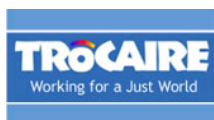


European Coordination at the World Bank and International Monetary Fund:

A Question of Harmony?

January 2006



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About this study

This study was commissioned following discussions in the Euro IFI and Eurodad NGO networks about how European governments are organising themselves in the World Bank and IMF. Many individuals felt that they did not know enough about this and were unsure whether their political strategies on the World Bank and IMF, including on reform of these institutions' governance, were adapted to current realities.

This report has itself been an example of EU coordination, with financial and other contributions provided by groups in eight EU countries. The groups involved are: Agir Ici, Both Ends, Bretton Woods Project, Campagna per la Riforma della Banca Mondiale, Christian Aid, Diakonia, Eurodad, Trocaire, Urgewald, and WEED. The report was commissioned and managed by Eurodad.

While the primary audience of the report was intended to be NGOs in the above networks the study is being posted and disseminated publicly to provide an insight into the current workings of European Union governments in the World Bank and IMF.

About Eurodad

The European Network on Debt and Development comprises 50 non-governmental organisations from 15 European countries working on issues related to debt, development finance and poverty reduction. The Eurodad network provides a platform for exploring issues, collecting intelligence and ideas, and undertaking collective advocacy.

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ADS Insight is a Brussels-based consultancy specialised in EU policies. ADS Insight assists clients in analysing EU policy developments through research work, defining and implementing advocacy strategies for them. ADS Insight expertise ranges from environment to transport and social issues. ADS Insight is multi-national, multi-lingual and multidisciplinary. With the strong support of the ADS team, Charline Nicolas, Senior Consultant, carried out this study.

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Imperfect harmony: European coordination in the World Bank and IMF

The importance of the World Bank and International Monetary Fund for low-income countries and countries in financial crises is well-known. Their influential roles include direct financing, aid coordination, and analysis of development and financial policy options. During 2005 the institutions gained in prominence – with G8 governments, for example, requesting the World Bank to play a major role in coordinating official aid flows. The governance of multilateral bodies has also been in the spotlight again, notably during the controversial selection of Paul Wolfowitz to head the World Bank. For Brussels it was the debate about a European Constitution, rejected by the voters of France and the Netherlands.

Despite the constitution debacle, European political coordination is increasing in a number of fields, including management of aid and governance of international institutions. There has been a low-key but important debate about how European governments should approach their duties and responsibilities in governing the World Bank and IMF. Among the key European figures who have recently weighed in on this issue are Michel Camdessus (former head of the IMF), Lorenzo Bini-Smaghi (a board member at the European Central Bank) and Romano Prodi (former President of the European Commission) and Louis Michel (EU Development Commissioner). Michel, for example, commented this month that “the EU does not have the influence it should in the World Bank”, and demonstrated his dissatisfaction by announcing the establishment of a new EU Trust Fund for Africa which will be governed separately from the World Bank and effectively compete with it.

This study, commissioned by a range of European non-government organisations, reveals that within the World Bank European governments are increasingly holding coordination meetings and processes. It shows that on some issues, and in particular in relation to the IMF, coordination has moved beyond a pro forma exercise to something with a real chance of influencing strategy and policy lines. In relation to the World Bank the meetings have yet to yield substantial changes, but have improved information-sharing and set the stage for a change in approach. Yet sustained, significant changes face major obstacles: including the division of European governments into G8/non-G8 and Eurozone/non-Eurozone. Further difficulties include the strong views of certain smaller European countries which currently have a representative on the IFI boards, often at the head of multi-country constituencies of non-EU ones.

Some players argue that Europe needs to coordinate in the institutions to counter-balance the U.S. dominance and assert progressive social and economic policies. Others that European governments are over-represented and should slim down the number of board seats they hold to provide more space for low- or middle-income countries. Proponents of this change, such as Mr Bini-Smaghi, argue that Europe should proactively seek change or it will be forced to do so if, for example, Asian countries build momentum to establish their own Asian Monetary Fund.

Whatever the result of this grand debate about whether the Europeans should surrender some board seats, the embarrassment of poor coordination was clear for all to see last year. The British government, which simultaneously held the Presidency of the G8 and the EU, failed to consult and win over a number of smaller European governments to its proposed multilateral debt deal. The outcome was an embarrassing row conducted through the media.

The co-commissioning groups are publishing this report to reveal the current workings of European governance of the IFIs and contributing to further debate on its evolution. The NGOs will continue to carry out their scrutiny and advocacy work at the member state capital level – which remains the primary locus of decision-making – but also monitor and use the increasing European processes, such as the regular visit of European Executive Directors to Brussels. This work will continue to be carried out closely with parliamentarians, which in some countries have already instituted regular scrutiny processes of their participation in the Bank and Fund. Some Members of the European Parliament are now urging that they also receive such a report.

