Global Development, confirms the legitimacy of these divisions.[20] This performance in foreign aid index measures both quantity and quality of aid. It rewards countries for high volumes and for letting taxpayers write off charitable contributions but penalises them for tying aid, for overloading recipient countries with too many small projects, for receiving debt payments from loans. The best performers are the northern Member States: they provide high shares of their GNI, allocate most of these resources to poor and relatively democratic governments, use programme aid or sector-wide approaches; they score low only in private charitable giving (i.e. Finland and Sweden) and in tying aid (i.e. Finland and Denmark). The worst performers are the southern Member States (and the eastern Member States, which however are not included in the index) for the following reasons: low net aid as a share of the economy, small amounts of private charitable giving, large share of tied or partially tied aid, large share of aid to less poor and relatively undemocratic governments, extensive use of project aid. The big three lie in between the two extremes: the UK has gradually increased its aid volume, has completely untied its aid, avoids project proliferation, transfers a high share of aid to poor recipients with democratic governments, but has small amounts of private charitable giving attributable to tax policies; France has gradually increased its volume of aid, reduced tied aid, but still allocates aid to relatively less poor and less democratic governments; Germany has low net aid volume as a share of the economy (though this does not take into account the substantial increase in 2006), but large amounts of private charitable giving and small shares of tied or partially tied aid (see Table 2.3 for allocation of bilateral aid; Table 3.1 for volume of aid; Table 5.2 for untying of aid). It is also interesting to note that in all the northern Member States and other like-minded countries (e.g. Belgium, Denmark, Finland, Germany, Ireland, Luxembourg, the Netherlands, Sweden and the UK), a Minister for Development has full responsibility for development issues and sits in the Cabinet. In the rest, development policy falls within the competence of the Ministry for Foreign Affairs, who generally delegates responsibilities to an undersecretary. In this case, however, considering that undersecretaries do not sit in the Cabinet, the risk is that development policy receives inadequate attention at the highest political level.

France

The evolution of development policy in France has been driven mainly by its colonial heritage and has been closely linked to its foreign policy. Throughout the Cold War, France provided large amounts of development assistance to its former colonies, mainly in West Africa; another motivation was its intention to provide a 'third way' for non-aligned nations, but mainly in opposition to the US attempt to extend its influence in the region. Relations with African countries included aid, trade, military assistance (even supporting dictators) and monetary collaboration (the common currency in West Africa was linked to the French franc, but was eventually delinked in 1994). With the end of the Cold War, France transferred

Table 2.3 Allocation of bilateral aid, selected EU Member States, 1984–2005

	1984–1985	*1994–1995*	*2004–2005*
France	S.-S. Africa 52.6, Oceania 15.3, N. Africa 13.7; French Polynesia 5.5, New Caledonia 4.6, Morocco 4.5	S.-S. Africa 53.4, N. Africa 15.7, Oceania 13.1; Côte d'Ivoire 7.6, Egypt 5.6, New Caledonia 4.6	S.-S. Africa 58.9, N. Africa 13.6, Middle East 7.3; Nigeria 6.8, DRC 5.5; Senegal 3.4
Germany	S.-S. Africa 33.6, S. and C. Asia 17.8, Far East Asia 15.2; Egypt 4.3, India 4.1, Indonesia 3.7	S.-S. Africa 25.4, Far East Asia 22.9, S. and C. Asia 12.8; China 6.3, Indonesia 3.8, India 3.6	S.-S. Africa 31.5, Middle East 19.5, Far East Asia 14.7; Iraq 9.9, Nigeria 5.8, China 4.6
United Kingdom	S.-S. Africa 39.5, S. and C. Asia 35.9, Far East Asia 5.1; India 10.4, Bangladesh 3.2, Sudan 2.8	S.-S. Africa 45.1, S. and C. Asia 23.2, Far East Asia 10.0; India 4.5, Zambia 2.4, Bangladesh 2.2	S.-S. Africa 53.6, S. and C. Asia 21.0, Far East Asia 4.6; Nigeria 12.0, Iraq 8.2 India 5.5
Netherlands	S.-S. Africa 36.8, S. and C. Asia 21.2, N. and C. America 15.2; Indonesia 6.4, India 5.8, Netherlands Antilles 5.1	S.-S. Africa 37.9, S. and C. Asia 17.5, N. and C. America 13.8; India 4.0, Netherlands Antilles 2.6, Tanzania 2.2	S.-S. Africa 49.5, S. and C. Asia 13.8, Far East Asia 10.8; Iraq 2.6, Indonesia 2.6, Sudan 2.5
Sweden	S.-S. Africa 55.6, S. and C. Asia 21.8, Far East Asia 14.8; Tanzania 6.6, VietNam 6.3, India 5.8	S.-S. Africa 44.6, S. and C. Asia 15.6, Far East Asia 10.1; India 4.0, Mozambique 3.6, Tanzania 2.7	S.-S. Africa 49.7, S. and C. Asia 12.7, Far East Asia 10.2; Tanzania 2.9, Mozambique 2.4, Ethiopia 2.0
Italy	S.-S. Africa 67.2, N. Africa 8.1, S. America 5.3; Somalia 7.4, Ethiopia 5.7, Sudan 3.4	S.-S. Africa 34.7, N. Africa 30.1, S. America 8.2; Egypt 14.0, Mozambique 6.2, Ethiopia 4.2	S.-S. Africa 38.9, Middle East 34.5, N. Africa 6.4; Iraq 12.3, Nigeria 6.6, China 1.3
Spain	—	N. and C. America 24.9, S. America 27.4, Far East Asia 20.7; China 7.6, Mexico 6.1, Argentina 4.0	N. and C. America 25.7, S.-S. Africa 25.1, S. America 16.8; Nicaragua 4.9, Honduras 4.5, Iraq 4.1
	—	—	Europe 21.5, Middle East 20.0, Latin America and Caribbean 20.0; Iraq 16.9, Serbia and Montenegro 10.8, Afghanistan 6.2

Source: DAC (2007).

Note: This table includes only the top three recipient regions and the top three recipient countries.

large amounts of money to Eastern Europe and the countries in the former Soviet Union. It continued to keep its focus on its former colonies or overseas territories, yet it started paying attention to the issue of democracy, and, after having re-established normal relations with the Bretton Woods institutions, it introduced aid suspension for countries which violate human rights and democratic governance. By the mid-1990s, its aid programme began to drop rapidly, reaching its lowest point in 2001; this was partly due to the economic obligations of the Treaty of Maastricht and partly to the criticism of how development co-operation had been conducted in Africa. France is generally accused of putting too much emphasis on education and culture, and less relevance on social sectors. One of the most original elements of its development programme, however, is the idea of managing the negative effects that globalisation has on developing countries. Finally, in its multilateral component, its privileged channel remains the EC, but it lacks an overall strategy with regard to other multilateral agencies.

United Kingdom

The UK has maintained close relationships with the members of the Commonwealth of Nations, but at the same time has used development co-operation as a platform to support its activism in the international arena. During the Cold War, its aid programme was strongly influenced by the US. Drastic reductions of public resources occurred during the cabinets led by the Conservatives in the 1980s and 1990s, who emphasised that aid should promote British political and commercial interests. In the 1980s, the UK was the first donor to link its foreign aid programme to the conditionality as designed by the Bretton Woods Institutions. A radical change occurred in the late 1990s when, with the election of the Labour government, development co-operation became a central issue in the political agenda. The new government reversed the negative trends in volume of aid, though very slowly until the mid-2000s, and became active in innovative sources of development. It also decided to unilaterally untie aid, reallocated its aid to low-income countries, and (re)made Africa the central priority of its development co-operation policy. Concurrently, following the 9/11 events, the government became more concerned about the threat posed by international terrorism, global instability and fragile states, and a substantial portion of funds was linked to international security. As for its approach to multilateral agencies, it does not have an overall strategic direction, but one of the central priorities is to improve the effectiveness of the international system, starting with the EC.

Germany

Unlike France and the UK, Germany does not have a legacy of colonialism. This means that it never favoured a specific group of countries or regions nor did it focus only on the poorest countries; in fact, it tends to privilege middle-income countries. Having significantly benefited from the Marshal Plan in the aftermath of World War II, it became a significant donor by the mid-1960s. Between the

1960s and the 1980s it used aid to rebuild its image in the world – that is, large amounts of money went to Israel and Yugoslavia as a compensation for atrocities during World War II – and for political or geopolitical reasons – privileged countries were Turkey and Egypt. Financial assistance was denied to those countries that recognised the German Democratic Republic. Aid was also driven by commercial reasons, specifically to sustain the heavy industries and economic infrastructure sectors. During the 1990s, resources for developing countries were drastically reduced for a number of reasons: the high cost of re-unification; the commitment to respect the macro-economic stability criteria established by the Treaty of Maastricht; the increased focus on Eastern Europe. At the beginning of the 2000s, this tight fiscal situation still affected its volume of aid, which remained below the EU average. After the September 2005 elections the coalition government confirmed its commitment to quantity and quality of aid and aid was significantly increased in 2006. As for its approach to multilateral aid, Germany has privileged the EC channel, to which it has contributed with very high shares of its total aid.[21]

Northern Member States

The four northern Member States – Denmark, Finland, Sweden, and the Netherlands – are among the best performers in foreign aid, not only in terms of quantity, but also in terms of quality. A partial exception, however, is Finland. Although they have a longer tradition, which in some cases goes back to church-sponsored humanitarian missions especially in Africa and Asia, they became relevant donors only in the 1960s. Unburdened by the legacy of colonialism, they have allocated aid based on the needs of the recipients.[22] A consensus exists among these countries and, in fact, Nordic ministers meet ahead of formal meetings to hold informal discussions, and as a consequence they act very cohesively in formal meetings. They also tend to work with other like-minded countries (i.e. Norway, Canada, New Zealand) to influence the global debate on international development. These countries do not channel high quantities of resources to multilateral agencies, but they are very selective. Their preference is for the United Nations for idealistic reasons – for example, developing countries are integrated in the decision-making process; the concept of development goes beyond economic growth to include social issues. Their view on a truly European development policy is split: on the one hand, the Netherlands and Finland tend to be more supportive of the efforts of the European Commission to co-ordinate development policy at the EU level; on the other hand, Sweden and Denmark are much more critical and see the EU as an additional layer of bureaucracy.

Southern Member States

The four southern Member States – Greece, Italy, Portugal and Spain – does not have a consolidated tradition in development co-operation. With the exception of Italy, they became donors relatively late; some of them were recipients of economic assistance until the 1970s (i.e. Spain and Portugal) and even the 1980s (i.e. Greece). This is one of the explanations for their low volume of aid. Furthermore, aid allocation has been driven by colonial heritage, that is, Spain and Portugal and less Italy, or geographical proximity, that is, Italy and Greece. Italy started its programme in the 1960s, but became a major donor only in the 1980s. Since the early 1990s, however, due to its internal political crisis it reduced its aid budget drastically. Some partial changes have occurred with the new government elected in 2006. Spain has traditionally emphasised the promotion of commercial and cultural interests and the allocation of additional resources to middle-income countries, especially in Latin America. A change of direction occurred with the election in 2004: the new government increased the volume of aid and made poverty eradication the central goal, with a new emphasis on social sectors and Africa. This group of countries transfers large shares of resources to multilateral agencies, aiming at increasing their influence in those multilateral forums. They, nonetheless, privilege the EC channel and are, generally supportive of the Commission's attempts to co-ordinate aid at the EU level.

Eastern Member States

The majority of the newcomers in 2004 were members of the Council for Mutual Economic Assistance (CMEA). Most of their aid was characterised by a strong and strategic orientation, concentrating on political allies and friendly countries which were pursuing socialist goals. The three eastern countries that provided significant amounts of aid were East Germany, Czechoslovakia and Bulgaria. With the collapse of communism, all these countries discontinued their aid programmes and became recipients of large amounts of resources. In view of their accession to the EU, and having partially overcome their transitional crisis, they launched or re-launched their foreign aid programmes. Their aid level is, in most cases, very small (with the exception of the Czech Republic and Hungary) and allocation is generally motivated by geographic proximity. Most of them concentrate their efforts on the former Soviet Union and the Balkans, although a modest amount of money still shows some traces of the communist past – in the form, for example, of aid to Angola, Vietnam and Yemen. A significant part of the official development assistance (ODA) of the Czech Republic, Slovakia and Slovenia is committed to a programme administered and implemented by the EU Stability Pact for South Eastern Europe. In terms of quality of aid, most of these countries tend to use project aid rather than programme aid, sector-wide approaches or budget support. They also significantly, tie their aid, hoping to gain public and business support in their efforts to increase volume of aid.

Decision-making in EU development policy

The legal basis for EU development co-operation policy, and specifically the principles of complementarity and co-ordination, is laid down in the Treaty of

Maastricht.[23] The principle of co-ordination (Article 180) establishes that Member States and the EC should consult each other and co-ordinate their development co-operation policies, including in international organisations and during international conferences. The Treaty, however, is not explicit about the level of co-ordination, which, in practice, could include exchange of information, harmonised procedures, common sectoral approaches, joint programming frameworks (Dacosta *et al.*, 2004). It nonetheless stipulates that the European Commission may take any useful initiative to promote such co-ordination. Schrijver (2004:85) argues that this was 'meant to give some emphasis to and perhaps even expressly welcome such initiatives, which could also well be taken without this provision'. Robles (1996:5), more convincingly, maintains that the 'procedural consequence of co-ordination is radical: henceforth, the right of initiative to promote this co-ordination by formulating strategies and implementing policy, belongs to an organ representing the EU (the Commission) and not to intergovernmental bodies (such as the Council of Ministers or the European Council)'. The principle of complementarity (Article 177) has the objective of ensuring that EC development policy provides added value to the policies pursued by the Member States. The same article establishes that both the EC and the Member States should take into account the decisions made in the context of the UN and other international organisations. In this case also the Treaty on the European Union (TEU) is vague, and, in fact, two diverse interpretations can be given: Member States and the EC share competences, which are exercised alongside each other; EC development policy is subordinate to the development policies of the Member States, in line with the principle of subsidiarity (Hoebink, 2004; Schrijver, 2004).[24] The European Court of Justice (ECJ) partially helped to resolve this lack of clarity, establishing not only that the EC and Member States share competences, but also that once the EC adopts a decision, Member States cannot undertake actions that have adverse consequences for the development co-operation policies pursued by the EC (MacLeod *et al.*, 1996; Peers, 2000). The debate that followed, as we shall see later, concerned the complementarity arrow, whether it goes only from the EC to the Member States or if it also draws the Member States into a more comprehensive division of labour.

The key actors in EU development policy are the European Commission and the Council. Within the European Commission, a central role is played by DG Development, which undertakes initiatives to promote co-ordination with the Member States, initiates general development policy (i.e. to be applied to all regions), and is responsible for relations with the ACP group. DG Relex deals with the other regions of the developing world, notably Asia, Latin America and the Mediterranean, and manages the thematic budget lines. This artificial division of tasks is often criticised by Member States, not least because the two DGs hold different views on development issues: DG Relex is more politically oriented, whereas DG Development is more poverty-focused (Interviews, March 2002; November 2006). The list of DGs involved with EC external assistance should also include DG Enlargement, which deals with pre-accession funds, DG Ecfin, which is responsible for economic monitoring and dialogue with third countries and for managing macro-financial assistance, and DG Trade, which is in charge of trade policy, including since 1999 trade with the ACP countries. Finally, EuropeAid is in charge of the implementation of all EC external programmes (see Table 2.4).

Within the Council, the General Affairs and External Relations Council (GAERC) has been, since the Seville reform in June 2002, the main decision-making body. The GAERC replaced the Development Council, which used to meet twice a year, though an informal Development Council can still be summoned when it is deemed necessary. The Presidency, which rotates every six months, with the help of the Council Secretariat prepares and chairs all the meetings in the Council; its power varies greatly, with some Member States more interested in achieving 'good compromises' and others more concerned with their national priorities (Interviews, March 2002; November 2006). Within the Council, the Development Working Group (known as CODEV) plays a prominent role.[25] It is composed of junior officials from the Permanent Representations of the Member States, generally meets once a week, and is in charge of drafting secondary legalisation and Council Conclusions. The atmosphere in the CODEV is, generally, consensual; some Member States (e.g. the northern Member States and the UK) are more active than others, which reflects the salience of development policy at the domestic level; the southern Member States are often passive, and rarely obstructive (Interview, March 2002). When issues are not solved at this level, they are passed on to the Committee of Permanent Representatives (COREPER), which is composed of senior officials of the Permanent Representations (at the ambassadorial level); in this venue Member States operate in a more intergovernmental manner (Interviews, March 2002; November 2006).

Table 2.4 European Commissioners and DGs involved in EC/EU development policy, 1999–2007

DG	*Key tasks*	*Commissioner under Prodi*	*Commissioner under Barroso*
Development	Africa, Caribbean and Pacific (ACP); general development policy	Nielson	Michel
RELEX	Mediterranean; Latin America; Asia; horizontal budget lines	Patten	Ferrero
Trade	Trade issues with developing countries	Lamy	Mendelson
Enlargement	Eastern Europe; Balkans; former Soviet Union; pre-accession instruments	Verheugen	Rehn
ECOFIN	Economic monitoring; macro-financial assistance	Solbes Mira	Almunia
ECHO	Humanitarian affairs	Nielson	Michel
EuropeAid	Implementation; evaluation	Patten-Nielson	Ferrero

Note: DG Agriculture, DG Fisheries, DG Education and Culture manage very small amounts of money; Europe Aid is not a DG.

Finally, the GAERC makes the final decision. The GAERC deals with a wide range of issues, it meets once a month in two separate sessions, one on general affairs and one on external relations. At least two special sessions per year are devoted solely to development issues, in which the Ministers for Development Cooperation of each Member State (or their equivalents) hold an 'orientation debate' on EC development policy and discuss progress made by Member States on the Barcelona commitments on financing for development.

The European Parliament plays a marginal role in EU development policy: the Committee on Development Cooperation generally supports the proposals of the Commission and criticises the lukewarm attitude of the Council on the issues of co-ordination and complementarity. It plays a greater role in EC development policy, but only for programmes funded through the EC budget, whereas programmes funded through the EDF are negotiated on an intergovernmental basis. Following an 'Inter-institutional Agreement on Budgetary Discipline and Sound Financial Management' in 2006, the European Parliament maintains regular contacts with the European Commission on the preparation of country, regional and thematic strategic papers (DAC, 2007b). Other relevant actors are the European Court of Justice, which has on a few occasions ruled on competences, the European Investment Bank (EIB), which provides loans and risk capital finance, and a large group of civil society organisations, which implement substantial portions of EC aid but have marginal impact on policy formulation.[26]

The EU makes different types of decisions. In the case of EU development policy, the Council can issue 'soft law' instruments, such as Statements, Resolutions, Conclusions, which are not binding, but rest solely on their moral force. In the case of EC development policy, decisions include Directives and Regulations, agreements on international development issues ('within its sphere of competence'), and various types of soft law instruments. Development co-operation is the only area of external relations in which the European Parliament has co-decision power with the Council. The European Parliament plays a prominent role in the case of the approval of the budget, as it has the last word on non-compulsory expenditures (which include development aid expenditures) and is responsible for its final adoption (which it can reject as a whole). Relations with ACP countries fall outside the Treaty and are based on the Cotonou Agreement. In this case, the European Parliament is excluded and decisions are made by the EDF Committee on an intergovernmental basis using qualified majority voting; the number of votes (which is different from other policy areas) is weighted against the contribution of each Member State to the EDF. Additional confusion is generated when the Council adopts horizontal resolutions on cross-cutting themes (e.g. human rights, gender equality) that also apply to the ACP group despite being adopted outside the normal EC–ACP procedures, or when an ACP country (both governments and non-state actors) receives resources under one of the thematic budget lines (Hoebink, 2005b; Nugent, 2006).

Considering the scope of this book, it is useful to analyse how the decision-making process works in practice. DG Development prepares a proposal, which is then sent for inter-service consultation to those DGs that may have a stake in the issue – the Legal Service and the Secretariat are always consulted. Once it receives all the comments, generally within 15–20 days, it transmits the revised proposal to the Heads of Cabinets, who generally meet once a week to prepare the work of the *Collège*, and finally to the *Collège*. If no problems arise, the proposal is adopted; it can also be slightly modified or sent back to the DGs for adjustments. Voting in the *Collège* takes place very rarely. Once a proposal is adopted by the European Commission, it is passed on to the Council, where it is initially examined by the Development Working Group. Members of this Group, generally, give their opinion on the overall content of the proposal before moving the discussion to each article or paragraph. No voting takes place, but a lack of agreement is generally indicated in the minutes by placing reserves on the text (Hayes-Renshaw and Wallace, 2006). However, considering that proposals in EU development are always politically sensitive, a higher ratio than in other policy areas (though still small in absolute terms) is passed on to the COREPER. The Presidency may play an important role in solving conflicts and fostering compromises. Contrary to general belief, the European Commission also plays a central role: its officials present and motivate their proposals, respond to doubts from Member States, meet with individual delegations (Elgström, 2002). The decision-making process concludes with a final decision made by the GAERC – exceptional issues are taken to the level of heads of states and governments in the European Council.

Towards the end of aid fragmentation

It is clear that the EU represents a unique case in international development. In the first section, I discussed its role as a bilateral donor and in the second section the bilateral policies of the Member States. In this section, I analyse the various attempts made over the past fifty years to integrate these two dimensions. Following the establishment of the EDF in 1957, which was then seen as the first step of an automatic process towards full integration (Faber, 1982; Grilli, 1993), the complete transfer of authority and resources from the national to the supranational level has never been seriously considered. The inclusion of the principles of co-ordination and complementarity in the Treaty of Maastricht and the gradual increase of resources transferred to the EC were too weak to indicate a change of attitude among Member States (see Figure 2.2). An unexpected change occurred at the beginning of the 2000s with the Barcelona commitments on financing for development, soon followed by the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour.[27]

From Rome to Barcelona

The foundations for a common development policy were laid down in the Treaty of Rome and in the first EDF in 1958. The added value of the first EDF, small both in absolute terms and relative to the size of the aid programmes of the various Member States, was 'its existence not its dimensions' (Grilli, 1993:50): this was the first attempt to communitise aid. This trend continued modestly with

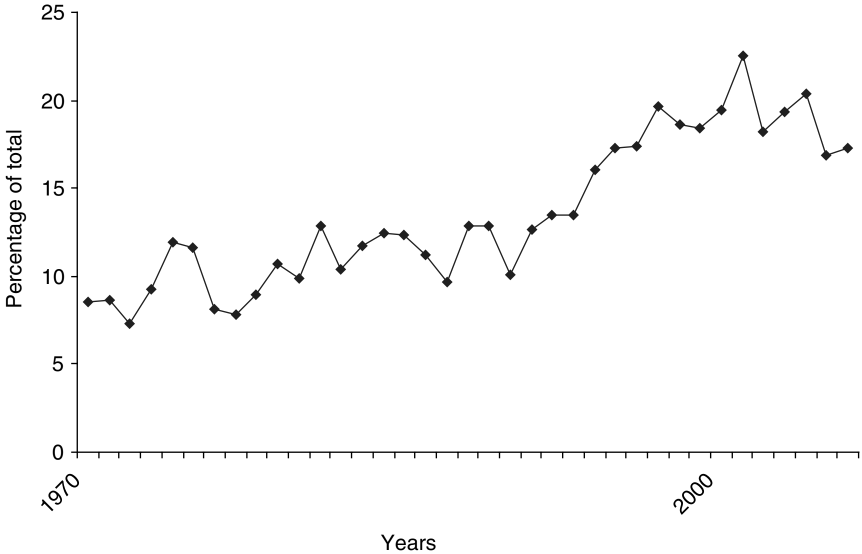

Figure 2.2 Share of EC aid over EU aid, 1970–2005.

Source: DAC online database www.oecd.org/dac (accessed 15 June 2007).

the second and third EDFs and with the Yaoundé Convention signed in 1963 and renewed in 1968, but for a full discussion on aid integration, we must wait until the early 1970s. In a memorandum published in 1972, the European Commission expressed concerned about the implication of the first enlargement on development policy. Abandoning the idea of the communitisation of aid, considered unrealistic in light of the different national interests and different policy styles, it proposed aid co-ordination and gradual transfer to the EC of competence in areas in which the European Commission was deemed to have a comparative advantage. The rationale was to reduce transaction costs for developing countries and make EU aid more effective. These proposals received contrasting reactions. The globalists (i.e. Germany, the Netherlands) supported the call for further integration, but only if two conditions were met: a 'global' development policy, beyond former colonies; significant progress on untying of aid. The regionalists wanted to keep the regional focus of the policy (i.e. France and Belgium) or a high percentage of tied aid (i.e. Italy). The Council, after long debate, adopted a resolution in which it simply recommended Member States to engage in a more comprehensive exchange of information, but did not recommend any binding commitment (Faber, 1982; Loquai, 1996; McMahon, 1998): for Grilli (1993:82), the debate 'must have been so negative that no further action in the field of aid harmonisation and co-ordination was proposed in any of the subsequent documents on development policies'.

During the 1980s, Member States faced various economic difficulties and were less interested in the integration of aid. The European Commission tried a more conservative approach, pushing for co-ordination in individual sectors, but the Council in various Conclusions strongly emphasised the voluntary character of these efforts. In the debate that preceded the adoption of the Single European Act in 1986, no reference was made to aid co-ordination. The proposal by the Netherlands and Denmark to define a comprehensive EC mandate on development co-operation and the calls by the European Parliament for aid integration were not included in the final text. In the run-up to the Treaty of Maastricht, the European Commission advanced the idea of co-ordination and complementarity, which implied a firm commitment by Member States to co-ordinate their bilateral policies and the right of the European Commission to monitor co-ordination, even taking sanctions against defiant Member States. The positions of the Member States varied. The British government was the most hostile, in line with its traditional reluctance to transfer more authority to the EU. France tried to maintain the *status quo*, fearing that changes could result in a penalisation of the ACP group. Germany did not exclude further co-ordination in the long term, but in the short run considered it more urgent to make EC external assistance more efficient. Denmark and the Netherlands did not openly oppose the Commission proposals, but concentrated on improving coherence between development and other policies, especially with trade and agriculture. Italy was ambivalently in favour, not least because its Minister for Foreign Affairs had initially proposed a plan for further integration of aid that was in line with Italy's geopolitical interests. Belgium was the most enthusiastic, and even asked for full communitisation of aid (Loquai, 1996).

The Treaty of Maastricht introduced a new title on development co-operation. In addition to providing a legal framework for EC development policy, it instituted the principles of co-ordination and complementarity, which pertain to EU development policy (as I discussed earlier). These new principles, however, left much room for interpretation, which, in fact, started even before the TEU itself came into force. In May 1992, the European Commission issued a communication (known as 'Horizon 2000'), where it argued that, considering the limited impact of EU development policy, it was necessary to 'gradually align and dovetail' the development co-operation policies of the Member States at the EU level. Complementarity required a common framework and harmonisation of policies (European Commission, 1992). A great majority of Member States rejected these views (especially the Nordic ones), and reaffirmed their right to carry out their development policy autonomously, as the TEU had just established: complementarity could be achieved only through better co-ordination (Loquai, 1996; Hoebink, 2004). In the decade that followed, the European Commission issued a number of communications on both co-ordination and complementarity, took pilot initiatives in several developing countries, initiated sectoral co-ordination, proposed various tools and frameworks, generally followed by Council debates and resolutions. The conclusion of all these initiatives was similar: co-ordination worked poorly, not only because of structural problems but also because of the resistance of the Member States at the headquarter level.

Moreover, the concept of complementarity was thought to function only between the EC and the Member States, rather than being an obligation also for the Member States themselves (European Commission, 2004). In sum, at the beginning of the 2000s, aid integration in the EU was in crisis and there did not seem to be a way out.

A change of direction occurred in the context of the FfD conference, which took place in Monterrey, Mexico in March 2002. The various commitments on quantity and quality of aid taken in Barcelona in view of the FfD conference will be discussed in the next chapters. The important element to stress here is that by acting as a unitary actor the EU was able to shape the pace of international development. The European Commission was given the task of monitoring the progress of the Member States towards the achievement of the Barcelona commitments, but took this opportunity to launch various other ambitious initiatives.[28] In its monitoring report for 2004, following the first High-Level Forum on Aid Effectiveness held in Rome in February 2003, it urged Member States to 'take their responsibility' and promote aid co-ordination, regardless of the weak commitment of non-EU donors (i.e. the US, Japan). In addition to improving the quality of aid, better co-ordination would allow the EU to exercise political leadership in line with its financial weight and to influence decisions in international fora. In spite of the fact that 'many Member States remain reluctant to move from words to action, and do not show readiness to act on the letter and spirit of the Union's obligations to co-ordinate more closely' (European Commission, 2004a:10), the European Commission proposed a number of concrete targets to be implemented both at the level of headquarters and on the ground. These proposals were discussed in various meetings of the Development Working Group, the COREPER and the GAERC in April 2004. This time the Member States seemed more receptive and decided to establish an *ad-hoc* working party on harmonisation to examine in detail the Commission's recommendations. Following a number of meetings, a report, which largely replicated the proposals made by the European Commission, was presented to the GAERC in November 2004 (Council, 2004b). It contained a series of practical recommendations that constituted the basis for a common EU position at the second High-Level Forum on Aid Effectiveness, which took place in Paris in March 2005. The much-celebrated Paris Declaration on Aid Effectiveness is also a consequence of what had been achieved in the EU.[29]

Nonetheless, in the context of the third monitoring report of the Barcelona commitments, the European Commission argued that progress was not fast enough and discrepancies between political commitments and concrete implementation continued. Therefore, to enhance co-ordination and complementarity, 'the EU should seek to agree on a true European Development Strategy or a framework of guiding principles and rules to make its huge amount of aid more effective and genuinely "European" ' (European Commission, 2005a:8–9). The preparatory process for the European Consensus on Development, which is the subject of the next section, had already started at the end of 2004 when DG Development issued a working paper on the future of EC development policy; the real intention, however, was to produce a statement on EU development policy, a sort of Brussels consensus to counter the Washington Consensus (Interview, November 2005).

The European Consensus on Development

The European Consensus on Development was jointly signed by the European Commission, Council and Parliament in December 2005. The first part of the Consensus sets out common objectives and principles for development co-operation, which apply to both the EC and the Member States. It establishes that the overarching objective of EU development co-operation is the eradication of poverty and the pursuit of the MDGs. In addition to more general values (i.e. respect for human rights, fundamental freedoms, peace, democracy, good governance, the rule of law, solidarity and justice and multilateralism), the EU is committed to promoting a number of development-related principles, notably: ownership and partnership – that is, developing countries have the primary responsibility for creating an enabling environment and the EU will support these efforts; political dialogue – respect for good governance, human rights, democratic principles and the rule of law is assessed pre-emptively so that these principles are upheld; participation of civil society – that is, the EU supports and encourages the participation of a range of non-state actors, including economic and social groups; gender equality – that is, gender components must be included in all development co-operation programmes. To promote this 'EU vision of development', Member States must deliver more and better aid and advance policy coherence for development. In particular, they commit to reach the 0.7 per cent aid target by 2015 (and 0.56 per cent by 2010), increase budget support, further untie aid and improve co-ordination and complementarity. Furthermore, they commit to take account of the development objectives in all policies that affect developing countries, particularly by making pro-poor trade policies, reducing distortions caused by the common agricultural policy, ensuring that development is not subordinated to security, and by strengthening the social dimension of globalisation (Council, 2005).

The adoption of the European Consensus marks an important change in the role of the EU as a global actor. Nonetheless, in line with the main thrust of this book, I want to make a few points on the decision-making process that preceded its adoption. The European Commission's proposal to upgrade the 2000 EC development policy statement into an EU development strategy was criticised by several Member States (i.e. the northern Member States and the UK), which 'wanted to defend their right' to carry out their development policies autonomously (Interview, November 2005). Nevertheless, DG Development initiated a wide consultation process with Member States, the public and non-state actors and in July 2005 presented a communication where it laid out its proposal for a statement on EU development policy (European Commission, 2005e). This proposal contained two sections, one on the EU and one on the EC. The section on the EC generated minor criticisms, whereas the section on the EU was very controversial. In addition to spelling out a list of common values and principles, the European Commission recommended the establishment of a common thematic framework around a number of themes and an action plan aiming at reinforcing aid co-ordination and harmonisation and at promoting a better division of labour between the EC and the Member States.[30] Three different groups of Member States emerged during the negotiations. A first group (i.e. Denmark, Ireland, Sweden and the UK) opposed the idea of a common EU vision and the Commission's coordinating role. A second group (i.e. Germany, the Netherlands and Finland) supported the idea of a common EU strategy for development as a way to promote better co-ordination, but did not want the European Commission to be the leading coordinator. A third group of countries (i.e. Belgium, France, Luxembourg, the southern and the eastern Member States) supported both the idea of a common EU strategy and looked at the Commission as the ideal engine for co-ordination (European Report, 23 November 2005; Interviews, December 2005 and March 2006).

The discussions in the Development Working Group of the Council faced various impasses, fostered by the obstructive behaviour of the British Presidency, until at an informal meeting of the Development Ministers in Leeds in October 2005 it became clear that a vast majority of Member States accepted the idea of a joint EU statement on development and the need for additional co-ordination (Interviews, December 2005 and March 2006). The European Consensus on Development was adopted by the GAERC in November 2005, endorsed by the European Parliament, which had actively participated in the debate, and signed by representatives of the three institutions in December 2005. For the first time since the inception of the EU, Member States had agreed on common values, principles, objectives and methods to eradicate poverty to be applied to the development policies of both the Community and the Member States. A major difference between the initial Commission proposal and the final agreement was the elimination of the common thematic framework and the action plan. Both issues, however, were about to re-appear on the EU agenda.[31]

The Code of Conduct on Complementarity and Division of Labour

In the context of the fourth monitoring report of the Barcelona commitments, in March 2006 the European Commission presented an action plan on aid effectiveness (European Commission, 2006b). This action plan consists of three pillars and various concrete initiatives to be developed and implemented by 2010. The first pillar is a transparent mapping and monitoring of the activities of all Member States. The most important outcome is the periodic update of the EU donor atlas. The first edition of the atlas showed that donors tend to concentrate in certain sectors and countries (the so-called 'aid darlings') and ignore other countries (the so-called 'aid orphans'). The second pillar is the implementation of the collective commitments agreed in the context of the Paris Declaration. The most important initiatives are the establishment of joint multi-annual programming frameworks to avoid duplication of efforts and of country-based harmonisation roadmaps.

The third pillar involves the execution of the aid effectiveness dimension of the European Consensus on Development. In particular, this includes increasing joint activities, raising awareness through 'European Development Days', creating a network of development research centres, producing a European Development Report to substantiate the European vision on development policy. This time the 'aid package on aid effectiveness' was comprehensive and well prepared and argued, and the Council had no choice but to endorse it in April 2006 (Council, 2006).

But the most far-reaching outcome of the EU agenda on aid effectiveness is the 'Code of Conduct on Complementarity and Division of Labour in Development Policy', which, following a proposal by the European Commission (2007a), was adopted by the Council in May 2007 (Council, 2007).[32] The Code of Conduct is voluntary and can be revised periodically on the basis of lessons learnt from its implementation. It is embedded in the principles of ownership – that is, developing countries are responsible for coordinating donors and if they cannot do this they will be assisted through capacity building support, and inclusiveness – that is, it is open to all other donors and must take existing processes into account. Member States committed to 'in-country complementarity', which implies that they must concentrate their activities on no more than three sectors per country, though they can also provide budget support and resources to civil society and for education and research purposes. In each priority sector, a 'lead donor' is in charge of co-ordination in the sector, but has the obligation to consult with other donors. If Member States are involved in more than three sectors, they must reallocate those resources into budget support, or remain in the country under the 'delegated co-operation arrangement' (i.e. they delegate authority to the lead donor to act on their behalf) or leave the sector in 'a responsible manner' (i.e. involving the partner country in their decision and communicating it to all stakeholders). The number of active donors per sector should be reduced to a maximum of three, but at least one must operate in each sector relevant for poverty eradication.[33] Member States also committed to 'cross-country complementarity', which implies that they will redeploy their resources to correct the imbalances between 'aid orphans' (including 'fragile states') and 'aid darlings'. In general, they will try to limit the number of priority countries and reinforce their geographical focus. In contrast, EC development policy remains, as previously agreed in the European Consensus, 'universal' in its reach (Council, 2007).[34]

The Code of Conduct, and more generally all the efforts towards integration of aid, present a number of opportunities, but at the same time a number of challenges. The first opportunity is related to enhanced effectiveness of aid: considering that in 2006 the EU managed about 57 per cent of world aid and it is expected to be managing 68 per cent by 2010, any progress made by EU countries will affect the performance of aid worldwide. The second opportunity is to bolster the EU identity in international development, which, in addition to aid effectiveness, also implies the promotion of the values put forward in the European Consensus: 'European citizens want a strong Europe, capable of improving the living conditions of the world's poor', but at the same time 'a more vocal Europe, with a political impact that matches the level of its financial generosity' (European Commission, 2007a:3). The first challenge is political: some Member States may be reluctant to leave a certain country or a certain sector that is in line with their strategic interest or their aid philosophies. The second challenge is operational: division of labour may fail in the implementation stage, because of the resistance of Member States, lack of adequate capacity in the recipient countries or various structural impediments. Finally, the third challenge, or rather the risk, is that donors choose recipient countries based on colonial heritage, in a sort of new colonialism that would send Europe back to the last century.

