European Coordination in Multilateral Fora: 
The Case of the World Bank

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASEM</td>
<td>Asia-Europe Meeting</td>
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<tr>
<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>EC</td>
<td>European Community</td>
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<td>ECDPM</td>
<td>European Centre for Development Policy Management</td>
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<td>ED</td>
<td>Executive Director in the Board of the World Bank</td>
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<td>EU</td>
<td>European Union</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IDA</td>
<td>International Development Association</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>HIPC</td>
<td>Highly Indebted Poor Countries initiative</td>
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<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<tr>
<td>PABS</td>
<td>Poverty Alleviation Budget Support (Uganda)</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<tr>
<td>SPA</td>
<td>Strategic Partnership for Africa (formerly the Special Programme of Assistance for Africa)</td>
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<td>SWAp</td>
<td>sector-wide approach</td>
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<td>UN</td>
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Summary

In recent years, the leading role of the World Bank in development initiatives has been confirmed through the design of Poverty Reduction Strategy Papers (PRSPs) for the poorest countries. It has been argued that the lack of European coordination and consistency in international fora, such as in the Board of the World Bank, has affected the overall effectiveness, quality and visibility of European development cooperation. However, there is an emerging consensus among the Commission and the Member States on the need to strengthen Europe’s position as a ‘global player’ in both economic and political fields.

Against this background, the European Centre for Development Policy Management (ECDPM) decided to undertake a brief study of the challenge of European coordination in the multilateral context. This study focuses on the case of the World Bank. The process of designing policy initiatives for developing countries involves dynamic interactions between Brussels, Washington, and European capitals. Despite the existence of various mechanisms of interaction and joint initiatives, why do European approaches to the Bank, especially within the Board, appear to be so uncoordinated and incoherent?

There are several constraints on effective European coordination, including institutional structures and the logic of decision making in the Board, the absence of political will and a common European vision, and constraints linked to internal administrative structures.

Despite these constraints, a number of interesting opportunities do exist for improving the coherence of European positions in Washington, and for enhancing EU–World Bank cooperation. These include enhancing the role of the EU presidency in Washington, recognising the ‘information role’ of the EC Delegation in Washington, defining common European interests on a ‘thematic basis’, improving the coherence of bilateral positions, making effective use of the World Bank’s expertise in Brussels, collaborating with European staff in the Bank, using trust funds strategically, strengthening the role of EC Delegations in the field, and enhancing coordination of the EU position in Consultative Group meetings in developing countries.

The study shows that there are several reasons for the perceived lack of European coordination in multilateral fora. Both structural constraints and divergent political agendas explain why individual EU Member States do not always consider ‘Europe’ as their main point of reference in their voting behaviour within the World Bank Board. In this context, the European Commission argues that its representation in the Board would improve the coherence of European foreign policy in a multilateral setting. The same debate is ongoing concerning Europe an representation in the UN Security Council.

The question is whether we need a ‘unique body’ (i.e. the Commission) that would politically represent ‘Europe’, or should the aim be to improve the coordination of divergent European approaches to development policies? After all, the Commission already represents the Union in the area of trade policy. Also, the strong coordination of the positions of countries in the euro zone within the IMF Board shows that when there are common strategic interests and a shared political will, the EU Member States can overcome some of the structural constraints on coordination. Are we to conclude that development policies and relations with developing countries in multilateral fora are still influenced by traditional geopolitical interests that are considered more important than the common European project? It appears that even if a unique European vision is lacking, the way forward could be to strengthen the coordinating role of the EU presidency in Washington, to define thematic areas where a common European position already exists, and to strengthen coordination in the field where cooperation policies are implemented on a daily basis.
Introduction

In recent years, the leading role of the World Bank in development initiatives has been confirmed through the design of Poverty Reduction Strategy Papers (PRSPs) for the poorest countries. The European Community (EC) development policy, adopted in November 2000, recognises that priority should be given to poverty reduction along the lines of the PRSPs. The importance of the Bretton Woods institutions is also reflected in the ‘intra-European’ discussions (between the European Commission and Member States) about coordination, coherence and complementarity.¹

The Commission often claims that Member States are inconsistent in their positions within the European Union (EU) and multilateral fora such as the Board of the World Bank. It has been argued that this lack of European coordination and consistency in international fora has affected the overall effectiveness, quality and visibility of European development cooperation. However, there is an emerging consensus among the Commission and the Member States on the need to strengthen Europe’s position as a ‘global player’² in both economic and political fields.