*Alex Wilks, Coordinator, European Network on Debt and Development
January 2006*

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EXECUTIVE SUMMARY

The European Union (EU) today has no formal status in the International Financial Institutions (IFIs). The IFIs provide membership to countries only, and are organised on the basis of “constituencies” of countries. As such, EU Member States are the official channel of representation of the “European voice”. Yet, they are represented at different levels and are spread over several constituencies, not all of them being composed of European countries.

This structural and organisational nature of the IFIs has so far greatly affected practices, and more generally, visions of the benefits and opportunities for EU Member States to streamline their representation in IFIs. In this context, European coordination in IFIs is rather recent. Although more structured and developed in the International Monetary Fund than in the World Bank, the EU coordination is nevertheless at “infant” stage in both institutions, remaining highly dependent on national interests, informal processes, officials’ personalities and the IFIs’ agenda (as opposed to the EU agenda).

As regards the IMF, coordination takes place both in Brussels under the Economic and Finance Ministers’ Council sub-structure, “SCIMF” (Sub-Committee on IMF) and in Washington in an informal body called “EURIMF”, composed of Executive Directors (EDs) and other Member States representatives. SCIMF deals with long-term and general joint principles while the day-to-day coordination is done in Washington. Yet, at EURIMF, there is no ex-ante commitment to agree common positions and so far, the coordination has mostly taken the form of an exchange of views. SCIMF has reached consensus on general principles, but without turning these into country-specific agreements. Finally, the different schedules of meetings of SCIMF and EURIMF and the IMF Board, make the actions of SCIMF quite limited and not of immediate use for EURIMF despite a formal decision-making capacity.

European coordination in the World Bank is done solely in Washington between EDs and other senior Member State representatives. Paradoxically, and also because World Bank issues are seen by Member States as less crucial to their national interests and therefore less controversial, Washington coordination for World Bank seems more effective than for IMF. Several joint statements have been reached to date. However, on crucial and core issues, national capitals (and national interests) still have the last word. There is no permanent structure of coordination in Brussels, which on the one hand gives the Washington EDs more recognition, but on the other impedes the overall scope for coordination.

Against this background, this study has explored the drivers and prospective scenarios for change regarding European coordination in IFIs.

There are several different drivers for change, which are summarised in the table below. National, EU, and international considerations are important. Among the national, the level of investment from Member States in IFIs varies greatly from one country to another based on their *national interest* vis-à-vis IFI activities. In addition, this national interest is shaped by organisational considerations such as the position of the Member State in its own constituency (ie having the chairmanship or not), as well as its satisfaction with the functioning of its constituency (i.e. the Nordic being an example of a well functioning constituency) and with the power its constituency gives it (for instance in so-called “mixed constituencies” composed of EU and non EU members).

An obvious driver at EU level is the *limitation imposed by the EU Treaties*. The ratification failure of the draft EU Constitutional Treaty has stalled – for the time being – any developments towards a formalisation of EU visibility in international organisations. Several officials furthermore see the streamlining of EU foreign policies as a prerequisite to a single EU representation in IFIs.

One of the main international drivers is the *IFI governance reform*, notably, the current discussion on the representation of emerging economies and less developed countries. This, combined with the US willingness to see the EU combined voting powers cut down, would likely push the Europeans to rationalise in the medium term their mode of representation in

IFIs, even if very few European officials recognise it. Paradoxically, the more the Europeans will coordinate, the more third countries will consider them a single entity, and the more pressure they will put on Europeans to cut the amount of their combined shares.

Given these and the other factors described in the study, several scenarios for coordination ranging from a single EU Membership in IFIs to status quo and worse have been explored. From this exercise, the study concludes that *enhanced coordination* is the most likely scenario over the next 3-5 years, both in terms of substance and in terms of structure. For instance at the IMF, enhanced coordination would possibly include the agreement on a list of countries of common interest for the IMF economic surveillance exercise called “Article IV review”, and the creation of a coordination office with a permanent president in Washington for the IMF. As regards the World Bank, enhanced coordination could include the creation of an ad-hoc structure for coordination in Brussels, with potentially a growing role for the European institutions and the European Community in general as a knowledge and political driver of world development policies.