Conclusion

To understand the evolution of development policy in the EU, three different but interlinked stories must be told. The first is the story of EC development policy and its various transformations over the past fifty years. Between the 1950s and the 1980s, it was limited in both geographical and policy scope, but very progressive. The Lomé Convention, built on the interlinked pillars of aid and trade privileges with a strong emphasis on the concept of partnership, was a model for North–South relations. Development co-operation in other regions, however, was minimal. Between the late 1980s and the late 1990s, EC development broadened both its geographical and its policy scopes. The ACP states had to share their privileged position with other regions, notably Central and Eastern Europe and the Mediterranean. More generally, as a consequence of the Treaty of Maastricht which established the basis for a common foreign and security policy, the EU wanted to evolve into a global actor and EC external assistance became an ideal tool. The EC became actively involved in all regions of the developing world, but this generated an overstretched and fragmented policy, attracting substantial criticism. Finally, since the 2000s, EC development policy has become more poverty-oriented and more efficient, but at the same time new security issues (i.e. fight against international terrorism, migration) and trade liberalisation have become fully integrated into the development field, including the new EC–ACP partnership agreement.

Telling the story of development co-operation in the Member States is even more complicated because of the multiplicity of traditions and approaches. Until the 1960s, France and the UK were the only donors, providing assistance mainly to their (former) colonies in Africa and Asia. In the 1960s, other countries in Europe became active donors, though with different rationales: Germany driven by political and commercial motivations, the Nordics by non-material reasons. While France and the UK maintained their original objectives over the years, they also underwent significant changes in the 1980s and 1990s: France normalised its relations with its former colonies and with the Bretton Woods Institutions; the UK went from a strong emphasis on pursuing its national interests under the governments led by the Conservatives to poverty eradication and reversing declining trends in aid under the Labour governments. Member States in southern Europe have become donors more recently, though Italy started a small programme in the 1960s. In general, they tend to allocate their assistance to their former colonies and for strategic reasons. Notwithstanding this evolution, I have introduced a classification which I will maintain throughout the book. Based on their performance in foreign aid, I have divided countries into various groups: the big three (i.e. France, Germany and the UK), which I dealt with separately; the northern Member States (i.e. Denmark, Finland, Sweden and the Netherlands), the southern Member States (i.e. Greece, Italy, Portugal and Spain) and the eastern Member States (i.e. all the newcomers since 2004). The northern Member States are the best performers, the southern Member States lag behind, the big three lie somewhere in between, whereas the eastern Member States are still emerging donors.

The third story concerns the attempts to create a more integrated development policy in the EU. Following the establishment of the EDF in the 1950s and a thorough debate in the early 1970s, the Treaty of Maastricht laid the foundations for a change of direction, establishing the principles of co-ordination and complementarity and granting the European Commission the role of promoter of aid co-ordination. In spite of this, Member States consistently resisted any attempt by the European Commission towards further integration of aid, though some marginal progress was achieved on operational co-ordination. The subsequent steps exemplified in the European Consensus on Development – signed in December 2005 jointly by the European Commission, Parliament and Council – and the Code of Conduct on Complementarity and Division of Labour adopted by the Council in May 2007, indicate a more real change of course. The European Consensus and the Code of Conduct provide a framework not only for a better co-ordinated policy, but also commit Member States and the European Community to a common view in the promotion of international development. This raises interesting questions about the conception of the EU as an actor, which, due to the scope of this book, cannot be investigated here. The important point to make, however, is that both the European Consensus and the Code of Conduct would not have been possible without the success in the Monterrey process on financing for development, which showed that by acting as a unitary actor, the EU was able to shape the pace of international development. These issues are dealt with in the next three chapters.

3 Volume of aid

Reversing trends in international development

Every year a substantial amount of public resources are transferred from industrialised to developing countries. In general, volume of aid rose between the end of World War II and the 1980s with some exceptions, but declined throughout the 1990s (see Figure 3.1). The adoption of the Millennium Development Goals in September 2000 brought a wave of optimism, but donors 'did not seem interested in putting their hands where their mouths were' (Interview, March 2002). The US and Japan emphasised the role of trade and foreign direct investment as the best way to tackle world poverty. Within the EU, France and the UK had substantially scaled down their foreign aid programmes, Germany was still dealing with the consequences of its unification, and the southern Member States were facing economic difficulties. The only divergent voices were those of the northern Member States, most of which had already achieved the 0.7 per cent target, and the major international organisations – e.g. UN, World Bank and OECD – which had released various appeals urging industrialised countries to double their levels of aid, but their attempts were in vain. The prospects of the International Conference on Financing for Development, scheduled to take place in Monterrey in March 2002, to mobilise additional resources for development looked grim. Against this background, the commitment by the EU's Member States to jointly increase their volume of aid from 0.33 to 0.39 as a percentage of their collective gross national income GNI a few days before the FfD conference was unexpected. Even more unforeseen was the US's announcement to double its foreign aid programme. Although these pledges were far below what was estimated as necessary to achieve the MDGs, their real value was that of placing development co-operation back on the international agenda, at a time when aid levels were at their lowest ever. Since Monterrey, volume of aid has consistently risen, and various donors have made explicit plans to go beyond their initial commitments. In particular, in May 2005 the EU's Member States committed to reaching 0.56 per cent of their collective GNI by 2010. This chapter concentrates on the European Union, explaining the reasons behind the March 2002 and May 2005 decisions. Before doing so, it discusses some general trends in volume of aid.

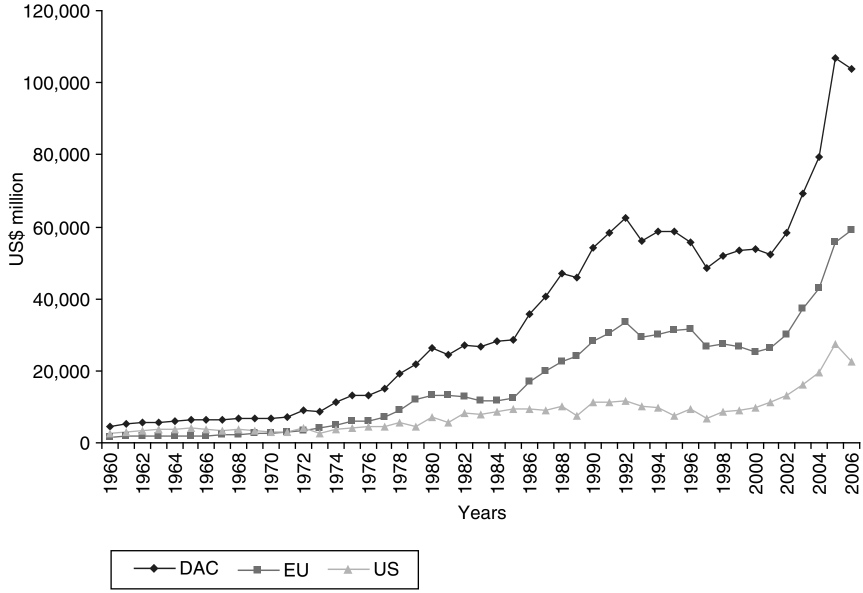

Figure 3.1 Evolution of volume of aid in DAC members, 1960–2006.

Source: DAC online database www.oecd.org/dac (accessed 15 June 2007).

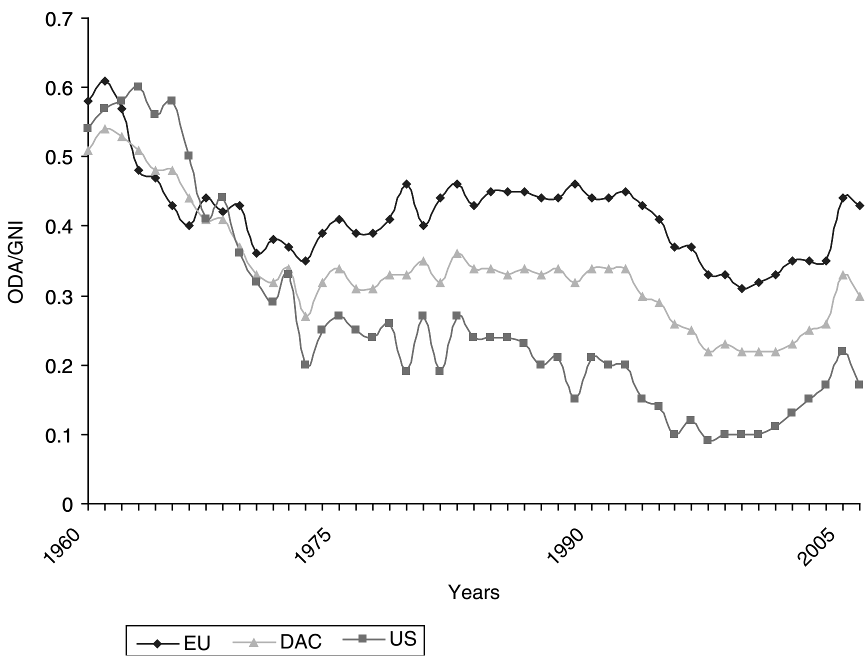

Figure 3.2 Evolution of ODA/GNI in DAC members, 1960–2006.

Source: DAC online database www.oecd.org/dac (accessed 15 June 2007).

Trends in volume of aid

The term foreign aid is used in this book interchangeably with official development assistance (ODA). Accepting the definition adopted by the DAC in the 1970s, ODA consists of loans and grants meeting three criteria: resources must come from the official sector, must be concessional in terms, and must promote economic development and welfare in developing countries. Foreign aid, therefore, includes resources channelled by central governments, local governments and other official agencies; it includes contributions to non-state actors, but excludes funds that these private actors raise independently. It may be provided either as grants or loans, but loans must have a grant component of at least 25 per cent. It includes administrative costs, aid for refugees and debt relief,[1] but, theoretically, excludes resources disbursed for humanitarian purposes and military assistance.[2] In terms of countries, it must be channelled to the least developed countries (LDCs), other low-income countries (LICs), middle-income countries (MICs) and some high-income countries (HICs).[3]

From the Marshall Plan to aid fatigue

Although North–South relations have a longer history, the origin of foreign aid can be traced back to the late 1940s.[4] The first major programme of economic assistance was the Marshall Plan, funded by the US between 1948 and 1951. The main motivation behind this initiative was the pursuit of donor interests: containing the spread of communism in Western Europe while providing business opportunities for American exporting firms. Nevertheless, the effort of the US was exceptional if compared with more recent figures: over US$ 12 billion, more than 2 per cent of its Gross National Product (GNP) and mostly in grant form, was transferred to assist Western European countries in their post-war reconstruction efforts. The Organization for European Economic Cooperation (OEEC), the predecessor of the OECD, was created to co-ordinate and monitor the economic performance of recipient countries, which, however, were in charge of formulating their own development plans (Brown, 1990). The success of the Marshall Plan raised hopes for rapid development in the Third World, but at the same time contributed to foster the East–West rivalry. Following Truman's 'Point Four' speech in 1950, the US started providing additional aid to countries bordering on the communist block in the Pacific, Middle East and Southern Europe. Meanwhile, in the mid-1950s the Soviet Union created its own bilateral military and economic programme, the Council for Mutual Economic Assistance (CMEA), which was used to provide assistance to various countries in Africa (e.g. Guinea, Congo) and Asia (e.g. India, Afghanistan, Mongolia). In Europe, the only significant donors were France and the UK, which transferred large amounts of resources to their colonies (Wood, 1986; Browne, 1990; Raffer and Singer, 1996; Cumming, 2001; Lancaster, 2007).

In the 1960s, the US continued to be the leading actor, providing over half of the DAC aid and inspiring various development initiatives. In particular, it sponsored the setting up of the UNDP and the International Development Association (IDA), which is the 'soft arm' of the World Bank. More significantly, it began to put pressure on Western countries to increase their volume of aid for more equitable burden-sharing. By the end of the 1960s, a number of additional donors emerged on the aid scene: Germany, which was trying to increase its prestige in international affairs while promoting its exporting firms, and the group of like-minded countries (e.g. Sweden, Norway, Denmark, the Netherlands), which soon started to allocate a high share of their GNI for poverty reduction and called on other European countries to do the same. Socialist countries, not only the USSR but also China, became significant donors, financing major infrastructure projects mostly in Asia and Africa (Lancaster, 2007). Multilateral agencies started to become more vocal. The World Bank provided intellectual leadership, by promoting new approaches to international development; the DAC became an authoritative forum for the discussion on quantity and quality of aid; the IMF had to wait until the late 1970s and 1980s to shape the practise of international development when it opened credit to severely indebted developing countries, and its influence increased even more because various donors asked that an agreement with the IMF be signed before disbursing their bilateral assistance (Cumming, 2001).

Following the recommendations of the Pearson Commission, in 1970 the UN agreed on a quantitative target for volume of aid: international donors committed to allocate 0.7 per cent of their GNP to international development by 1980. While in 1968 the level of ODA as a percentage of GNP was 0.48 per cent, from the mid-1970s until the late 1980s it stabilised at around 0.35 per cent. A few countries were often above this average (e.g. Denmark, Sweden, Norway, the Netherlands, France), others around the average (e.g. Belgium, Canada, Finland and West Germany), a few below (e.g. Japan, Italy). In 1973, for the first time the US lost its leadership vis-à-vis the EU in terms of aid quantity: the EU's Member States channelled 46.4 per cent of the total DAC aid and the US 30.5 per cent; by the end of the 1980, that gap increased further – 52.8 per cent for the EU and 16.7 per cent for the US (see Figure 3.2). Another important element of the 1970s is that, following the rise in oil prices, the members of the Organisation of Petroleum Exporting Countries (OPEC) became significant donors. Much of that aid was in grant form, and mostly for other Arab countries (Browne, 1990). Finally, more aid was allocated to the poorest developing countries, particularly in sub-Saharan Africa, as a result of famines and civil conflicts; the terms of aid softened, with the average grant element from DAC countries rising to nearly 90 per cent; aid to multilateral agencies, regarded as less politicised, increased substantially. In sum, '[o]ver the decades of the 1970s and 1980s, aid for development came of age' (Lancaster, 2007:43).

The end of the Cold War resulted in drastic cutbacks. Declines were registered in those countries that had engaged in Cold War activities, notably, in order of intensity, the US, Germany, Japan, Australia (Hopkins, 2000). Various countries in the EU experiencing large budget deficits were forced to cut foreign aid to respect the parameters set up for the Economic and Monetary Union (EMU).

A DAC study showed that aid had fallen fastest in those countries (e.g. Sweden, Italy and Finland) with large fiscal deficits, whereas in countries with smaller fiscal deficits (e.g. Norway, Japan, Ireland) it had increased (Hjertholm and White, 2000). Foreign aid was negatively affected by the emergence of the neo-liberal orthodoxy in international politics, which inspired the Washington Consensus. The emphasis was no longer on public resources, but on private flows, which, ultimately, meant further reductions in public allocation for development (Hopkins, 2000). Various donors experienced aid fatigue, caused by the disappointing economic performance of most developing countries, especially in Africa, despite the large amounts of foreign assistance disbursed over the years. Finally, not only did ODA stagnate but in the late 1980s and the 1990s it also began to be channelled to non-traditional aid recipients, notably the former socialist regimes in Eastern Europe and the former Soviet Union (which having been donors became recipients) and to the East Asian countries that had experienced financial crises. By the end of the 1990s, a number of scholars and practitioners began questioning the usefulness of the 0.7 per cent target. First, it had not contributed to any expansion in volume – though it was a tangible representation of the immense gap between the target itself and what donors actually provide. Second, private flows had considerably increased since the 1970s – though LDCs, especially African countries, received a negligible percentage of these flows and, therefore, ODA represents a crucial source for their development. Third, remittances became more important for many developing countries – though these are transfers from citizens to citizens and very often between citizens living in developing countries (Riddell, 1996; Burnell, 1997; Sagasti *et al*., 2005; DAC, 2007a).

While the debate on means and targets was contentious, a new consensus emerged on goals and impact of aid, partly spurred by three major reports. The first was the *Shaping the Twenty-First Century* report, published by the DAC in 1996, with the direct involvement of various development ministers and heads of aid agencies. The DAC report – which drew on the various international conferences on international development held throughout the 1990s on, *inter alia*, sustainable development, gender, social development – established a number of priority areas to be achieved by 2015 and a number of development norms, such as partnership, ownership and alignment (Thérien and Lloyd, 2000). New optimism about the effects of aid came from the publication of the *Does it work?* report (Cassen, 1994; but the first edition was published in 1986) – which provided evidence on the positive economic return rates yielded by development projects – and the World Bank (1998) report on *Assessing Aid* – which provided evidence of a positive correlation between aid and development at the macro-economic level, though various disagreements emerged in the literature about where to allocate it for better returns (Tarp, 2000). More significantly, in September 2000 world leaders of 191 countries, including 147 heads of state and government, signed the Millennium Declaration, which embodied eight MDGs. The MDGs, to be achieved by 2015, are: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce child mortality; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability; develop a global partnership for development. Most of these goals had been agreed at previous conferences, but the Millennium Declaration gave them a new authority. The MDGs, with their focus on outcomes within a given horizon instead of inputs, seemed also to add new criticism on the 0.7 per cent target (Stokke, 2005).

The Financing for Development conference

The Financing for Development conference, scheduled for Monterrey in March 2002, became a central opportunity to mobilise additional resources for the MDGs. It was preceded by four Preparatory Committees – or PrepComs as they are known in the language of international conferences – held between May 2000 and January 2002. It was an inclusive process: all the major international organisations (not only the UN, but also the World Bank, the IMF and the WTO), and various non-state actors (e.g. NGOs, trade unions, businesses) took part in the debates. It was also a holistic process: a wide range of financing sources, both public and private, were discussed. The negotiations were influenced by the report of the High-level Panel on FfD, appointed by the UN Secretary General in December 2000 and chaired by the former President of Mexico Ernesto Zedillo – Jacques Delors was also a member. The Zedillo Report contained a number of progressive proposals, such as: creating attractive economic and business environments in developing countries; launching a development round in the WTO; reforming the global governance architecture to give voice to the developing countries; introducing some international taxes at a global level (e.g. carbon tax) and allocating Special Drawing Rights to finance the provision of global public goods. The Zedillo report made clear that even with substantial advances in trade liberalisation, foreign direct investment and policy reforms in developing countries, there was still a great need for additional foreign aid, especially for the poorest developing countries. It estimated that an additional US$ 50 billion a year was necessary to meet the MDGs and, therefore, urged donors to take concrete steps to achieving the 0.7 per cent target.

The Monterrey Consensus, agreed at the fourth PrepCom in New York in January 2002 and endorsed by heads of state in Monterrey in March 2002, was less progressive than the Zedillo report. This was partially due to the intransigent attitude and obstructive negotiating tactics of the US – which one of its delegates summarised as ‘peace, freedom and capitalism as pre-conditions for development’ (Interview, March 2002). The EU’s bargaining strength was undermined in the last phases of the negotiations by the rotating Presidency and by its internal divisions, as we shall see in the following sections. The Monterrey Consensus dealt with the mobilisation of both domestic and international financial resources, international trade and international financial co-operation. It recognised that developing countries are responsible for their own development, but that good governance, combating corruption, promoting democracy, human rights and the rule of law and a sound macro-economic framework are all essential elements in attracting additional capital and sustaining development. It noted that the international financial architecture needed to be further reformed and the role of developing countries in the World Bank, IMF and WTO be strengthened. It acknowledged the ‘essential role’ of ODA as a complement to other sources of FfD especially in countries that attract low levels of private foreign direct investment and, similarly to the Zedillo Panel, urged donors to make ‘concrete efforts’ to reach the 0.7 per cent target. Apart from these (for some, rhetorical) commitments, the Monterrey Consensus did not contain any plan of action to achieve the MDGs.

Among the most important outcomes of the FfD process, though not included in the Monterrey Consensus, were the announcements of the EU and the US to boost their foreign aid. On 14 March 2002, the EU committed to reach an average of 0.39 per cent of its GNI by 2006 – channelling an extra US$ 7 billion of aid per year. Following on from the EU pledge was the announcement by President George W. Bush that the US would incrementally increase its aid to developing countries – an extra US$ 10 million between 2004 and 2006 – and from 2006 it would double it – an extra US$ 5 billion per year. This radical change of view was unforeseen considering that the US delegates throughout the FfD preparatory process had objected to the inclusion in the final document of any reference to volume of aid, particularly the 0.7 per cent target. The new funds were to be disbursed through a Millennium Challenge Account (MCA) to nations that governed justly, invested in their people and encouraged economic freedom. This increase, which was subject to the approval of Congress, was expected to start in 2004 and reach full effect in 2006 (Carbone, 2004b).[5] The previous ‘race to the bottom’ in volume of aid was replaced by a ‘race to the top’.[6] In addition to the EU and the US, a number of other donors made statements prior to or following the Monterrey conference on increasing their volume of aid: Canada to double it by 2010, Norway to reach 1 per cent by 2015, and Switzerland to increase it to 0.4 per cent by 2010. Claire Short, the then British Secretary for International Development, summarised the outcome of the Monterrey conference as follows:

> Monterrey was very important, in that the developing world and the OECD countries agreed on what the reform agenda is to deliver to the poor of the world; that is unprecedented in human history, and very post cold war.... The preparatory process was very good and went well. But I think it would have gone sour without the commitment to more aid, and the commitment from Europe, which is yet to be delivered, but helped to leverage the US feeling then that they had to commit.
>
> (Short, 2002)

The two commitments were presented in Monterrey for the US by President George W. Bush, and for the EU by Romano Prodi and Spain’s Prime Minister José María Aznar, respectively President of the European Commission and the EU between January and June 2002.[7] The Monterrey conference was attended by about 50 heads of state and governments and over 200 ministers. It should be added, though, that the Prime Ministers of the five countries that had achieved the 0.7 per cent target – i.e. Denmark, Luxembourg, the Netherlands, Sweden and Norway – issued a joint statement in which they invited other donors to go beyond what had been agreed in Barcelona:

> This group of countries has demonstrated that it is perfectly possible to maintain broad public support for development assistance above the 0.7 target. It is an experience that we are happy to share with others. We urge the major industrialized countries to make an extraordinary effort to increase their ODA. For poverty to come down, total ODA must go up.
>
> (Bondevik, 2002)

This statement was criticised by several EU Member States because it seemed to undermine the EU unitary position and ultimately its credibility as a development actor (Authors' personal notes, March 2002). These disagreements have already introduced us to the debate within the EU, which is the subject of the following section.

Increasing volume of aid in the EU

The commitments made at the 2002 Barcelona European Council marked a turning point in the evolution of EU development co-operation but the process that led to their adoption was marred by numerous tensions. At the beginning of September 2001, neither the European Commission nor the Member States had defined their positions on the FfD conference.[8] A discussion took place among senior officials of DG Development in one of the weekly management meetings. The issue was whether the European Commission should launch any major initiative or show a 'positive attitude in the process' (Interview, March 2002). Within DG Development, officials felt that the European Commission had already contributed to the cause of international development by adopting the Cotonou Agreement and the EBA initiative. More generally, the usefulness of the FfD conference itself was questioned. In the words of a senior official, 'it [was] difficult to see what could be the added value of the Monterrey conference after all the major UN Conferences of the Nineties and the Millennium Assembly' (DG Development source, September 2001). In light of these considerations, the decision was to maintain a low profile.

As for the Member States, there was an almost shared consensus on a sort of 'negative objective': preventing the FfD process from being a pledging conference also in light of the declining trends in volume of aid in various EU Member States (see Table 3.1) or a venue in which to simply discuss the reform of the international financial architecture. Among the 'big three', the UK was the only country committed to incrementally raising the level of resources allocated for development. Germany, which lagged behind the EU average, was facing a clash between the Ministry (and the Minister) for Development Co-operation, which

Table 3.1 Volume of aid in EU Member States, 1960–2000 (percentage of GNI)

	1960	*1970*	*1980*	*1990*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*
France	1.35	0.52	0.44	0.60	0.55	0.48	0.44	0.38	0.38	0.30
Germany	0.31	0.32	0.44	0.42	0.31	0.32	0.28	0.26	0.26	0.27
United Kingdom	0.56	0.39	0.35	0.27	0.29	0.27	0.26	0.27	0.32	0.32
Denmark	0.09	0.37	0.74	0.94	0.96	1.04	0.97	0.99	1.01	1.06
Netherlands	0.31	0.62	0.97	0.92	0.81	0.81	0.81	0.80	0.79	0.84
Sweden	0.05	0.35	0.78	0.91	0.77	0.84	0.79	0.72	0.70	0.80
Finland	—	0.06	0.22	0.65	0.31	0.33	0.32	0.31	0.33	0.31
Belgium	0.88	0.46	0.50	0.46	0.38	0.34	0.31	0.35	0.30	0.36
Ireland	—	—	0.16	0.16	0.29	0.31	0.31	0.30	0.31	0.29
Luxembourg	—	0.23	0.11	0.21	0.36	0.44	0.55	0.65	0.66	0.71
Greece	—	—	—	—	—	0.15	0.14	0.15	0.15	0.20
Italy	0.22	0.15	0.15	0.31	0.15	0.20	0.11	0.20	0.15	0.13
Portugal	—	—	0.02	0.24	0.25	0.21	0.25	0.24	0.26	0.26
Spain	—	—	0.08	0.20	0.24	0.22	0.24	0.24	0.23	0.22
Austria	0	0.07	0.23	0.11	0.27	0.23	0.24	0.22	0.24	0.23

Source: DAC online database www.oecd.org/dac (accessed 15 June 2007).

wanted a progressive increase of ODA volume, and the Ministry (and Minister) of Finance, which was against it. France, which had substantially cut its foreign aid programme, was keener on starting a debate on innovative sources of financing as the best solution to mobilising additional resources for developing countries. The northern Member States, which had achieved the 0.7 per cent target with the exception of Finland, stressed that increasing volume of aid was a moral obligation for Europe and persistently shamed other Member States for not doing so. The southern Member States used their economic difficulties and the need to enhance the quality of aid to divert attention away from their poor performance in quantity of aid (Author's personal notes, October 2001; Interviews, March 2002).

Making the case for additional aid

In view of the third PrepCom, the Belgian Presidency organised a meeting with Member States and Commission officials on 10–12 September 2001. The meeting, however, did not produce any significant outcome, or as a Commission employee eloquently concluded: 'there [was] a gap between the widespread intention to play a leading role in the process and the actual preparedness to make progress specific issues' (Commission source, September 2001). During the seminar, the United States experienced the tragic attack by international terrorists. A debate on how to address the problem of international terrorism started within the European Commission; DG Development's answer was immediately clear: 'it is necessary to reconsider the Commission's approach to the Conference and decide what the Commission can do to contribute to a process that could be the next major test case of new attitudes and new approaches towards development co-operation'

(DG Development source, September 2001). A small number of people within DG Development started working on this issue and by late September 2001 circulated a short non-paper, which advanced three specific proposals: boosting volume of aid, opening a debate on the concept of GPGs, identifying innovative sources of financing. The proposal on volume of aid was that each Member State established timeframes to meet the 0.7 per cent target.

One of the first tactics used by DG Development was framing. Foreign aid was no longer portrayed only as a tool to tackle world poverty but also as a 'non-military response to security concerns'. One passage of the non-paper produced by DG Development eloquently stated:

> In this new context, the FfD conference is a key opportunity for the international community to enter into a 'new global deal' with the understanding that a safer world will only be possible if there is a stronger fight against poverty. In other words, the Conference could show that the international community is ready to take concrete steps in terms of development co-operation to lay the foundations of a new order.
>
> (DG Development source, September 2001)

Nonetheless, the Belgian Presidency, in a COREU sent at the end of September 2001, indicated that it was not keen on proposing new initiatives. In particular it reported that, based on its contacts with Member States, boosting volume of aid was not a shared goal in the EU. DG Development, both the Services and the Commissioner, decided to 'shift gear'. On 3 October 2001 it sent a COREU, in which it spelt out the three issues mentioned earlier, that is, volume of aid, GPGs, innovative sources of financing. The COREU generated various reactions, not all positive (Interview, March 2002). The Belgian Presidency, therefore, decided to convene an informal Development Council on 10 October 2001. It soon became evident that it had changed attitude, as testified by its summary of the Development Council: 'The present crisis should be transformed into a window of opportunity... We should seize this opportunity to set without further delay clear objectives and deadlines, for example, a time path for finally achieving the 0.7 per cent ODA goal' (Author's personal notes from a Presidency report). The recommendation, which reflected the view of DG Development, was that each Member State should develop clear and measurable targets for their volume of aid. DG Development and the Belgian Presidency had worked very closely, and the final aim was to achieve a common and ambitious EU position (Interview, March 2002). Nevertheless, several disagreements emerged among Member States during the discussion of the Commission proposals in the Development Working Group of the Council. The most contentious issue was whether the Member States should agree only on a collective target or whether they should also establish country targets.

The discussions continued in the Development Council that was held in Brussels on 8 November 2001. The group of countries that had already met the 0.7 per cent target (i.e. Denmark, Luxembourg, the Netherlands, Sweden) or had made plans to increase their volume of aid (i.e. the UK, Ireland) was in favour of setting up individual timeframes. The southern Member States (i.e. Greece, Italy, Portugal, Spain) wanted to separate the discussion on the FfD from the 0.7 per cent target and claimed that too much emphasis was being placed on volume of aid, whereas improving the quality of aid was the real priority. In particular, Spain questioned the European Commission's competence in this field and argued that it would be willing to accept timetables only if developed by the Member States. France was initially also strongly against timeframes being set at the EU level, though it was in favour of mobilising additional resources for developing countries. Germany, due to its protracted internal divisions, had not finalised its position (Author's personal notes; Interviews, March 2002). At the end of the day, the Council mandated the Commission to consult further with Member States in order to identify areas in which they were willing to take 'positive initiatives'. More specifically, it referred to 'the further steps to be undertaken by each of them with a view to reach the 0.7% GNP target, including the question of establishing specific timetables' (Council, 2001b). A commentary on this decision claims that 'there is no satisfactory explanation for the 8 November decision to handle the matter on the EU scale' (Orbie, 2003:403). On the contrary, this decision is exactly what DG Development wanted, that is, to keep the issue on the agenda in order to continue mobilising consensus and achieve a common position before Monterrey. In the words of a key negotiator from the Commission:

> The November 2001 Development Council should not be considered a failure, not at all. A failure would have been to close the door and stop discussing the issue for lack of consensus.... Member States were clearly divided in at least three groups: a first group wanted to go very fast, a second group did not want to move at all, a third group could have gone either way. DG Development had one goal at that moment, which was not defending a particular interest, but several interests at the same time, that is, the EU as a whole.
>
> (Interview, March 2002)

DG Development was invited to present its report to the General Affairs Council (GAC) in February 2002. It soon became clear that there was no time to waste: 'given that the window of opportunity might not be open for long, the Commission would need to make maximum use of the peer pressure mechanism' (Commission source, November 2001). Two options were discussed in DG Development. In the first case, Commissioner Nielson would send a letter; in the second case, the Commissioner or the Director General of DG Development would meet with the development minister and other representatives from each Member State. This second option prevailed and the Director General for Development, Koos Richelle, accompanied by two DG Development officials, visited all Member States between 29 November 2001 and 9 January 2002.[9] The positions of the Member States had not changed much from what they had expressed in the November 2001 Development Council. Nevertheless, it was noted that ‘there was a demand for leadership; Member States wanted to converge, but they needed a motive’ (Interview, March 2002).

The Richelle Report, which was based on this *tour des capitales*, did not merely register the positions of the Member States, but contained some policy recommendations. This confirms the fact that, even when it does not directly take an initiative but answers a precise request from the Council, the European Commission can still use that opportunity to promote its goals. On volume of aid, the Richelle Report recommended that ‘the EU Member States could individually and collectively commit to a sizeable increase in ODA volume, so that an intermediate target of at least 0.39 per cent is reached by 2006 at the latest’ (European Commission, 2002c). This proposal was broadly accepted inside the Commission, and following the meetings of the *Chefs de Cabinets* on 8 and 11 February 2002, a formal Communication was drawn up on the basis of the conclusions of the Richelle Report (European Commission, 2002d). In the words of a Commission official:

> There was a discussion on the opportunity to have a communication. Some DGs argued that there was enough material for a staff working paper but not for a communication. The Monterrey communication did not say what the EC intended to do, but only made recommendations for Member States. The decision was nonetheless to adopt a communication. The idea was that a staff working paper would not have been sufficient to push Member States to do more.
>
> (Interview, March 2002)

The Communication, adopted on 13 February 2002, was briefly presented in the GAC on 18 February 2002, but no major debate took place. Four Member States (i.e. Denmark, Sweden, Belgium and the Netherlands), nevertheless, expressed their disappointment at the EU’s lack of ambition. Intense negotiations, which are reviewed in the next session, were about to start in the Development Working Group, the COREPER and the Council.