There are dynamic, multilayered interactions between Brussels, Washington, European capitals and developing countries in the definition of development policies. The decision-making mechanisms of development cooperation at the global level are very complex, involving interactions between multilateral entities, states and sub-national agencies (including different ministries). Because states are members of several multilateral organisations at the same time, European countries (in their capacities as EU Member States, bilateral donors, and World Bank Board members) and the European Commission play different roles and occupy different positions in the system. Furthermore, the situations of developing countries themselves are diverse, requiring adapted modalities of cooperation.

¹ See the Commission’s Communication on Complementarity between Community and Member State Policies on Development Cooperation (COM(1999)218). The objective is to improve coordination at three levels: policy coordination (general development policy and sectoral policies), operational coordination (implementation on the ground) and coordination in international organisations. This study focuses on the third level – coordination in multilateral fora.

² The European Community’s Development Policy, presented by the Commission in May 2000, argues that ‘one of the most critical aspects of coordination within the EU is to enhance the ability of the EU to present common positions in international bodies, thus realising its potential for increased European influence’ (COM(2000)212, p.14).
Scope of this Study

Against this background, the European Centre for Development Policy Management (ECDPM) decided to undertake a brief study of the challenge of European coordination in the multilateral context. This study focuses on the case of the World Bank.

The process of designing policy initiatives for developing countries involves dynamic interactions between Brussels, Washington, and European capitals. This study analyses the reasons for the apparent lack of European coordination in multilateral fora, and in particular the structural and political factors that need to be taken into account. This report also suggests some practical steps that could be taken to improve the modalities of collaboration between the EU and the World Bank, and to enhance the coherence of European approaches in Washington.

The World Bank

The World Bank and the International Monetary Fund (IMF) were created in 1944 by the Conference of Bretton Woods. The multilateral system of ‘Bretton Woods institutions’ is different from that of the European Union (EU) on the one hand, and that of the United Nations (UN) on the other. These differences explain the different functioning of these institutions:

- **Decision-making power.** The EU’s decision-making system in the Council is based on a complex weighting system where the ‘weight’ of each member country depends on the size of its population. Within the United Nations, decision making is based on democratic principles, with each state having one vote in the General Assembly. In contrast, within the Bretton Woods institutions the representation of member countries is proportional to their ‘share’ of the Bank’s capital. Thus, each nation’s voting and decision-making power in the World Bank Board are proportional to its wealth (see box 1). The European Commission does not have formal representation in the Board. The effective coordination of the positions of the various European members of the Board is currently a major challenge for European coherence.

### Box 1: The Decision-making Structure of the World Bank

Within the Bank, responsibility for decision making is divided between the Board of Executive Directors (EDs) and the staff of the Bank, organised in 24 vice-presidencies and administrative departments. The voting power of each member country is determined by its share of the Bank’s capital. The decision-making bodies are:

- **The Board of Governors**, which meets in annual meetings, is the highest authority of the Bank and represents member countries. Each of the Bank’s member countries nominates a governor or an alternate to the Board. These governors, often ministers of finance, delegate their authority to the Board of Executive Directors.

- **The Board of Executive Directors** consists of 24 Executive Directors (EDs). The EDs of the five wealthiest countries (France, Germany, Japan, the United Kingdom and the United States) each have a seat on the Board, while the others share constituencies with several other countries. The Board is responsible for managing the Bank’s operations. The decision-making process combines formal meetings with informal interactions between the EDs and the staff of the Bank, with the aim of reaching consensus.