On this basis, several conclusions for the future advocacy work of NGOs are drawn. First of all, there is a need for NGOs to keep national channels as the central line for their advocacy work. Yet, given the growing interactions between Member States, coordinated and European-wide campaigns will become necessary provided that NGOs are able to find common interests and agendas. Given the potential for increased European coordination in IFIs, and subsequently increased EU influence, the intermediary coordination bodies should progressively be inserted into the strategies and targets of European NGOs. This will require focussing on substance by recognising and anticipating the future EU agenda within the IFIs. As regards structure, this study confirms that a multi-level structure for coordination is beginning to exist, and as a consequence, stakeholders will need to interact with a multiplicity of actors. NGOs could furthermore encourage and call for a number of organisational changes that would open the existing coordination fora to transparency and accountability. This could include the establishment of a permanent coordination structure on World Bank issues in Brussels, the involvement of the European Parliament and the promotion of dialogue with civil society in these matters.

Table 1: Scenarios for the evolution of EU IFI governance

Conditions/ Scenarios	IFIs Legal Constraints	EU Legal Constraints	Political and Economic Drivers	Probability
Single EU Membership	Change in Articles of Agreement	Change in EU Treaty	<ul style="list-style-type: none"> • US agenda • Accountability • IFIs governance reform and role • Voice issue • Creation of a “Brussels consensus” 	LOW
Single EU Constituency	Change in Articles of Agreement	Intergovernmental agreement	<ul style="list-style-type: none"> • US agenda • Accountability • Governance Continuity • Voice issue • IFIs governance reform and role • Enlargement of Eurogroup • Creation of a “Brussels consensus” 	LOW
EU MS/ European Constituencies	×	×	<ul style="list-style-type: none"> • Third countries growing economies • Third countries expectations/Voice issue • EU neighbouring policy • Eurogroup 	LOW
Improved Coordination	×	×	<ul style="list-style-type: none"> • Rationalisation of Development policy • Maintenance of mixed constituencies • Franco-German Alliance • Eurogroup 	HIGH
Status Quo	×	×	<ul style="list-style-type: none"> • Failure European Constitution • Political and institutional weakness of Community • Maintenance of mixed constituencies • National specific interests and involvement 	MEDIUM
Step Backwards	×	×	×	VERY LOW

METHODOLOGY

Collection of data

The Eurodad Terms of Reference requested analysis of the current and likely future processes of European governmental coordination at the World Bank and IMF, including the current role of European institutions. Our research started with the collection of documentary sources on the topic (academic articles and studies, and institutions' reports and documents). Yet, given the relatively few number of official written sources, research was mostly conducted on the basis of individual interviews with officials.

These interviews were semi-directive, i.e. based on a set of questions administered in a selected order but open to the answers and specific focus chosen by the interviewees. Questions were structured in two parts: the first was descriptive as regards the coordination mechanisms and informal techniques used in the two IFIs, the second part aimed to gather the views and qualitative analysis of the interviewees of EU coordination in IFIs. As our understanding of the issue increased over time, the list of questions was updated: part 1 was decreased and further adapted to the interviewee's function and country. After the first few interviews our questions reached a comprehensive and more or less standard form, reflecting the need for comparable data.

Interviews took place between mid-June 2005 and the first week of September 2005 (plus two additional interviews in November 2005). As described in Annex 2, 23 officials were interviewed, and 2 were met during a public meeting. Out of these 23 interviewees, 14 were interviewed by phone, and 9 in person. The length of the interviews varied from 20 minutes to 2 hours - 1 hour being the average. Verbatim notes were typed after each interview.

As per the terms of reference of the study and the specific time and budget constraints, we chose to work on the basis of a representative sample of interviewees, according to the following criteria:

- Constituencies: at least one representative from the three Member States with their own constituency (France, Germany, United Kingdom), at least one from a Member State holding the chair of a "mixed constituency"¹, at least one from a Member State being in a constituency chaired by a non-EU Member State;
- At least one representative from a new EU Member State;
- Balance between national-based officials and Washington-based officials.
- Balance from different Commission Directorates General.

Under each criterion, we distinguished officials dealing with the IMF and World Bank.

Eurodad, Agir Ici, Both Ends, Bretton Woods Project, Campagna per la Riforma della Banca Mondiale, Christian Aid, Diakonia, Trocaire, Urgewald, WEED were cited as the organisations commissioning the study to all officials. Most of the officials accepted our requested for an interview. Some interviews (Commission delegation in Washington, World Bank office in Brussels for instance) were not carried out despite initial plans, mainly due to unavailability of officials during the short time allocated to the research.

Opinions expressed by interviewees do not engage the relevant Member State and Administration officially. Interviews were carried out on the mutual understanding that the identity of the interviewees would be kept confidential as regards individual opinions expressed and reported in the study.