The Barcelona commitment

Two important events in January 2002 had an impact on the fate of the Commission proposal. The change in the rotating Presidency – from Belgium, which supported it, to Spain, which opposed it – and the adoption of the Monterrey Consensus made it complicated to reach an ambitious common position. The Spanish Presidency in the COREPER of 21 February 2002 argued that it was no longer necessary to discuss the issue in the EU context and that each Member State was free to make its own declaration in the summit in Monterrey. A number of countries (e.g. Belgium, Denmark, Ireland, the Netherlands, Sweden) and the European Commission, in contrast, were not happy with the Monterrey Consensus and wanted to go beyond it. The Spanish Presidency, reluctantly, accepted this situation and charged the Development Working Group of the

Council to prepare Council Conclusions before the GAC on 11 March 2002 (*El País*, 23 February 2002; Interview, March 2002; Author's personal notes). The Presidency's lack of interest was evident, as confirmed by an official of a Member State:

> Development policy was a low priority for the Spanish Presidency. They had a very negative attitude about the FfD conference. For instance, they always sent us documents late, so that it was not possible to prepare for negotiations on time. It was also clear that one of their objectives was not to upset the United States.
>
> (Interview, March 2002)

The Commission proposal was discussed at a number of sessions of the Council Development Working Group between 22 February and 4 March 2002, but the Member States failed to agree on a common view. The Council was polarised between two alternative proposals (see Table 3.2). The first, based on the Commission communication, recommended the establishment of the 0.39 per cent target. It was supported by a group of countries that either had a high volume of aid or were planning to increase it (i.e. Belgium, Denmark, Luxembourg, Finland, Ireland, the UK), and, more reluctantly, by two of the northern Member States (i.e. Sweden and the Netherlands), which wanted more ambitious timeframes and threatened to block the discussions. The second proposal, presented by the Spanish Presidency in the form of draft Council Conclusions, called for a generic commitment to 'meaningful increases' of ODA volume, with no reference to fixed timeframes or targets. It was supported by the southern Member States and by Austria. Their common argument was: quality is more important than quantity; most European countries are facing difficult economic situations; the EU must try to convince other donors, namely the US and Japan, before making any unilateral commitment (*El País*, 23 February 2002; Interviews, March 2002). France, despite the rhetoric of its President Jacques Chirac on reaching the 0.7 per cent target by 2010 (*International Herald Tribune*, 22 March 2002), wanted to avoid the inclusion of fixed timetables for individual Member States and asked to

Table 3.2 Positions of EU Member States on volume of aid, January 2002

	Commitment to increasing volume of aid	*Commitment to setting up individual timeframes*
Strong	Belgium, Denmark, Ireland, Luxembourg, Netherlands, Sweden, United Kingdom	Denmark, Ireland, Luxembourg, Netherlands, Sweden, United Kingdom
Moderate	Finland, France	Belgium, Finland,
Weak	Austria, Germany, Greece, Italy, Portugal, Spain	Austria, France, Germany, Greece, Italy, Portugal, Spain

Source: European Commission, 2002c; Author's interviews.

simply insert a reference to a collective effort to increase aid. Germany had not taken a final position, but it was evident that it was not going to accept any commitment to significant increases (Interviews, March 2002; Author's personal notes). DG Development was very critical of the Spanish Presidency, as eloquently expressed by a senior Commission employee:

> The Presidency's draft Conclusions are a big disappointment. I really do not see any added value of these Conclusions over and above the 'Monterrey Consensus'. I even see some backtracking from what Member States agreed in Monterrey. Compare 'meaningful increases in ODA volume' in this draft to the Monterrey text on 'substantial increase' and 'timeframes'. If these Conclusions are adopted as such, Member States owe us money for having wasted DG Development mission budget.
>
> (DG Development source, February 2002)

To secure its preferences, DG Development had to persuade a number of recalcitrant countries. One of the most decisive meetings was held in the Council Development Working Group on 28 February 2002. Bernard Petit, one of the most authoritative figures in DG Development, tried to co-opt different Member States using different arguments: to convince those Member States that were opposing the US foreign policy (e.g. France, Germany) he pointed out that achieving a common position would allow the EU to be seen as the real friend of the developing world; to convince the more progressive Member States (e.g. Sweden, the Netherlands) he underlined that this was only an initial step and that failure to reach a decision, though modest, would have significant negative consequences for the developing world. Other officials tried to collaborate with the Presidency, but relations were tense. DG Development decided to raise the cost of no-agreement by threatening the Presidency to withdraw its proposal: 'If you cannot table a more ambitious text that has already been decided in Laeken, we will not have Council Conclusions' (Author's personal notes, 28 February 2002).[10] When the COREPER met on 6 March 2002, the Spanish Presidency had changed attitude and its main goal was to achieve an agreement before the Barcelona European Council. Its fear was that, with no concrete commitments, the anti-globalisation movement, which had caused various problems during the Italian Presidency of the G-8 in Genoa in August 2001, would invade Barcelona (*El País*, 12 March 2002; *El Mundo*, 12 March 2002). The UK played a supportive role, helping the Commission and the Presidency to draft the final text of the Council Conclusions. In general, the British representatives in the Development Working Group and in the COREPER maintained a high profile during the negotiations, also because Gordon Brown, the then Chancellor of the Exchequer, had on various occasions urged donors to double their foreign aid. The credibility of the UK, however, was undermined by its low volume of aid vis-à-vis the more progressive northern Member States (Interviews, March 2002).

The negotiations continued during the GAC of 11 March 2002. Following lengthy but inconclusive negotiations in the morning, the impasse was solved at lunch. Points which are discussed at lunch are sensitive political issues or matters which the Member States wish to talk off the record. And, in fact, lunch was decisive. Italy, represented by President Berlusconi who had on various occasions announced that his government intended to increase its aid contributions to 1 per cent, remained silent. Austria agreed on the *interim* target (0.39 per cent), but not on the long-term one (0.7 per cent). As for Germany, its Foreign Minister Joschka Fischer declared that he was willing to support the proposed targets and time-frames, but he needed to make a joint decision with the Finance Minister and the Prime Minister (*Financial Times*, 11 March 2002; *European Report*, 9 February 2002; Interview, March 2002).[11] At the end of the GAC, Spain's Minister of Foreign Affairs Josep Piqué optimistically declared that the EU was 'on the right track' and that discussions would continue in an 'intense way' so that the Council could reach a common position before Monterrey. He, therefore, established a 'silent procedure' on the basis of the compromise found in the COREPER: breaking the silent procedure would have meant reopening the debate in the context of the Barcelona European Council (*European Report*, 13 March 2002; AFP, 14 March 2002). The silent procedure was not broken, and Member States adopted Council Conclusions in Barcelona committing to:

- a collective target, which implied that the Member States committed themselves to reach 0.39 per cent of their combined GNI by 2006;
- country targets, which implied that the Member States below the EU average would 'strive to reach' 0.33 per cent of their GNI, whereas the Member States above the EU average would 'renew their efforts' to remain at the same level.

The Spanish Presidency took credit for what became known as the Barcelona commitments (*El País*, 15 March 2002). Along the same lines, Orbie (2003: 402) claims that 'it did its utmost to reach an agreement'. This chapter has suggested a different view, as also confirmed by a senior official in the European Commission:

> It is true that the Spanish Presidency presented the final agreement as its accomplishment. But that is part of the game and the Commission is happy with that. Even when the Presidency is not in the first seat to find a solution, the final outcome is always presented as its compromise. But, again, from the Commission's point of view, this is not necessarily a negative thing. In the case of volume of aid, the Commission got what it wanted.
>
> (Interview, March 2002)

In Barcelona, the EU made eight commitments, but the one on volume of aid attracted the most attention. On the one hand, the European NGOs, whose involvement in the decision-making process was marginal, considered it a modest achievement.[12] On the other hand, it was argued that nothing could be done 'to ensure that Member States honoured their commitments' and that it was disappointing that the timetables extended only as far as 2006 (House of

Commons, 2002a:32). The ability of the EU to meet its target certainly depended on the actions of individual Member States. However, the European Commission was going to be central also in the implementation stage. In this sense, Koos Richelle stated:

> We would not have had Monterrey without the Commission, I dare say. The Commission has been trying to make proposals and has now forced the member states into the follow-up procedure of Monterrey, where they now agree to report on the progress made according to a standard format.
>
> (Richelle, 2004)

The next section shows how the European Commission has played a leadership role in the follow-up process and continued to influence the level of aid in the EU.

Moving towards the 0.7 per cent target

Since 2003 DG Development has produced an annual report on the basis of a questionnaire sent to the Member States. The objective was initially to monitor the compliance of the Member States with the Barcelona commitments, to propose corrective measures wherever progress was not demonstrated, and to offer some general recommendations on the issue of financing for development. Increasingly, these annual reports have become an instrument for the European Commission to launch new ambitious initiatives. While the first one was interlocutory, simply reporting general trends on each commitment (European Commission, 2003), the second report triggered a major initiative on the co-ordination of policies and harmonisation of procedures, which made a significant impact on the Paris process on aid effectiveness (European Commission, 2004a, 2004b). The third report was prepared in the run-up to the Millennium+5 Summit and, as we shall see in this section, not only recommended the establishment of new ambitious targets in volume of aid, but also a comprehensive programme on policy coherence for development (European Commission, 2005a, 2005b, 2005c). The fourth report proposed a package on aid effectiveness, which included a number of concrete initiatives to be achieved by 2010 (European Commission, 2006a, 2006b, 2006c). The fifth report presented a number of proposals on aid for trade, to partially compensate the negative effects of trade liberalisation on developing countries, particularly for the ACP countries in the context of the EPA negotiations (European Commission, 2007a, 2007b, 2007c). Some of these proposals have already been discussed in Chapter 2; the remainder of this section concentrates on volume of aid.

In the first two reports published in 2003 and 2004, the European Commission (2003, 2004a, 2004b) decided to take a positive view, at least on the issue of volume of aid, reporting trends, predicting scenarios and encouraging Member States in their efforts. In general, the argument was that, despite the budgetary problems faced by various Member States, the EU was 'well on track' to meet the Barcelona commitment on volume of aid. A section in both reports was devoted to assessing the potential impact of the acceding Member States. Initially, they were expected to abide by the Barcelona commitment, and to take on the country target, though it was mentioned that, given their economic situations, they would face 'tremendous challenges' (European Commission, 2003a). The debate in the Council both in 2003 and 2004 confirmed that Member States were highly committed to meeting the targets. Moreover, the role of the European Commission as coordinator was accepted and supported by all Member States, and even by those that are traditionally sceptical, notably the UK and the northern Member States (Interviews, March 2005).

The third monitoring report was prepared in the context of the Millennium+ 5 Summit scheduled in New York for September 2005, which was meant to assess progress made towards the achievement of the MDGs.[13] DG Development prepared a special questionnaire, asking whether Member States would oppose a new collective target for the EU-25 Member States and a separate target for the EU-10 Member States. In the first case, 12 Member States were favourable, 10 took no position and 2 were against; in the second case, 8 were favourable, 13 took no position and 3 were against (see Table 3.3). DG Development was particularly concerned that two 'heavyweights' like Germany and Italy had not taken a position (European Commission, 2005a, 2005b, 2005c; Interview, November 2005). Nonetheless, it proposed two intertwined targets:

- a collective target, which meant that the Member States (EU-25) committed themselves to achieve 0.56 per cent of their combined GNI by 2010 and 0.7 per cent by 2015;
- country targets, which meant that the 'old' Member States (EU-15) committed themselves to achieve 0.51 per cent of their GNI by 2010 and 0.7 per cent by 2015 and that the 'new' Member States (EU-10) committed themselves to achieve 0.17 per cent by 2006 and 0.33 per cent by 2015.

Table 3.3 Positions of EU Member States on ODA targets for 2010, December 2004

	Yes	*No*	*No position*
New target for EU-25	Czech Republic, Denmark, Estonia, Finland, France, Luxembourg, Netherlands, Poland, Portugal, Spain, Sweden, United Kingdom	Hungary, Latvia	Austria, Belgium, Germany, Greece, Ireland, Italy, Lithuania, Malta, Slovakia, Slovenia
Target for EU-10	Austria, Denmark, Finland, France, Luxembourg, Sweden, Slovakia, United Kingdom	Czech Republic, Hungary, Latvia	Belgium, Estonia, Germany, Greece, Ireland, Italy, Lithuania, Malta, Netherlands, Portugal, Poland, Slovenia, Spain

Source: European Commission, 2006b.

Note: Cyprus did not complete the questionnaire.

The various meetings of the Development Working Group in April/May 2005 and the COREPER on 20 May 2005 replicated, more or less, the dynamics which had emerged during the negotiations of the Barcelona commitments. DG Development was aware that the new targets were ambitious and soon started a number of consultations with key Member States. These consultations were conducted by the new Commissioner for Development Louis Michel, the new DG Development Director General Stefano Manservisi, and a number of new officials within DG Development. Despite these new appointees, DG Development maintained the profile and positions of three years earlier. Three of the northern Member States (i.e. Sweden, Denmark and the Netherlands) criticised the new targets as unambitious, and saw them as 'the minimum acceptable'. In contrast, three of the four southern Member States (i.e. Italy, Portugal, Greece) and Germany, which were running budget deficits, tried to resist the new targets. Those countries that had set specific timetables to achieve the 0.7 per cent target (i.e. France, Finland, Spain, Belgium, the UK) and the Luxembourg Presidency supported the Commission proposal. Several new Member States (e.g. Czech Republic, Hungary, Lithuania) doubted their ability to achieve the 0.17 target by 2010 and wanted to eliminate the reference to the 0.33 target (*European Report*, 21 May 2005; Interviews, December 2005 and March 2006).

An agreement was found in the development section of the GAERC on 24 May 2005, when the Commission's proposal was adopted in its entirety. The language used in 2005 highlights the significance of this decision: the EU-15 'undertakes to achieve' the 0.51 per cent target, which is stronger than 'strive to achieve' used for the Barcelona commitment. In the case of the EU-10 Member States, however, the proposed 'undertake to increase' was replaced by a less categorical 'strive to increase' (Council, 2005; *European Report*, 25 May 2005). Portugal, Italy and Germany, stated that their budget problems might prevent them from meeting the target (*The Guardian*, 25 May 2005). The NGO community celebrated this new achievement positively, but some NGOs cautioned that new increases would not always be matched by reality. A report released by ActionAid claimed that almost two-thirds of foreign aid is 'phantom aid', namely tied aid, technical assistance and debt relief (*Financial Times*, 25 May 2005).[14] The package for the Millennium+5 Summit included two additional commitments: first, to make concrete progress in policy coherence for development (PCD), particularly in twelve policy areas (i.e. trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport, energy); second, to increase financial assistance to Africa, so that it received at least 50 per cent of the agreed increases (Council, 2005).

The fourth (European Commission, 2006a, 2006b, 2006c) and fifth reports (European Commission, 2007b, 2007c, 2007d) showed that the EU not only 'honoured its commitment' (0.39 per cent) but also exceeded it (0.42 per cent). A number of Member States made plans to meet the 2010 target: six (i.e. Belgium, Denmark, Luxembourg, Finland, the Netherlands and Sweden) committed to allocate 0.7 per cent of their GNI, four (i.e. France, the UK, Spain and Ireland)

Table 3.4 Volume of aid in the EU Member States, 2001–2006 and beyond (percentage of GNI)

	2001	*2002*	*2003*	*2004*	*2005*	*2006*	*Further commitments*
France	0.32	0.38	0.41	0.41	0.47	0.47	0.7 in 2012
Germany	0.27	0.27	0.28	0.28	0.36	0.36	0.51 in 2010
United Kingdom	0.32	0.31	0.34	0.36	0.47	0.52	0.7 in 2013
Denmark	1.03	0.96	0.84	0.85	0.81	0.80	Above 0.8
Netherlands	0.82	0.81	0.81	0.73	0.82	0.81	Above 0.8
Sweden	0.77	0.83	0.70	0.78	0.94	1.03	Above 1.0
Finland	0.32	0.35	0.34	0.37	0.46	0.39	0.7 in 2010
Belgium	0.37	0.43	0.61	0.41	0.53	0.50	0.7 in 2010
Ireland	0.33	0.40	0.41	0.39	0.42	0.53	0.7 in 2012
Luxembourg	0.76	0.77	0.80	0.83	0.86	0.89	1.0 in 2012
Greece	0.17	0.21	0.21	0.16	0.17	0.16	0.51 in 2010
Italy	0.15	0.20	0.16	0.15	0.29	0.20	0.51 in 2010
Portugal	0.25	0.27	0.21	0.63	0.21	0.21	
Spain	0.30	0.26	0.25	0.24	0.27	0.32	0.7 in 2012
Austria	0.29	0.26	0.20	0.23	0.52	0.48	
EU-15	0.33	0.34	0.35	0.35	0.44	0.43	0.7 in 2015
Cyprus	—	0.02	0.02	0.03	0.03	0.11	
Czech Republic	—	0.05	0.11	0.11	0.11	0.12	
Estonia	—	0.01	0.01	0.04	0.05	0.07	
Hungary	—	0.02	0.03	0.07	0.10	0.12	
Latvia	—	0.02	0.01	0.06	0.07	0.06	
Lithuania	—	0.02	0.01	0.04	0.06	0.08	
Malta	—	0.01	0.07	0.18	0.17	0.15	
Poland	—	0.02	0.01	0.05	0.07	0.09	0.17 in 2010
Slovak Republic	—	0.06	0.05	0.07	0.12	0.10	0.17 in 2010
Slovenia	—	0.13	0.10	0.10	0.11	0.12	0.17 in 2010
EU-10	—	0.03		0.07	0.09	0.10	

Source: DAC (online database) and European Commission (2004, 2005, 2006, 2007).

Note: Bulgaria and Romania achieved less than 0.01 per cent in 2006.

0.6 per cent (see Table 3.4). However, as of 2006 there were some marked disparities between countries.[15] While the usual four Member States continued to allocate more than 0.80 per cent of their GNI, the rest did much less. In the 2006 report, which assessed trends for 2005, the European Commission decided to 'name and shame' Member States, pointing to Germany and Italy as being 'behind schedule'. Germany, however, registered big increases in 2006 and managed to meet the country target. Four Member States did not meet it, but they planned to catch up in 2007 (i.e. Greece, Portugal and Spain) or 2008 (i.e. Italy). In reality, Spain just missed the target because of a change in the aid accounting system. The performance of the new Member States went beyond the initial expectations, as they more than doubled their ODA since accession. Even though the EU had met its target, the European Commission pointed out that the 'Union's output would have been even more impressive if Greece (EL), Italy (IT) and Portugal (PT) had also lived up to the agreed 0.33% ODA/GNI individual target on time' (European Commission, 2007c:6). In addition, to increase the predictability of aid flows, it urged Member States to establish national timetables by the end of 2007 in order to ensure the achievements of the 2010 and 2015 targets. This last proposal was criticised by various Member States, which is reflected in the text of the Council Conclusions where it is stressed that 'this question falls in the national competence of the Member States'. Nevertheless, the Commission's request was included in the final agreement (Council, 2006, 2007).

Conclusion

At the beginning of the 2000s, development co-operation in the EU, as well as in other DAC members, was facing a mismatch between means and ends. On the one hand, donors had agreed on the MDGs and on a number of principles for the implementation of aid programmes, notably ownership, alignment and harmonisation. On the other hand, while it had risen steadily between the 1970s and the 1980s, the level of foreign aid had declined dramatically since the early 1990s. Various explanations could be given, including the end of the Cold War, budget deficits, general aid fatigue neo-liberal emphasis on private sources. The FfD conference, the first global summit after the 9/11 events, offered an ideal opportunity to mobilise new financial resources to reach the MDGs, but its preparatory process was characterised by numerous disputes, particularly between the US and (various countries in) the EU over whether public or private sources were more important in helping countries climb out of poverty.

Made in the week that preceded the summit in Monterrey, the EU's announcement on boosting its volume of aid, followed by that of the US, made the FfD one of the most successful conferences of the last decade. Reaching such a groundbreaking decision was the result of a long and difficult preparatory process, in which the European Commission, acting as a unitary actor, played a leadership role. In particular, in September 2001 DG Development launched a proposal to establish timeframes to achieve the 0.7 per cent. This proposal, despite the initial resistance of various Member States (e.g. France, Germany, Spain, Italy), was eventually adopted in March 2002 at the European Council in Barcelona, where Member States agreed to set a collective target of 0.39 per cent of their GNI and country targets of at least 0.33 per cent. Throughout the decision-making process, DG Development used various tactics to achieve its goal, namely: it chose the right time to launch its proposal (i.e. exploiting the policy window created by the terrorist attacks in the US); shaped the agenda by using a new policy image for development co-operation (i.e. linking it to international security rather than only to poverty eradication); mobilised consensus by taking several initiatives (i.e. sending a bold COREU, undertaking a *tour des capitales*); and played a very active role in the Council (i.e. various officials in the Development Working Group and the Commissioner for Development using both persuasion and incentives to convince some recalcitrant Member States).

This decision may seem modest in terms of commitment, but its significance and consequences are remarkable. For the first time in the history of EU development policy, the European Commission was able to have a say on the amount of money that each Member State allocates for development assistance. More significantly, it managed to affect the pace of international development – in reaction to the EU pledge, the US committed to boost its volume of aid. Moreover, building on its previous achievements and by carefully drafting a questionnaire monitoring the performance of the Member States, at the beginning of 2005 it launched a proposal for more ambitious targets, that is, achieving a collective EU target of 0.56 per cent of their GNI and a country target of at least 0.51 per cent for the EU-15 Member States and 0.17 per cent for the EU-10 (then EU-12) Member States by 2010. These new commitments, adopted by the Council in May 2005, largely reflected the patterns of the previous decision in 2002. Despite the change of Commissioner, Director General and a number of senior officials, DG Development still managed to lead the process. There is no doubt that since Monterrey foreign aid has moved to the centre of the international politics agenda. There is now a broad agreement among donors to provide more resources, particularly to Africa, and to further reduce the burden of highly indebted countries in order to meet the MDGs. Nevertheless, the UN Millennium Development Project has estimated that reaching the MDGs requires that the ODA of the DAC members (excluding debt relief) increases to an annual average of at least 0.46 per cent (in 2006 it was 0.36). The EU has planned to substantially boost its volume of aid, but other donors must follow suit.

4 Global public goods

More aid, better aid or harnessing globalisation?

The concept of global public goods (GPGs) – that is, goods whose provision or associated benefits spill over national boundaries – became a key theme in international development at the end of the 1990s.[1] Supporters, which included various international organisations and a number of European countries, argued that an adequate provision of GPGs not only enhanced the effectiveness of aid but also helped manage the negative consequences of globalisation. Moreover, considering that these goods provided benefits to both developed and developing countries, they needed to be funded by additional foreign aid or innovative sources of financing. Opponents included several industrialised countries, which questioned the issue of additionality, and a large number of developing countries, which feared the potential diversion of resources from poverty eradication.[2] The battle between supporters and opponents was fought at two international conferences. The first clash occurred during the preparatory process of the Financing for Development conference (Monterrey, March 2002), but because of the negative attitudes of the US and Japan and some divisions within the EU, any reference to GPGs was dropped from the Monterrey Consensus. A second clash happened in the context of the World Summit on Sustainable Development (Johannesburg, August/September 2002), but again no substantial progress was made for similar reasons. The subsequent setting up of an International Task Force on GPGs (April 2003–September 2006) by France and Sweden can be seen as a consequence of these breakdowns, as well as a result of the failure of the EU to achieve a common and ambitious position. The Task Force, however, took more than three years to finalise its work, which for some was a sign that the initial momentum had been lost. This chapter looks at these debates from the European Union's perspective; particular attention is devoted to the divisions inside the European Commission between supporters and opponents. Before doing so in the second and third section of this chapter, the first section introduces the concept of GPGs, with a specific focus on definition and financing.

Understanding GPGs

The driving force behind the re-emergence of the concept of GPGs was the United Nations Development Programme (UNDP), but this 'discourse' has progressively integrated international organisations (e.g. World Bank, OECD), states (e.g. France, Sweden), foundations and philanthropists (e.g. Gates Foundation, Rockefeller Foundation, George Soros). One of the initial concerns among policy-makers was the lack of a clear definition and the associated attempt to identify a shared list of goods. In terms of financing, the focus was on the GPGs-foreign aid link and the potential diversion of resources from more traditional development activities. Various innovative sources of financing were then discussed, though not only limited to the provision of GPGs.

Identifying GPGs

While the role of the UNDP in popularising the concept of GPGs, especially among policy-makers, cannot be denied (Kaul *et al.*, 1999), several scholars had already analysed the effects of increased international interdependence in the late 1990s. Stiglitz (1995), for example, in the mid-1990s extended the concept of local public goods to the international arena and identified many interrelations among various international public goods (i.e. peace, international economic stability, global environment, knowledge). Sandler (1997), who has worked extensively on this issue, showed that to tackle global challenges (e.g. environmental threats, terrorism, nuclear proliferation, communicable diseases) activities at national or regional level were no longer sufficient. However, to motivate nations to act collectively there needed to be sufficient gains for each of them. Thus, he applied the concept of aggregation technology, that is, the relationship between individual contributions and the overall supply of the individual GPG, to show how best to provide for different GPGs.[3] Reinicke (1998) maintained that, with increased interdependence, the separation between national and international realms had become blurred. Nationally oriented public policy needed to be supplemented with ‘global public policy’, which implied higher collaboration between states, international organisations, civil society and the private sector. Finally, Kanbur and Sandler (1999) saw in GPGs a tool to make development assistance more effective and at the same time more palatable for donors.

Following the publication of the UNDP study in 1999, however, the concept of GPGs became known among policy-makers. The UNDP presented a definition and a list of key GPGs. Drawing and extending on the standard definition of public goods, to be classified as a GPG a good must meet two criteria: degree of ‘publicness’ and spatial range of benefits. As for degree of publicness, to be considered public, a good must be non-excludable (i.e. once the good is produced, nobody can be excluded from enjoying it) and non-rival in consumption (i.e. the consumption of a good does not affect the amount available to other people). As for the spatial range, to have a global dimension, a public good must extend its impact beyond a group of contiguous countries, otherwise it would be a regional public good (RPG), and must not discriminate against any set of populations or generations.[4] Based on these premises, GPGs were defined as goods whose benefits are strongly universal in terms of countries (i.e. covering more than one group of countries), people (i.e. accruing to several, preferably all, population groups) and generations (i.e. extending to both current and future generations, or at least meeting the needs of the current generation without foreclosing development options for future generations).

The UNDP presented a tentative list of key GPGs, divided by category: (1) natural global commons, such as the ozone layer or climate stability; (2) human-made global commons, such as scientific and practical knowledge, principles and norms, the world's common heritage and transnational infrastructures (Internet); (3) global conditions, such as peace, health and financial stability.[5] A central point of the UNDP study, however, was that, in addition to some positive effects, globalisation also has negative consequences, which are often rooted in the under-provision or mal-provision of GPGs. The UNDP, however, identified three gaps in the arrangements for their provision: jurisdictional, which refers to the discrepancy between the global scope of GPGs and the predominantly national scope of policy-making; participation, which means that developing countries are excluded from the international governance system; incentive gap, which implies that, in the absence of effective incentives, resources for GPGs would come from foreign aid. More generally, like any public good, GPGs tend to be undersupplied, not least because of the 'free-rider' problem.

Within a relatively short time, academic papers were written and seminars held, while international and bilateral agencies started to integrate the idea of GPGs into their development co-operation policies. In 2003, in response to criticism about the fuzziness of the concept, the UNDP published a second book (Kaul *et al*., 2003). This new contribution proposed a broader definition, which integrated three elements, the so-called triangle of publicness: (a) publicness in consumption, which implies that individuals and groups must have access to the good; (b) publicness in the distribution of benefits, which implies a fair and meaningful deal for all; (c) publicness of decision-making, which implies the involvement of all major stakeholders, including developing countries and non-state actors. Because policy choices determine what is and what is not a GPG, there cannot be a fixed list of such goods: some always have the property of global publicness, while others have over time changed from being local or national to being global in terms of benefits and costs. GPGs were thus re-defined as goods that are in the global public domain. Important clarifications were also made on the financing aspect. A better allocation of existing resources was deemed necessary: GPGs could be provided by creating appropriate systems, such as new markets and appropriate codes and standards; additional money could come from the budget of the government department or agency that is responsible for the domestic component of the GPG in question (e.g. health, environment, energy ministries).[6]

This approach by the UNDP has been questioned by various scholars, especially in France where the concept of GPGs and innovative source of financing was widely debated (Gabas *et al*., 2001; Lille and Verschave, 2003). For instance, Constantin (2002) argued that the urgency to demonstrate the importance of GPGs, confirmed by the fact that presentations and papers are often structured to persuade, has transformed a rigorous concept into a slogan, a mixture of pure economic rationality and wishful thinking. The concept of GPGs is derived from the inappropriate combination of four different theories: theory of public goods, to differentiate public and private goods; theory of market failure, to introduce the issue of positive and negative externalities; theory of basic needs, to justify the notion of free access to resources; elements of political economy, to define groups, collective preferences, collective goods. While the intention was to make the concept of GPGs more attractive, the risk soon became that of creating a catch-all to which people can attach anything they want (Coussy, 2005). Another strand of criticisms saw in the attempts to shift the focus of international development on GPGs a new ideology constructed by international organisations to reinforce their endangered legitimacy. Every decade is characterised by a 'buzzword': New International Economic Order (NIEO) in the 1970s; good governance in the 1980s; sustainable development in the 1990s. These concepts are soon embraced by various actors for various reasons: states for their national interest; NGOs for tactical opportunities; corporations for 'public relations' purposes; academics, who are asked to 'give a scientific aura'.[7] The creation of a GPG approach to international development, some claim, is nothing more than another imposition by the North on the South in the name of rules of behaviour – common interest, collective action, future generations – that the North sees as relevant for the South, thus representing a soft alternative to neo-liberal development (Moore, 2004).

Financing GPGs

When the concept of GPGs became prevalent, a number of studies were conducted to explore their financing. The most relevant, at least to policy-makers, was that of the World Bank (2001), which in its 2001 edition of *Global Development Finance* showed that the level of funding for GPGs (i.e. in the areas of communicable diseases, environment, knowledge creation and dissemination, safeguarding

Table 4.1 List of key global public goods

UNDP (1999)	Natural global commons, such as the ozone layer or climate stability; human-made global commons, such as scientific and practical knowledge, principles and norms, the world's common heritage and transnational infrastructures (Internet); global conditions, such as peace, health and financial stability.
World Bank (2001)	Eradicating contagious diseases; protecting the environment; safeguarding peace; maintaining financial stability; creating and disseminating knowledge.
Task Force on GPGs (2007)	Preventing the emergence and spread of infectious diseases; tackling climate change; achieving peace and security; enhancing international financial stability; strengthening the international trading system; generating knowledge (cross-cutting good).

Sources: Kaul *et al*. (1999); World Bank (2001); International Task Force on Global Public Goods (2007).

peace) had progressively increased to reach about US$ 16 billion a year by the end of the 1990s (see Table 4.2). This figure was even more significant when compared with the total level of aid flows – US$ 40 billion or US$ 55 billion if technical co-operation was included.[8] One of the first studies on the foreign aid-GPGs link, however, was conducted by Raffer (1999:15), who concluded that the share of ODA spent on GPGs had progressively increased throughout the 1990s ('at least two ODA dollars in five have been devoted to GPGs') and that 'the growing importance of GPGs suggest[ed] that these activities should be reported and recorded separately in the same way as ODA'. Similarly, Te Velde *et al*. (2002) showed that aid allocated to public goods (both national and international) as a percentage of the total aid increased from about 16 per cent in the early 1980s, to 28 per cent in the early 1990s, to 38 per cent in the late 1990s (see Table 4.3). They also considered four categories of GPGs and showed that environment took by far the largest share, followed by knowledge and health, whereas peace took marginal amounts (see Table 4.4). Following on this, Anand (2004) investigated

Table 4.2 Sources of funding for activities related to GPGs, 1994–1998 (billion of US $)

	Global and regional funding		*Country-based finance*		*Total*
	Foundations	*Trust funds*	*Concessional*	*Nonconcessional*	
Core activities	1	2	2	—	5
Complementary activities	—	—	8	3	11
Total	1	2	10	3	16

Source: World Bank (2001).

Table 4.3 Spending on GPGs by DAC donors, 1980–1998 (percentage of total aid)

	1980–1982	*1990–1992*	*1996–1998*
International public goods	4.98	6.76	8.79
National public goods	11.24	21.67	29.40
Total	16.22	28.43	38.19

Source: Te Velde *et al*. (2002).

Table 4.4 Spending of funding for GPGs going to sectors, 1980–1998 (percentage of total)

	1980–1982	*1990–1992*	*1996–1998*
Environment	78.30	80.70	70.50
Health	4.10	6.80	11.40
Peace	4.20	0.20	2.60
Knowledge	13.40	12.30	15.50

Source: Te Velde *et al*. (2002).

Table 4.5 Spending for GPGs in low- and middle-income countries, 1990–1999

	Average for 1990–1994		*Average for 1995–1998*		*1999*	
	LIC	*MIC*	*LIC*	*MIC*	*LIC*	*MIC*
Core activities	2	1	2.5	1	4.5	3.5
Complementary activities	7	4	9.0	6	7.5	7.5
Total	9	5	11.5	7	12.0	11.0

Source: Anand (2004).

whether the use of aid for GPGs led to a skewed distribution of ODA towards some countries and confirmed that, although donors were not allocating those resources any differently than they allocated the rest of aid, the share of aid to GPGs had significantly increased (see Table 4.5).

All these studies, but principally the one from the World Bank, galvanised the supporters of GPGs, who started to be more vocal about the idea of additionality. The argument was that the increasing focus in GPGs, which benefited not only developing countries but also developed countries, diverted resources from more traditional development activities. In particular, if GPGs benefited the poor, then their financing through ODA could be justified. If donors used ODA for issues like stabilising climate change, then there would be aid diversion. Nevertheless, considering that foreign aid had decreased throughout the 1990s, new mechanisms to finance GPGs, alternative or additional to ODA, needed to be found. There are various ways to generate resources for GPGs, notably: private donations, both for-profit corporations and non-profit corporations; public–private partnership; 'dual-tracking budget'. All these means, however, generate only small resources vis-à-vis global taxes. The most remunerative way to finance GPGs for some and the most feasible for others is through the imposition of some form of taxation, with the assumption that these measures, traditionally applied at the national level, would also work at the global level – in some cases, though, even one country could decide to start imposing a tax. The most controversial proposal is the currency transaction tax (also known as the Tobin tax), but other proposals, such as the carbon tax and the aviation tax, have also generated increased interest. For most of these taxes, revenue generation is only one of the purposes. For instance, in the case of the carbon tax or the tax on fuel, there is also an environmental gain. In the case of the tax on arms, the objective is to halt conflicts. In the case of the Tobin tax, the revenue generation actually came after the efforts to enhance macro-economic efficacy (Atkinson, 2005:6–8). The most popular proposals are briefly reviewed below.

Currency transaction tax (*CTT*). This tax was first introduced by James Tobin in the 1970s to discourage excessive speculation on world money markets without excessively interfering in trade in goods and services or long-term investment. Various modifications have been introduced to it over the years, particularly by two German economists, Spahn and Schmidt. In general terms, it implies the imposition of a small tax on all spot conversions of one currency to another. Although it is not possible to have a reliable quantification, its revenue yields would be massive. For this reason, it has been very popular with NGOs, though has been supported by some Member States (e.g. France, Belgium, Germany), but has been strongly opposed by the US and the UK (Jha, 2004). A major problem is that it must be imposed globally or by a large number of countries: in fact, a unilateral CTT would lead businesses to move out of that country.

Carbon tax. This tax is on the consumption of fossil fuels, at rates that reflect the contribution of each type of fuel to global carbon emissions. It could be easily collected by national tax authorities, which would levy it directly on the sale of carbon fuels. Support for this tax has been growing since the 1992 UN Earth Summit in Rio de Janeiro. It can be imposed unilaterally and in fact some Member States (e.g. Denmark, Finland, Germany, the Netherlands and Sweden), have already imposed some forms of it at the national level, whereas other Member States (e.g. the UK) and the US have strongly opposed it.

Aviation tax. There are various versions, but the most widely discussed are the tax on airline fuel or the tax on airline tickets. The tax on fuel is similar to the carbon tax, in that it internalises external costs by putting a price on aviation emissions. The tax on tickets would be imposed on the price of all tickets and would be easily collected by the airlines. The side effects would be a reduction of demand for air travel, thus penalising not only airline companies but also tourist destinations, some of which are developing countries. This tax was widely discussed within the EU in the run-up to the Millennium+5 Summit (see last section of this chapter).

Tax on arms. This tax could be either on production or on trade of arms, with the aim to discourage production of new weapons as well as their purchase. However, there are risks that the burden of this tax could fall on developing countries, which would just spend a higher proportion of their national income. This tax has met with resistance in various Member States, which are unwilling to disclose their statistics or arms trade for security reasons.

International Financial Facility (*IFF*). This proposal, advanced by the British government at the beginning of 2003, was based on the commitments made by international donors to increase their volume of aid in the context of the FfD conference. The idea was to issue bonds at the highest rating possible in international capital markets, backed by binding commitments from donors to provide regular payments to the facility, and then transfer the proceeds to developing countries. This scheme was initially designed for 15 years and then for rolling 15-year periods. However, it received support mainly from France, whereas other countries (Germany but also the US) argued that the proposal would not be feasible since it bound future governments to repay the borrowings. Nevertheless, a pilot IFF scheme was launched to support the Global Alliance for Vaccines and Immunisation (GAVI).

Additional proposals. Other tax proposals were made by the Brandt Commission in 1980 on world trade, the UNDP in the late 1990s on e-mails, several UN agencies over the past decades on the use of global commons, the Zedillo Panel, which proposed the allocation of Special Drawing Rights (SDRs) by the IMF to deal with shortages of liquidity in developing countries.[9]

The EU between Monterrey and Johannesburg

At the policy level, the issue of GPGs was discussed at two international conferences – the FfD conference held in Monterrey in March 2002 and the WSSD held in Johannesburg in August/September 2002 – and by the International Task Force on GPGs, between April 2003 and September 2006. The remainder of this chapter deals with these international forums, but seen from the EU's perspective. Particular relevance is given to the debate inside the European Commission and to the initiatives taken by Sweden and France.