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3 The ‘World Bank Group’ includes the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).
• **Political mandate.** The World Bank’s mandate does not officially allow it to intervene in the political sphere, such as dealing with elections or the human rights situation in a country. In contrast, the EU as a ‘global player’ has several cooperation instruments that aim to promote democracy, human rights and the rule of law. In recent years, however, the Bank has increasingly focused on improving economic governance in developing countries, including the elimination of corruption. Consequently, the ED’s offices are staffed mainly by ministry of finance officials, whereas in the EU, foreign ministers play a more prominent role in the field of external relations. These contrasting administrative cultures are sometimes reflected in the Bank’s decision making.

• **Technical expertise, analytical capacity and human resources.** The efficiency of the Bank’s operations stems from the high level of technical expertise and abundant human resources, in contrast with the far more limited human resources of the European Commission, even though the Commission manages significant amounts of European development cooperation funds. The Bank’s considerable analytical capacity and expertise provides it with a certain ‘intellectual leadership’ in development initiatives. The Commission has recently reinforced the European contributions to Bank-led initiatives, like the PRSPs and the Highly Indebted Poor Countries (HIPC) initiative. The Commission is most influential at the operational level.

• **Variable groupings, coalitions and alliances.** As mentioned earlier, the voting power of members of the World Bank Board is not equally distributed. Furthermore, the members have formed various groupings, coalitions and alliances that do not have ‘Europe’ as a key reference. These groupings include:

  – the G7 group, which comprises Canada, Japan and the United States, and just four EU Member States – France, Germany, Italy and the UK, is an important point of reference for the EDs. Consequently, the G7 decisions, which are often characterised by the influence of the United States, have an impact on the ways the members vote within the Board of the Bank.

  – The group of ‘like-minded’ countries, which includes Canada, Germany, the Netherlands, the Nordic states and the UK. These ‘Northern’ countries share a common view of development and of themes such as the environment, gender and poverty reduction. Four countries – Germany, the Netherlands, Norway and the UK – have also formed a specific ‘Utstein group’, led by the four ministers of development cooperation.

  – Finally, the positions adopted by countries in the Board often reflect their (colonial) relations with developing countries and their traditional stance towards trans-Atlantic cooperation with the United States. For example, France often tends to be more critical of the Bretton Woods institutions and perceived US dominance than other member countries.

These coalitions and affinities give rise to specific dynamics in the Bank’s decision-making process, and help to explain why European ED’s rarely refer to Europe as a common entity.

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4 See, for example, Marquette (2002).
Mechanisms of Interaction between the EU and the World Bank

Although the European Commission does not have a formal representation in the Board of the World Bank and there is no formal coordination between the EC Delegation in Washington and the EDs’ offices in the Bank, there is cooperation between the Bank and the Commission at both political and operational levels. Operational interactions include the following:

- **European contributions to debt relief: the HIPC.** The initiative is a specific trust fund, launched by the IMF and the World Bank in 1996, which is financed through bilateral contributions of donors (including numerous EU Member States). The eligible poorest countries have to prepare a Poverty Reduction Strategy Paper (PRSP) in order to benefit from debt relief. The European Commission has contributed EUR 1 billion to the HIPC initiative, and consequently it was allowed (exceptionally) to participate in the HIPC discussions in the World Bank Board. The Commission also contributes to some other Bank trust funds, such as ASEM Trust Fund in Asia.

- **European participation in the PRSPs.** The cooperation between the Bank and the Commission on structural adjustment and macroeconomic policies, especially in the context of the Strategic Partnership for Africa (SPA), dates back several years. Since 1999, the Commission and the Bretton Woods institutions have collaborated in the framework of the PRSPs through joint conditionalities and coordinated review missions. The Commission also contributes to the financing of the PRSPs through allocating poverty reduction support\(^5\) to partner countries. The policy cooperation at the level of headquarters in Brussels and Washington is combined with operational coordination among the country missions in developing countries.