Analysis of data

Key themes and sub themes were identified, and the data was subsequently organised according to these. A transversal analysis of the data was done, comparing the information gathered from different interviews under each theme and sub-theme with the view to outlining differences and similarities. We linked the function, activity and origin of the interviewee with the data collected in order to put the information collected into context and draw relevant conclusions.

¹ With EU and non-EU members.

1- THE MAIN EXISTING EU COORDINATION MECHANISMS

Introduction

The external representation of the EU in IFIs follows a long developing trend, which started in the aftermath of the Maastricht Treaty and the creation of the Euro. Very dependent on individual drivers, on each Member States' agenda in IFIs, as well as on key EU institutional landmarks (and boundaries), EU coordination has gradually increased over time. Yet, it remains mostly an informal process, whose potential is largely underexploited.

There are several important institutional and political differences between the European coordination at the WB and at the IMF, but similar hindrances can be outlined. The first one is the lack of EU status in IFIs. Being essentially country-based institutions, the IFIs do not provide a formal membership to regional entities such as the EU. This is reinforced by the limits set in the EU Treaties as regards external relations of the EU in general, and in economic and financial affairs and development in particular.

Another difficulty originates from the institutional organisation of IFIs, which are based on constituencies of country(ies)². EU Member States (MS) are spread over several constituencies and do not enjoy the same level of representation and of power within their constituency. Whilst some EU MS are represented on their own (France, Germany, United Kingdom), some chair constituencies on a permanent basis (Belgium, Italy, Netherlands), and on rotating basis (Nordic and Baltic States within their constituency), whereas others have an alternate (deputy) executive director or no role at all, depending on internal rules of the constituency³. Although not the only factor, this variety of situations affects the way EU MS drive their agendas, the type of coalitions they are keen or able to build, and at the end of the day their interest in EU representation in IFIs.

Against this background, the existing coordination mechanisms in WB and IMF are essentially *informal* processes (apart from obligations originating from the creation of a common European currency). The assessment of these should thus be measured against this general background.

Coordination at the IMF

The creation of the euro gave a strong impetus to the coordination at IMF. In Vienna in 1998, EU leaders called for an enhanced cooperation on economic and financial matters⁴. Following this, EU MS set up a multi-layered structure of coordination, composed of a Brussels-based committee ("SCIMF"), which falls under the Economic and Financial Affairs Council structure, and of an informal group of MS officials gathering in Washington ("EURIMF").

- EURIMF: day-to-day coordination in Washington

Composition

EURIMF is an informal group of representatives of EU MS at IMF (Executive Directors, "EDs", alternates, counsellors, depending on the MS position within its constituency), which meets once to three times a week in Washington. A representative from the Commission Delegation in Washington as well as one from the European Central Bank participate in this group. The

² See Annex 6 on IMF and annex 7 on WB.

³ For instance in the constituency of Poland, Switzerland holds the chair on permanent basis.

⁴ "The introduction of the euro will be a major event for the international monetary system. It is imperative that the Community should play its full role in international monetary and economic policy cooperation within fora like the G-7 and the International Monetary Fund (...). The coherence and effectiveness of the Community require that it shall be able to speak with one voice on issues of particular relevance to economic and monetary union. The European Council encourages the Commission, the Council and the Member States to take the necessary action to ensure a timely and effective preparation of common positions and common understandings which can be presented to third parties in international fora".

main function of EURIMF is to exchange and share information on positions of MS as regards issues on the agenda of the IMF Board, and eventually to coordinate these positions.

An additional group, which gathers on an ad-hoc basis, is the “one per chair” or “one per office” meeting. It gathers representatives of European countries represented in the Board. This “mini EURIMF” was created to overcome the fear that the usual coordination mechanism in Washington would be unsustainable with a EU of 25 members (50 persons often sit at EURIMF). This mechanism seems to be highly appreciated, since it provides an efficient and flexible information sharing exercise, which is called on demand.

Coordination “technique”

As to concrete coordination methods, the most common and formalised is the EU Presidency Grey mechanism. Indeed, before each Board meeting, each constituency prepares its own position paper on IMF staff reports known in IMF jargon as “grey”, and these are presented to the Board. At the end of the meeting, there is no voting, but the number of supporting constituencies on a given “grey” is presented and the decision is taken accordingly.

In questions of relevance to the EU, there is a coordination of greys. Basically, the EU Presidency prepares a European grey to be discussed at EURIMF before the Board meeting. At the Board meeting, other European EDs declare that they support the EU Presidency grey. This exercise reaches therefore its limit for Europeans that are not represented at the Executive Board and cannot support the EU Presidency grey.