Establishing a GPG agenda

The issue of GPGs was widely debated within the preparatory process of the FfD conference. One of the most significant contributions came from the Zedillo Panel, which identified a list of key GPGs and then advanced some innovative proposals for their financing. In terms of goods, it singled out the following goods as central to development: peacekeeping; prevention of contagious diseases; research into tropical medicines, vaccines and agricultural crops; limitation of carbon emissions; and preservation of biodiversity. In terms of financing, it argued that a currency transaction tax could provide a possibility to mobilise additional resources, but further rigorous studies would be needed to assess whether its application was feasible. In contrast, it suggested that countries should agree on a small tax on consumption of fossil fuels (i.e. carbon tax) and that the IMF recommend SDR allocations for developing countries.

In the EU, the issue of GPGs was dealt with for the first time in September 2001. Belgium, which was holding the rotating Presidency, organised a seminar with the goal of coordinating the EU's efforts in view of the third PrepCom of the FfD conference. During that seminar, the European Commission, represented by DG Development, supported the issue of GPGs as a potential tool to generate more resources for poverty reduction. The impression within DG Development was that since Member States would not easily agree on boosting their volume of aid, it was necessary to find new financing instruments, alternative to ODA. Sweden and France were initially the only Member States keen to speed up the discussion. The Belgian Presidency, as well as many other Member States, was not fully convinced, and therefore decided to postpone the debate.[10] Against this hesitancy, DG Development took advantage of the policy window created by the terrorist attacks in the US to propose a change of pace. A senior official from DG

Development confirms this view:

> In the meeting that we held soon after the 11th of September, the management of DG Development decided that it was necessary to change strategy for the FfD conference. In this sense, we immediately felt it was time to push much more on several issues, including GPGs.
>
> (Interview, March 2002)

DG Development, strongly supported by Commissioner Nielson, took the lead, and on 3 October 2001 sent a COREU, in which it highlighted three issues where the EU needed to concentrate its actions: volume of aid, GPGs, and innovative sources of financing. In the case of GPGs it suggested that the international community set a 'GPG agenda' to attain a shared definition, identify a number of key GPGs and examine the mechanisms necessary to deliver the agreed GPGs. Considering their beneficial effects on both developed and developing countries, new 'mechanisms of financial solidarity' needed to be explored. The COREU, to use the words of a senior DG Development official, 'made a lot of noise' (Interview, March 2002). These initial ideas were further explored in a non-paper presented at the beginning of November 2001, which contained a definition and a list of GPGs alongside the one provided by the UNDP. An important element of this paper was how GPGs were re-framed: in light of the 9/11 events, they were no longer presented as a tool to mobilise additional resources for development, but as a means 'to address security concerns' (DG Development source, November 2001). Meanwhile, the discussion started among Member States in the Council, but no agreement on a common approach for the FfD conference was reached neither in the Development Working Group and the COREPER between October and early November 2001 nor in the Development Council on 8 November 2001. As discussed in Chapter 3, the Council mandated the Commission to investigate whether Member States were eager to take 'positive initiatives' for the FfD conference (Council, 2001b).

Parallel to the discussion on the FfD conference, a debate on the consequences of globalisation started among EU finance ministers and officials. The Belgian Presidency had placed the issue of the Tobin tax on the agenda of the Ecofin Council in Liège on 22–23 September 2001. In preparation for the Ecofin Council, a consultation took place within the European Commission: a first disagreement occurred between DG Development, which wanted to take a 'constructive approach' to the Tobin tax, and DG Ecfin which took a 'destructive approach' (Interview, November 2003). The Liège Ecofin Council, however, simply asked the Economic and Financial Committee (EFC) to outline the terms of reference for the European Commission to prepare a report on the consequences of globalisation. These guidelines were examined and adopted by the Ecofin Council on 16 October 2001 (Council, 2001a). This report on globalisation was meant to address not only the effects of globalisation in the financial domain, but also to examine the technical feasibility of the various mechanisms to finance development. Considering the breadth of the report, which was going to be the first official document of the European Commission on globalisation, four DGs were involved in the drafting stage: DG Ecfin kept the overall co-ordination of the project, DG Taxud was in charge of the various tax proposals, DG Trade, the commercial aspects and DG Development foreign aid.[11]

The (two) Commission view(s) on GPGs

Following the November 2001 Development Council, Koos Richelle, Director General for Development, and two officials from DG Development visited all Member States between November and January 2002. The subsequent Richelle Report offered an optimistic analysis of the benefits of GPGs. In particular, it claimed that, if adequately provided for, GPGs could contribute to lowering the incidence of communicable diseases, increasing economic opportunities, reducing vulnerability to environmental damage, preventing conflicts and enhancing financial stability. In line with these views, it recommended that the 'EU could agree to a participatory process designed to lead to the identification of relevant Global Public Goods'. Moreover, since GPGs provided benefits to both developed and developing countries, the EU 'should also make extra efforts to find innovative sources of financing for the provision of GPGs, on the basis of the principle of additionality in order to avoid the diversion of existing ODA flows from traditional development assistance' (European Commission, 2002c).

In contrast, the Globalisation Report contained only a few lines on GPGs (European Commission, 2002c). The Communication, which DG Ecfin drew up from this Report, hardly mentioned GPGs. The only reference, which followed a very long and enthusiastic analysis of the benefits of globalisation, is the following:

> Globalisation is associated with . . . challenges such as communicable diseases, climate change, loss of biodiversity or lack of international security. Addressing these issues – that is, providing the world with global public goods – can be seen as part of a strategy aiming at maximizing the benefits of globalization and minimizing its negative effects. These global public goods benefit developing and industrial countries alike. They are an additional task to poverty reduction and their financing should be explored.
>
> (European Commission, 2002d:3)

The DG Ecfin minimalist approach on GPGs was strongly criticised by several DGs. For instance, DG Environment maintained that GPGs and their financing was a very controversial issue in the debate on international development, and, therefore, the European Commission could not ignore it. DG Relex charged DG Ecfin with being too complacent about the current international financial architecture. DG Employment lamented that the social dimension of globalisation was totally overlooked in the Report (Interviews, March 2002). But the most heated clashes were with DG Development. A territorial conflict occurred because the issue of GPGs fell across the boundaries of responsibilities of both

DGs. For DG Ecfin, being more of a financial nature, it fell naturally within its competence. DG Development claimed that, as it was dealt with within the context of the FfD conference, it fell within its competence. This type of clash occurred mostly in the drafting process of the Globalisation Report. DG Development thought that pushing GPGs in the Globalisation Report would have reinforced its case. For this reason, it sent several papers and proposals to be included in the final document (Author's personal notes; Interviews, March 2002). DG Ecfin, however, rejected most of these contributions, using various arguments. The first argument concerned the concept itself:

> The concept of GPGs is not useful because nobody understands it. When we discuss it with other officials in DG Ecfin, you see at least half of the people wondering what the others are talking about. Academics may know it, but policy-makers do not yet.
>
> (Interview, March 2002)

On the contrary, for a senior official in DG Development:

> The fuzziness of the concept was used as an excuse. The concept of GPGs comes from economics. DG Ecfin just did not want to deal with GPGs and thus blocked all proposals. They wanted to keep things as simple and unchanged as possible. I think that the discussions we had on the Tobin Tax poisoned the whole debate.
>
> (Interview, March 2002)

The most sensitive area of disagreement concerned the issue of additionality. DG Development claimed that resources should be strictly additional, separated from ODA. On the contrary, DG Ecfin officials lamented that, by suggesting international taxes as a possible alternative, officials in DG Development 'were just providing the easiest way out' (Interview, March 2002). In reality, the central issue was how to improve the mechanisms of financing GPGs on the basis of 'realistic public contributions' from Member States. DG Ecfin officials argued that GPGs were to be financed by ODA. In the words of one of them:

> I was disappointed with the DG Development proposal on boosting volume of aid. It was not ambitious to ask Member States to raise their volume of aid from 0.33 to 0.39 per cent [of the EU's collective GNI]. They should have been more ambitious. On the contrary they used every possible negative argument on the consequences of globalization to make their claims about GPGs.
>
> (Interview, March 2002)

This clash was more generally linked to their different views of globalisation. For DG Ecfin, globalisation had only positive effects on economic growth;

for DG Development, it generated also negative consequences, especially for developing countries. For this reason, an adequate provision of GPGs was considered necessary to harness these negative aspects. But this view could not be accepted within DG Ecfin:

> My impression is that officials in DG Development have positions which are too idealistic, not realistic; maybe they think that we are still in the 1970s. Sure, they must be pro-development, but this often has nothing to do with the current world. In Ecfin our *forma mentis* is quite different: we look more at what is efficient, which does not imply necessarily more money and new financial mechanisms.
>
> (Interview, March 2002)

The Richelle Report and the Globalisation Report were, eventually, adopted by the *Collège* on 13 February 2002 as Staff Working Papers (European Commission, 2002b, 2002d) and their executive summaries as Communications (European Commission, 2002a, 2002c).[12] In a press conference, Romano Prodi, President of the European Commission, presented the 'European Commission strategy for sustainable development and a fairer world' as follows:

> Our world is becoming increasingly interdependent, its problems increasingly complex, and the need for better global governance increasingly obvious. The challenges are global: extreme poverty, environmental degradation, the spread of contagious diseases, international crime and terrorism. To be effective, our response must be multilateral. Our efforts have to be concerted and shared. The European Union has consistently demonstrated its capacity to deal collectively with problems of common interest, in a way which is effective, democratic and mindful of identities. It is therefore well placed to make proposals on how to address such globalization issues.[13]

This 'triumphant' statement must be decrypted. In fact, the European Commission was not as united as it seems in dealing with globalisation. The clashes between DG Development and DG Ecfin contributed to limiting the ability of the European Commission to play a leadership role during the negotiations in the Council, which is the subject of the next section.

The failure in the Monterrey process

At the fourth and final PrepCom in January 2002, as a result of strong pressures from the US, any reference to GPGs was eliminated from the Monterrey Consensus. The hostility of the US should be seen in the context of a pessimistic attitude towards any kind of multilateral initiative, especially by the Bush administration (e.g. Kyoto Protocol, International Criminal Court) and as a negative reaction to the issue of additionality.[14] The G-77, represented by Venezuela, was initially in favour of GPGs, though it wanted to be reassured on the potential diversion of resources from traditional development assistance activities and the political process on how to prioritise individual GPGs. Considering that the introduction of any type of additional resource was at that stage perceived as highly uncertain, it eventually changed its position. This decision was criticised by Trevor Manuel, Minister of Finance of South Africa:

> I did not participate in the detail of these negotiations. I can say without fear of contradiction that to look at financing for development and to ignore global public goods as a pre-requisite for development is a serious omission.
>
> (Interview, March 2002)[15]

The EU, however, was also divided. An international observer who participated in the fourth PrepCom raised an important issue:

> Should the EU have come with a common approach, I think we would have made more progress on this issue. But the European Union was so divided on the idea of additionality that the US just sat back and waited until the G-77 decided to agree to eliminate any reference on GPGs from the final text.
>
> (Interview, November 2003)

In order to understand the EU's position at the fourth PrepCom, however, it is necessary to review the debate in Brussels. Following the adoption of the Monterrey Communication, the discussions started in the Council. The Richelle Report had pointed out that all Member States were open to start a debate, either at the EU or at the international level:

> On global public goods (GPGs) and innovative sources of financing Member States declared themselves – without exception – open to substantial discussion at the international level .... The general feeling is that GPGs and the financing of their provision are currently not being treated in an adequate manner in the international fora and that they need further consideration. There is also wide agreement on the existence of an overlap between traditional bi-lateral co-operation financed by ODA and global interests falling under the concept of GPGs and that it is necessary to find other ways of financing the provision of GPGs.
>
> (European Commission, 2002b:11)

In reality, Member States' preferences can be grouped into various categories, depending on their commitment to GPGs (see Table 4.1). The most supportive countries were France and Sweden, which pushed for further action to raise awareness on the various aspects of GPGs not only within the EU, but also through a series of initiatives at the international level. Sweden's interest should be seen as part of the broader objectives of its development policy, which promotes multilateralism in the international arena. Its involvement culminated in the publication of a study on financing GPGs conducted by two leading scholars in international development (Sagasti and Bezanson, 2001). This study was presented in October 2001 at a seminar organised in Stockholm for EU (i.e. Member States and Commission) officials. France saw in GPGs a way to manage globalisation. Moreover, it argued that the involvement of developing countries was a crucial factor in the effort to bridge the 'institutional gap' in the production and provision of GPGs. To discuss these themes France, together with the UNDP, organised a seminar during the fourth PrepCom of the FfD conference held in New York in January 2002.[16]

Another group of countries (i.e. Austria, Belgium, Finland, Denmark, Germany, Ireland, Luxembourg and the Netherlands) manifested a moderate commitment to the concept of GPGs, with some nuances on the definition and on financing. Germany supported the concept of GPGs but had some concerns about its possible over-use. As for the financing aspect, it argued that using the dual-track system would not necessarily increase the availability of funds, but, on the contrary, might create administrative inefficiencies and render more difficult the co-ordination between development co-operation and GPG financing. As an alternative, it supported the concept of public–private partnerships and sponsored new studies on the feasibility of the Tobin tax. Among the northern Member States, in addition to Sweden, Denmark, which had established a separate budget line only for GPGs, was the most supportive. The southern Member States did not have a clear position, and waited for further studies from the European Commission. Italy, however, launched the idea of a de-tax, which allowed citizens to allocate a small share of the price of their luxury purchases to finance social activities in developing countries. Finally, the UK, despite being highly committed to global action and additional funding for poverty reduction, was against any significant investment in GPGs, because it feared that it could adversely affect the distribution of resources between low- and middle-income countries. It also rejected the idea that sector ministries could provide funding for GPGs (see Table 4.6).

The Development Working Group of the Council and the COREPER met several times to prepare Council Conclusions. After the last meeting of the

Table 4.6 Positions of EU Member States on GPGs, January 2002

	Continue discussion in the EU	*Provide additional funds*
Strong support	France, Sweden	France, Sweden, Denmark Luxembourg, Netherlands
Moderate support	Denmark, Luxembourg, Finland, Netherlands, Austria, Belgium, Germany, Ireland	Finland, Italy, Belgium, Germany, Ireland
Weak support	Greece, Italy, Portugal, Spain, United Kingdom	Austria, Greece, Portugal, Spain, United Kingdom

Source: Author's elaboration based on interviews and European Commission (2002c).

COREPER on 13 March 2002, the following text was agreed: [the EU commits] 'to further work towards a participatory process at the global level, including the proposal of setting up a task force open to all actors on a temporary basis, designed to lead to the identification of relevant Global Public Goods' and to 'explore innovative sources of financing and taking into account the conclusions of the Commission Globalisation Report' (Council, 2002c). Despite this very weak commitment, the rhetoric during the summit in Monterrey was different. Both Spain's Premier José Maria Aznar, speaking on behalf of the EU, and Poul Nielson, EU Commissioner for Development, stated that additional financial resources needed to be devoted to GPGs. Meanwhile, France and Sweden, together with the UNDP, organised a major 'side event' to raise awareness about the concept of GPGs, but they also flagged the idea of establishing an informal task force. Their intentions were thus clear, but a new opportunity emerged in the context of the World Summit on Sustainable Development, which is the subject of the next section.

A new opportunity: the World Summit on Sustainable Development

The World Summit on Sustainable Development was held in Johannesburg between 26 August and 6 September 2002. Its mandate was to hold a ten-year review of progress made in the implementation of the United Nations Conference on Environment and Development (UNCED) which had taken place in Rio de Janeiro in 1992, aiming to reinvigorate the global commitment to sustainable development. The process leading to the Summit in Johannesburg was preceded by four PrepComs, the most important of which – the fourth PrepCom held in Bali, Indonesia, in May/June 2002 – produced a draft Plan of Implementation, which was eventually approved in Johannesburg. The WSSD concluded with two types of outcomes: (1) type I outcomes, which included a Political Declaration and a Plan of Implementation; (2) type II outcomes, which consisted of a series of Partnerships for concrete action. The Plan of Implementation is a detailed programme of action, covering various aspects of sustainable development, such as poverty eradication, patterns of consumptions and production, natural resources, globalisation, health, regional initiatives, means of implementation (finance and trade), institutional frameworks. The Political Declaration, prepared by the South African government and briefly discussed in the last week of the Johannesburg summit, is a broad statement of objectives for implementing sustainable development. The Partnerships are voluntary, non-negotiated, non-binding projects between governments, international organisations and civil society.[17]

The issue of GPGs was discussed at the PrepCom in Bali where policy-makers faced a deadlock similar to the one faced during the FfD process. An initial proposal came from the EU, which, on the basis of the Conclusions of the Development Council in May 2002, suggested 'the establishment of an open, transparent, and inclusive participatory process at the global level, including the formation of a representative task force, to examine issues related to the definition, identification and effective and adequate provision of GPGs' (Council, 2002d). The US, which, once again, refused to deal with this issue, called for a complete deletion of this reference. The G-77 initially opposed the US but, as happened during the FfD conference, eventually aligned its position with the opponents of GPGs because progress on additionality stalled. An alternative proposal on 'issues of global public interest', including the provision of GPGs, was submitted by Switzerland. The proposal made by the EU was discussed again in Johannesburg, where the positions of the various actors remained unchanged. A paragraph was included in the Plan of Implementation: '[the international community committed] to examine issues of global public interest through open, transparent and inclusive workshops to promote a better understanding of such questions.'[18] This compromise – which did not mention GPGs but only 'issues of global public interest' – and the rejection of a last-minute EU proposal to create a formal task force, are the reasons behind the initiative of the UNDP, France and Sweden, which in the margins of the WSSD launched an 'informal' International Task Force on GPGs. The wording in the Plan of Implementation was felt as a disappointment inside the EU, as confirmed by a Commission official: 'These words were very weak. The whole point of GPGs is that we focus on goods, on something concrete, not just the global interest' (Interview, November 2002). In light of these failures, Sweden and France, together with the UNDP, decided to launch an International Task Force on Global Public Goods. As a Member State official put it, 'France first tried the European arena, and then the international arena, but did not get much interest. It, then, decided to pursue its ideas through an informal task force' (Interview, January 2004).

The International Task Force on GPGs

The International Task Force on GPGs was officially established on 9 April 2003 by France and Sweden. It was composed of fifteen people and was co-chaired by Ernesto Zedillo, former President of Mexico, and Tidjane Thiam, former Minister of Planning and Cooperation of Côte d'Ivoire. Its central objectives were to identify a list of key GPGs for poverty eradication and sustainable development and to identify the necessary management and financing mechanisms for their provision. Though the work of the Task Force proceeded without much publicity, it relied on a participatory process involving a wide range of stakeholders. A Group of Friends, comprising representatives of governments, international organisations and non-state actors, provided both intellectual and financial support (particularly Germany, the UK, Norway and Austria). A series of regional consultations was held to exchange views with various stakeholders and communicate the findings of the Task Force. A Secretariat, based in Stockholm, was set up to carry out analyses and commission background studies.

The members of the Task Force met on a limited number of occasions, but a provisional consensus on a definition and a list of key GPGs was already achieved by the second meeting in March 2004.[19] GPGs were defined as issues that are deemed to be important to the international community; cannot, or will not, be adequately addressed by individual countries acting alone; and, therefore, must be addressed collectively on a multilateral basis, by both developed and developing countries. Six priority areas were identified: peace and security, trade regimes, financial stability, control of communicable diseases, sustainable management of natural commons, and knowledge, which was also considered a cross-cutting issue. Meanwhile, following the failures in Monterrey and Johannesburg, the preferences of some key actors in Europe had changed. The UK had a more open attitude and started to explore how allocations for GPGs could complement country-based development assistance for the achievement of the MDGs. Germany integrated the concept of GPGs into its development policy. The European Commission was also supportive of the Task Force, and even attempted to play a coordinating role within the EU.[20]

The Task Force, however, took much longer than anticipated to complete its work. The final Report, released in September 2006, broadly confirmed the six priorities already identified in early 2004. Some important elements of the Report concerned the provision and financing of GPGs. In order to generate the catalytic leadership necessary for an adequate provision of GPGs, the Task Force recommended the establishment of an informal body, the Global 25 forum, which would bring together heads of state and government from developed and developing countries and representatives of all regions. It also called for a structural reform of the current system of global governance to better represent developing countries, reinforce existing coordinating and compliance mechanisms, improve the legitimacy and accountability of existing organisations, particularly the IMF, World Bank and UN Security Council. As for the financing aspect, the Task Force recommended that resources for GPGs be additional to ODA, and proposed a five-part strategy: make better use of existing resources; improve resource mobilisation by applying emerging best practices for fund raising; improve national financing by revising national budget mechanisms for spending on international activities, adopting a dual-track national budgeting system, and introducing a line item for GPGs in the OECD statistics; strengthen the collaboration with the private sector, civil society and markets to take advantage of their specialised knowledge; adopt innovative arrangements for financing such as, for example, an airline ticket tax, the International Finance Facility and a carbon tax (International Task Force on Global Public Goods, 2006).

The debate in the EU between and beyond the Task Force

Within the EU, most of the Member States initially supported the work of the Task Force either directly with financial contributions or indirectly by organising seminars and submitting papers. A majority of Member States accepted the preliminary definition and the list of GPGs. The European Commission, which monitored the work of the Task Force in its annual reports on the Barcelona commitments, wanted to play a coordinating role of the positions of the Member States, and to 'represent a European perspective within the International Task Force on GPGs' (European Commission, 2004a), but the Council simply 'invited' the Commission 'to take a more active role' and on the basis of the work of the Task Force propose 'possible actions to be taken' (Council, 2004). Time passed and the Task Force did not make further progress. At the beginning of 2006, the European Commission published the results of another questionnaire sent to the EU's Member States in 2005, in which it pointed out the possible consequences of the Task Force's delay in publishing its final report:

> Concern among Member States about the Task Force's overall value-added is increasing, due to its delay in completing its final report and making it available. Last year a majority of Member States had accepted the working definition of International Public Goods provided by the Task Force. This year, five of them retreated to an 'undecided' position.... There is a feeling that the momentum may be lost.
>
> (European Commission, 2006c:22)

The Task Force Report was published in September 2006, and this time the European Commission not only questioned the delay in finalising the report, but also the added value of the Task Force itself:

> The Task Force's delay in finalising the report has been accompanied by decreasing interest in the GPG approach. Member States seem to have lost confidence in the work of the Task Force, with the perception that a good opportunity to make a strong case on these global issues may have been missed
>
> (European Commission, 2007d:59)

Considering that the list of priority GPGs had already been accepted, the two most controversial issues related to the setting up of the Global 25 forum and the five-part financing mechanisms. As for the G-25, the Commission concluded that 'there is not support for the report's key proposal for improved global governance, that is, the Global 25 forum' (European Commission, 2007c:14). In reality, Member States were less assertive: three agreed with it (i.e. Belgium, Cyprus, Spain), six rejected it (i.e. Germany, Hungary, Italy, Malta, the Netherlands, the UK), whereas the remaining eighteen had not yet taken a position. In terms of financing, a majority of Member States did not take position or envisage any specific financing mechanism for GPGs (i.e. Bulgaria, Denmark, Finland, Greece, Ireland, Latvia, Luxembourg, Romania, Slovakia, Slovenia), some rejected the idea of de-linking GPGs from development assistance (i.e. Austria, Greece, Hungary, Malta, the Netherlands and Spain), while only a few were eager to support specific proposals, such as the airline tax (e.g. France), carbon tax (e.g. Belgium), global lottery (e.g. Lithuania) or further collaboration with the private sector (e.g. Czech Republic, Germany, Poland, the Netherlands) (European Commission, 2007d). The European Commission concluded that 'the Task Force's proposals do not currently attract significant EU interest. Establishing an EU Action Plan for enhanced supply and financing of GPG at this point in time would therefore be premature and ill-advised...The opportunity for an overarching initiative for GPGs may be reassessed in the future'

(European Commission, 2007c:14). Along similar lines, the GAERC in its Conclusions on the Barcelona commitments called 'on the Member States and the Commission to strengthen their action on GPGs through enhanced collaboration and alliance-building with developing countries' (Council, 2007). Contrary to previous years, the Task Force was not mentioned, which confirmed that, at least among most Member States, the momentum for GPGs had been lost.

Meanwhile, the issue of innovative sources of development financing (rather than only for GPGs) had been the centre of the debate in the EU in the run-up to the Millennium+5 Summit (European Commission, 2007e; 2007f).[21] The issue was debated at every monthly Ecofin meeting between February and September 2005, both at formal and informal meetings. The debate was highly contentious and saw strong divisions among Member States and inside the European Commission. The debate centred on an airline tax, to be imposed on tickets according to the French proposal or on fuel according to the German proposal. The idea of an airline tax was supported by a few states (i.e. Luxembourg, Belgium and the Netherlands), development NGOs and environmental groups. It was resisted by a large number of Member States, particularly those countries that benefit from tourism (i.e. Spain, Cyprus, Malta, Greece, Portugal and also Ireland and Austria), as well as airline companies, which claimed they would be less competitive vis-à-vis non-European companies. By May 2005, the only option was the tax on tickets because of some legal problems associated with the sale of fuel in Europe. The disagreement among Member States was on whether the tax would be facultative or obligatory (*European Report*, 19 February 2005; *Financial Times*, 16 May 2005; *European Report*, 4 June 2005).[22] Tensions also emerged inside the European Commission, which was mandated to produce several technical papers on the consequences of each option, between those who favoured the voluntary option and those who favoured the facultative option (*European Report*, 16 July 2005). Despite the evident opposition of a large number of Member States, the two Presidencies which presided the EU throughout 2005 (Luxembourg in the first semester and the UK in the second) did their outmost to reach an ambitious agreement. Nevertheless, the final decision taken in the informal Ecofin Council in Manchester on 9/10 September 2005 supported the voluntary option (*Eurostep*, 26 September 2005). France and the UK decided to start collecting a 'solidarity levy' on airline tickets, whose proceeds would be used to purchase treatment for malaria and TB as well as HIV/AIDS antiretroviral drugs. Moreover, an International Finance Facility for Immunisation was established in January 2006, with the support of France, Italy, Spain, Sweden, the UK and Norway, and an 'Advanced Market Commitment', was agreed by Canada, Italy, and the UK, and Spain to provide incentives for the development of vaccines of importance to developing countries but where the market demand is not sufficient to attract the commercial sector (DAC, 2007).

Conclusion

Since the end of the 1990s the concept of GPGs has been widely discussed among international development scholars and practitioners. The UNDP started to promote it as tool to minimise the negative consequences of globalisation while providing a new rationale for international co-operation. The argument was that considering an adequate provision of GPGs would serve both developed and developing countries: for developed countries, it would lighten the burden they bear in cases of financial or political crises; for developing countries, with a more inclusive decision-making process and additional resources, it would complement their progress towards the achievement of the MDGs. Sweden and France, eventually, joined by other countries as well as other international organisations (e.g. World Bank, OECD), supported this new approach to international development. Resistance came from key developed states (e.g. the United States, Japan, but also the United Kingdom) and from a majority of developing countries, which pushing from different angles, blocked the discussions in the context of two of the most important global summits of the past decade, that is, the FfD conference and the World Summit on Sustainable Development. In fact, the Monterrey Consensus and the WSSD declaration, respectively, failed to include any reference to GPGs or demoted them to 'issues of global interest'. In light of these failures, France and Sweden decided to set up an International Task Force on GPGs aimed not only at raising awareness, but also, above all, at providing the international community with clear policy recommendations. The growing number of issues associated with the concept of GPGs made it urgent to reach an agreement on how to define and finance them. The Task Force, however, took more than three years to complete its work, and by the time the final report was published in late 2006 it seemed clear that the momentum had been lost.

If we look at the issue of GPGs only from a global perspective, we ignore an important dimension: the debate inside the EU. Contrary to the previous case on volume of aid, this chapter demonstrates that the European Commission, because of its internal fragmentation, was not able to play a leading role vis-à-vis the Council. Various conflicts occurred between DG Ecfin and DG Development, both territorial and ideological. DG Ecfin claimed that GPGs, being an economic and financial issue, fell within its competence. More significantly, it contested the negative view of globalisation that was associated with the concept of GPGs. DG Development claimed that, as the discussion on GPGs was started in the context of the FfD conference, the issue fell within its competence. More significantly, DG Development framed GPGs as a way to address the negative consequences that globalisation has for developing countries. As a result of these divisions, the EU eventually agreed on a weak commitment to continue discussing the issue, despite the opening of a policy window. In fact, the *tour de capitals* undertaken in December 2001 by DG Development Director General Koos Richelle, had shown that all Member States were open to discussing the issue of GPGs within the EU and some were even waiting for the Commission's inputs in this area. Meanwhile, a lively but inconclusive debate on innovative sources of development financing took place within the EU in the run-up to the Millennium+5 summit (September 2005).

5 Untying of aid

Enhancing the quality of development assistance

The practice of tying aid, which implies that the recipient must use the foreign aid it receives to buy goods and services from the donor significantly reduces the quality of aid. Developing countries are not only forced to pay higher prices because of lack of competition, but they also face heavy administrative burdens from dealing with too many donors and too many procedures. In contrast, donors claim that it is a way to preserve their special relationships with specific developing countries, boost their exports and employment rates, and, consequently, enhance public and business support for higher volume of aid. Even though calls to eliminate the practice of tying aid had been made for more than forty years by a number of actors (i.e. various countries, international organisations and NGOs), little progress had been achieved until in May 2001 the Development Assistance Committee (DAC) adopted a recommendation to untie aid to the Least Developed Countries, which, however, excluded technical co-operation and food aid.

This chapter reviews these debates, but from the EU's perspective. While until the early 1990s the share of tied aid in most Member States was high – for instance, in France, the UK, Germany, and all the southern Member States it was above 50 per cent – over the past decade it has been reduced. An attempt to achieve a consensus within the EU dates back to the 1970s, but following some failures in the 1980s and in early-mid 1990s to achieve a shared EU position, the discussion restarted in the late 1990s. Progress was initially blocked not because of bureaucratic inertia or the opposition of Member States, but because of various clashes inside the European Commission, in particular between two Commissioners and between the Commissioners and the Services. Subsequent changes in DG Development (i.e. the appointment of a Director General and a number of officials) changed this scenario and the European Commission became actively involved in the adoption of the DAC Recommendation. The success of the Monterrey conference spurred a new initiative by the European Commission to go further than the DAC Recommendation. The result was the adoption of two regulations on untying European Community (EC) external assistance in December 2005. Before analysing the decision-making process that led to both decisions, the first part of this chapter clarifies the meaning of tied aid, focusing on both donor and recipient perspectives.

Understanding untying of aid

Foreign aid may be tied in four ways (four Ps): to payments, projects, policies and procurements (White and Woestman, 1994; Hjertholm and White, 2000). In the case of payments, recipient countries must return the loan they receive with an interest, according to the terms stipulated in the loan agreement. In the case of projects, aid must be used only for a specific task under the supervision of the donor. While project aid was very popular in the 1950s and the 1960s, since the 1970s a number of donors, acknowledging its ineffectiveness, started linking aid to a programme and/or concentrating in policy sectors. The rhetoric that accompanied programme aid was that it involved the recipient countries not only in the implementation but also in the formulation of development plans. In the case of policies, the recipient commits to a set of economic and political conditions, either imposed by or negotiated with the donor. The fourth case, aid tied to procurement, is the object of this chapter. A distinction, however, must be made between tied, partially tied and untied aid. With tied aid, goods or services must be procured in the donor country or in a group of countries that does not include a substantial number of developing countries. With partially tied aid, goods and services must be procured in the donor country and among a restricted group of other countries, including a substantial number of recipient countries. With untied aid, goods and services may be fully and freely procured in substantially all developed and developing countries (DAC, 2007a). To better understand the terms of the debate, the remainder of this section provides an analysis of the pros and cons of tying aid, seen from the donor and the recipient perspectives.

The costs and benefits of tying aid

Donors tie foreign aid for several reasons, both economic and political. The first economic reason is that aid creates trade, either directly or indirectly. As foreign aid is a balance of payment cost, donors try to compensate these outflows by ensuring that their exporting firms procure a large number of contracts. Moreover, through the 'radiation effect', tying aid indirectly increases recipient exposure to donor goods and services, which in turn encourages follow-on orders. The argument that tied aid promotes donor exports, however, is difficult to show empirically.[1] In addition, considering that tied aid accounts only for small percentages of the donor total exports, it is unlikely to generate sizeable macroeconomic benefits to the donor. Moreover, even if aid were trade-creating, aided-exports would not necessarily represent an additional economic output to donor countries because of the opportunity cost – that is, companies not producing aided-exports would probably devote their productive capacities either to producing for other markets or to bidding for other orders in open competitions – and to the 'substitution effect' – that is, recipient countries may use tied aid for goods that would have been purchased anyway from the donor. Another economic argument for tying aid is that aid contributes to improving the employment record in the donor country. This argument, though, is not supported by empirical evidence, which, in fact, shows that tied aid adds, if at all, only minimally to new jobs. Moreover, as the industries assisted are not necessarily the most efficient, it may even impose a burden on the donor economy. Finally, being a form of export subsidy, it distorts international competition in the name of national protectionism (Jepma, 1991; Morrissey, 1993; Jepma, 1994, 1996).

Among the political reasons for tying aid, the first one relates to maintaining public support for foreign aid, both from the citizens and the business community.[2] In a time of budget constraints, keeping aid to a significant level is supposed to be more politically acceptable if it is believed to sustain trade and domestic production. These commercial pressures balance out the development pressures from NGOs, which are strong supporters of aid effectiveness and untying of aid. Confronted with the choice between the development lobby and the business lobby, governments tend to overlook the interests voiced by development groups and, instead, often opt to satisfy the request made by better organised interest groups, such as large exporting firms or consultants. The second reason is related to maintaining a special relationship between donors and their former colonies and/or countries with which they have long-standing relations (Jepma, 1991; Morrissey, 1993; Jepma, 1994, 1996).

Tying aid imposes numerous costs on recipient countries. The most significant cost is the higher price they are forced to pay for aided-goods. When the number of suppliers is reduced, the price of a good tends to be higher than it would be with effective competition. An accurate estimate of these costs is not easy: figures range between 10 and 30 per cent (Jepma, 1991; World Bank, 1998). One of the major indirect costs of tying aid is linked to the administrative burden that local governments face when dealing with various donors. Another sensitive cost is related to the potential diversion of resources from poverty eradication. In fact, donors often compete to fund projects requiring imports of capital-intensive goods (i.e. telecommunications and infrastructure projects) over smaller and more poverty-focused projects (i.e. rural development projects). As '[t]ied aid reflects donor technology, rather than the techniques most appropriate to recipients . . . the specifications create a dependency, for maintenance and spare-parts, which is rarely accounted for in the aid award' (Morrissey, 1993:75). Tied aid may even worsen the recipient country's terms of trade, creating a sort of 'transfer paradox' – that is, donor enrichment and recipient impoverishment as a result of aid. By providing an advantage to donor industries, tied aid represents an indirect barrier for firms in developing countries to compete in international markets (Kemp and Kojima, 1985; Morrissey *et al.*, 1992).[3]

The discussion has so far focused on formal tying. However, while aid may sometimes be classified as untied, it, nonetheless, may be difficult to use it for anything other than for goods and services provided by the donor. This phenomenon, known as informal tying, is alimented by several factors. In some cases, a donor may choose to fund projects that require supplies for which its industries have a competitive advantage; exporting firms can even initiate this process, advising the recipient country on how to get aid from a donor (Jepma, 1991). In other cases, donors may in theory tie only a small component of their aid programme, while in practice they tie much more: for instance, the transfer of a capital good may be linked to other purchases in the future (White and Woestman, 1994). Finally, donors may impose tender procedures in developing countries modelled on their own procedures, which guarantees an advantage to their domestic firms in the bidding process or advertise invitations to tender in publications that can only be read in the donor country. Finally, by reducing competition in the bidding process, tied aid reduces transparency and, therefore, may be a breeding ground for corruption (Wagner, 2003).