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\(^5\) For example, in Uganda, the Commission provides Poverty Alleviation Budget Support (PABS).
Figure 1: Mechanisms of interaction between the EU and the World Bank

- The Bank’s partnerships. The Bank has established partnerships based on collaboration, learning and exchange of information, as well as on resource mobilisation (through trust funds and co-financing). The Bank’s partnerships with bilateral and multilateral donors, civil society organisations, foundations, the private sector and academic institutions have become increasingly important. The various United Nations conferences, such as the Conference on Financing for Development, held in Monterrey in 2002, also provide opportunities for strengthening linkages with multilateral and bilateral donors. These partnerships may be established at a country level (co-financing, committees, etc.), at the level of global or regional programmes, or at the institutional level (between the Bank and the Commission). One example of such a partnership is the joint programme between the Commission and the World Bank in the Balkans (see box 2).

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Box 2: Joint Programme between the Commission and the World Bank
in south-east Europe for the reconstruction of Kosovo

In 1999 the European Commission and the World Bank received a special mandate for the coordination of bilateral and multilateral donors in the Balkans. The mandate includes coordinating economic reforms and reconstruction efforts, resource mobilisation through pledging conferences and consultative groups, defining strategies and priorities for development, as well as monitoring the implementation of various initiatives in the region. There is a joint coordination office in Brussels, and a website (www.seerecon.org) which details all reconstruction activities in the region. The two institutions have also organised donor conferences and elaborated joint economic recovery programmes (such as the Economic Recovery Programme for the Federal Republic of Yugoslavia and Stability Pact) for the region.

- **Trust funds.** The World Bank manages various trust funds, which are financed through bilateral contributions. Targeted financing through trust funds increases the capacity and influence of the smaller member countries, such as the Nordic states, on specific priority themes such as health or the environment, on the Bank’s operations.

- **Co-financing.** Co-financing is another instrument of collaboration between the Bank and other development agencies. Emerging aid modalities in developing countries, such as sector-wide approaches (SWAps), increase the need for basket funding and other forms of co-financing. The Commission’s new financial regulation, adopted in 2002, allows for co-financing with other donors.

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Constraints on European Coordination and Coherence

Despite the existence of various mechanisms of interaction and joint initiatives, why do European approaches to the Bank, especially within the Board, appear to be so uncoordinated and incoherent? There are several constraints on effective European coordination:

- **Institutional structures and the logic of decision making in the Board.** The institutional structure of the World Bank Board does not favour the formulation of a specific European approach. First, the European Commission is not formally represented in the Board, and EU Member States rarely coordinate their positions in the European setting. The effectiveness of EU coordination therefore depends on the efforts of each presidency rather than on institutionalised coordination procedures. Second, the Board’s decision-making process is based on the dominance of the richest countries, like the G7, which does not follow the European logic. Finally, and maybe most important, even the smaller European countries, which share constituencies with non-European countries, rarely have a strategic interest in ‘European coordination’ (see box 3).

**Box 3: Constituencies in the World Bank Board**

The system of constituencies in the World Bank Board partly explains why European EDs do not always act coherently in the Board’s decision-making process. Several EU Member States share constituencies with non-EU countries. For example, Austria, Belgium and Luxemburg share a constituency with eight other countries, including Hungary, Kazakhstan and Turkey; the Netherlands with 11 countries, including Bosnia, Israel and Ukraine; and Spain with seven Latin American countries, including Brazil and Venezuela.

Each country has to take into account the interests of its constituency when formulating its position on a particular issue. For example, the Netherlands has a dominant position within its constituency, which includes many eastern European countries, on questions concerning development in Africa, which gives it increased political weight in the Board. It is therefore not in its strategic interest to change the composition of the Board constituencies in favour of a unified ‘European approach’. The absence of the Commission in the Board makes its potential coordinating role in Washington very difficult. At the same time, even if formal responsibility for ‘coordination’ is given to the EU presidency, the system of constituencies in the Board leads to overlapping alliances and coalitions, which reflect the conflicting strategic interests among EU Member States.