Issues covered

The main domain covered by EURIMF relates to the IMF economic surveillance activities, the so-called “Article IV consultations”. The IMF has a mandate under Article IV of its Articles of Agreement to closely monitor the exchange rate policies of its members. This requires a comprehensive analysis of the general economic situation of each member, as well as its main policy orientation. This covers for instance exchange rates, monetary and fiscal policies, structural policies (linked to debt issues), financial sector issues, institutional issues (corporate governance, independence of central bank, policy accountability...) as well as an assessment of risks and vulnerabilities of the country to capital volatility. Article IV consultations take place usually once a year. After having visited the concerned country and met with the relevant officials, IMF staff submits a report to the Executive Board for discussion. The Board opinions are thereafter forwarded to the concerned country.

Originally, EU coordination on Article IV review concerned the Article IV review of the Eurozone. It was actually prepared by SCIMF in Brussels and approved by the Ecofin Council before being sent to EDs in Washington. This coordination has with time spread over coordination on Article IV review of Euro countries and then to EU MS in general. On ad-hoc basis, it is also done on non-EU countries, especially big industrialised nations such as Japan, US or even emerging economies such as China.

There is however no precise definition of countries of common interest where EU coordination on Article IV would become “obligatory”. It all depends on the EU President’s priority or any other EU MS’ impetus to coordinate on a given country. In general, the political sensitivity of Article IV review on EU MS - where coordination is mostly done - is rather low, and is a relatively consensual exercise. The coordination on a specific third country may prove to be difficult. However, most of the officials recognise that the coordination on non EU MS is increasing. For instance, Europeans managed to include a reference to the need for “structural reforms” in a recent US Article IV review. This was seen as a high political landmark encouraging further development of this practice.

Apart from Article IV review exercises, EURIMF discusses almost all topics that are on the agenda of the Board. According to one ED, there are no important political or economic topics where Europeans do not exchange views. So as far as coordination means exchange of views, EURIMF covers a broad range of issues.

	Washington	Brussels	MS capitals
IMF	EURIMF	SCIMF/EFC	Coordination on ad-hoc basis
WB	MS Representatives at WB Meeting	No permanent structure	Coordination on ad-hoc basis

Role of the EU Presidency

Opinions diverge on the role of the EU Presidency in EURIMF. The vast majority agree however that there is no such “EU Presidency agenda” for EURIMF issues. The IMF agenda drives the agenda of EURIMF and not the other way around. Yet, the Presidency has some coordinating role, on Article IV review for instance and on the presentation of greys. The Presidency is also in charge of liaising between EURIMF and the Brussels-based “Sub-Committee on IMF” (SCIMF). Finally, the Presidency gives a speech at the International Monetary and Financial Committee bi-annual meetings. However, this speech – prepared by SCIMF in Brussels – reflects an agreement on common understanding and is very much a diplomatic and general document rather than the Presidency’s presentation of political priorities. In addition, some MS do not have the necessary resources and levels of representation at IMF to manage the EU representation at IMF. Another difficulty originates from the fact that the EU Presidency, by rotating every six months, has no ability to ensure a continuity of action and visibility of the EU at IMF, especially vis-à-vis IMF staff.

Role of the European Commission and of the European Central Bank

The European Commission is an observer at EURIMF. It provides views to EDs on some relevant topics but doesn’t have a coordination role. This is explained to a great extent by the legal limit of the Commission’s competence in the fields dealt by the IMF. The European Commission talks on behalf of its institutions only. The same limitation goes for the ECB, who represents itself only, as opposed to the Eurozone. However, on some issues relating to the Eurozone, the ECB has a stronger say.

Differences in assessment of the efficiency of EURIMF: a defensive discussion club?

Given that European coordination started in 2000 only, EURIMF has made progress and has proven to be useful. All recognise the need for exchange of information and views in advance of the meetings in order to be prepared, eventually modify national positions, and at the end of the day build trust and promote convergence of views. Most of the officials insist on the level of openness and frankness of the meetings, which are an asset stemming from the informal nature of EURIMF.

However, the limitation of the latter is that EURIMF is not *per se* an instrument of political coordination. Indeed, EDs have no mandate to decide on a European position, unless capitals have agreed it beforehand (through SCIMF or more informally). There is no *ex-ante* commitment to agree on a common position. And, as one official stated, “one must first agree to try to agree on something, before we can actually agree on something”. Unlike at the World Bank, European IMF EDs seem to have not yet succeeded in reaching joint EU positions.

Finally, the informal character of EURIMF makes the coordination very dependent on personalities, MS’ own vision of their role as well as sense of solidarity between Europeans. In this respect, there is a tendency of EDs to duplicate statements at the Board for the sake of it. For some authors, EU coordination would paradoxically create incentives for European EDs to differentiate themselves from the EU position⁵.