The DAC Recommendation: untying aid to the Least Developed Countries

Foreign aid provided by DAC donors has become progressively less tied over the past three decades, at least in theory. The share of untied aid was stable throughout the 1980s between 42 and 49 per cent, then rose 59 per cent in 1990, 70 per cent in 1995, and 81 per cent in 2000 and 92 percent in 2005 (see Figure 5.1).

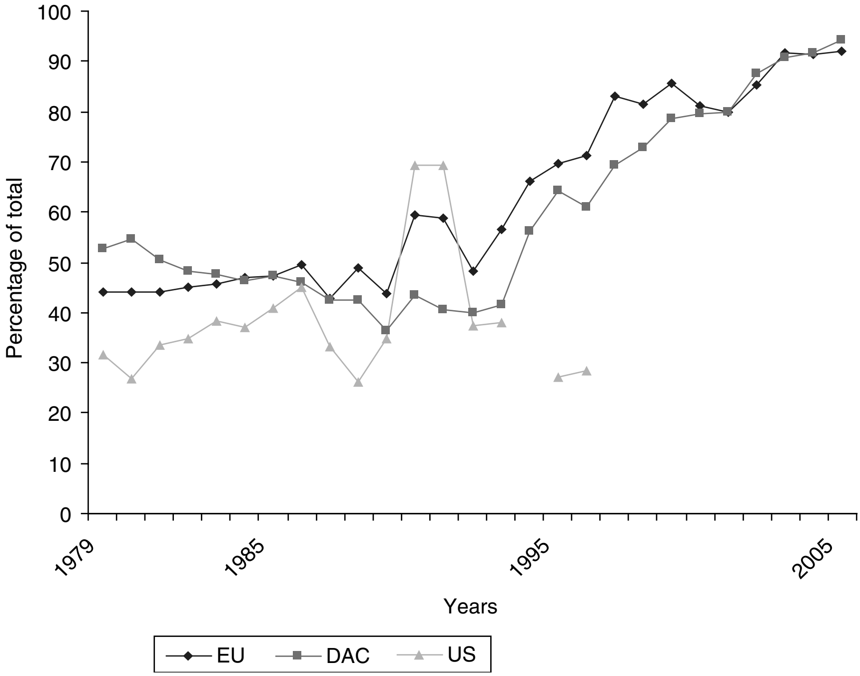

Figure 5.1 Share of untied aid in DAC members, 1979–2005.

Source: DAC online database www.oecd.org/dac (accessed 15 June 2007).

Note: The US did not report untied aid in 1994 and from 1997 to 2005.

Table 5.1 Share of untied aid in EU Member States, 1979–2005

	1979	*1982*	*1985*	*1988*	*1991*	*1994*	*1997*	*2000*	*2003*	*2005*
France	38.9	37.4	42.5	50.7	44.7	50.9	65.1	68.0	93.1	94.7
Germany	77.4	70.4	63.7	54.8	45.8	44.3	73.6	93.2	94.6	93.0
UK	15.6	21.9	27.6	17.4	28.2	45.8	71.7	91.5	100	100
Denmark	66.4	65.5	60.4	72.2	—	61.3	71.6	80.5	71.5	86.5
Netherlands	67.9	55.0	60.3	40.8	56.3	94.8	90.0	95.3	82.0	96.2
Sweden	78.8	82.7	68.8	64.8	83.7	81.7	74.5	85.4	100	98.3
Finland	94.4	82.6	80.8	26.7	27.8	47.0	76.8	89.5	85.8	95.1
Belgium	27.0	22.9	37.5	—	10.51	—	49.9	85.7	99.1	95.7
Ireland	—	—	100	90.0	—	—	n.a	—	93.8	100
Luxembourg	—	—	—	—	—	—	95.1	96.7	—	99.1
Greece	—	—	—	—	—	—	—	23.5	93.8	73.6
Italy	80.4	54.2	16.6	12.3	7.01	66.4	45.6	38.2	—	92.0
Portugal	—	—	—	93.7	93.2	99.0	98.2	98.2	93.7	60.7
Spain	—	—	—	—	—	—	—	47.2	55.8	86.6
Austria	1.4	3.14	3.0	1.9	45.0	—	60.6	59.2	51.3	88.7

Source: DAC online database www.oecd.org/dac.

In the EU, the northern Member States and Germany were often above the EU average, whereas France, the UK and the southern Member States often below it. By the late 1990s, however, almost all Member States had substantially increased their percentages of untied aid, though the southern Member States and Austria still lagged behind – Italy exceptionally ranked very high in 2005 (See Table 5.1). Scholars and NGOs, however, question the real meaning of these figures, for at least three reasons: (a) they lack consistency across countries as donors themselves are in charge of submitting data and sometimes they do not report (i.e. the US stopped reporting in 1996); (b) they include informal tying, which, as mentioned earlier, is difficult to calculate; (c) they do not include technical co-operation, which represents a considerable percentage of foreign aid.

The calls to reduce the practice of tying aid started in the 1960s. Most of the discussions have taken place in the DAC, but some important debates have also occurred in the EU. This section provides a detailed analysis of the process that led to the adoption of the Recommendation to untying aid to the LDCs adopted by the DAC in May 2001, focusing on the negotiations and disputes within the DAC and the EU.

Progress towards untying in the DAC

The DAC has tried to reduce the practice of tying aid since its inception. In 1965, the recommendation on 'Measures Related to Aid Tying' called on donors to remove procurement restrictions to the maximum extent possible and proposed steps to reduce the adverse consequences of tied aid. Some initial negotiations among countries occurred in 1969, but despite a large majority of donors were willing to untie their bilateral financial development loans, a minority blocked the agreement (Lammersen, 2001). In 1974, ten DAC members signed a 'Memorandum of Understanding on Untying of Bilateral Development Loans in Favour of Procurement in Developing Countries', which encouraged other donors to move towards more untying of their bilateral development loans (White and Woestman, 1994). The oil crisis and the economic recession diverted the attention of donors, which, in fact, concentrated on measures to protect their economies. In the early 1990s, there was a major agreement on the use of mixed credits. Mixed credits are a variant of tied aid through which donors provide an export subsidy to their companies looking for contracts in developing countries. While until the 1970s they represented a small portion of the overall concessional assistance, from the early 1980s there was a proliferation of these instruments. This rapid expansion raised concerns among donors about the justification and the impact of mixed credits on trade and the development effectiveness of donors' aid programmes (Ray, 1986; Jay and Michalopoulos, 1989). The OECD Helsinki Agreement of 1992 aimed at limiting the use of concessional financing for projects that are 'commercially viable', and, therefore, reduced commercial pressures on donors which had led to inappropriate technologies and high-cost investments (Owen and Lammersen, 2001).

In April 1998, at the High-Level Meeting the DAC was tasked to draft a Recommendation on untying of aid. The geographic scope was limited to the LDCs. This compromise, which for some was a first step towards further untying, was achieved for two reasons: (a) donors that traditionally opposed efforts towards untying had fewer commercial interests in LDCs than they had in middle- and high-income developing countries; (b) it was appreciated that the LDCs, most of which depend heavily on foreign aid, face additional problems to bear the costs and inefficiencies associated with tied aid. The initial aim was to adopt the Recommendation within a year, but the discussion did not advance because of two issues: inclusion of food aid and technical co-operation in the final agreement; burden-sharing among donors (DAC, 2000, 2001). Food aid is the most common form of commodity aid, used both to support economic and social development (i.e. programme and project food aid) and short-term relief in response to natural or man-made disasters (i.e. emergency food aid). Most of this aid is channelled by multilateral agencies, notably the World Food Programme (WFP), and, therefore, is untied. A substantial portion is provided by bilateral agencies and is often tied because of the pressure of agricultural firms. Technical co-operation, which represents a considerable ingredient of foreign aid, transfers knowledge and skills from developed to developing countries aiming at strengthening people's own initiative. Since 1996, it is no longer mandatory to include it as a form of tied aid, which makes it difficult to compare data across time and countries (Tarp, 2000). Food aid and technical co-operation were dropped from the negotiations on the draft Recommendation, under the pressure *inter alia* of US and Japan, which, respectively, have substantial food aid and technical co-operation programmes.

Following the exclusion of food aid and technical co-operation after the DAC High-Level Meeting of May 1999, the disparities between countries in respect to resources transferred to the LDCs placed the issue of burden-sharing on the agenda for the DAC High-Level Meeting of May 2000. In particular, France and Denmark placed the setting up of a series of aid targets as a condition to continue the discussions. Meanwhile, another issue arose as a major threat to the adoption of the Recommendation: some countries, Japan in particular, made the applicability of the draft DAC Recommendation to EC aid as an essential condition for its adoption (*The Economist*, 17 June 2000; *Independent*, 18 June 2000; *Financial Times*, 19 June 2000; *The Guardian*, 23 June 2000). EC aid was 'partially' untied, which meant that tendering for EC-funded contracts was open to all EU Member States and either to recipient countries (in the case of the ALA programme) or to all countries in a particular region (in the case of the ACP and the MEDA programme). As EC development policy did not make any distinction among developing countries on the basis of their level of poverty, signing the draft DAC Recommendation would have implied the renegotiation of the EC–ACP Partnership Agreement, the ALA and MEDA regulations and the regulations -governing the various thematic budget lines. Moreover, considering that these revisions required the unanimity in the Council, implementing the draft DAC Recommendation would have taken very long time. These problems, as well as the general debates within the EU, are the subject of the next section.

The debate in the EU

Within the EU there were different views on the issues of untying of aid. At one extreme, the most vocal players were the UK and the NGO community. The British government had announced it would untie its foreign aid by April 2001. This decision, which followed a decade in which its share of tied aid had been very high, was supported by a large consensus, including NGOs and businesses. From the end of 2000, the UK started putting pressure on both DAC members for the approval of the DAC Recommendation and on EU Member States and the European Commission for a EU-wide untying of Member States' bilateral aid. As for the NGO community, in September 1999, ActionAid International supported by forty European NGOs, launched a legal complaint against the European Commission, claiming that tying aid breached both EU competition policy and internal market rules. This complaint, which received the support of the 900 members of the European NGO Liaison Committee (CLONG), rested on two arguments. First, stopping firms belonging to a Member State from tendering for contracts in another Member State was against single market rules on free movement of goods and services, regardless of whether the issue in question pertained to an external relations policy. Second, granting an advantage to national companies in a Member State, thus discriminating against firms in other Member States, infringed EC provisions on state aid (Chinnock, 1998; Chinnock and Collinson, 1999; Hilditch, 2001; ActionAid, 2002).[4]

At the other extreme, France in the negotiations for the draft DAC Recommendation laid down four conditions for its agreement: resources for the LDCs should be increased; food aid should be also untied; technical co-operation should not be untied because it was a way to preserve a sense of national involvement in development assistance; EC aid should be subject to the provisions of the Recommendation (DAC, 2000). Germany supported the principle of untying (with the exception of technical co-operation), under the assumption that its firms would be set to gain a high number of contracts from getting access to the development assistance of other donors. Denmark pursued a policy of formal and informal tying to ensure procurement of goods and services for the Danish 'resource base' (e.g. trade unions, farmers' associations, private industry, consultancies, NGOs). During the negotiations in the DAC, it raised the problem of burden-sharing, arguing that the Recommendation would have mostly benefited donors that provided low levels of ODA to LDCs. Therefore, further untying of aid needed to be matched by greater efforts by all donors, which implied increasing ODA levels for LDCs or including food aid in the final agreement (DAC, 2003). The other northern Member States were broadly supportive. In contrast, the southern Member States, which still had high share of tied aid, were very sceptical.

The European Commission has pushed for further untying of aid since the early 1970s. In its first memorandum on a common EU development policy published in 1972, it proposed untying of aid at the EC level, but met with a strong opposition by some Member States (Faber, 1982). The discussion restarted in the late 1980s, when against the background of the 1992 programme there was a revival of discussions about the extent to which tied bilateral aid was in conflict with the completion of the single market. Following an initiative of the Dutch Presidency, a Commission proposal to untie aid was discussed in various Council meetings in 1991 and 1992. A majority of Member States, however, resisted this attempt, and the issue was then dropped from the discussions for a few years. The discussion restarted in the late 1990s in the context of the negotiations for the DAC Recommendation. Within the European Commission, Poul Nielson, Commissioner for Development and former Danish Minister for Development Cooperation, and Chris Patten, Commissioner for External Relations and former British Minister for Overseas Development had divergent positions: Patten favoured full untying of aid,[5] whereas Nielson was against it.[6] These divergences initially caused the forced silence of the EC representative in Paris during the initial negotiation stages in the DAC. Nevertheless, DG Development attempted to overcome the 'Nielson obstacle' by using an alternative path, as clarified by a DG Development official:

> Meeting with the reluctance of Commissioner Nielson and knowing that Patten had a broader view on this, we searched for allies in DG Relex. We knew we would have found a lot of sympathy from DG Relex and from Patten's Cabinet. The United Kingdom in fact was the first country to launch and then implement a proposal to unilaterally untie its bilateral aid.
>
> (Interview, February 2004)

The conventional view about Commissioners is that they tend to defend the interests of their home country or, less frequently, to protect their portfolio. The case of untying of aid seemed to show that Nielson's position was in line with that of Denmark, whereas Patten's position was in line with that of the UK (*European Voice*, 11 January 2001; 25 January 2001). The protection of the portfolio is easier to justify, as explained by a DG Development official:

> The plan to involve Patten and his Cabinet came from DG Development, which was facing a blockage from Nielson. His Cabinet got very upset about this initiative, and they kept saying that there was no need to involve Patten. Untying was a development issue and therefore fell within Nielson's competence.
>
> (Interview, January 2004)

Another clash occurred between the Services and Patten's Cabinet. DG Development and DG Relex, working very closely, proposed regional untying on the basis of the principle of reciprocity (i.e. untying of aid in individual regions but only if non-EU DAC members did the same) whereas Patten wanted full unilateral untying. As a DG Relex official put it: 'Our initiatives on untying of aid on a regional basis were initially supported by Patten. But when the UK decided to go for full untying, Patten changed position' (Interview, January 2004). After some extenuating debates, a Communication, which represented a sort of compromise between these two positions, was drafted in December 2000. On the one hand, it proposed to extend the untying rules applied to the ACP and MEDA regions to the rest of the developing world, without making a distinction between LDCs and other developing countries. On the other hand, it called for full untying of the sectoral budget headings, including food aid, food aid transport and technical assistance.[7] Compared with the draft DAC Recommendation, the draft EU Communication was both more limited and broader in its scope. It was more limited for two reasons, it extended aid untying to all developing countries, but only on a regional basis, and excluded firms from non-EU DAC countries from bidding for contracts. It was broader also for two reasons, it eliminated the difference between LDCs and developing countries, and called for untying of food aid and technical co-operation. A wide consensus emerged on this position inside the European Commission, though some problems were raised in the discussions by a few DGs (Interviews, March 2002; January 2004). In the words of a Commission official:

> In all this process, there was a silent partner, DG Internal Market and its Commissioner. There were endless discussions between DG Market and the Legal Service whether state aid rules applied to external aid, but these debates did not affect our proposal on EC aid.
>
> (Interview, March 2002)

The draft Communication was discussed by the Heads of Cabinet at the end of January 2001, but due to various persisting disagreements it was never forwarded to the *Collège* (Interview, January 2004). A DG Relex official considered this failure paradoxical:

> The Communication had the full support of Lamy and Patten's Cabinets, but not that of Nielson's. The Heads of Cabinet thought that it was not worth it to confront Nielson and force an agreement on something that was not of crucial importance for the EC.
>
> (Interview, January 2004)

Because of these problems, Patten decided to step back. According to a DG Development official, this was an opportunistic decision: 'Patten initially decided to get involved in this issue because he thought he was going to have an easy success. Once he realized that the case could cause him problems he simply gave up' (Interview, February 2004). Nielson's Cabinet took the lead, and one of the first decisions was to exclude DG Development officials from the re-drafting process. The attitude of Nielson's Cabinet is eloquently summarised by a senior Commission official as follows: 'Their argument was that the nature of the issue was political. I remember one Member of the Cabinet saying that they are the ones who know how politics works, not the Services' (Interview, March 2002). The new Cabinet-driven draft Communication re-proposed most of the arguments advanced by the Services, but changed the gist by indicating a 'positive attitude' towards the application of the DAC Recommendation. This last point raised serious concerns inside DG Development, when a new Director General, Koos Richelle, was appointed in February 2001 (Interview, March 2002).

Confronting the deadlock in the DAC

The appointment of Richelle reinforced the coalition of officials within DG Development in favour of further untying of aid. A new strategy, which involved three different types of initiatives, was soon designed: the idea was to contribute to finalising an agreement in the DAC before re-opening the debate in the EU (Interview, January 2004).

The first initiative was taken within the European Commission to address the existing impasse. To do so, DG Development drew up a 'tactical' memorandum, which was submitted to and then adopted by the *Collège* on 11 April 2001. This memorandum, which constituted the basis for the official line to take at the DAC High-Level Meeting in April 2001, stated that the European Commission committed to implementing the 'spirit' and the objectives of the DAC Recommendation, by extending the rules on regional untying already applied to ACP and MEDA countries to other developing regions and exploring the possibility of a further untying towards other OECD members – for example, medicines and essential services in the fight against HIV/AIDS, tuberculosis and malaria (DG Development source, April 2001; Interviews, March 2002).[8]

The second initiative was with the Member States, which had different positions not only on the issue in general, but also on whether the draft DAC

Recommendation was applicable to EC aid (see Table 5.2). DG Development summoned an urgent meeting of national experts from all Member States, officially to avoid open disagreements among EU Member States in the DAC, but unofficially to support its proposal (Interview, February 2004). The meeting was held in Brussels on 5 April 2001. Before this meeting, a 'non-paper' was sent to all Member States. The non-paper, meant as the starting basis for the discussion, presented the problems raised by the DAC Recommendation and made some concrete proposals. Within DG Development, it was clear that the added value of the draft DAC Recommendation was marginal, yet its adoption was considered the best result achievable at that moment. A good number of EU Member States (i.e. France, Portugal, Spain) were still against the applicability of the DAC Recommendation to EC aid. Richelle, however, managed to persuade them that the EC, representing a unique case in international development, was 'entitled' to ask for a waiver or a derogatory clause not to 'literally' comply with all the requirements of the DAC Recommendation (Interviews, March 2002, January 2004 and February 2004). Richelle continued to mobilise consensus in a meeting of the COREPER on 11 March 2001, when the memo adopted by the *Collège* was discussed. A few countries (e.g. the UK, the Netherlands), which supported the efforts made by the European Commission, wanted to send a clear message on the EC intention to meet the objectives of the DAC Recommendation. It was, in fact, pointed out that if non-EU DAC members, notably Japan and the US, did not get a clear message about EC aid they would have walked away from the agreement (Interview, January 2004). At the end of the COREPER meeting, France and Denmark were still doubtful about the overall DAC Recommendation. Denmark pointed out that it was not completely satisfied with progress on burden-sharing. Because national elections were taking place and because of the significant quantity of resources devoted to ODA, the Danish government risked being attacked by the press and the opposition. However, it did not want to abstain, but was now convinced to make extra efforts to implement the Recommendation, though not in its entirety (Interviews, January 2004 and February 2004).

The third initiative was in the DAC. In an extraordinary meeting held on 18 April 2001 the issue of burden-sharing was solved thanks to the adoption of two compensatory mechanisms (as discussed below). The only outstanding matter was the applicability of the DAC Recommendation to EC aid. On the eve of

Table 5.2 Positions of EU Member States on the applicability of the DAC Recommendation to EC aid

Position	*Member State*
Strongly in favour	Netherlands, United Kingdom
Moderately in favour	Belgium, Italy, Germany, Sweden
Moderately against	Denmark, Finland
Strongly against	France, Portugal, Spain
Not active participants in the debates	Austria, Greece, Ireland, Luxembourg

Source: Author's interviews, Europolitique (21 April 2001).

the High-Level Meeting of 25 April 2001, Koos Richelle held a series of informal talks with the chairman of the DAC, some EU Member States (in particular, France and Denmark), and Japan. Richelle found a way out of the deadlock. In line with OECD procedures, he suggested the adoption of the Recommendation with declarations to be annexed in the minutes of the meeting (Interview, March 2002). Three declarations were annexed: one from Japan and one from Denmark, calling for greater efforts to apply the principle of burden-sharing more fairly; another from the European Commission, stating that it would explore ways to implement the DAC Recommendation through the required EC procedures while, committing to new initiatives for further untying. The European Commission's strategy was successful, though 'cynical' according to a DG Development official:

> We just paid lip service to the DAC and pretended to endorse the Recommendation, but we knew that we could have not implemented it. But the Commission did not dare to state it clearly for fear of preventing the adoption of the Recommendation itself.
>
> (Interview, February 2004)

The Recommendation, adopted by the DAC High-Level Meeting on 25 April 2001, established that countries should untie aid to the LDCs by 1 January 2002 in the following areas: (a) balance of payments and structural adjustment support; (b) debt forgiveness; (c) sector and multi-sector programme assistance; (d) investment project aid; (e) import and commodity support; (f) commercial services contracts; (g) ODA to NGOs for procurement-related activities. Donors also agreed to make extra efforts to untie ODA to LDCs to the greatest extent possible and to increase ODA flows to the LDCs.[9] Considering that food aid and technical co-operation were excluded from the Recommendation, and that the overall amount of aid allocated to LDCs varied greatly among donors, two mechanisms were adopted to guarantee a more balanced burden-sharing: (a) a reference indicator matrix, which sets out the situations of Members and their evolution over time with respect to the initial positions and reference points; (b) member performance profiles, to be submitted by each DAC member in respect to the reference matrix indicator, identifying initial and medium-term supplementary actions to promote burden-sharing.[10] Finally, the Recommendation instituted strong transparency, implementation, and review procedures to provide and maintain a level playing field, to monitor compliance with the Recommendation and to assess its effectiveness (DAC, 2001, 2002).[11]

The regulations on untying EC aid

Despite the DAC Recommendation being considered 'ridiculously limited' by some NGOs (*Financial Times*, 15 May 2001), the acceptance by international donors of the principle of untying of aid was a major achievement. The role of the European Commission, and in particular that of DG Development, was crucial.

The DAC Recommendation was conceived by DG Development only as the first step towards further untying. The FfD conference offered a new opportunity to re-open the debate, but within DG Development it was felt that time was not ripe (Interview, March 2002). Only a few months later, however, the European Commission adopted its first Communication ever on untying of aid, which was endorsed by the Council in May 2003. This paved the way to the adoption of two regulations on untying of EC aid in December 2005. This section discusses each of these steps in detail.

The Monterrey process

Following the approval of the DAC Recommendation, the European Commission was between 'two fires'. Some Member States started putting pressure asking how it intended to implement it. The most active was the UK, which in a meeting of the EU's Director Generals for Development in September 2001 requested a concrete initiative in the context of the FfD Conference. DG Development was convinced that it was not yet time to launch any proposal. It was clear that the southern Member States, France and Denmark would have asked the European Commission to first honour the commitment made in the DAC before asking Member States to go beyond it. The alternative became a sort of 'camouflage', which implied a behind-the-scene support for the UK's initiative (Interview, March 2002).

The UK made a formal proposal for 'a single foreign aid market' in the Development Council of 8 November 2001, which discussed the EU position for the FfD conference. This approach received the full support of DG Development and that of Commissioner Nielson, who, as we saw earlier, was initially against untying of aid. The change in Nielson's attitude deserves greater attention. Some have argued that 'Nielson's change of mind coincided with the socialists losing the elections in Denmark. Therefore, the links with the party which selected him as the Danish Commissioner had been lost' (Interview, January 2004). On the contrary, I believe that two different mechanisms can explain it better (Checkel, 2005). First, role playing: 'Nielson shifted because he knew that what was happening in the EU was a clear violation of internal market rules and therefore he as Commissioner was obliged to put the issue of tied aid on the agenda' (Interview, March 2002). Second, persuasion: 'Richelle, with his administrative weight and personal skills, was instrumental in convincing Nielson' (Interview, February 2004). The main issue discussed in the Development Council, as shown in Chapter 3, was the setting up of timeframes to increase ODA towards the achievement of the 0.7 per cent target. The British proposal on untying of aid was hardly discussed. At the end of the Development Council, the European Commission was mandated to start a consultation with Member States, focusing on three areas: volume of ODA, global public goods (GPGs) and innovative sources of financing. However, the Council Conclusions, elaborated by the Belgian Presidency with the decisive assistance of DG Development officials, were written in such a way that indirectly left the idea of untying open for discussion. In fact, in addition to the three aforementioned issues, '[t]he Commission will also take into account other issues for consideration proposed by the Member States' (Council, 2002).

Following the mandate of the Council, Richelle and two officials in DG Development undertook a *tour des capitales.* In the ensuing bilateral meetings, all Member States confirmed their intention to implement the DAC Recommendation, though a majority was clearly against any initiative going beyond it. Nonetheless, a specific recommendation appeared in the Richelle Report:

> An agreement inside the EU to go further on the untying of aid along the lines of the proposal presented by the UK could represent an additional concrete measure to be presented by the EU in Monterrey as a contribution to the global deal. If non-EU members of OECD would not participate in this endeavour, the Member States could decide to fully untie their bilateral aid, in line with existing Community law on public procurement.
>
> (European Commission, 2002a:9)

On the basis of the Richelle Report, a Communication was adopted by the *Collège* on 12 February 2002, where, *inter alia*, it was suggested that 'the MS should decide to fully untie bilateral aid amongst the 15 Member States and vis-à-vis all their partners in the developing world, while maintaining the existing system of price preferences of the EU–ACP framework' (European Commission, 2002a:1).[12] Meanwhile, the Monterrey Consensus had been adopted at the fourth PrepCom in January 2002. As well as pledging to increasing their volume of aid, international donors made a series of commitments towards improving aid effectiveness. The commitment on aid untying was weak: donors agreed only to 'support and enhance recent efforts and initiatives such as untying aid'. The FfD communication was discussed in the Development Working Group of the Council. The positions of the Member States, which had not significantly changed since the negotiations for the DAC Recommendation, can be grouped into three categories (see Table 5.3). A first group of countries (i.e. the UK, Sweden, the Netherlands, Luxembourg, Ireland) wanted to go beyond the DAC Recommendation. A second group of countries (i.e. Austria, Belgium, Finland, Germany, France) was more cautious, ranging from 'commitment in principle for

Table 5.3 Commitments of EU Member States on untying of aid beyond the DAC Recommendation, January 2002

Commitment	*Member State*
Strong	Ireland, Luxembourg, Netherlands, Sweden, United Kingdom
Moderate	Austria, Belgium, Finland, France, Germany,
Weak	Denmark, Greece, Italy, Portugal Spain

Source: Author's interviews; *Europolitique* (21 April 2001).

Note: Denmark partially changed its position in mid-2002.

further untying' to 'commitment to only implementing the DAC Recommendation'. A third group of countries (i.e. Spain, Portugal, Italy, Greece, Denmark) was against any initiative towards further untying of aid.

The discussion in the Development Working Group concentrated on the issue of volume of aid. The issue of untying was dealt with on the basis on the Spanish Presidency proposal, which, re-adapting the Commission Communication, contained three elements: (1) implementing the DAC Recommendation on untying of aid to LDCs; (2) considering steps towards further untying of EC aid while maintaining the existing system of price preferences of the Cotonou Agreement; (3) continuing the discussion among the Member States in view of further untying. While most of the Member States accepted the Presidency proposal, one Member State (i.e. Germany) decided to place a reserve on bilateral untying. The issue of untying was further discussed in the COREPER on 13 March 2002. Germany wanted to limit the discussion to what had been decided in the DAC, while other Member States (i.e. the UK, Ireland and Sweden) wanted to start a debate in the EU (Author's personal notes; Interviews, March 2002). After intense negotiations, the final agreement committed Member States 'to implement the DAC Recommendation and to continue discussions in view of further untying bilateral aid. The EU will also consider steps towards further untying of Community aid while maintaining the existing system if price preferences of the EU–ACP framework' (Council, 2002c). The reference to untying the bilateral aid of the Member States, not least because of the negative attitude of the Spanish Presidency, was cancelled. The final commitment on untying of aid was not very ambitious; however, considering the simultaneous commitment to boost volume of aid (as explained in Chapter 3), it was not considered a 'major failure', as explained by an international practitioner:

> In the Monterrey process, the EU concentrated more on the issue of volume of aid, while little progress was made on the issue of untying. This is not a criticism. For instance, the NGO community was not unhappy. At the end of the day, an agreement that boosts volume of aid may be more important than an agreement to just untie aid.
>
> (Interview, January 2004)

The Barcelona commitments and the new confidence on foreign aid generated by the FfD conference were used by DG Development to launch a more ambitious initiative. These intentions were complemented by the new interest manifested by Denmark, which was holding the rotating Presidency. Denmark's change of position in its approach to untying of aid, according to a Commission official, can be seen as 'the result of the fact that the link between trade and development was one of the major priorities of the Danish Presidency, and for this reason they wanted to adopt a more liberal position on untying for the sake of coherence' (Interview, November 2002). Similarly, according to an international practitioner, 'as a result of various achievements in foreign aid, the Danes had a more open attitude towards untying of aid: consultants, NGOs, and the new government wanted to take a different line than what they had in the past' (Interview, January 2004).[13] DG Development took advantage of these new opportunities to present a 'radical' approach on untying of aid.

Untying EC aid

The Communication on untying of aid, the first on this topic, was adopted on 18 November 2002. The starting point was a major critique of the limited scope of the DAC Recommendation, which 'due to its many conditions, limitations and loopholes – has only a very limited impact on a marginal amount of ODA' (European Commission, 2002c:3). In light of these views, DG Development recommended full untying of EC aid, but with a caveat: that is, reciprocity from non-EU donors and agreement by the recipient country. In particular, for the thematic budget lines, it proposed: (a) untying aid to all developing countries; (b) untying aid to all developed countries, conditional on reciprocity from other donors and an agreement with recipient countries. For the geographical budget lines, it proposed: (a) untying aid to developing countries on a regional basis; (b) untying aid to all developed countries, conditional on reciprocity from other donors and an agreement with recipients. The most 'sensitive' component of the Communication was the focus on the bilateral aid of the Member States. The Communication stressed the fact that the rules of the internal market applied to the bilateral programmes of the Member States, and that tying bilateral aid was in breach of EC law. In this sense, both the Treaty provisions on the free movement of goods and services and the public procurement rules prohibited any discrimination in favour of national enterprises and against operators established in other EU countries (European Commission, 2002e). Finally, it recommended the complete untying of food aid and food aid transport at international level and called for further involvement of developing countries in these discussions.

This Communication was briefly presented by Nielson to the General Affairs and External Relations Council (GAERC) on 19 November 2002, but considering that it had been approved only the day before, no major debate took place among Member States (Council, 2002e). Intense negotiations, however, occurred in a number of meetings of the Development Working Group of the Council, where various DG Development officials alternated to defend the Commission proposal (Interview, November 2003). The new rotating Presidency, held by Greece for the January–June 2003 period, started drafting Council Conclusions in view of the May 2003 GAERC on the basis of the Commission recommendations. The proposal on untying EC aid did not meet any resistance, whereas the proposal on the bilateral policies of the Member States was very controversial. The discussions centred on the following paragraph of the draft Conclusions: 'The Council takes note of the Commission's view that the rules on the functioning of the internal market are applicable to Member States bilateral development assistance. The Council invites the Commission to develop appropriate proposals in consultation with the Member States' (DG Development source, May 2003). As no agreement was achieved, the discussions continued in the COREPER, where some clashes occurred among Member States on the aforementioned paragraph. Portugal and Spain, in particular, maintained that deliberating on bilateral aid was against treaty provisions.[14] The European Commission, represented by Koos Richelle, argued that Member States were bound by a European Council decision; in Barcelona they had agreed not only to consider steps towards untying EC aid, but also to continue the discussions on untying their bilateral aid. For this reason, Richelle suggested that both sentences be retained and sent to the GAERC in brackets. The Greek Presidency, considering that a discussion on bilateral aid in the Council seemed inevitable, accepted the Commission's proposal (Interview, November 2003; January 2004). This discussion continued in the May 2003 GAERC. In that context, all Member States accepted the proposal made by the Commission on further untying EC aid and invited the European Commission to present proposals to amend, through a horizontal regulation, all the development regulations. More controversially, Commissioner Nielson argued that, in spite of the strong reluctance by some Member States to even discuss the issue, the legal basis for the applicability of internal market rules on procurement to bilateral aid was sound. The pressure was mostly on Spain. Despite various Member States (e.g. the UK, the Netherlands, Germany, Sweden, Belgium, Denmark) took the floor to convince the Spanish Minister, Spain did not change its position (Interviews, November 2003). The Greek Presidency was, therefore, forced to delete the reference to bilateral aid in its entirety (Council, 2003). This was a partial failure, yet the European Commission had managed to get the support of almost all Member States on further untying of EC aid and to hold a thorough discussion on untying the bilateral policies of the Member States, a novelty in the EU.

Due to the legal nature of the instruments falling under the European Development Fund and those falling under the EC budget, two parallel processes were necessary. First, DG Development presented a proposal for a mandate to introduce changes in the Cotonou Agreement, which was adopted by the GAERC in February 2004. Second, in April 2004, it submitted a proposal for a single regulation on 'access to Community external assistance',[15] in which it re-proposed the measures that had been object of the previous Communication, including the distinction between beneficiaries and donors. In particular, it established: for the beneficiaries, programmes with a thematic scope would be open to suppliers from all developing and transition countries, whereas programmes with a geographic scope would be open only to nationals of the targeted region; for donors, instruments would be open to EU Member States, candidate countries, and countries from the European Economic Area (i.e. Norway, Iceland, Liechtenstein), and other DAC countries (i.e. Australia, Canada, Japan, New Zealand, Switzerland, US) only on the basis of the principle of reciprocity (European Commission, 2004c).

The Development Working Group of the Council met in May and June 2004 and then again in July and September 2004, when it decided to postpone this discussion as the European Commission was preparing the New Financial Perspectives for 2007–2013. The negotiations of the Financial Perspectives took more time than anticipated, therefore the discussion on untying of aid restarted only at the beginning of 2005. In April 2005, the COREPER – considering that the proposed single regulation implied amending twenty-five existing regulations with different procedures, fifteen using the co-decision and ten the consultation procedure – decided to split the initial proposal into two different proposals, which would, however, contain identical provisions and would be adopted simultaneously. The negotiations on the two European regulations lasted several months, but only a few changes were introduced. First, the Parliament, supported by the Council, argued that European NGOs should be exempted from the provision of the regulation. The European Commission lamented the fact that the NGOs risked being 'hypocritical' and using 'double standards' – NGOs wanted untying of aid, but not of the aid provided to them. An exemption was initially granted but only for the co-financing budget line (Carbone, 2006); by 2007 aid to NGOs was also untied. Second, the Parliament proposed, eventually accepted by both the Council and the Commission, to exempt the Rapid Reaction Mechanism from the scope of the regulation. Third, the Parliament questioned the rationale for the untying of experts. The final provision was a compromise: experts employed by the tenderer may be of any nationality, whereas those employed by the European Commission are not untied. Fourth, the Parliament proposed the exclusions of transition countries from the beneficiaries and to limit it only to developing countries. The Council accepted this view, but wanted to leave it open in case new Member States were sensitive to this point. With these marginal changes, the two regulations were adopted and entered into force in December 2005.

Beyond the DAC Recommendation

With the adoption of the new Financial Perspectives for 2007–2013, the new regulations mainly applied to the Development Co-operation Instrument (DCI). In sum, aid is untied for all developing countries with the exceptions of regional instruments, which will be untied only for the developing countries of the various regions, aiming at supporting regional integration and local markets. By mid-2007, the EC had started contacts with Switzerland, Canada and Australia to proceed such recognition (DAC, 2007b). In contrast, the EDF remained partially untied as only Member States and ACP countries can bid for contracts. In fact, ACP countries put pressure on the European Commission and on the Member States to keep the *status quo* (DAC, 2007b; Interview, May 2007). In addition to EC aid, the European Commission has been 'vigilant' on the bilateral policies of the Member States, continuously reminding that the EC has the legal power to ensure that Member States respect full untying among themselves. Through its annual reports of the Barcelona commitments it 'has registered' an emerging consensus among Member States to go beyond the DAC Recommendation. By the mid-2000s, the majority of EU-15 Member States had almost fully untied their ODA: the UK and Ireland fully; the northern Member States more than 95 per cent with the partial exception of Denmark; France and Germany between 90 and 95 per cent; the southern Member States below 90 per cent – though Italy in 2005 registered a surprising 93 per cent (DAC, 2006, 2007a).