- **Absence of political will and a common European vision.** Despite numerous resolutions about coordination, coherence and complementarity in Brussels, the EU Member States have never defined comprehensive European strategy or vision towards the World Bank. The political will to coordinate their positions towards the Bank’s policies in developing countries seems to be lacking. In fact, Member States act differently in different multilateral settings, reflecting their different mandates, numbers of members, organisation and procedures. In particular, their different possible attitudes, coalitions or alliances may range from full alignment with the Bank, to the defence of specific European approaches, to complementarity between institutions, to functional alliances on a case-by-case basis, or to stances that reflect mainly national priorities. These positions towards the Bank often depend on the personalities and the preferences of the states’ political leadership, and alliances may change over time. Furthermore, many Member States are reluctant to integrate the Commission into the World Bank Board even though it could improve the coordination of European positions. The divergent political interests of Member States towards developing countries in Washington explain this.

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9 For example, the Netherlands former minister of development cooperation Evelyn Herfkens was highly critical of EC development cooperation, while she had a very positive attitude towards the Bank. The Netherlands also participated actively in the Utstein Group.
Box 4: Effective European Coordination in the Board of the IMF: Impact of Common Interests

Within the IMF, European coordination has generally improved since the introduction of the euro as the common currency. Only states are members of the Fund; European institutions are not obliged to discuss their monetary policies with IMF. However, the European Commission has the right, under the current Articles of Agreement (especially Article IV), to monitor the situation in the euro zone, which was reviewed during the consultations on Article IV and bi-annual discussions.\(^\text{10}\) The countries of the euro zone present joint statements. This strong coordination of monetary policies, which touch upon their vital interests ‘within’ the European territory, is in contrast with the weak coordination of European development policies in the World Bank Board. This may be due to Member States’ divergent national interests in developing countries or to a limited role of the Commission in the Board?

- Internal administrative structures. In most EU Member States, the ministries of finance play a leading role in their relations with the World Bank,\(^\text{11}\) whereas in Brussels, ministries of foreign affairs and development cooperation play key roles in defining the EU’s priorities. The dominant role of financial experts in the Board of the Bank, even though its agenda is linked to development, partly explains why the Member States do not always present coherent positions in Brussels and in Washington. In fact, the lack of internal administrative coordination and information sharing within the various departments of national administrations is often so serious that ministries of foreign affairs have to send their own missions to Washington in order obtain information for their own purposes. These divergent ‘professional cultures’ (finance versus foreign affairs) make unified European coordination difficult. Also, information sharing between the EDs’ offices and the Member States’ embassies in developing countries is often limited. Further, various decision-making processes, such as the role of national parliaments, may have an impact on the countries’ positions in the Board.

\(^{10}\) IMF survey, March 15, 2001, p.80.

\(^{11}\) In the case of the UK, the Department for International Development (DFID) plays an important role in guiding the UK’s relations with the Bank. For example, DFID’s development expertise has certainly influenced the Bank’s orientation towards poverty reduction (PRSPs).
Opportunities for Improved European Coordination

Despite the constraints detailed above, a number of interesting opportunities do exist for improving the coherence of European positions in Washington, and for enhancing EU–World Bank cooperation.

- **The role of the EU presidency in Washington.** The EU presidency is supposed to play a key role in organising the political coordination of EU Member States in Washington and in enhancing the European profile. So far, however, this coordination has taken place only in an *ad hoc* manner, depending on the interests of individual Member States. Nevertheless, since the political visibility of the EU in Washington depends mainly on the coherence of Member States’ positions, the EU presidency could serve as a channel of communication between the World Bank Board and the EC Delegation in Washington. The presidency could, for example, inform the Delegation about the agendas of the Board meetings, and inform the Board members about ongoing European initiatives, such as independent PRSP evaluations, being carried out by the Commission.