In short, what characterizes EURIMF is the flexibility of the structure, the limit given by the EDs’ role and mandate. This makes the coordination useful according to officials, yet limited to a regular exchange of information on a wide range of issues, the most promising being the Article IV mechanism.

⁵ “A single Seat in the IMF”, Lorenzo Bini Smaghi, JCMS 2004, Volume 42, Number 2, pp. 229-48.

- SCIMF: a “European minded” structure

Legal basis- Composition

The Council of Economic and Financial Affairs Ministers (“Ecofin”) is formally in charge of issues dealt with at IMF. Its substructure, the “Economic and Finances Committee” (EFC)⁶, whose mandate is to keep under review the economic and financial situation of MS and of the Community and to report on it to the Ministers, in particular on financial relations with third countries and international institutions. In 2001, the “Sub-Committee on IMF” (SCIMF) was created as a sub committee of the EFC in order to ensure a continuous and specific monitoring of IMF activities. It consists of 2 representatives of each MS (from the Ministry of Finance and the Central Bank), as well as 2 representatives from the European Commission (DG ECFIN⁷) and 2 from the ECB.

This committee meets 8 to 10 times a year in Brussels, depending on its chairman (the number is not formally fixed). Similarly to the EFC, it has a chairman nominated by MS and is a consensus-based body (although simple majority voting is the legal rule). Due to its intergovernmental nature, SCIMF is dominated by a culture of diplomacy and compromise building.

Driving forces within SCIMF

Role of the Commission

The European Commission (DG Ecfina) has a dual role in SCIMF. It acts as a secretariat of EFC, and of SCIMF. It prepares agendas and minutes of meetings, but does not take part in the discussion. Secondly, the Commission, (DG Ecfina-Unit D2) as a member of SCIMF can speak on behalf of the institution, but does not take part in votes. The Commission is bound by the legal limits of Community competence in the matter. The EFC, under which SCIMF is built, is a Committee set up on its own under the Economic and Financial chapter of the Treaty. It departs from the usual European “committees” dealing with implementation of EC legislation (comitology). As such, the Commission does not have a power to request a vote, or to control the agenda for instance. The Commission is somehow “stuck” between the ECB and MS, and seen as the “odd man out” of this multi-layered system. Logically, the Commission is more active on development and commercial aspects, and less on issues dealing with financial mechanisms in the IMF. As a matter of legal setting as well as political realism, the European Commission has no coordinating role and is not a driving force within SCIMF.

SCIMF President

Of interest is the important role played by the SCIMF President to find issues of common interest and to enhance the EU’s profile on IMF issues. Interestingly, the President of SCIMF is chosen by consensus amongst high-ranking officials belonging to the EFC. Non-written requirements include that he belongs to a G7 country that does not have the Presidency of the EFC⁸ and that he has a deep knowledge of international economic affairs. The duration of the mandate is not set, but previous experience shows it can be up to 4 years⁹. SCIMF President is thus independent from the Presidency of the EU and Presidency of the Eurogroup. He is for instance in charge of calling meetings. Whilst there is still a relatively short experience of SCIMF, an additional factor of strength is given by the strong personality and ambitions the SCIMF chairman has had so far. His ability to drive the process and give impetus is key to the work done at SCIMF. All these aspects favour continuity as well as visibility of SCIMF’s activities.

EU Presidency

The role of the EU Presidency is limited in SCIMF. Its main function in this setting is to liaise between EURIMF and SCIMF. Documents agreed at SCIMF go for endorsement to EFC and are then transmitted to the European EDs as guidance to help them to speak with common

⁶ See Article 114 of the EC Treaty.

⁷ Directorate General for Economic and Financial Affairs.

⁸ Germany currently holds the presidency of EFC. Duration of mandate is two years.

⁹ Italian Lorenzo Bini-Smaghi was the first SCIMF President. Since June 2005, a new president has been nominated: it is John Cunliffe, a British official.

voice. However, EDs are not obliged to commit and follow them, due to the limited competence the EU has in IMF matters.

Eurozone

The initial impetus to EU coordination on IMF issues was given by the creation of the euro. As in all monetary matters, the eurozone feeds the debate under informal structure, such as the “Eurogroup”. However, it seems that on SCIMF activities, strictly speaking, there is not so much a big impact of the eurozone. It is explained by the type of issues dealt at SCIMF, which do not always fall under the competence of the eurozone. As such, interests and agendas of the Eurocountries do not seem to depart so much from those of non-Eurocountries within SCIMF.