The European Commission has, in general, supported further untying, but the discussions take place in the DAC, not least because of the significance of other international donors in these negotiations. The discussion has focused on two issues: geographical coverage and technical co-operation. In both issues, there has been a convergence of views among Member States. However, the idea to extend untying of aid to other low-income countries (OLICs) or, less ambitiously, to the highly indebted poor countries (HIPCs) is resisted by some Member States (e.g. France). Similarly, in the case of technical co-operation, which represents almost one-third of the total bilateral ODA to LDCs, there is general agreement among Member States that it should be included within the scope of the Recommendation, yet a majority refuses to change their practices (e.g. Portugal, Germany). While the share of technical co-operation was declining in the 1990s, in the 2000s it has substantially increased. Considering that technical co-operation is generally 'highly tied', 'the fall in aid tying is nowhere near as dramatic as the DAC figures initially lead one to believe' (Reality of Aid, 2006:234). The arguments used by Member States for both the geographical coverage and technical co-operation is similar: any unilateral initiative would just favour non-EU countries, not only the US and Japan, but increasingly China. The European Commission has still insisted that while these concerns remained valid, untying of aid would be an indication of generosity, but would also confirm that the EU is a single actor in international development (Interview, May 2007). The case of food aid is different. Almost all the EU-15 Member States, with the partial exceptions of Italy, Portugal and Austria, and some of the EU-12 Member States (i.e. Slovenia and Poland) provide nearly all food aid in cash and untied. The European Commission not only has strongly recommended that all EU Member States fully untied food aid, but also that they moved towards local and regional purchases as a way to stimulate local agricultural production, sustaining local markets and enhancing the livelihood of local producers (European Commission, 2006c, 2007d). The big step, however, still remains how to persuade the US.

Conclusion

The issue of untying of aid has appeared regularly in the agenda of international conferences since the 1960s. In principle, all donors agree that tying aid raises the cost of goods and services (according to calculation by 15–30 per cent), places a heavy administrative burden on recipient countries, tends to favour projects that require capital-intensive imports or donor technical assistance over more poverty-focused programmes, is not compatible with local development and ownership. Nevertheless, various countries have periodically re-untied their aid arguing that it contributes to strengthening public and business support for aid budgets by generating trade opportunities and new jobs. After almost forty years of negotiations, a Recommendation on untying of aid to LDCs was approved by the DAC in May 2001. The process that led to the final agreement (1998–2001) was difficult. Once two of the most contentious issues (i.e. food aid and technical co-operation) were dropped from the scope of the Recommendation, the applicability of the DAC Recommendation to EC aid became a further scapegoat. In light of its privileged 'regional' approach – EC development did not make distinction between LDCs and the rest of the developing countries – the European Commission was not in a position to implement the DAC Recommendation. Various international donors, Japan *in primis*, became very vocal about this problem.

The European Commission was paralysed because of various internal clashes, both horizontal and vertical. While in the case of GPGs the horizontal fight was between DGs, in this case it was between the Commissioner for External Relations, who favoured full untying of aid, and the Commissioner for Development, who resisted it. Moreover, while in the case of GPGs vertical co-ordination worked well, in this case there were a number of significant tensions between the political and administrative arms of the European Commission. In particular, the officials of the two DGs involved in this case, DG Relex and DG Development, working very closely, tried to impose their agenda but found open resistance from their Commissioners and 'silent resistance' (i.e. lack of support) from their peers. Subsequent administrative changes (i.e. the appointment of a new Director General and of various new officials in DG Development) unblocked this impasse and enabled DG Development to act as an institutional entrepreneur. The DAC Recommendation was eventually adopted thanks to the inputs of DG Development, but that was only the first step of a process, which, through the Monterrey Conference, led to the adoption of two regulations on EC aid in November 2005. These two regulations went further than the DAC Recommendation as they established full untying of EC aid – with no distinction between LDCs and non-LDCs and with the inclusion of food aid and technical assistance – though were also more limited in scope being based on the principle of reciprocity with other international donors. DG Development's success can be explained by its effective use of a number of tactics, first in the DAC, and then in the EU, notably: it took advantage of two external circumstances (i.e. a deadline in the DAC and the positive outcome of the FfD conference); mobilised consensus (i.e. summoning an important meeting of senior experts from Member States); politicised the issue (i.e. referring to the potential violation of single market rules); engaged in forum-shopping (i.e. pushing for a decision in the DAC before re-launching the debate in the EU); acted strategically and persuasively during the final stages of the negotiations (i.e. using co-optive justification by recalling previous decisions in the EU).

Conclusion

> The Council recognises that reinforcing the complementarity of donor activities is of paramount instance for increasing aid effectiveness, and thus for a more effective and efficient development assistance. It is one of the necessary conditions for the eradication of poverty in the context of sustainable development, including for timely achievement of the Millennium Development Goals.... The Council agrees that the EU should act as a driving force for complementarity and division of labour within the international harmonisation and alignment process, and that the EU should follow an inclusive approach that is open to all donors, and whenever possible building on existing processes.
>
> (EU Code of Conduct on Complementarity and Division of Labour in Development Policy, 2007)

Following the establishment of the European Development Fund in the late 1950s, the process of aid integration in the European Union (EU) stalled: Member States slowly increased the level of resources channelled through the European Community (EC) and, at the same time, continued to manage their bilateral policies independently. The Treaty of Maastricht, by introducing the principles of co-ordination and complementarity, laid the foundations for a change of practice. Nonetheless, Member States not only continued to resist any attempt that the European Commission made to promote integration of aid, but also started questioning its performance in the management of EC external assistance. This impasse in aid integration was accompanied by a poor performance in both the quantity and the quality of foreign aid: France and the UK had substantially cut their official development assistance (ODA), Germany was still facing the consequences of its unification, and the southern Member States were under pressure to meet the economic obligations of the EU's Stability and Growth Pact. The only exceptions were the northern Member States, which, having exceeded the 0.7 per cent target, started urging other countries in Europe to follow suit. Their appeals, however, seemed to be in vain because on the eve of the Financing for Development conference, scheduled for Monterrey in March 2002, a majority of Member States did not seen inclined to increase their ODA. Against this background, the radical transformation in EU development policy which occurred between 2002 and 2007 was unexpected. Within a few years, Member States, collectively, not only committed to jointly increase their volume of aid and to implement an ambitious plan on aid effectiveness, but also signed the European Consensus on Development, which enshrines the promotion of common values and principles by both Member States and the European Commission, and the Code of Conduct an Complementarity and Division of Labour, which provides a framework for better delivery of aid. In this book, I have investigated the reasons for these changes and found the answer in the leadership of the European Commission. The first part of this chapter summarises the main findings of my empirical research, while the second looks at the prospects for foreign aid in the EU.

Leadership and the politics of foreign aid in the EU

Despite being among the oldest policies in the EU, development policy and integration theory have rarely met. Tellingly, the evolution of EU development policy confounds the expectations of many existing theories and approaches to European integration. Intergovernmentalists would expect integration in EU development policy to be extremely difficult, with only marginal progress reflecting the convergence of the interests of the most important states (i.e. France, the UK and Germany). Neo-functionalism would anticipate the transfer of competence from the Member States to the EU as a reaction to pressures coming from the external environment or as a spillover from other policies, particularly foreign policy. Multi-level governance scholars would explain integration of aid as a result of the combined pressure of Member States, non-state actors (including supranational institutions and NGOs), international organisations and actors in developing countries. Constructivists would argue that interaction with other EU partners would alter national positions on aid integration.

Given that these explanations are, at best, incomplete, it is necessary to take account of the leadership role of the European Commission to explain the pace and shape of EU development policy. In Chapter 1, I have elaborated a leadership model, which, drawing on sociological institutionalism and social constructivism, introduces a number of innovations *vis-à-vis* existing models (Sandholtz, 1993; Beach, 2005; Vahl, 1997). First, I have demonstrated that the European Commission plays a leadership role in the EU decision-making process only if it acts cohesively. By carefully investigating preference formation inside the European Commission – something that is generally overlooked by scholars – I have found that different DGs hold different views on various issues and, more significantly, that this fragmentation undermines the capacity of institutional entrepreneurs to lead vis-à-vis Member States. Second, rather than discussing the role of individuals, I have stressed the role of institutional entrepreneurs, specifically DG Development, which includes both administrative and political staff. Third, I have established that to achieve their goals, institutional entrepreneurs use a number of tactics, relying on both the strategic calculation of means-ends (i.e. logic of consequentialism) and the use of arguments and persuasion (i.e. logic of appropriateness).

Before discussing these findings in detail, it may be useful to briefly review the three cases that I have examined in Chapters 3, 4 and 5. The first case concerns the issue of volume of aid. Following a decade of declining trends, in March 2002 the Member States pledged to jointly increase their collective volume of aid from 0.33 to 0.39 as a percentage of their collective GNI. In May 2005, they committed to a more ambitious target, that is, to reach 0.56 per cent by 2010 and 0.7 per cent by 2015. The second case concerns the issue of Global Public Goods. Identified as a tool to mobilise additional resources for development and to manage the negative effects of globalisation, GPGs were discussed with disappointing results in the context of the Financing for Development conference (Monterrey, March 2002) and the World Summit on Sustainable Development (Johannesburg, August/September 2002). France and Sweden tried to relaunch a discussion through the establishment of an International Taskforce on GPGs, but their attempt was not very successful. The third case concerns the issue of untying of aid. Following years of difficult negotiations both in the EU and in the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD), in May 2001 the DAC adopted a Recommendation to untie aid to the LDCs, with the exclusion of food aid and technical assistance. This Recommendation was followed by two regulations adopted by the EU in December 2005, which established the full untying of EC aid for all developing countries, including food aid and technical assistance.

Conditions of Commission leadership

The ability of the European Commission to lead in the EU decision-making process depends on a number of conditions. First, an institutional entrepreneur must place the issue on the agenda. In the case of volume of aid, the institutional entrepreneur was DG Development, both the Services and the Commissioner. Taking advantage of a policy window, it circulated various documents aimed at establishing both collective and individual timeframes towards the 0.7 per cent target. In the case of GPGs, institutional entrepreneurship was more complicated. DG Development, both the Commissioner and his Cabinet, placed the issue on the agenda, arguing that GPGs would contribute to achieving the Millennium Development Goals (MDGs) and managing the negative effects of globalisation. DG Ecfin, in contrast, had a more positive attitude towards globalisation and claimed that the concept of GPGs was of limited benefit to developing countries. This protracted confusion of roles compromised the ability of the European Commission to be assertive in its dealings with the Member States. In the case of untying of aid, I distinguished two phases. Initially, various individuals within DG Development pushed in different directions, with a number of clashes occurring between the Services and the Commissioner. When DG Development managed to act in concert (following the appointment of a new Director General, whose position had been vacant, and of various officials), the process took off.

Second, the European Commission must act cohesively throughout the decision-making process. In particular, institutional entrepreneurs are more likely to achieve their goals if they manage to minimise the Commission's internal divisions. In contrast, they are more likely to fail if tensions between the administrative arm and/or the political arm are not solved at an early stage of the process. In the case of volume of aid, the European Commission was successful because all DGs and Commissioners (as well as the President) embraced the ambitious project advanced by DG Development. In contrast, in the case of GPGs, disagreements between DG Development and DG Ecfin paralysed the Commission and precluded any policy initiative. In the case of untying of aid, there were clashes initially between the Commissioner for Development and the Services and, subsequently, between the Commissioner for Development and the Commissioner for External Relations. As aforementioned, when the post of Director General was filled and new officials became involved in this issue, the initial impasse was overcome and the European Commission was able to advance its proposals.

Third, the context in which the institutional entrepreneur operates plays an important role. For instance, the terrorist attack in the US in September 2001 and the urgency to react to it in view of the FfD conference in the case of the first decision on volume of aid, the Millennium+5 Summit in September 2005 in the case of the second decision on volume of aid, and the tight deadline in April 2001 in the case of the DAC recommendation on untying of aid helped the European Commission in the pursuit of its agenda. However, the European Commission was also able to lead in difficult contexts. In the case of volume of aid, a number of countries (i.e. Germany, Italy, Spain, Greece, Portugal, Austria and initially France) strongly opposed the European Commission's proposal. Similarly, in the case of untying of aid, significant opposition came from some countries (e.g. France, Denmark and for some aspects Germany) in the context of the DAC Recommendation and from other countries (e.g. Spain, Portugal) in the context of the discussions on the bilateral policies of the Member States. Paradoxically, in the case of GPGs, the Council was receptive – that is, various Member States facing a crisis in their volume of aid were eager to 'experiment' with alternative ways to address the MDGs and some actually waited for the Commission's inputs in this area – but the European Commission failed to supply leadership because of its internal divisions. Some considerations are also in order on the relationship between the European Commission and the rotating Presidency. Belgium in the case of volume of aid, Denmark and Greece in the case of untying of aid, facilitated the role of the institutional entrepreneur. Spain, in contrast, was uncooperative, but despite this additional burden, the institutional entrepreneur still managed to lead.[1]

Table C1 summarises the conditions for Commission leadership. Institutional entrepreneurship is necessary to place an issue on the agenda. In all cases, DG Development managed to do so. The central variable, however, is whether the European Commission is united or not. The cases of volume of aid and untying of aid show that, when united, it achieves its goals (i.e. policy success). In contrast, when divided, as in the case of global public goods, it fails to accomplish its objectives (i.e. policy failure). The context variable reveals that, quite strikingly, the institutional entrepreneur was successful when the context was

Table C1 Conditions of European Commission leadership

	Volume of aid	*GPGs*	*Untying of aid*
Institutional entrepreneur	Strong	Strong	Strong
Commission united?	Yes	No	Yes
Context	Difficult	Receptive	Difficult
Policy outcome	Success	Failure	Success

difficult, whereas it failed when the context was receptive. This is due to the effective use of tactics, which is the subject of the next section.

Tactics

In order to secure their preferences, institutional entrepreneurs use a number of tactics throughout the various stages of the decision-making process (see Table C2). At the initiation stage, they choose the right time to launch an initiative: in the case of volume of aid, DG Development took advantage of an external shock (i.e. the terrorist attack in the US), in the case of GPGs it exploited an international conference (i.e. the FfD conference), in the case of untying of aid it first used an external deadline (i.e. the negotiation of the DAC Recommendation) and then the positive momentum generated by a successful decision (i.e. the Barcelona commitments). To raise the likelihood of success, institutional entrepreneurs mobilise consensus at an early stage of the policy process. They take various kinds of initiatives, such as holding meetings, making speeches, sponsoring research. In the case of volume of aid and GPGs, DG Development sent a bold COREU, undertook a *tour des capitales* and drew up a report that contained detailed policy recommendations. In the case of untying of aid, DG Development organised a major seminar with senior national officials and held bilateral meetings with the most recalcitrant Member States before the adoption of the DAC Recommendation; it then published a 'radical' communication and sponsored new research in the case of untying of aid within the EU.

At the formulation stage, institutional entrepreneurs frame issues in ways that make them more acceptable to potential opponents. In light of the 9/11 events, boosting volume of aid was no longer seen only as a way to eradicate world poverty, but as 'a non-military response' to international terrorism. Financing GPGs was framed by DG Development as a way to manage the negative consequences of globalisation. However, this new policy image was counter-productive and, in fact, paralysed the decision-making process inside the European Commission, particularly because DG Ecfin supported a positive view of globalisation. In the case of untying of aid, DG Development, rather than concentrating only on effectiveness of aid, linked tied aid to the violation of the rules on the single market. On certain occasions, the European Commission engages in forum-shopping, which implies shifting the discussion to an arena

Table C2 Tactics used by the European Commission to secure its preferences

	Volume of aid	*GPGs*	*Untying of aid*
Initiation	• Timing: terrorist attack in the US • Mobilising consensus: COREU; *tour des capitales*	• Timing: deliverable for the FfD conference • Mobilising consensus: COREU; *tour des capitales*	• Timing: negotiations in the DAC; post-FfD momentum • Mobilising consensus: meetings; communication; sponsoring research
Formulation	• Framing: non-military response to international terrorism	• Framing: managing negative effects of globalisation	• Framing: violation of internal market rules • Forum shopping: first decision in the DAC, then in the EU
Adoption	• Threatening: withdraw proposal • Persuading: lesser evil strategy; co-optive justification		• Threatening: referring to ECJ • Persuading: co-optive justification; Russian doll strategy

where its chances of success would be greatest and then returning to the Council. This tactic was used only in the case of untying of aid: DG Development favoured reaching an agreement, albeit minimalist, in the DAC before launching a more radical initiative in the EU.

At the adoption stage, institutional entrepreneurs use various tactics to overcome the opposition of Member States: manipulation, whereby they offer positive (e.g. packaging together a number of proposals; engaging in accommodating drafting of texts) or negative incentives (e.g. threatening to withdrawn the proposal in question); and persuasion, whereby they use arguments to show the merits of their proposal. In the case of volume of aid, DG Development threatened the obstructive Spanish Presidency with withdrawing its proposal, thus raising the cost of no-agreement. It used the lesser evil strategy, that is, avoiding a worse scenario, and co-optive justification, that is, evoking values and principles supported by the recipient of the strategy, to persuade respectively some northern Member States (i.e. Sweden and the Netherlands) which were refusing to accept unambitious targets and other Member States (e.g. Germany, France) that aid was the best way to show the US who was ‘the real’ friend of the developing world. In the case of untying of aid, it utilised co-optive justification, to convince some Member States (i.e. France and Denmark) that the DAC Recommendation, despite the unfair burden-sharing, would still be beneficial to developing countries, including the ACP countries; it used the Russian-doll strategy, that is, recalling previous EU decisions, to confront the opposition of some southern Member States (i.e. Spain and Portugal), which refused to make commitments to untying their bilateral policies; and it threatened to refer Member States to the European Court of Justice (ECJ) if they failed to untie their aid. In the case of GPGs, considering the Commission's internal divisions, DG Development was not very active vis-à-vis Member States. Finally, contrary to expectations, in all cases the European Commission did not work in collaboration nor did it sponsor any activity of civil society actors to pursue its goals, but engaged in a 'solitary campaign'.[2] This lack of involvement of civil society actors reflects the overall scepticism of DG Development towards European NGOs.[3]

The future of foreign aid in the EU

This book has provided a number of cases in which the European Commission has significantly influenced the direction of development policy in the EU. Building on the momentum created by the Barcelona commitments, the European Commission launched a proposal for a European Consensus on Development, which was eventually jointly adopted with the Council and the Parliament, and a new ambitious agenda on aid effectiveness, including a Code of Conduct on Complementarity and Division of Labour along with a bold initiative on policy coherence. As argued in Chapter 2, the European Consensus and the Code of Conduct provide a framework for a better co-ordinated development policy, but at the same time commit Member States and the EC to a common view and strategy to guide their actions in international development. This last element raises questions on the EU as a global actor, which however, due to the scope of this book, can only be pointed out to scholars for future research.

More and better aid

The announcement in March 2002 by Member States on boosting their volume of aid was considered 'business as usual', 'paying lip service to developing countries' (Interviews, March 2002). Despite great scepticism, not only did the EU meet the collective target set for 2006 (0.39 per cent of its collective GNI), but even exceeded it (0.42 per cent). All Member States met the country target except for the southern Member States (i.e. Greece, Italy, Portugal and Spain).[4] Considering their low initial levels, this was not a surprise; yet they planned to catch up with the other Member States either in 2007 (i.e. Portugal, Greece) or in 2008 (i.e. Italy). Germany, Austria and Spain, which in 2002 had strongly opposed the establishment of fixed targets, registered record achievements. Similarly, France and the UK – as well as Ireland and Belgium – substantially increased their level of aid. Finland, which had used the poor overall EU performance to justify its low volume of aid vis-à-vis its Nordic peers, had no choice but to increase its volume of aid. Contrary to predictions, the post-2004 Member States have doubled their ODA since accession. The reason behind all these achievements, I contend, is to be found in the role of the European Commission in the follow-up process. DG Development was initially simply in charge of monitoring the performance of Member States and offering general recommendations on financing for development. With the publication of the second monitoring report, it started using the monitoring reports, and the connected process in the Council, as devices to launch new ambitious initiatives: in 2004 on aid co-ordination and harmonisation, in 2005 on volume of aid, in 2006 on aid effectiveness, in 2007 on trade and aid.

Of particular significance was the 2005 report. In view of the Millennium+ 5 Summit in September 2005, DG Development again took the lead and pushed for a new and more ambitious aid target. In May 2005, the Council established a new collective target (0.56 per cent) to be reached by 2010, which includes different thresholds for the EU-15 Member States (0.51 per cent) and for the EU-10 Member States (0.17 per cent). The aim is to reach the 'magic' 0.7 per cent target by 2015: what seemed an illusory figure at the end of the 1990s became a reality in the mid-2000s. In addition to the four best performers (i.e. Denmark, Luxembourg, the Netherlands, Sweden), six Member States have pledged to attain it prior to 2015: Belgium and Finland by 2010; France, Ireland and Spain by 2012; the UK by 2013. If these commitments are respected, the share of ODA provided by the EU will increase from 56 per cent in 2006 to 63 per cent by 2010, whereas the share of the United States is projected to decline from 21 per cent in 2006 to 18 per cent in 2010 (see Table C3). Nevertheless, a number of European NGOs cautioned 'hold the applause' and 'look beneath the gloss of official figures': EU aid should be discounted because it includes administrative costs, support for refugees, and above all debt relief (Concord, 2007). This point was also raised quite strongly by the European Commission in its reports, in which it reminded Member States that the Barcelona commitments 'morally' bound them to make debt relief additional to ODA. Furthermore, to increase the predictability of aid flows, the European Commission urged Member States to establish year-by-year timetables (European Commission, 2007c).[5]

The quality of aid is as important as its quantity, if not more so. The EU, thanks to the leadership of the European Commission, has agreed on an action plan aimed at improving the effectiveness of EU aid (see Table C4). This action plan is

Table C3 Volume of aid in 2006 and simulation for 2010

	2006			*2010*		
	ODA US$ million	*ODA/GNI %*	*Per cent of total*	*ODA US$ million*	*ODA/GNI %*	*Per cent of total*
EU-15	58,902	0.43	56.6	82,988	0.59	63.8
US	22,739	0.17	21.8	24,000	0.18	18.4
Total DAC	103,940	0.30	100	130,139	0.36	100
EU-12	592	0.10	—	1499	0.16	—

Source: DAC (2006).

Note: The initial simulation has been updated with new data from 2006, while the data for 2010 have been left unchanged. The EU-12 Member States are not part of the DAC.

Table C4 The EU plan to improve effectiveness of aid

Mapping activities	*Implementing the Paris Declaration*	*Boosting the European Consensus on Development*
• Publishing EU donor atlases	• Establishing joint multi-annual programming frameworks	• Publishing a European Development Report
• Reviewing EU rules and procedures	• Supporting country-based harmonisation roadmaps	• Enhancing the division of labour
• Improving monitoring mechanisms	• Developing joint local arrangements	• Increasing joint EU activities

Source: European Commission (2006b).

built around three axes. The first involves transparent mapping and monitoring of the activities of all Member States, exemplified in the publication of various EU donor atlases. The second pillar is the implementation of the collective commitments agreed in the context of the Paris Declaration, which imply, for example, the establishment of joint multi-annual programming frameworks for individual developing countries and country-based harmonisation roadmaps. The third pillar involves the execution of the aid effectiveness dimension of the European Consensus on Development, which includes *inter alia* the publication of a European Development Report to project the European vision of development policy. Nevertheless, boosting volume of aid and enhancing effectiveness of aid is not enough to reach the MDGs. In May 2005 the EU adopted a new ambitious agenda on Policy Coherence for Development, identifying twelve priority areas (trade, agriculture, security, to mention just a few) that are deemed important to achieve the MDGs; for each of these priority areas Member States committed to implement concrete measures, which are periodically monitored by the European Commission. The idea is not only that non-aid policies should respect development policy objectives, but also that they are decisive for the achievement of the MDGs. The implementation of these measures is a real test of whether the EU is broadly committed to international development. The failure of the international community, including the EU, to reach agreement on agriculture subsidies and trade barriers – reductions that would have generated substantial earnings for developing countries – has placed additional pressure on foreign aid.

Concluding remarks

Since the Treaty of Rome, integration of development policy in the EU has been confronted with two walls. The first was erected between the programme managed by the European Commission and the programmes managed autonomously by each Member State. By contributing to the EDF for programmes in ACP countries and by agreeing to allocate part of the EC budget to other regions in the developing world, Member States believed they had done their part in the ‘common’ effort towards poverty eradication. The second wall was built around the European Commission, whose role was limited to the management of EC external assistance. Its attempts to promote co-ordination in EU development policy were seen as an intrusion into the sovereign policy domains of the Member States, and were, therefore, resisted. Even after the Treaty of Maastricht, which formally granted the European Commission the right to take initiatives to promote co-ordination, no significant progress was achieved. By the end of the 1990s, a commentary concluded that the EU had 'failed to develop a consistent image and coherent set of development co-operation policies which would enable it to have influence in aid diplomacy commensurate to its efforts' (Cosgrove-Sacks, 2001:262).

Since the early 2000s, these two walls have started to crumble. Thanks to the leadership of the European Commission, Member States have committed to improve the quality and quantity of foreign aid and the EU has finally managed to act as a unitary actor. Arguing that the European Commission plays a leadership role in the EU seems at odds with recent trends in the EU, particularly in its external relations. The new assertiveness of the Member States, the increased role of the European Parliament, and the difficult process of reforming the institutional architecture of the EU show that the European Commission is not at its peak (Peterson, 2006a). In line with this, various scholars have suggested that it should go back to the basics (Majone, 2002) and pursue 'banal integration' (Cram, 2001). In contrast, development co-operation demonstrates that the European Commission has pursued something closer to 'heroic Europeanism': by promoting new targets in volume of aid and by designing an ambitious agenda in aid co-ordination, it has been able to drive the integration process forward (at least in development policy).

The leadership of the European Commission has important consequences for both the actorness and identity of the EU in the international arena. By acting as a unitary actor, the EU has shown that it is able to shape the direction of international development. In particular, the new achievements in quantity of aid in the context of the Monterrey process – various international donors have increased their volume of aid following a decade of declining trends – and quality of aid in the context of the Paris process – international donors have finally committed to co-ordinate and harmonise their policies – are a consequence of what has been achieved within the EU. The next step is to go from 'speaking with one voice in the international arena' to 'projecting the European model of international development'. The European Consensus on Development, adopted in December 2005, defines common values, principles, objectives and methods towards the eradication of world poverty. In addition to more general norms (i.e. respect for human rights, fundamental freedoms, peace, democracy, good governance, the rule of law, gender equality, solidarity and justice), the Consensus has institutionalised a number of development norms: multi-dimensionality of poverty; ownership of development strategies and programmes by partner countries; political dialogue to further development objectives; and the full participation of civil society and non-state actors in the development process. In the words of two senior officials: 'Europe has a duty to make a difference and its influence must be commensurate with the resources it provides' (Interview, March 2006); 'We leave to others, in particular on the other side of the Atlantic, the responsibility to define the policy, to do diplomacy, and we just pay the consequences' (Petit, 2005). The 'others', obviously not mentioned in the official documents, is the US, which has over the years promoted different, if not alternative, views on international development (Interviews, March 2006). The foreign aid industry, however, is destined to become more complex, with the emergence of new donors (i.e. China, India, Brazil, South Korea, Turkey). China, for instance, has already sent some signals that a Beijing Consensus, which discounts human rights and democracy, may be even more contentious than the Washington Consensus.

The adoption of a Code of Conduct on Complementarity and Division of Labour in May 2007, which follows other important decisions in co-ordination and complementarity, confirms that the EU is seriously committed to its actorness in international development. The Code of Conduct goes far beyond the old view that EC development policy must complement the policies of the Member States to establishing firm guidelines that all EU donors must implement on the ground. All Member States have agreed to restrict their presence in the 'aid darlings' and to take care of the 'aid orphans', and to concentrate on fewer sectors based on their comparative advantages. The Code of Conduct, but more generally all the efforts towards integration of aid, presents both challenges and opportunities. The most serious challenge derives from the fact that Member States may be reluctant to leave countries which are close to their strategic interest or aid philosophies or move away from sectors in which they have invested. The opportunities are linked to the increased effectiveness of aid, which is even more important if we consider that the EU's share in world aid is expected to increase, and the potential boost to the EU's identity in international development: 'European citizens want a strong Europe, capable of improving the living conditions of the world's poor', but at the same time 'a more vocal Europe, with a political impact that matches the level of its financial generosity' (European Commission, 2007a:3). These promises, if delivered, are revolutionary. At the time of writing (June 2007), it is too early to assess the impact of all these changes. Nevertheless, the EU's Member States seem to have finally understood that time cannot be wasted and that the eradication of world poverty requires not only more but also better and faster aid. A new season for EU development policy may have just begun.

Appendix

In this appendix, I included four documents

A Council Conclusions on financing for development adopted by the European Council (so-called Barcelona commitments) in Barcelona on 14 March 2002
B Council Conclusions on achieving the Millennium Development Goals adopted External Relations Council in Brussels on 24 May 2005 (section on financing for development only)
C European Consensus jointly signed by European Commission, Council, and Parliament in December 2005 (section on the 'EU vision' only)
D Code of Conduct adopted by the GAERC in May 2002

Appendix A

European Council conclusions on the International Conference on Financing for Development (Monterrey, Mexico, 18–22 March 2002), 14 March 2002.

1. Considering that the International Conference on Financing for Development represents an historic opportunity to make progress towards the achievement of the Millennium Development Goals for poverty reduction and the other internationally agreed development targets in a holistic manner.
2. Recalling the need for all international partners to reach the UN goal of 0.7% ODA/GNI and the European Council Presidency Conclusions in Gothenburg and Laeken, and recognizing that mobilizing international private and public resources for sustainable development is essential, that resources would need to be increased in order to reach the Millennium Development Goals, including according to World Bank estimates a doubling of ODA;
3. Stressing that the Conference should be based on a spirit of strengthened partnership in which developing countries take primary responsibility for their own development, ensuring democracy, human rights and the rule of law, while developed countries actively support them, thus contributing to the 'global deal' that will be discussed at the Johannesburg Summit.
4. Recognizing that the issue of aid effectiveness both by donors and recipients must be adequately addressed to ensure that increased ODA flows have a positive

impact on development, and resources go effectively and efficiently to fighting poverty and reducing inequality.

5. Stressing that developing countries have primary responsibility to create a sound macroeconomic environment, an appropriate framework for investments and guarantee that funds received are properly and effectively managed, engaging themselves to ensure good governance, achieve high standards of transparency and eliminate corruption.

6. Recalling the importance to development financing of the Doha Development Agenda, which should address the specific concerns and priorities of developing countries, allowing them to realize the full benefits of participation in the world economy.

7. And thus, in order to achieve a successful outcome of the Conference, the Council stresses the value of the Monterrey Consensus, and affirms its willingness to make the following commitments;

(a) In pursuance of the undertaking to examine the means and timeframe that will allow each of the Member States to reach the UN goal of 0.7% ODA/GNI, those Member States that have not yet reached the 0.7% target commit themselves – as a first significant step – individually to increasing their ODA volume in the next four years within their respective budget allocation processes, whilst the other Member States renew their efforts to remain above the target of 0.7% ODA, so that collectively an EU average of 0.39% is reached by 2006. In view of this goal, all the EU Member States will in any case strive to reach, within their respective budget allocation processes, at least 0.33% ODA/GNI by 2006.

(b) To take concrete steps on coordination of policies and harmonization procedures before 2004, both at EC and Member States level, in line with internationally agreed best practices including by implementing recommendations from the OECD Development Assistance Committee Task Force on donor practice.

(c) To implement the DAC recommendation on untying of aid to Least Developed Countries and continue discussions in view of further untying. The EU will also consider steps towards further untying of Community aid while maintaining the existing system of price preferences of the EU–ACP framework.

(d) To increase assistance for long-term trade-related capacity building, productive capacity and measures addressing supply side constraints in developing countries, as well as to provide immediate support for trade-related technical assistance in order to improve the negotiating capacity of developing countries in trade negotiations, including by commitments made at the WTO pledging Conference in Geneva on 11 March 2002.

(e) To further work towards a participatory process at the global level, including the proposal of setting up a task force open to all actors on a temporary basis, designed to lead to the identification of relevant Global Public Goods.

(f) To further explore innovative sources of financing and taking into account the conclusions of the Commission Globalization Report.

(g) To influence the reform of the International Financial System by combating abuses of financial globalization, strengthening the voice of developing countries in international economic decision-making, and, while respecting their respective roles, enhancing the coherence between the UN, International Financial institutions and WTO.

(h) To pursue its efforts to restore debt sustainability in the context of the enhanced HIPC initiative, so that developing countries, and especially the poorest ones, can pursue growth and development unconstrained by unsustainable debt dynamics.

Appendix B

External Relations Council, Brussels 24 May 2005 Council conclusions: accelerating progress towards achieving the Millennium development goals

– Welcoming the report of the United Nations Secretary-General entitled 'In larger freedom: towards development, security and human rights for all', which constitutes a prime contribution to the preparation of the United Nations Summit in September 2005 on the follow-up of the 2000 Millennium Declaration and major United Nations conferences and summits, and specifically the recommendations in the area of development based on a shared vision and on mutual responsibility;

– Recalling the European Council's conclusions of the 16th of December 2004, confirming the full commitment of the EU to the Millennium Development Goals and policy coherence;

– Recalling the European Council's conclusions of the 23rd March 2005 reaffirming that the Union is firmly resolved to play a major role within the United Nations in general and in preparations for the summit in particular and to reinforce the Union's support for the African continent;

– Recalling the important contribution of the European Union, as the world's biggest donor and major trading partner, to realizing the commitments contained in the Millennium;

– Recalling its strong commitment to work in partnership with all developing countries as exemplified in the Cotonou Agreement with the ACP States;

– Welcoming the Commission Communications on Speeding Up progress towards the Millennium Development Goals, Financing for Development and Aid Effectiveness, Policy Coherence for Development, and the EU report on Millennium Development Goals 2000–2004; EU contribution to the review of the MDGs at the UN 2005 High-Level Event;

– Reaffirming that the UN Summit in September 2005 should result in the agreement on common responses to the main development, security and human rights challenges as identified in the internationally agreed development targets, and in an reinvigorated political willingness of all parties to implement these common responses, the following positions and specific commitments in the field of development are taken:

1. The EU is strongly committed to the implementation of the Millennium Declaration and the MDGs. The EU underlines the link between achieving the MDGs and implementing the outcomes of the UN international conferences and

summits in the economic, social, environmental and other related fields.5 We furthermore recognize that there has been progress towards meeting the MDGs, but that this progress varies greatly by goal and by region, so that considerable improvement in mutual performance will be needed to achieve them by 2015. In that context, the EU reaffirms the high relevance of each of the MDGs, and the high importance to achieve the MDGs in each country.

2. The EU recalls the primary responsibility of developing countries for their development and the crucial importance of national ownership for development and supports comprehensive and coherent national poverty reduction strategies bold enough to meet the MDGs target by 2015.

3. The EU wants to see a number of issues of high importance and relevance for the attainment of the MDGs to be properly reflected in the outcome of the September Summit, such as endorsing employment, equitable and sustainable economic growth as well as sustainable consumption and production patterns as key routes out of poverty, the promotion of gender equality, human rights, democracy, the rule of law and broad-based participation in decision-making, the importance of an intensified multisectoral response to HIV/AIDS as laid down in the European Programme for Action to confront HIV/AIDS, malaria and tuberculosis through external action, and the need to address links between environmental sustainability, security and poverty eradication. The EU further recognizes that the MDGs cannot be attained without progress in achieving the Cairo goal of universal sexual and reproductive health and rights. In accordance with the Council Conclusions from November 2004, the EU will therefore work to ensure that this linkage is properly reflected in the outcome of the September 2005 High-Level event. In this context, the EU strongly supports that a subsequent technical process examines how best to incorporate related targets and monitoring indicators under MDG 5.