- **The ‘information role’ of the EC Delegation in Washington.** World Bank Board members often have only a limited knowledge of existing EU policies. The EC Delegation could play a key role in informing the European Board members about ongoing initiatives, which could help to strengthen a specific European perspective in their decision making.

- **Defining common European interests on a ‘thematic basis’.** We have seen how divergent interests, alliances and administrative structures tend to undermine European coherence in the multilateral context of the World Bank. However, there are some themes, such as the European model of the ‘welfare state’, which are shared by various Member States. These areas of common interest may provide the basis for ‘thematic’ coordination of EU positions in the Board, even in the absence of a unified European front.

- **Improving the coherence of bilateral positions.** Overall European coherence could also be enhanced through improved structural coordination among different ministries, embassies and the EDs’ offices within the administration of individual Member States. However, this would involve addressing the question of divergent administrative cultures in different parts of the administration.

- **Making effective use of the World Bank’s expertise in Brussels.** The office of the World Bank in Brussels aims to follow up the European ‘dossiers’ and to represent the ‘European face’ of the Bank’s operations. The Commission could make more effective use of the expertise of the Bank’s Brussels office, which in turn could serve as one channel of communication and cooperation between Washington and Brussels. The joint EU–World Bank initiative in the Balkans provides an interesting example of fruitful collaboration in Europe.

- **Making effective use of European staff in the Bank.** The participation of European experts in the Bank’s operations and missions in the field may allow an enhanced European input to the Bank’s activities. The secondment of staff between the Bank and the Commission could also help to strengthen the mutual understanding of suitable mechanisms of collaboration and interaction. Some EU Member States, such as the UK, contribute their own policy expertise to provide inputs to the Bank’s policies and operations through direct contacts with selected policy departments.

- **Making strategic use of trust funds.** Many smaller member countries, such as the Nordic states, have invested in the Bank’s trust funds as one way to increase their influence on and strategic inputs to the Bank’s operations. Some trust funds may therefore be used in ways that reflect specific European interests.
• **Strengthening the role of EC Delegations in the field.** The Commission and the World Bank have agreed to strengthen their operational cooperation in the field, especially in the context of the PRSPs. In parallel, both institutions are ‘deconcentrating’ decision-making power to their delegations in developing countries, which makes effective field coordination more relevant. This includes harmonisation of procedures with a view to increasing co-financing and other joint initiatives.

• **Enhancing coordination of the EU position in Consultative Group meetings in developing countries.** The Commission and EU Member States are preparing a joint statement for the Consultative Group meetings in many developing countries, which reflects the enhanced political coordination of EU positions.
Concluding Remarks

The study has shown that there are several reasons for the perceived lack of European coordination in multilateral fora. Both structural constraints and divergent political agendas explain why individual EU Member States do not always consider ‘Europe’ as their main point of reference in their voting behaviour within the World Bank Board. In this context, the European Commission argues that its representation in the Board would improve the coherence of European foreign policy in a multilateral setting. The same debate is ongoing concerning European representation in the UN Security Council.

The question is whether we need a ‘unique body’ (i.e. the Commission) that would politically represent ‘Europe’, or should the aim be to improve the coordination of divergent European approaches to development policies? After all, the Commission already represents the Union in the area of trade policy. Also, the strong coordination of the positions of countries in the euro zone within the IMF Board shows that when there are common strategic interests and a shared political will, the EU Member States can overcome some of the structural constraints on coordination. Are we to conclude that development policies and relations with developing countries in multilateral fora are still influenced by traditional geopolitical interests that are considered more important than the common European project? It appears that even if a unique European vision is lacking, the way forward could be to strengthen the coordinating role of the EU presidency in Washington, to define thematic areas where a common European position already exists, and to strengthen coordination in the field where cooperation policies are implemented on a daily basis.
Bibliography