Tasks, issues and general assessment

One of the tasks of SCIMF is to prepare the speech delivered by the EU Presidency at the annual and fall meetings of the International Monetary and Financial Committee of the IMF. As seen above, this speech is usually broad enough to be consensual. It presents European views on the global economic situation, and reflects the main common policy orientations of EU MS such as the importance of strengthening surveillance activities of the Fund to prevent crisis, role of the fund in low-income countries and representation of developing countries in IMF. Yet, it must be noted that in addition to this speech, each MS represented at the Board makes additional statements. It shows that the work of SCIMF on the EU Presidency speech does not prevent EU MS’ national positions from being given at the same occasion. It is a purely diplomatic exercise for many. In addition, the European Commissioner on Economic and Financial Affairs also gives a speech, on behalf of the Commission, which has observer status at the International Monetary and Financial Committee of the IMF.

Another task of SCIMF is to prepare Article IV review of the Eurozone, as seen above.

Finally, on ad-hoc basis, SCIMF may draft common policy papers, known as “common understandings”. In general, type of issues dealt at SCIMF is usually broad, long-term and strategic, such as donor policy (multilateral debt relief, initiative for highly indebted poor countries), innovative funding mechanisms, governance of the IMF including the representation of less developed countries, recalculation of quotas, role of IMF in low income countries, and access limits to IMF resources.

A practical explanation of the shortcomings of SCIMF work given by officials is that due to the different pace of meetings between the IMF Board and SCIMF, the latter is unable to feed the day-to-day debates in Washington. Several officials in Washington recognise that whilst they are of interest, SCIMF papers are not very useful to their concrete work.

On the other hand, and contrary to EDs, SCIMF has some degree of decision-making capacity as it can formally propose joint positions. Interestingly, views diverge between officials as to the exact function of SCIMF. All recognise that by being closely connected to capitals, SCIMF officials are key in the decision-making process on IMF issues in Europe. Yet, the coordinating role of SCIMF is challenged by some. In any case, discussions at SCIMF are still very much driven by national interests. This is reinforced by the institutional limit of the field, where most of the competence remains in the hands of MS. The coordination on EU positions can only remain general on joint principles and common understanding. The main problem outlined by officials is the inability of Europeans to turn these principles into concrete specific cases and specific country issues. There is a gap between MS agreements on horizontal issues and their national positions on vertical ones.

Coordination at the World Bank

EU coordination at the WB is much less formalised than in the IMF and much more recent. Another important difference is the multiplicity of actors involved in WB issues and the varying types of relations between the WB on one side, and EU MS and Commission on the other. While we will concentrate on the political coordination of EU MS in World Bank, we will also briefly mention other operational coordination initiatives that may help to complete the picture as regards EU and WB matters.

Policy coordination in Washington

EU coordination at the WB is a recent development and is limited to regular meetings of European representatives (EDs, alternates and others) in Washington. No similar structure to the SCIMF exists in Brussels. Before 2003, the lack of political drivers as well as the general scepticism from European EDs prevented the creation of any effective mechanism in Washington. However, there had been attempts since 2000 to organise meetings by several EU Presidencies to focus on Board agendas and to build trust between EDs.

The Italian Presidency¹⁰, followed by the Irish¹¹ and the Dutch¹², gave a new impetus to this beginning of coordination. As an illustration of how personalities and individual characters matter, especially in informal settings, this change was partly due to a strong personal commitment from the Italian ED who was previously in a post at the IMF and had experienced the EURIMF mechanism. In November 2003, Europeans signed an agreement, which stipulated that the regularity of the meetings should be once every two weeks. Since autumn 2004, European representatives meet at least once a week, usually on Fridays. The main function of these meetings is to exchange information, but also to reach EU coordinated statements and joint positions. Represented by an official from its Delegation Office in Washington, the European Commission attends the meeting as an observer.

Coordination techniques

European EDs can reach either “coordinated statements” or “joint statements”. The procedure for “coordinated statements” is the following. After a meeting of European EDs in Washington, the EU Presidency prepares and circulates a statement. Other EU MS then refer to it in their statements or Board interventions.

On an ad hoc basis, “joint statements” can also be issued. In these cases, following a EU meeting, the EU Presidency prepares and circulates a draft statement for comments by MS. The statement would be issued in the names of those who wish to endorse it. European “joint Statements” at WB are *single* statements. They do not come in addition to MS statements at the Board.

Topics

In November 2003, European EDs agreed on a list of procedural issues of common interest. This covers the following:

Types of Issues for Discussion	Steering Committee Preparation Strategy and Policy Papers/Issues Country Assistance Strategies/Major Adjustment Operations Other Issues (i.e. issues of special interest to members or having a EU dimension)
Core Priorities for Selection of Country Assistance Strategies/Adjustment Operations	Accession Countries Major Borrowers EU Dimension (e.g., large EU programme) Issues of Special Interest

¹⁰ Italy held the EU Presidency from July to December 2003.