Financing for development

Volume of ODA

4. Increased ODA is urgently needed to achieve the MDGs. In the context of reaching the existing commitment to attain the internationally agreed ODA target of 0.7 % ODA/GNI, the EU notes with satisfaction that its Member States are on track to achieve the 0.39% target in 2006 for ODA volumes contained in the Barcelona commitments. At present, four out of the five countries, which exceed the UN target for ODA of 0.7%, of GNI are member states of the European Union. Five others have committed to a timetable to reach this target. While reaffirming its determination to reach these targets, the EU agrees to a new collective EU target of 0.56 % ODA/GNI by 2010, that would result in additional annual € 20bn ODA by that time.

i. Member States, which have not yet reached a level of 0.51 % ODA/GNI, undertake to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts;

ii. Member States, which have joined the EU after 2002, and that have not reached a level of 0.17 % ODA/GNI, will strive to increase their ODA to reach, within their respective budget allocation processes, that level by 2010, while those that are already above that level undertake to sustain their efforts;
iii. Member States undertake to achieve the 0.7% ODA/GNI target by 2015 whilst those which have achieved that target commit themselves to remain above that target; Member States which joined the EU after 2002 will strive to increase by 2015 their ODA/GNI to 0.33%.

Innovative sources of financing

5. The Council will continue to consider the most promising options for innovative sources of financing for development, in order to increase the resources available in a sustainable and predictable way. It notes the intention of some Member States to introduce a solidarity levee on airline tickets.

Debt

6. The EU remains committed to finding solutions, in cooperation with International Financial Institutions, to unsustainable debt burdens, and is committed to full implementation of the enhanced HIPC initiative. It will be vital to agree on the scope and modalities for further multilateral debt relief in order to secure the long term debt sustainability on a case by case approach.
7. The EU will continue and enhance efforts to restore and maintain debt sustainability, based on a case by case approach, including (a) exploring possibilities for mechanisms for temporary suspension of debt servicing for developing countries affected by exogenous shocks, (b) specific measures for post conflict countries with external arrears which, therefore, have not yet met the criteria of the HIPC initiative.

Aid effectiveness

8. While making efforts on the quantitative side of financing for development, the EU stresses the need to improve in parallel the quality and effectiveness of ODA as well as better donor practices and the need to enhance the capacity and economic sustainability of increased ODA for our partner countries.
9. In preparation of the Paris High Level Forum the Council has adopted, on 22 of November 2004, a comprehensive EU response with the report on ‘Advancing coordination, harmonisation and alignment’. The EU will ensure implementation of the concrete recommendations contained therein, including a more effective framework for development assistance at the EU level and division of labour and complementarity at country level in the context of joint, multi-annual programming based on the partner country’s poverty reduction strategies.
10. The EU is fully committed to a timely implementation and monitoring of the Paris Declaration on Aid Effectiveness including setting monitorable targets for 2010 and of the EU specific commitments adopted at the Paris Forum.

11. In order to better respond to the need for stable resources and in view of the expected increases in ODA flows, the EU will develop new, more predictable and less volatile aid mechanisms. Such mechanisms could consist in the provision of a minimum level of budgetary aid secured in a medium term perspective and linked to policy performance in the partner countries in particular in relation to the commitment towards achieving the MDGs in national poverty reduction strategies.

Exogenous shocks

12. In order to mitigate the impact of exogenous shocks, including price vulnerability, on developing countries economies, the EU will support the operationalisation of market based insurance schemes and explore possibilities for temporary suspension of debt servicing on a case by case basis. Further, the EU will strengthen and improve access to existing financing mechanisms such as those provided for in the Cotonou Agreement (FLEX) to give short-term cover against the impact of such shocks on countries' revenue.

Other commitments

13. In addition, the Council will continue to work in the other areas covered by the Barcelona commitments by:

- Addressing the challenge of untying of aid by adopting as soon as possible, on the basis of the Commission's proposal, a regulation on the access to EC external assistance; the EU will support ongoing debates at the international level on further untying of aid beyond existing OECD/DAC recommendations.
- Examining, on the basis of the report of the Task Force on Global Public Goods, the possibilities to establish by 2006 an Action Plan at EU level on the provision of priority International Public Goods (IPGs) and agreeing to examine the financing modalities of the IPGs;
- Promoting a joint European position on enhancing the voice of developing and transition countries and further improving the quality of existing EU coordination in the IFI's.

Appendix C

Joint statement by the Council and the representatives of the governments of the Member States meeting within the Council, the European Parliament and the Commission on European Union Development Policy: 'The European Consensus' (December 2005)

The development challenge

1. Never before have poverty eradication and sustainable development been more important. The context within which poverty eradication is pursued is an increasingly globalised and interdependent world; this situation has created new

opportunities but also new challenges. Combating global poverty is not only a moral obligation; it will also help to build a more stable, peaceful, prosperous and equitable world, reflecting the interdependency of its richer and poorer countries. In such a world, we would not allow 1,200 children to die of poverty every hour, or stand by while 1 billion people are struggling to survive on less than one dollar a day and HIV/AIDS, TB and malaria claim the lives of more than 6 million people every year. Development policy is at the heart of the EU's relations with developing countries.

2. Development cooperation is a shared competence between the European Community and the Member States. Community policy in the sphere of development cooperation shall be complementary to the policies pursued by the Member States. Developing countries have the prime responsibility for their own development. But developed countries have a responsibility too. The EU, both at its Member States and Community levels, is committed to meeting its responsibilities. Working together, the EU is an important force for positive change. The EU provides over half of the world's aid and has committed to increase this assistance, together with its quality and effectiveness. The EU is also the most important economic and trade partner for developing countries, offering specific trading benefits to developing countries, mainly to the LDCs among them.

3. The Member States and the Community are equally committed to basic principles, fundamental values and the development objectives agreed at the multilateral level. Our efforts at coordination and harmonisation must contribute to increasing aid effectiveness. To this end, and building on the progress made in recent years, the 'European Consensus on Development' provides, for the first time, a common vision that guides the action of the EU, both at its Member States and Community levels, in development co-operation. This common vision is the subject of the first part of the Statement; the second part sets out the European Community Development Policy to guide implementation of this vision at the Community level and further specifies priorities for concrete action at the Community level.

4. The European Consensus on Development is jointly agreed by the Council and the representatives of the governments of the Member States meeting within the Council, the European Commission and the European Parliament.

Part I: The EU vision of development

The first Part of the European consensus on development sets out common objectives and principles for development cooperation. It reaffirms EU commitment to poverty eradication, ownership, partnership, delivering more and better aid and promoting policy coherence for development. It will guide Community and Member State development cooperation activities in all developing countries in a spirit of complementarity.

1. Common objectives

5. The primary and overarching objective of EU development cooperation is the eradication of poverty in the context of sustainable development, including pursuit of the Millennium Development Goals (MDGs).

6. The eight MDGs are to: eradicate extreme poverty and hunger; achieve universal primary education; promote gender equality and empower women; reduce the mortality rate of children; improve maternal health; combat HIV/AIDS, malaria and other diseases; ensure environmental sustainability and develop a global partnership for development.
7. We reaffirm that development is a central goal by itself; and that sustainable development includes good governance, human rights and political, economic, social and environmental aspects.
8. The EU is determined to work to assist the achievement of these goals and the development objectives agreed at the major UN conferences and summits.
9. We reaffirm our commitment to promoting policy coherence for development, based upon ensuring that the EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries, and that these policies support development objectives.
10. Development aid will continue to support poor people in all developing countries, including both low-income and middle-income countries (MICs). The EU will continue to prioritise support to the least developed and other low-income countries (LICs) to achieve more balanced global development, while recognising the value of concentrating the aid activities of each Member State in areas and regions where they have comparative advantages and can add most value to the fight against poverty.

2. Multi-dimensional aspects of poverty eradication

11. Poverty includes all the areas in which people of either gender are deprived and perceived as incapacitated in different societies and local contexts. The core dimensions of poverty include economic, human, political, socio-cultural and protective capabilities. Poverty relates to human capabilities such as consumption and food security, health, education, rights, the ability to be heard, human security especially for the poor, dignity and decent work. Therefore combating poverty will only be successful if equal importance is given to investing in people (first and foremost in health and education and HIV/AIDS, the protection of natural resources (like forests, water, marine resources and soil) to secure rural livelihoods, and investing in wealth creation (with emphasis on issues such as entrepreneurship, job creation, access to credits, property rights and infrastructure). The empowerment of women is the key to all development and gender equality should be a core part of all policy strategies.
12. The MDG agenda and the economic, social and environmental dimensions of poverty eradication in the context of sustainable development include many development activities from democratic governance to political, economic and social reforms, conflict prevention, social justice, promoting human rights and equitable access to public services, education, culture, health, including sexual and reproductive health and rights, as set out in the ICPD Cairo Agenda, the environment and sustainable management of natural resources, pro-poor economic growth, trade and development, migration and development, food security, children's rights, gender equality and promoting social cohesion and decent work.

3. Common values

13. EU partnership and dialogue with third countries will promote common values of: respect for human rights, fundamental freedoms, peace, democracy, good governance, gender equality, the rule of law, solidarity and justice. The EU is strongly committed to effective multilateralism whereby all the world's nations share responsibility for development.

4. Common principles

4.1 Ownership, Partnership

14. The EU is committed to the principle of ownership of development strategies and programmes by partner countries. Developing countries have the primary responsibility for creating an enabling domestic environment for mobilising their own resources, including conducting coherent and effective policies. These principles will allow an adapted assistance, responding to the specific needs of the beneficiary country.
15. The EU and developing countries share responsibility and accountability for their joint efforts in partnership. The EU will support partner countries' poverty reduction, development and reform strategies, which focus on the MDGs, and will align with partner countries' systems and procedures. Progress indicators and regular evaluation of assistance are of key importance to better focus EU assistance.
16. The EU acknowledges the essential oversight role of democratically elected citizens' representatives. Therefore it encourages an increased involvement of national assemblies, parliaments and local authorities.

4.2 An in-depth political dialogue

17. Political dialogue is an important way in which to further development objectives. In the framework of the political dialogue conducted by the Member States and by the European Union institutions – Council, Commission and Parliament, within their respective competencies, the respect for good governance, human rights, democratic principles and the rule of law will be regularly assessed with a view to forming a shared understanding and identifying supporting measures. This dialogue has an important preventive dimension and aims to ensure these principles are upheld. It will also address the fight against corruption, the fight against illegal migration and the trafficking of human beings.

4.3 Participation of civil society

18. The EU supports the broad participation of all stakeholders in countries' development and encourages all parts of society to take part. Civil society, including economic and social partners such as trade unions, employers' organisations and the private sector, NGOs and other non-state actors of partner countries in particular play a vital role as promoters of democracy, social justice and human

rights. The EU will enhance its support for building capacity of non-state actors in order to strengthen their voice in the development process and to advance political, social and economic dialogue. The important role of European civil society will be recognised as well; to that end, the EU will pay particular attention to development education and raising awareness among EU citizens.

4.4 Gender equality

19. The promotion of gender equality and women's rights is not only crucial in itself but is a fundamental human right and a question of social justice, as well as being instrumental in achieving all the MDGs and in implementing the Beijing platform for Action, the Cairo Programme of Action and Convention on the Elimination of All Forms of Discrimination Against Women. Therefore the EU will include a strong gender component in all its policies and practices in its relations with developing countries.

4.5 Addressing state fragility

20. The EU will improve its response to difficult partnerships and fragile states, where a third of the world's poor live. The EU will strengthen its efforts in conflict prevention work (1) and will support the prevention of state fragility through governance reforms, rule of law, anti-corruption measures and the building of viable state institutions in order to help them fulfil a range of basic functions and meet the needs of their citizens. The EU will work through state systems and strategies, where possible, to increase capacity in fragile states. The EU advocates remaining engaged, even in the most difficult situations, to prevent the emergence of failed states.

21. In transition situations, the EU will promote linkages between emergency aid, rehabilitation and long-term development. In a post-crisis situation development will be guided by integrated transition strategies, aiming at rebuilding institutional capacities, essential infrastructure and social services, increasing food security and providing sustainable solutions for refugees, displaced persons and the general security of citizens. EU action will take place in the framework of multilateral efforts including the UN Peace Building Commission, and will aim to re-establish the principles of ownership and partnership.

22. Some developing countries are particularly vulnerable to natural disasters, climatic change, environmental degradation and external economic shocks. The Member States and the Community will support disaster prevention and preparedness in these countries, with a view to increasing their resilience in the face of these challenges.

5. Delivering more and better aid

5.1 Increasing financial resources

23. Development remains a long-term commitment. The EU has adopted a timetable for Member States to achieve 0.7 % of GNI by 2015, with an intermediate

collective target of 0.56 % by 2010, and calls on partners to follow this lead. These commitments should see annual EU aid double to over EUR 66 billion in 2010. Further debt relief will be considered, as well as innovative sources of finance in order to increase the resources available in a sustainable and predictable way. At least half of this increase in aid will be allocated to Africa, while fully respecting individual Member States priorities' in development assistance. Resources will be allocated in an objective and transparent way, based on the needs and performance of the beneficiary countries, taking into account specific situations.

24. In order to meet the MDGs, priority will continue to be given to least developed and other LICs, as reflected in the high proportion of EU aid flowing to these countries (2). The EU also remains committed to supporting the pro-poor development of middle-income countries (MICs), especially the lower MICs, and our development assistance to all developing countries will be focused on poverty reduction, in its multidimensional aspects, in the context of sustainable development. Particular attention will be given to fragile states and donor orphans.

5.2 More effective aid

25. As well as more aid, the EU will provide better aid. Transaction costs of aid will be reduced and its global impact will improve. The EU is dedicated to working with all development partners to improve the quality and impact of its aid as well as to improve donor practices, and to help our partner countries use increased aid flows more effectively. The EU will implement and monitor its commitments on Aid Effectiveness in all developing countries, including setting concrete targets for 2010. National ownership, donor coordination and harmonisation, starting at field level, alignment to recipient country systems and results orientation are core principles in this respect.

26. Development assistance can be provided through different modalities that can be complementary (project aid, sector programme support, sector and general budget support, humanitarian aid and assistance in crisis prevention, support to and via the civil society, approximation of norms, standards and legislation, and so on), according to what will work best in each country. Where circumstances permit, the use of general or sectoral budget support should increase as a means to strengthen ownership, support partner's national accountability and procedures, to finance national poverty reduction strategies (PRS) (including operating costs of health and education budgets) and to promote sound and transparent management of public finances.

27. Partner countries need stable aid for effective planning. The EU is therefore committed to more predictable and less volatile aid mechanisms.

28. Debt reduction also provides predictable financing. The EU is committed to finding solutions to unsustainable debt burdens, in particular the remaining multilateral debts of HIPCs, and where necessary and appropriate, for countries affected by exogenous shocks and for post-conflict countries.

29. The EU will promote further untying of aid going beyond existing OECD recommendations, especially for food aid.

5.3 Coordination and complementarity

30. In the spirit of the Treaty, the Community and the Member States will improve coordination and complementarity. The best way to ensure complementarity is to respond to partner countries' priorities, at the country and regional level. The EU will advance coordination, harmonisation and alignment. The EU encourages partner countries to lead their own development process and support a broad donor-wide engagement in national harmonisation agendas. Where appropriate, the EU will establish flexible roadmaps setting out how its Member States can contribute to countries' harmonisation plans and efforts.
31. The EU is committed to promote better donor coordination and complementarity by working towards joint multi-annual programming, based on partner countries' poverty reduction or equivalent strategies and country's own budget processes, common implementation mechanisms including shared analysis, joint donor wide missions, and the use of co-financing arrangements.
32. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and has in this context made four additional commitments: to provide all capacity building assistance through co-ordinated programmes with an increasing use of multi-donors arrangements; to channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or sector-wide approaches; to avoid the establishment of any new project implementation units; to reduce the number of un-co-ordinated missions by 50%.
33. The EU will capitalise on new Member States' experience (such as transition management) and help strengthen the role of these countries as new donors.
34. The EU will undertake to carry out this agenda in close cooperation with partner countries, other bilateral development partners and multilateral players such as the United Nations and International Financial Institutions, to prevent duplication of efforts and to maximise the impact and effectiveness of global aid. The EU will also promote the enhancement of the voice of developing countries in international institutions.

6. Policy coherence for development (PCD)

35. The EU is fully committed to taking action to advance Policy Coherence for Development in a number of areas (2). It is important that non-development policies assist developing countries' efforts in achieving the MDGs. The EU shall take account of the objectives of development cooperation in all policies that it implements which are likely to affect developing countries. To make this commitment a reality, the EU will strengthen policy coherence for development procedures, instruments and mechanisms at all levels, and secure adequate

resources and share best practice to further these aims. This constitutes a substantial additional EU contribution to the achievement of the MDGs.

36. The EU strongly supports a rapid, ambitious and pro-poor completion of the Doha Development Round and EU–ACP Economic Partnership Agreements (EPAs). Developing countries should decide and reform trade policy in line with their broader national development plans. We will provide additional assistance to help poor countries build the capacity to trade. Particular attention will be paid to the least advanced and most vulnerable countries. The EU will maintain its work for properly sequenced market opening, especially on products of export interest for developing countries, underpinned by an open, fair, equitable, rules-based multilateral trading system that takes into account the interests and concerns of the weaker nations. The EU will address the issues of special and differentiated treatment and preference erosion with a view to promote trade between developed countries and developing countries, as well as among developing countries. The EU will continue to promote the adoption by all developed countries of quota free and tariff free access for LDCs before the end of the Doha round, or more generally. Within the framework of the reformed Common Agriculture Policy (CAP), the EU will substantially reduce the level of trade distortion related to its support measures to the agricultural sector, and facilitate developing countries' agricultural development. In line with development needs, the EU supports the objectives of asymmetry and flexibility for the implementation of the EPAs. The EU will continue to pay particular attention to the development objectives of the countries with which the Community has or will agree fisheries agreements.

37. Insecurity and violent conflict are amongst the biggest obstacles to achieving the MDGs. Security and development are important and complementary aspects of EU relations with third countries. Within their respective actions, they contribute to creating a secure environment and breaking the vicious cycle of poverty, war, environmental degradation and failing economic, social and political structures. The EU, within the respective competences of the Community and the Member States, will strengthen the control of its arms exports, with the aim of avoiding that EU-manufactured weaponry be used against civilian populations or aggravate existing tensions or conflicts in developing countries, and take concrete steps to limit the uncontrolled proliferation of small arms and light weapons, in line with the European strategy against the illicit traffic of small arms and light weapons and their ammunitions. The EU also strongly supports the responsibility to protect. We cannot stand by, as genocide, war crimes, ethnic cleansing or other gross violations of international humanitarian law and human rights are committed. The EU will support a strengthened role for the regional and sub-regional organisations in the process of enhancing international peace and security, including their capacity to co-ordinate donor support in the area of conflict prevention.

38. The EU will contribute to strengthening the social dimension of globalisation, promoting employment and decent work for all. We will strive to make migration a positive factor for development, through the promotion of concrete measures aimed at reinforcing their contribution to poverty reduction, including facilitating remittances and limiting the 'brain drain' of qualified people. The EU will lead

global efforts to curb unsustainable consumption and production patterns. We will assist developing countries in implementing the Multilateral Environmental Agreements and promote pro-poor environment-related initiatives. The EU reconfirms its determination to combat climate change.

7. Development, a contribution to addressing global challenges

39. EU action for development, centred on the eradication of poverty in the context of sustainable development, makes an important contribution to optimising the benefits and sharing the costs of the globalisation process more equitably for developing countries, which is in the interests of wider peace and stability, and the reduction of the inequalities that underlie many of the principal challenges facing our world. A major challenge the international community must face today is to ensure that globalisation is a positive force for all of mankind.

40. Reducing poverty and promoting sustainable development are objectives in their own right. Achieving the MDGs is also in the interest of collective and individual long-term peace and security. Without peace and security development and poverty eradication are not possible, and without development and poverty eradication no sustainable peace will occur. Development is also the most effective long-term response to forced and illegal migration and trafficking of human beings. Development plays a key role in encouraging sustainable production and consumption patterns that limit the harmful consequences of growth for the environment.

Appendix D

EU Code of Conduct on Complementarity and Division of Labour in Development Policy, adopted at the General Affairs and External Relations Council, Brussels 15 May 2007.

This Code of Conduct presents operational principles for EU donors regarding complementarity in development cooperation. Their aim is to enhance effectiveness by improving overall development results and impact for poverty reduction and reducing the transaction costs, through a division of labour between donors.

The Code proposes an inclusive approach that is open to all donors.

The Code is embedded in the principles of ownership, alignment, harmonisation and management for results and mutual accountability of the Paris Declaration as well as the additional objectives and values highlighted by the European Consensus.

The Code is voluntary, flexible and self-policing. It is a dynamic document that establishes principles and targets towards which EU donors will strive to work progressively and accordingly.

The partner country should be responsible for coordinating donors. EU Donors will encourage and support the partner country to assume that responsibility while structuring themselves, in an appropriate manner, using – where appropriate – good existing practices as inspiration.

EU donors will base their engagement on the below outlined principles. These principles have to be approached in a pragmatic and flexible manner. It is hoped that other donors will want to commit themselves to abiding by it and are invited to participate and base their activities on similar principles as those outlined in this Code of conduct.

General principles

EU donors (the Member States and the Commission) commit themselves to further progress on complementarity and division of labour, including closer cooperation among them, in line with the following general principles:
1. The primary leadership and ownership in in-country division of labour should first and foremost lie in the partner country government. If such leadership and ownership do not exist, the EU should promote such a process. In any case, the EU should always play an active role in promoting complementarity and division of labour. All initiatives need to be open for other donors, build on existing processes whenever possible, and be readily transferred to the government whenever appropriate. The EU should provide capacity building support to the partner countries to enable them to take on this responsibility.
2. It is crucial that the division of labour is not implemented at the expense of global aid volumes or predictability of aid flows and is carried out in collaboration with the partner countries.
3. Implementation needs to be based on (i) country-level priorities and needs, (ii) a long-term perspective, as well as (iii) a pragmatic and well-sequenced approach.
4. It is recognised that the EU donors share common development objectives, vision, values and principles. When limiting the involvement of Member States or the Commission in a partner country or sector, situations where all EU donors are absent from a strategic sector for poverty reduction should be avoided.
5. While implementation needs to be based at field-level, political commitment and adequate support and impetus need to be made both in headquarters and in the field. It is also important to improve coordination between the field-level and the headquarters to ensure a coherent approach. This should not, however, undermine the partner country leadership and ownership.
6. Comparative advantage is not primarily based on financial resources available, but also on a wide range of issues such as geographic or thematic expertise. Therefore, each Member State has a role to play.

Guiding principle 1 – concentrate on a limited number of sectors in-country

EU donors will aim at focussing their active involvement in a partner country on a maximum of three sectors, based on the following criteria:
– Each donor will act ambitiously to reduce transaction costs on partner governments and streamline their sector presence according to their comparative advantage as recognised by the partner country government and other donors.

– The appreciation of what constitutes a sector, being intuitive or informed, should be done in a flexible manner, at partner country level and match the definition of the partner country, that should have identified the sector as a priority in its poverty reduction strategy or equivalent. In agreement with the partner country, the partitioning of sectors should be avoided as much as possible.
In addition to the three sectors, donors can provide general budget support, where conditions permit to do so, support to civil society, and research and education schemes including scholarships. In their selected sectors donors should mainstream crosscutting issues. A donor's comparative advantage can be determined by, inter alia, any of the following criteria:
– presence in the field,
– experience in the country, sector or context,
– trust and confidence of partner governments and other donors,
– technical expertise and specialization of the donor,
– volume of aid, at country or sector level,
– capacity to enter into new or forward looking policies or sectors,
– capacity to react quickly and/or long term predictability,
– efficiency of working methodologies, procedures, and quality of human resources,
– relatively better performance – without necessarily absolute advantage,
– lower cost compared to other donors with adequate standards of quality,
– building new experience and capacities as a emerging donor.
The comparative advantage of a given donor should be self assessed, endorsed by the partner government, and recognized by other donors. The EU encourages partner countries to provide clear views on donors' comparative advantage.

The partner countries will be encouraged to identify the areas for increased or reduced support and to indicate their preferences as to which donors should remain actively involved in each sector.

EU donors will work together with the partner country to identify sectors in which to remain, and propose exits from sectors from which they shall withdraw. The creation of orphan sectors should be avoided in this process.

EU donors will aim at a long term engagement in a given sector (i.e. minimum of 5–7 years, or a minimum of one period of a national poverty reduction strategy).

Guiding principle 2 – redeployment for other in-country activities

A redeployment process should be based on local negotiations and will very much depend on the situation in the country. It is recommended that headquarters offers field offices/delegations a flexible enough mandate with room for negotiation and capacity to adapt.
EU donors that are active in sectors other than the three concentration sectors should pursue one of the following options:
– stay financially engaged in the sector through the use of delegated cooperation/partnership arrangement,
– redeploy the freed-up resources into general budget support – where conditions permit to do so – while still being engaged in developments in the additional

sector through the structures, dialogue and capacity building processes surrounding general budget support,
– exit from the sector in a responsible manner while using the freed-up resources in scaling-up support for the sectors in which they will remain.
Responsible exit from a sector entails a well planned and managed process with the full participation of the partner country and with the change/redeployment process being well communicated to all stakeholders.

Guiding principle 3 – lead donor arrangement

In each priority sector, EU donors will work towards and support the establishment of a lead donor arrangement in charge of all donor coordination in the sector thereby reducing the transaction costs for both partner countries and donors. The lead donor model might differ from one case to another. Burden sharing arrangements, for instance through a team of supporting donors, could be envisaged where relevant. The important objective is to ensure that the partner country is faced with a structured donor set-up.

The lead donor(s) should be given a substantial mandate for specific aspects of sector policy dialogue and have an obligation to regularly consult with other donors in the sector. In order to allow for efficient specialisation and continuity, rotation of lead donor responsibility should be limited (for example sequenced on national planning cycles if applicable).

Guiding principle 4 – delegated cooperation/partnership

If a given sector is considered strategic for the partner country or the donor, EU donors may enter into a delegated cooperation/partnership arrangement with another donor, and thereby delegate authority to the other donor to act on its behalf in terms of administration of funds and/or sector policy dialogue with the partner government. Partner governments should be consulted on the donors' delegating agreements. Delegating donors should be enabled to review policies and procedures of the lead donor relevant to their delegating agreements. A delegated cooperation/partnership role in a sector will be considered additional to the maximum of three sectors in which a given donor is engaged.

The delegation of cooperation from the Commission to other donors will follow the provisions of financial and implementation regulations of Community Budget and the EDF.

Guiding principle 5 – ensure an adequate donor support

When implementing sector concentration, the EU should ensure that at least one donor with appropriate comparative advantage and sharing similar values and principles, is actively involved in each sector considered relevant for poverty reduction. EU donors, with full participation and ownership of the partner country, will seek to limit the number of active donors to a maximum of 3–5 per sector, based on their comparative advantage. Other donors can still take part in sector activities by means of delegated cooperation modalities.

Guiding principle 6 – replicate practices at regional level

While adhering to the general principles of aid effectiveness also at regional level, EU donors will apply the above principles of in-country division of labour also in their work with partner regional institutions.

Guiding principle 7 – establish priority countries

EU donors agree to reinforce the geographical focus of their assistance to avoid spreading their resources too thinly. They will strive to establish a limited number of priority countries. This process will be informed by a dialogue within the EU, taking into account the broader donor engagement, and be carried out in dialogue with partner countries and with other donors. Discussions should be based on:

– transparent information on EU donors' activities and plans and, as much as possible, on the activities and plans of other donors;

– self-assessments conducted by each donor;

– regular EU-wide exchange of information when Member States modify their list of priority countries, as well as exchange of information with partner countries and other donors in order to prevent at an early stage the creation of orphan countries.

In non-priority countries, EU donors may provide their support inter alia through delegated cooperation arrangements or by redeploying on the basis of responsible exit strategies prepared with the partner country. EU donors will share information on good practices.

The European Consensus recognises its global presence as an added value for the EC.

Guiding principle 8 – address the 'orphans' gap

Committed to avoiding imbalances, EU donors will address the problem of 'orphaned' or neglected countries, based on needs and performances, taking into account all financing flows from ODA and other aid flows. The specificity of those neglected countries calls for a redeployment of resources in their favour.

'Orphaned' or neglected countries countries are often 'fragile states' whose stabilisation would have a positive spill-over effect on the wider region. Addressing this issue should be done amongst other things as an input for the ongoing OECD/DAC initiative and initiatives of other international fora.

Adequate attention and financing need to be given to linking relief and rehabilitation to long term development.

Guiding principle 9 – analyse and expand areas of strength

EU donors, taking into account the views of partner countries, will deepen the self-assessment of their comparative advantages as regards sectors and modalities with the aim to identify those in which they would like to expand, as well as those where they might be willing to reduce their own activities.

The Commission will further develop its expertise and capacities in the areas where it has comparative advantages, paying particular attention to building the necessary capacity and expertise at the country level, in line with the deconcentration process and ownership of partner countries.

Guiding principle 10 – pursue progress on other dimensions of complementarity

EU donors commit themselves to advancing on the other dimensions of complementarity. On vertical complementarity, primarily in the context of relevant international fora and ongoing discussion on the rationalisation of the international aid architecture, and to further discuss cross-modalities and instruments, in the context of specific partnership and the implementation of joint/co-ordinated programmes.

Guiding principle 11 – deepen the reforms

EU donors recognise that in order to achieve a coherent division of labour between individual donors, strong political commitment and adequate support is needed both in headquarters and in the field, implementation needs to be based at field-level and a close coordination between the headquarter and field level is necessary. Member States may consider in this regard decentralised structures to facilitate complementarity and coordination on the ground, institutional incentives to staff and redeployment of financial and human resources.

Notes

Introduction

1 These preliminary figures include only resources allocated by DAC countries. Roughly, DAC aid in 2006 represented 95 per cent of total aid and is expected to remain close to 90 per cent at least until 2015. See www.oecd.org/doc (accessed 20 May 2007).
2 The COREU is a protected system of communication. This telex system allows encrypted messages to be sent between the Foreign Ministries of the Member States, the European Commission and the Council Secretariat. It is used in matters pertaining to the CFSP and in general when the EU must take a position on an issue of global relevance. Its use in the case of the Financing for Development conference was justified to find a common EU position in view of an international conference (Interview, March 2002).
3 It should be noted that the name of DG Development has changed over the years. It was initially DG VIII, then DG Development, and, since 2005 'DG Development and Relations with the African, Caribbean and Pacific States'. Nonetheless, its functions have not significantly changed. In this book, to be consistent I will use the term 'DG Development'. For a discussion on the evolution of DG development, see De Chavarri Ureta (2001) and Dimier (2005, 2006).
4 *The Reality of Aid* project is a north/south international non-governmental initiative focusing on analysis and lobbying for poverty eradication policies and practices in the international aid regime. It brings together more than forty civil society networks working in the field of international development co-operation in the twenty-two donor countries, in Asia, the Americas and Africa. It publishes independent assessments of aid policies and practices generally every two years. See www.realityofaid.org (accessed 15 June 2007).
5 The atmosphere during these interviews was very relaxed in almost all cases (all but one). For almost all interviews (all but two), I used a tape-recorder, with the pact that I would be the only person with access to the cassettes. Within DG Development, I interviewed three members of the Commissioner's cabinet, the Director General and his assistant, the Director in charge of policy formulation, three Heads of Unit, and eighteen officials. In other DGs, I interviewed four people in DG Trade (one Head of Unit and three officials), three officials in DG Ecfin (one Head of Unit and two officials), two people in DG Relex (both officials) and one person from the Legal Service. For a complete list, see the bibliography.

1 Leadership in the European Union: the European Commission and the EU decision-making process

1 For comprehensive reviews of theories of European integration and the policy-making process, see Rosamond (2000), Diez and Wiener (2004), Cini and Bourne (2006), Jørgensen *et al*. (2007).

2 The literature on the Delors' presidencies is vast. See for example, Grant (1994), Ross (1995), Endo (1999).

3 For some observers, the European Commission-Council tandem should be replaced by a 'triangular relationship'. Put concisely, some have argued that the introduction of the co-decision procedure has made it difficult for the European Commission to act as the motor of integration because its proposals need to satisfy a larger number of actors. Others maintain that, though the relationship between the two is not always harmonious, the idea that the Commission and the Parliament have become more confrontational still needs to be proved (Christiansen, 2006). In the case of EU development policy, the European Commission and the European Parliament share the same goals, that is, achieving better aid co-ordination. More generally, by improving its informal relationship with the European Parliament, the European Commission may strengthen its legislative position (Burns, 2004), which leads some commentators to conclude that 'the Commission can still be regarded as a key actor in decision-making' and 'The trilateral nature of EU decision-making . . . cannot be over-emphasised' (Diedrichs and Wessels, 2006:228).

4 An important component of Moracvsik's work is his strong critique of supranational entrepreneurship. For supranational officials to wield influence, two conditions are necessary: (1) an asymmetry in the availability of information or ideas, which prevents national governments from negotiating efficiently; (2) privileged access to information for supranational officials, which enables them to act as entrepreneurs and induce more efficient inter-state bargains. If any of these two conditions is absent, supranational activities are likely to be redundant – Member States would have greater means and incentives to act as entrepreneurs – or futile – a consensual support among states would be forthcoming anyway (Moravcsik, 1999). Supranational leadership, therefore, is neither necessary nor sufficient: 'while the Commission involvement may sometimes expedite agreement, it has often been strikingly counterproductive and appears only rarely to have made a decisive contribution' (Moravcsik, 1995:620).

5 The idea of leadership applied to the European Commission dates back to Lindberg and Scheingold (1970), who talked of 'task-oriented leadership', a form of leadership that is associated with expertise, imagination, bargaining skills, promotion of the general interest and a number of shared values. In particular they discussed: goal articulation, which allows it to articulate long-term goals based on the European common interest; coalition building, which allows it through intensive consultations with interest groups and national bureaucracies to assure information and to build consensus; recruitment and expertise, which allows it to maximise technical expertise, political experience and prestige; expand scope, which allows it to convince Member States to redefine their goals in the direction of more joint activity; brokerage and package deals, which allows it to defend and explain its own proposals and make the necessary changes to accommodate specific national demands. Nonetheless, they conclude that 'Leadership from national political actors has probably been as important in the past, and is likely to be more important in the future' (Lindberg and Scheingold, 1970: 130).

6 Beach clusters leadership resources under three headings: material resources (i.e. possibility to offer side-payments); informational resources (i.e. content expertise on the specific issues on the agenda; process expertise; substantial knowledge of actor preferences); reputation (i.e. utility of leader contributions, perceived legitimacy, closeness to the centre of gravity of negotiations). Four aspects of the negotiating context are important: institutional position (i.e. authority granted by the Treaty, but also informal involvement in the negotiating process); comparative informational advantage (i.e. knowledge of complex and technical issues); complexity of the issue (i.e. number of issues and parties in the negotiations); distribution and intensity of government preferences (i.e. government with unclear preferences; issues with

non-distributional consequences; problems in identifying specific solutions). Finally, the choice of a leadership strategy may involve low-profile tactics, aimed at improving the efficiency of agreements and helping governments achieve mutually acceptable solutions, or high-profile tactics, aimed at putting new issues on the agenda, manipulating the content of existing proposals, mobilising consensus, structuring so that issues are prioritised or excluded, shifting outcomes closer to its positions. In particular, the Commission was mostly relevant in the IGC that led to the SEA, in the negotiations for the EMU, and in the 2004 enlargement round because either it put forward moderate proposals that could be realistically accepted by Member States or it was in control of the agenda. In the remaining cases, it played a marginal role, mainly because it put forward unrealistic proposals.

7 There are three different versions of constructivism. Here the reference is to conventional constructivism, which examines the role of norms and identity in shaping international political outcomes. For other types, see Checkel (2007).

8 For two different views on the effects of socialisation in European institutions, see Hooghe (2001, 2005) and Lewis (2003, 2005).

9 Lewis (2003:108) cites Legro, according to whom organisational culture includes ‘collectively held assumptions, ideas and beliefs that prescribe how a group should adapt to its external environment and manage its internal structure’.

10 For a rationalist argument on the leadership role of the rotating Presidency, see Tallberg (2006).

11 The European Commission may also involve the European Parliament, the Economic and Social Committee, the Committee of the Regions, though these arenas do not allow to circumvent the Council (Wendon, 1998).

2 The politics of foreign aid in the European Union: the EC, the Member States and the end of aid fragmentation

1 The birth of the ACP group was formalised with the Georgetown Agreement in 1975. Despite their regional and linguistic differences, this new group of states has been able to emphasise mutual interests. The ACP group consists of seventy-nine states, all of them, save Cuba, signatories to the Cotonou Agreement: forty-eight countries from Sub-Saharan Africa, sixteen from the Caribbean and fifteen from the Pacific. See www.acpsec.org/ (accessed 15 June 2007).

2 These institutions, still operative, include the Council of Ministers, the Committee of Ambassadors and the Joint Parliamentary Assembly. The Council of Ministers comprises the members of the EU Council and one government representative from each ACP country; a member of the European Commission also attends the meetings. It enjoys decision-making powers, which allows it to amend the Convention. The Committee of Ambassadors prepares and monitors the work of the Council. The Joint Parliamentary Assembly, composed of Members of the European Parliament and Parliamentarians from ACP countries, is a forum for dialogue; its role is mainly advisory, but it has grown over the past years.

3 The GSP is a non-contractual preferential trade arrangement in which benefits are autonomous and non-binding. While originally the main features of the scheme were quotas and ceilings, since 1995 the EU has provided trade preferences that vary according to the sensitivity of the products on the EU market. The EC currently operates five separate arrangements under the GSP: a general arrangement for all developing countries; three special incentive arrangements for countries that protect labour rights, the environment, and participate in the fight against drugs; and a special arrangement for the LDCs, the EBA arrangement. For an overview of the evolution of the GSP and trade relations between the EU and the developing world, see *inter alia*, Stevens (2000) and Faber and Orbie (2007).

4 The Group of 77 (G-77) was established in June 1964 by seventy-seven developing countries at the first session of the United Nations Conference on Trade and Development (UNCTAD) in Geneva. Although the members of the G-77 have increased to 130 countries, the original name was retained because of its historic significance. The G-77 is the largest grouping in the United Nations, which provides the means for the countries of the South to articulate and promote their collective economic interests and enhance their joint negotiating capacity on all major international economic issues within the United Nations system, and promote South–South co-operation for development. See www.g77.org (accessed 15 June 2007).

5 The Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme for the Western Balkans was launched in 2000. The objective of CARDS was to support the participation of Balkan states in the Stabilisation and Association process (SAp), which seeks to promote stability in the region whilst facilitating closer association with the European Union.

6 The Euro-Mediterranean Partnership (EMP) has three major 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 realisation 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. Since 2007, development co-operation with the Mediterranean countries is governed by the European Neighbourhood and Partnership Instrument (ENPI).

7 For a comprehensive and recent analysis of the EU as a global actor, see Hill and Smith (2005) and Bretherton and Vogler (2006).

8 Hurt (2003), adopting a neo-Gramscian perspective, argues that the nature of the relationships between the EU and the ACP has significantly shifted from 'co-operation' to 'coercion'. The new trade arrangements and the need to comply with the principles and rules of the WTO can be seen in the context of the hegemonic dominance of neo-liberalism with political elites. The negotiation of the EPAs has generated criticism from the ACP group and various NGOs, which complain of the lack of benefits to ACP countries from market opening. See www.epawatch.org and www.ecdpm.org for constantly updated information (accessed 15 June 2007).

9 The first revised Cotonou Agreement, following ten months of negotiations, was signed in February 2005. The overall structure of the Agreement was not altered, but some changes were made. The Commission's proposal to expand the 'essential elements' (i.e. whose violation led to aid suspension) of the Agreement to include new security priorities – combating terrorism, countering the proliferation of weapons of mass destruction (WMD), and the commitment to the International Criminal Court (ICC) – was criticised by the ACP group. Nevertheless, the modified Cotonou Agreement reinforced political dialogue in cases of violations of the three essential elements (i.e. human rights, democratic principles and the rule of law), but at the same time it elevated countering the proliferation of WMD to one of the essential elements of the Partnership. Two additional clauses were included to confirm that both the EU and the ACP should cooperate in the fight against terrorism, whereas the reference to the ICC was included in the Preamble as well as in the text of the Agreement. Additional controversy was caused by the Commission's proposal to introduce further flexibility into the EDF disbursement process so that funds could be made available to meet exceptional needs in the event of a crisis. The ACP feared that EDF funds could be diverted from economic and social development to more security-oriented policies.

Nevertheless, the final agreement foresaw the creation of a larger reserve when resources are allocated and the possibility to alter the amounts allocated for each country or region in the light of special needs, exceptional performance or to cover international initiatives benefiting ACP countries (Kingah, 2006; Bretherton and Vogler, 2006).

10 An important innovation of the Cotonou Agreement concerns the participation of non-state actors. While the Lomé Convention transferred resources exclusively to central governments, the Cotonou Agreement established that non-state actors must be involved not only in project implementation, but also in the planning and evaluation stages, and, at the same time, can access funds directly. See Lister and Carbone (2006) for a comprehensive analysis of the role of civil society in EC development policy.

11 Asia ranks at the bottom in terms of priorities for EC development policy. Not only does Asia receive the smallest amount of aid in terms of its enormous population, but the EU has also actively discriminated against key ASEAN exports by extending preferential treatment to ACP states (e.g. cocoa, palm oil) or obstructing access for key products because of competition with the CAP (e.g. rice, sugar and tapioca). The most important recipients of aid have been the countries in South Asia (i.e. India, Pakistan, Bangladesh, Nepal), whereas a development programme was never started for the countries of East Asia (i.e. South Korea, Singapore, Taiwan, Hong Kong) because of their wealth levels. The first EC–ASEAN co-operation agreement dates back to 1980, but little progress was achieved until the mid-1990s, when a new and parallel process, the Asia–Europe Meeting (ASEM), was launched in 1996. The characteristic of the ASEM, which includes a rather composite number of countries, is that it is informal – it provides an open forum for discussion of issues – multi-dimensional – it covers the full spectrum of topics, such as political, economic and cultural issues – and provides a high-level forum between Heads of States and Governments, Foreign Affairs Ministers or senior officials. Following the terrorist attack in September 2001, security and anti-terrorism has become a key issue in this process (Grilli, 1993; Holland, 2002).

12 The EBA initiative was adopted in May 2001. It grants duty-free and quota free access to the EU market for the LDCs, covering all goods except arms and ammunitions. For a thorough analysis of the EBA initiative, see Faber and Orbie (2007).

13 The six priority sectors identified in the 2000 DPS were: link between trade and development; regional integration and co-operation; macro-economic policies and promotion of equal access to social services; transport; food security and sustainable rural development; institutional capacity building. In addition to these six priorities, three cross-cutting issues (gender equality, environmental sustainability and respect for human rights) must be systematically incorporated into all EU programmes.

14 The nine priority sectors identified in the 2005 DPS are: trade and regional integration; the environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment. Mainstreaming of cross-cutting issues is also foreseen: democracy, good governance, human rights, rights of children and indigenous people; gender equality; environmental sustainability; the fight against HIV/AIDS.

15 More generally Forwood (2001), using a two-level game theory to assess the impact of domestic interests on international negotiation, argues that the EU's margin of manoeuvre was restricted by its negotiating mandate, which was indeed the result of a not easily changeable compromise. On the contrary, the ACP group, rather than playing a proactive part in the negotiations, often reacted against the EU mandate. The weakness of the ACP group can be explained by the lack of a coherent and firm position, which followed the rule 'the more, the better'. However, it should be added that the ACP

group is a more informal entity than the EU; it also lacks a strong supranational institution (the ACP Secretariat had no formal role in the negotiations, whereas the European Commission played a key role).

16 Another significant clash occurred in the late 1980s between the Director General Dieter Frisch and the Commissioner Manuel Marin. Frisch, who had 'managed to impose his personality on both the Directorate and policy, paving the way for a Commission initiative to include development policy in the Treaty of Maastricht of 1992, for the first time as an element in its own right' (Hewitt and Whiteman, 2004:135), opposed Marin's approach regarding conditionality. In the mid-term review of Lomé IV, Marin proposed linking aid to respect for human rights, democracy, and the rule of law in the ACP states. Marin was supported by the European Parliament, which had always tried to assert its influence in development policy. Frisch lost his battle and decided to resign from his post. Dimier argues that political conditionality was a radical departure from orthodox development as practised by DG Development, and even called into question the identity of DG Development, in particular, 'founded on personal relationships, mutual trust and compromise' (Dimier, 2006:278).

17 It is interesting to report here two pieces that appeared in *The Courier EU–ACP*, which I think are symptomatic of these changes within DG development. Koos Richelle, former Director General, stated: 'Donors should lower their flags in development co-operation, they should work together to realise the internationally agreed targets, and that means development in the first place, and not donor interests. For some countries and organisations that is a cultural shock'. Along similar lines, Hugo-Maria Schally, Head of the Unit in charge of the preparatory process for international conferences: 'The international community has become increasingly aware that the major UN Conferences of the past decade have produced an impressive development agenda, but that implementation of that agenda has fallen short of expectations. That is why the EU is focusing on concrete and operational outcomes that will make a real difference to peoples' lives in LDCs (the so-called deliverables)'.

18 The Marshall Plan was also driven by commercial reasons, that is, providing economic benefits to American exporting firms for increased exports, not only in the short but also in the long term when Europe further developed.

19 This section on the evolution of development policies draws on a reading of the DAC peer reviews of the last decade and the Reality of Aid reports. See also Degnbol-Martinussen and Engberg-Pedersen (2003), Hook (1996) and various chapters in Hoebink and Stokke (2005), particularly J.J. Gabas on France, O. Morrissey on the UK and G. Ashoff on Germany. See also Lancaster (2007) on France and Germany, Cumming (2001) on France and the UK, Carbone (2007c) on Italy, Stokke (1989) on the northern Member States, Carbone (2004a) on the eastern Member States.

20 For a comparison of the performance in foreign aid index with the overall commitment to international development index, see Carbone (2008).

21 A special feature of German development co-operation is the role played by the political foundations, affiliated to the main political parties but autonomous in the conduct of their activities. They promote democratic development and respect of human rights in developing countries, though funding comes from the federal budget for development.

22 Denmark and the Netherlands had colonies, but this had no impact on their approach to international development.

23 In addition to co-ordination and complementarity, the Treaty of Maastricht established the principle of coherence: development policy objectives must be taken into account when the EC implements policies that are likely to affect developing countries. The Treaty of Amsterdam added an additional C to the previous three Cs, that of consistency: the EU should co-ordinate its activities in all the different aspects of its external

relations: foreign and security policy, trade, development. The 3+1 Cs, as well as the chapter on development co-operation, were not modified by the draft Constitutional Treaty. On this, see Hoebink (2004) and Mcmahon (1998)

24 The principle of subsidiarity refers to a distribution of competences and to the fact that decisions are taken at the most appropriate level. Its use in development policy is taboo because it implies that Member States might implement portions of EC external assistance (Dacosta, 2004).

25 Other Council working groups of relevance for development issues are the 'group ACP', the 'group Africa' and the 'group UN and international conferences'.

26 The role of civil society in EC development policy has been in constant evolution, with changes involving typologies, roles and resources. Originally, the EC provided a small amount of funds mainly to NGOs in Europe implementing projects in the South. Over the years, larger amounts of funds have been provided to a wider range of Southern civil society organisations (CSOs), which are increasingly involved in all phases of the development process, whereas European NGOs have been asked to focus their activities on building capacity and raising development awareness. In general, NGOs play two roles. First, they implement a significant portion of EC aid under different instruments. Second, they engage in policy advocacy, under the co-ordination of the Confederation of European NGOs for Relief and Development (CONCORD), an umbrella group representing more than 1,200 European NGOs, which in 2003 replaced the EC–NGO Liaison Committee (better known as CLONG, a French acronym). Their impact on EC development policy-making, however, has been marginal, partially as a result of the 'southernisation' of EC development policy. On this, see Carbone (2006).

27 For a discussion on this issue, see Mürle, (2007) and Carbone (2007b).

28 The second of the eight Barcelona commitments was: 'To take concrete steps on co-ordination of policies and harmonisation of procedures before 2004, both at EC and Member States level, in line with internationally agreed best practices including by implementing recommendations from the OECD Development Assistance Committee Task Force on donor practices' (Council, 2002c).

29 The Paris Declaration was adopted on 2 March 2005 by the representatives of ninety-one developed and developing countries. It laid down a practical, action-oriented roadmap to improve the quality of aid and its impact on development. It includes fifty-six commitments organised around five principles: (1) ownership: developing countries will exercise leadership over their development policies and strategies and co-ordinate development efforts; (2) alignment: donors will base their overall support on partner country's national development strategies, institutions and procedures; (3) harmonisation: donors must reduce the administrative burden of the recipient countries; (4) managing for results: donors and recipient countries will mange resources and improve decision-making processes; (5) mutual accountability: donors and recipient countries pledge that they will hold each other mutually accountable for development results (DAC, 2006:50–51). The recommendations of the EU *ad hoc* working party were very similar to the commitments adopted in Paris: (1) use agreed guidelines and promote co-ordination to avoid duplication of efforts; (2) set time-bound objectives and monitoring mechanisms; (3) establish an EU roadmap in every recipient country; (4) use common EU guidelines based on EC guidelines for horizontal issues and for a few selected sectors; (5) establish joint multi-annual programming on the basis of a common country strategy papers framework; (6) establish complementarity as an operational objective, by discussing the division of labour at country level and start a debate on cross-country complementarity on the basis of the EU Atlas; (7) establish a common framework for implementation procedures in the form of Joint Financial Agreements, such as reducing the number of missions, operating budget support, making aid flows predictable, harmonising technical assistance, reinforcing joint evaluation, promoting joint auditing, strengthening

delegate co-operation; (8) reduce micromanagement by management committees for Community aid (European Commission, 2005b).

30 Following a communication of the European Commission, in June 2007 the Council also adopted a European Consensus on Humanitarian Aid to ensure better co-ordination between the EC and the Member States in the humanitarian assistance field. The EC is the largest donor of humanitarian assistance in the world. Originating in the 1960s as a complementary activity to development co-operation, humanitarian aid was increasingly perceived as a way for the EU to have a visible role in the international arena. From being a policy of marginal importance, with the emergence of a series of humanitarian crises around the world in the early 1990s, it became a central component of the EU's external relations.

31 Some other marginal differences can be also noted: the final Consensus reinforced the idea that the primary objective of development policy is the eradication of poverty in the context of sustainable development; it eliminated the emphasis that the European Commission had placed on development as a way to manage globalisation; it strengthened the section on policy coherence for development (PCD).

32 The issue of division of labour was endorsed by the Member States on 17 October 2006, when the GAERC adopted 'guiding principles on complementarity and division of labour' (Council, 2006b).

33 The Code of Conduct does not specify what a sector is, though it states that the partition of sectors should be avoided and that the recipient country should be involved.

34 The Code of Conduct also mentions 'cross-sector complementarity', which implies that donors must analyse their strengths and comparative advantages in order to guide their actions and future policies. In general, comparative advantages should be determined by three key criteria: presence in the field; experience in the country, sector or context; trust and confidence of partner government and other donors; technical expertise and specialisation of donors; volume of aid at country and sector level; capacity to enter into new or forward-looking policies and sectors; capacity to react quickly and/or long-term predictability; efficiency of working methodologies, procedures, and quality of human resources; relatively better performance, without necessarily absolute advantage, lower cost compared to other donors with adequate standards of quality; building new experience and capacitates as emerging donor. This comparative advantage should be self-assessed, but endorsed by partner governments and recognised by other donors. Partner countries will also be involved in the final decisions.

3 Volume of aid: reversing trends in international development

1 Including administrative costs, aid for refugees and debt relief as ODA has been criticised for various reasons. In particular, debt relief 'tends not to involve a physical flow of resources aimed at actively promoting development' (Browne, 1990:133); aid for refugees, 'while laudable and necessary, does not promote economic development at all'; administrative costs may even lead to a paradox, that is, 'increase aid by spending more money on one's own civil servants' (Raffer and Singer, 1996:19).

2 Nevertheless, some donors (e.g. France, the US) have inflated their ODA by including types of resources that are at the border of what is generally understood as ODA. For instance, military assistance can be reported as ODA if it is used to support paramilitary and police forces employed for civil applications. Similarly, humanitarian aid can be included in ODA if its purpose is related to long-term improvements and not just emergency relief (Browne, 1999; Degnbol-Martinussen and Engberg-Pedersen, 2003).

3 All countries are grouped by income using World Bank classifications: high income countries (HICs), with a GNI per capita of US$ 11,116 or more in 2006; middle income

countries (MICs), divided in lower middle income countries (US$ 906– US$ 3,595) and upper middle income (US$ 3,596–US$ 11,115); and low income (US$ 905 or less). The High-Level Meeting of the DAC, held in Paris in December 2005, approved a new List of Recipients of Official Development Assistance, which will govern ODA reporting for three years. The new List simplifies earlier arrangements. For instance, countries in Central and Eastern Europe, the former Soviet Union, and a few HICs (e.g. French Polynesia, New Caledonia) received Official Assistance (OA). The new List will no longer include flows to countries that are not eligible for ODA. Organised on more objective needs-based criteria than its predecessors, the List includes all low and middle income countries, except those that are members of the European Union (including Bulgaria and Romania). The List will be reviewed again in 2008 and all countries that have been in the high income group for the previous three consecutive years will be removed. See www.oecd.org/dac (accessed 15 June 2007).

4 Various scholars date the history of aid back to the eighteenth and nineteenth centuries. See for example Burnell (1997), White and Hjertholm (2000), Lancaster (2007).

5 In reality, expenditure under the MCA only started in 2005, and the Bush Administration requested only US$ 3 billion, which Congress reduced to US$ 1.77 billion (DAC, 2006).

6 On the idea of 'race solidarity' between the EU and the US, see Orbie (2003).

7 For the first time in a UN conference, the EC was granted the status of full participant. This meant that the EC delegation sat with countries and that President Prodi addressed the summit segment and participated in the retreat of heads of states and governments.

8 It should be noted though that at the European Council in Göteborg in June 2001, the EU committed to reaching the 0.7 per cent target as soon as possible and to exploring the possibility of setting up a clear roadmap towards it.

9 Richelle did not visit Sweden, which sent a written contribution, included in the final Report.

10 At Laeken (Belgium) in December 2001, the European Council adopted the following Conclusions on Monterrey. 'The European Union considers that better growth and development prospects may offer a more solid basis for peace and security. The European Council calls on the Commission and the Council to report on ways of improving the co-ordination of European and international policies to promote development, as a contribution to the Monterrey Conference and the Johannesburg World Summit. The European Council notes with satisfaction the Council's undertaking to examine the means and the timeframe for each Member State's achievement of the UN official development aid target of 0.7 per cent of GNP and its commitment to continuing its efforts to improve development co-operation instruments, particularly in the countries affected by crisis or conflict.'

11 The German Finance Minister Hans Eichel accused the European Commission of being inconsistent, by simultaneously pushing for higher spending in foreign aid and issuing warnings over rising budget deficits (*Reuters*, 13 March 2002).

12 According to BOND, a leading British NGO, 'NGO involvement in the FfD preparatory process was modest. The broad nature of the agenda was often beyond the remit of individual NGOs and co-ordination of efforts took place both at the UK and the EU level to maximise impact. Many heavyweight NGOs and NGO networks decided early not to invest in the FfD process assuming their views would have little chance of influencing the official proceedings' (House of Commons, 2002a).

13 The European Council of December 2004 had mandated the European Commission to present 'concrete proposals on setting new and adequate ODA targets for the period 2009–10, while taking into account the position of the new Member States'.

14 An important event of this period was also the G-8 meeting in Gleneagles in July 2005, which placed development at the top of the international agenda. World leaders committed to an aid increase of US$ 50 billion a year per year by 2010, focusing in particular on Africa.

15 Finland differs from its Nordic peers. In the summer of 2002, the then Minister for Development Cooperation appointed a Special Committee headed by a former Prime Minister to examine the quantity and quality of foreign aid in response to the financial commitments made in the context of the FfD process. The Special Committee recommended to the new government a specific disbursement target for each year starting in 2004 and reaching the 0.7 per cent target by 2010. Greece stated that one of its priorities is to achieve the EU target. Reaching this target is difficult as the government has had to deal with significant challenges in meeting the economic obligations set in the Treaty of Maastricht. By contrast, Ireland, which had previously committed to achieve the 0.7 per cent target in 2007, subsequently decided to delay it to 2012 (DAC, various years).

4 Global public goods: more aid, better aid or harnessing globalisation?

1 Two sub-sections in this chapter have been published in: *Global Governance: A Review of Multilateralism and International Organisations*, Volume 13, Number 2, © (2007) by Lynne Rienner Publishers, Inc. Used with permission of the Publisher.
2 The term global public good was popularised by the Office of Development Studies within the UNDP, which sponsored the publication of the 1999 and 2003 seminal books. The World Bank, but also various scholars (Ferroni and Mody, 2002), prefers the term international public goods (IPGs), which include both global and regional public goods (RPGs). However, considering that in most cases the same types of goods and financing mechanisms are mentioned, the terms IPGs and GPGs are often used interchangeably. This book for reasons of consistency uses the term global public goods.
3 In some cases, the total equals the sum of everyone's contribution, while in other cases the total may equal either the smallest or the largest contribution. When the supply level is determined by the largest individual contribution (best-shot goods), goods are generally produced by developed countries largely on their own on the basis of a comparative technological advantage. When the level of a good is determined by the smallest individual contribution (weakest-link goods), developing countries cannot always guarantee to be able to pay and therefore require development assistance. On these issues, see Sandler (1998).
4 Contra, see Anand (2004) who argues that most public bads involve irreversible consequences for the current generations, whereas some involve only future generations.
5 Morrissey *et al*. (2002) identified three types of GPGs looking at the types of benefits: (1) GPGs that directly provide utility: for example, reducing the environmental degradation of an ocean or forest improves the quality of the natural resource, which in turn increases its productivity and generates benefits that all can enjoy; (2) GPGs that reduce risks: for example, reducing greenhouse gas emissions lowers the risk of global warming for everybody; (3) GPGs that enhance capacity: for example, education enhances both national capacity and the capacity to produce global knowledge, and therefore is a complementary activity to providing a GPG. As for the sectors involved, they distinguish between: (a) environmental – for example, oceans, climate, biodiversity; (b) social – for example, universal human rights, health, peace and security; (c) economic – for example, trade regimes, financial stability regimes; (d) institutional or infrastructure – for example, physical and virtual knowledge, good governance.
6 For a discussion of the dual track approach and other financing aspects of GPGs, see two chapters by Kaul and Le Goulven in Kaul *et al*. (2003).
7 For an historical overview of how various concepts in international development have been 'constructed' by international organisations, see Moore and Schmitz (1995).

8 The World Bank distinguished between core activities, aimed at producing GPGs (US$ 5 billion), and complementary activities (US$ 11 billion), aimed at preparing individual countries to consume the GPGs produced by core activities. These resources came either from foundations or from foreign aid. Foundations – actively involved in the generation and diffusion of knowledge particularly in the fields of health, environment and agriculture – provided about 2 per cent of ODA and about 20 per cent of the transfers for GPGs per year. Trust funds are established with public resources. One of the most cited examples is the Global Environmental Facility, whose main goal is to reduce ozone depletion, minimise climate change and preserve biodiversity.

9 On all the various taxes and mechanisms to finance GPGs and development more generally, see European Commission (2002d, 2007e), Jha (2004), Clunies-Ross (2004) and chapters by Sandmo, Nissanke, Aryeetey and Mavrotas in Atkinson (2005).

10 The summary of the Presidency stated the following: 'Various formulas for innovative financial mechanisms have been explored. Different views have been expressed on some of them . . . Since we do not all agree on this subject, we could just say nothing about it . . . Rather than ignore it, we could just accept that the debate on such proposals (and there are quite a few options) is not closed, and state our willingness to pursue a critical and constructive dialogue' (Author's personal notes).

11 In the meantime, the Ecofin Council approved the so-called Ecofin common understanding on FfD in December 2001, which stated that 'the financing of GPGs is not a separate process and should be evaluated against the backdrop of regular ODA and linked directly, where appropriate, to needs identified in PRSPs.'

12 The heads of Cabinet dealt with the two reports in a special session on 8 February 2002 and in the usual weekly meeting on 11 February 2002. The Globalisation Report was criticised by some Heads of Cabinet for being too optimistic about the effects of globalisation. Even though Nielson's Head of Cabinet was able to insert a paragraph on GPGs in the section dedicated to 'Alternative financing instruments', the overall position on GPGs was very weak. Within DG Development this paragraph was considered a sort of 'political victory', a minor victory, but still a victory: DG Development had managed to change a DG Ecfin document (sic!) (Interview, March 2002). As for the Richelle Report, DG Development received some criticism for its overly positive analysis of the various tax proposals.

13 This statement is included in a European Commission press release (IP/02/250, 13 February 2002: 'The Commission proposes concrete action for sustainable development and a fairer world').

14 It should be noted that the former US Treasury Secretary Lawrence Summers, member of the Clinton administration, stated in various speeches in 2000 that GPGs needed a much more prominent place in the US development agenda than they had (Nye, 2002).

15 Trevor Manuel was special envoy to the FfD conference. In this capacity, he was responsible for discussions at the highest political level on the goals and commitments of the FfD conference. See interview with the author, published in *The Courier ACP–EU* in May 2002.

16 The various speeches read during the seminar can be found in Kaul *et al*. (2002). On the French position, see *Haut Conseil de la Cooperation Internationale* (2002).

17 For a review of the WSSD process, see Hens and Nath (2003) and Hale and Mauzerall (2004). For a review of the EU's role at the WSSD, see Lightfoot and Burchel (2005).

18 This paragraph was included in the 'Johannesburg Plan of Implementation of the World Summit on Sustainable Development' (paragraph 108).

19 The Task Force met six times: in Yale (September 2003), Istanbul (March 2004), Washington (October 2004), New York City (January 2006), Paris (May 2006), Stockholm (June 2006). The Group of Friends met four times: Paris (July 2003), Stockholm (May 2004), Berlin (January 2005), London (June 2006). Regional consultations were held in Addis Ababa (January 2005), in Brussels hosted by the European

Commission (February 2005), Manila (February 2005) and Santiago (March 2005). Summaries of all these meetings as well as a number of background studies can be found on the web page of the Task Force: www.gpgtaskforce.org (accessed 15 June 2007).

20 The US and Japan, by contrast, continued to show very little interest in GPGs and in the work of the Task Force.

21 Various initiatives between 2004 and 2005 had been taken in the field of financing for development: the Quadripartite Report (sponsored by the Presidents of Brazil, Chile, France and Spain), the Landau Report, commissioned by President Chirac, and the UK-sponsored Commission for Africa.

22 Some disagreements still emerged over the meaning of voluntary: voluntary-compulsory option, which implied that Member States would decide whether or not to impose the tax; voluntary-voluntary option, which implied not only that Member States would be left the choice to impose, but also that passengers would be given that choice.

5 Untying of aid: enhancing the quality of development assistance

1 For instance, Tajoli (1999), focusing on Italian aid programmes in thirty-four developing countries over the 1982–91 period, showed that tying aid did not seem to work as commercial policy: the correlation between Italian market shares and tied aid was statistically non-significant. In a similar vein, Lloyd *et al.* (2000) examined trade flows between four European donors and twenty-six African recipients over the 1969–95 period, and found that there was very little evidence that tied aid generates trade. Similar conclusions are reached also at the micro-level, through anecdotal evidence and analysis of business reports of major companies (Morrissey *et al.*, 1992).

2 Trade unions generally support some tied aid, based on the assumption that it generates new jobs in the country (Degnbol-Martinussen and Engberg-Pedersen, 2003).

3 Cassen (1994:220) eloquently summarises as follows the costs of tied aid: ‘Some say its costs are “not insupportable,” especially when it comes from donors with whom they have longstanding and reasonably predictable relations. Others think tying is inevitable, and accept it as such. A few countries object so strongly that they refuse some offers of tied aid’.

4 ActionAid accused both the European Commission and the Member States of breaching EC law: the European Commission, because it was supposed to keep forms of state aid under review to determine whether they are compatible with common market rules; Member States, because they were obliged to notify state aid to the Commission and await the Commission’s judgment on whether it was compatible with single market rules.

5 It is interesting to note that Patten had previously manifested ideas not too much in favour of untying of aid. In particular, as Minister for Overseas Development from 1986 to 1989 he stated: ‘Most British bilateral aid has to be spent on British goods and services but this does not mean that we cannot provide worthwhile help to the poorest groups in developing countries’ (cited in Jepma, 1994:27).

6 On 11 January 2001, the *European Voice* published an article entitled ‘Nielson-Patten row stalls bid to ban tied aid deals’, which documented how the dispute between Nielson and Patten stalled plans to stop tying of aid. The article also quoted an official involved in the drafting process: ‘Nielson blocks everything that Patten comes up with’. The answer from Nielson came on 25 February 2001, in the form of a letter: ‘your observation that I should be reluctant to approve rules that would penalise Denmark is off the mark since we are not discussing the tying or untying of the individual Member States’ aid but community aid. You are simply mixing and messing up these two issues.’

7 The Communication also proposed that, for certain types of goods and services (i.e. essential drugs for fighting HIV/AIDS, malaria and tuberculosis), tenders would be opened up to all developing countries, regardless of the region. This excluded humanitarian and emergency assistance.

8 On the same day, this position was presented in a DAC discussion. The EC delegate was asked to be 'vague'. The idea was just to show that the Commission had finally come up with an official position, but that details would be explained at the High-Level meeting (Interview, March 2002).

9 The Recommendation was adopted *ad referendum*. The delay for the final approval, granted at the request of Japan because of the formation of its new government, ended on 11 May 2001 (*European Report*, 28 April 2001). On 14 May 2001, Japan notified its acceptance. Also, in order to promote ownership, partnership and effectiveness, the Recommendation acknowledged that reinforcing developing country responsibility for procurement and the ability of their private sector to compete for aid-funded contracts were required in order for the Recommendation to deliver its full benefits (DAC, 2002).

10 The adoption of a Reference Indicators Matrix, which was set up to monitor and assess the progress made by DAC members towards more balanced burden-sharing, is one of the elements which explain the shift in Denmark's position, which then agreed on the approval of the Recommendation.

11 To promote transparency and competition, donors must notify the OECD secretariat of untied offers covered by the Recommendation. These notifications will be available for companies in donor countries and recipient countries which will then have the possibility of bidding for that contract. The implementation of the effort-sharing mechanism will be assessed in annual reports covering all aspects of the Recommendation. An overall review of the effort-sharing mechanism and procedures will be conducted in 2009. See www.oecd.org/dac for updates.

12 The ACP countries enjoyed price preferences (between 10 and 15 per cent, depending on the case), which made it possible for operators in ACP countries to gain about 23.6 per cent of the total market in the sixth, seventh and eighth EDFs (European Commission, 2002a).

13 For instance, the Danish industry association, which had previously been a strong force behind the Danish policy on tying, took the view that fundamental interests lie rather in promoting industry associations in developing countries, thus helping to lay the basis for future demand for Danish products (DAC, 2003).

14 According to DAC statistics, Spain has one of the highest rates of aid tying, although its rate had dropped from 74 per cent in 1998 to 53 per cent in 2000. It should be noted that little adjustment was required for compliance with the DAC Recommendation since disbursements to LDCs are rather small (12 per cent of bilateral aid). As for Portugal, while the percentage of its untied aid is high, tied aid figures do not include administrative costs and above all technical assistance (including scholarships), which amount to a significant share of Portuguese aid. Moreover, Portugal practices a substantial amount of informal untying (DAC, 2001, 2002, 2003, 2004).

15 It should also be noted that a substantial portion of EC aid was already managed directly by recipient countries (through budget support or sector-wide approaches) and therefore was excluded from the proposed regulation.

Conclusion

1 Two additional examples come from the process that led to the adoption of the European Consensus on Development and the Code of Conduct on Complementarity and Division of Labour: in the first case, the UK was uncooperative, whereas in the second Germany was very cooperative.

2 For a similar argument, see Bauer (2002).
3 On the relationship between the European Commission and European NGOs, see Carbone (2006).
4 Spain missed the target, but only because of changes in its national accounting system.
5 The European Commission also noted that only a few Member States have experimentally introduced some innovative source of financing for development, specifically in the health sector (i.e. France, the UK, Italy), while the vast majority have not yet considered any new mechanism (European Commission, 2007c).

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International Herald Tribune
Le Monde
The Economist
The Guardian
The Independent

Interviews

These interviews took place in different periods between March 2002 and May 2007. The most significant round was in March 2002. Other rounds of interviews were conducted in November 2002, November 2003, January–February 2004, November–December 2005, March 2006, November 2006 and May 2007. As in the various chapters of the book I refer to the date on which the interview took place, no specific date is provided below in order to preserve the anonymity of the interviewees. In the case of the European Commission, names of interviewees are followed by their ranking in the Commission and include the DG or delegation in which they worked and their task. In the case of Member States, I interviewed the Counsellors dealing with development policy in the various Permanent Representations. Moreover, I interviewed a small number of international practitioners and had informal discussions with several officials of the European Commission.

European Commission

Androulla Kaminara, Member of the Cabinet of Commissioner Nielson
Frank Nemitz, Member of the Cabinet of Commissioner Nielson
Kristian Schmidt, Member of the Cabinet of Commissioner Nielson
Koos Richelle, DG Development, Director General
Michel Arrion, DG Development, Assistant to the Director General
Francisco Granell, DG Development, Special Advisor to the Director General

Bernard Petit, DG Development, Director, General development policy
John Barach, DG Ecfin, Head of Unit, Globalisation issues
Gilles Hervio, DG Development, Head of Unit, Economic policy and PRSP
Françoise Moreau, DG Development, Head of Unit, Development policy and perspectives
Mauro Petriccione, DG Trade, Head of Unit, Relations with WTO
Hugo-Maria Schally, DG Development, Head of Unit, Relations with UN and MS
Peter Bangma, DG Development, Official, Relations with NGOs
Nicholas Charalambides, DG Trade, Official, ACP–EU trade
Franco Conzato, EC delegation to the DAC, Official
Francesca Di Mauro, DG Ecfin, Official, Development issues
Renate Hahlen, DG Development, Official, Relations with EU Member States
GwenHines, DG Development, Official, Global Public Goods
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Andrea Mogni, DG Relex, Official, Economic and development issues
Attilio Pacifici, DG Development, Official, Desk Nigeria and Sierra Leone
Dominic Porter, DG Relex, Official, Development issues
Luana Reale, DG Development, Official, Global Public Goods
Domenico Rosa, DG Development, Official, Desk Central Africa
Peter Rundell, DG Development, Official, International financial issues
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Member States (Permanent Representation in the EU)

Patrick Brandt, Netherlands
Jocelyne Caballero, France
Sophie Kisling, Denmark
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José Pascual Marco, Spain
Enrico Mollica, Italy
Ann Raduchowska-Brochwicz, Poland
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Adam Wood, United Kingdom
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International practitioners

Paul Collier, World Bank
Olivier Consolo, Concord
Louise Hilditch, ActionAid International
Inge Kaul, United Nations Development Programme
Katell Le Gouveln, International Task Force on GPGs
Trevor Manuel, UN Special Envoy for the FfD Conference

Informal discussions

Maria Badekas, DG Development, Official, NGOs issues
Piera Calcinaghi, DG Development, Official, FAO issues
Michael Curtis, DG Development, Official, Spokesman for Commissioner Nielson
Gianluigi Faure, Secretariat of the Council of Ministers
Mauro Galluccio, DG Development, Official, Relations with EU Member States
James Hradsky, Development Assistance Committee, Peez reviews
Dorothy Morrissey, DG Development, Official, Editor of the Courier ACP-EU
Robert Rozemburg, DG Development, Official, Dealing with sustainable development
Robert Scheer, DG Development, Official, Dealing with future of development policy
Camilla Wilander, DG Development, Official, Dealing with social development

Index