¹¹ Ireland held the EU Presidency from January to June 2004.

¹² The Netherlands held the EU Presidency from July to December 2004.

	<u>Note:</u> agenda items can be vetoed by any group member
Coordinated Statements and Joint Statements	Only on matters or countries on which there is an agreement among MS (So far, this included joint donor operations in a country on the agenda, the administrative budget of the Bank, or issues related to cooperation of World Bank with acceding MS of the EU before the 2004 EU enlargement).

Yet, this list of issues is not legally binding, as everything is informal. It is a gentlemen's agreement. Moreover, it is not comprehensive. At the request of the chair or of a European MS, an issue can be added to the list, and according to officials, this list seems to be steadily growing. Interestingly, Europeans manage to produce joint statements quite often.

Broadly speaking, coordination on WB issues is very dependent on the WB agenda. The WB has a broad mandate and deals with issues of different types: of systemic nature, political nature and of technical nature. EU EDs aim to coordinate mainly on the first two. Systemic issues of coordination include the representation of developing African countries, as well as the question of safeguards and the budget reform. Discussions also cover structural adjustment review, human rights, WB-IMF collaboration and different Country Assistance Strategies (on Argentina for instance).

EU Presidency role

The EU Presidency has a coordinating role. It tries to steer as much as possible towards a common objective as well as tries to impact on the agenda of the meetings in Washington. At the beginning of each Presidency, the MS holding the EU Presidency presents its programme, but to the extent that there are relevant development issues for WB on the programme. In the second half of 2005 the UK was, for example, very active on WB issues, especially on Africa, all the more since it holds in parallel the G7 Presidency¹³.

However, this impetus can vary from country to country. It is dependent on the MS' ambition for EU coordination, as well as its position at the WB and its resources. For instance, when chairing the EU Presidency, Ireland had only one Senior Adviser at the WB, and was very much dependent on Canada's position at the Board meetings.

Hindrances to coordination:

More generally, several constraints and deficits can be outlined. A first difficulty arises from the different levels of representation of EU MS at WB (which is similar to the IMF structure). This adds to the difficulty linked to the diversity of origin and administrative cultures of these European representatives. Half come from national Ministries of Finances, a third from Ministries of Development and Cooperation, and the rest from Foreign Ministries or others. Some argue that the lack of time, and short deadlines of WB projects do not favour coordination between MS, which would require a more flexible timeframe and pace. This is presented by officials as a major reason for instance for the failure of EU coordination on the conditionality review in 2005.

Finally, the lack of permanent and proper structure in Brussels that would provide background work to EDs in Washington is seen by many as a gap in the coordination mechanism. In addition, and as stated before, the EU Presidency lacks continuity and therefore visibility to affect priorities and policies of the WB in the long run.

Positive drivers

However, some positive drivers tend to balance the general assessment of this coordination. First of all, the number of EU joint statements has regularly increased since 2003. Although paradoxical at first sight, the coordination between EDs at WB is said by some EDs to be more efficient and successful than their coordination in the IMF¹⁴. It is only at the WB that Europeans managed to have joint EU positions; at IMF it has never happened yet.

¹³ See also sub-section page 27.

¹⁴ Including the assessment of one interviewee being ED in both organisations.

Several reasons can be outlined for this. The fact that WB issues are seen by national diplomacies as less pressing and less vital for national interests, would make it easier for Europeans to reach compromises. Also, in terms of substance and political orientations, EU MS would have less differences of substance than in IMF. Moreover, most of the work of coordination is done in Washington. European EDs enjoy a greater room of manoeuvre than their colleagues in the IMF. Although they do not have *ex ante* commitments to agree, they do have some degree of decision-making power. Paradoxically, the absence of a SCIMF-equivalent makes European EDs in WB rely on themselves only. The motivation to take the initiative and find European common positions would therefore logically be enhanced. Another reason expressed is the fact that the WB is very much a US-dominated organisation. In political orientations, as well as staff policy, the President of the WB always being an American, would make Europeans feel closer in their thinking and enhance their solidarity amongst each other. Finally, some also argue that the absence of Central Banks helps to coordinate better (except Italy which has a Central Bank representative).

Coordination between capitals - does it really exist?

One major element is the lack of a permanent structure in Brussels. As seen above, this can be seen both as a positive and negative aspect for the effectiveness of the EU coordination in WB. An obvious forum could have been the regular meetings held between Directors General of MS Ministries in charge of development policies in Brussels, under the chairmanship of the Commission. Whilst these meetings can touch upon WB-related topics such as loans for instance, there is no formal mandate to coordinate and discuss these as WB topics, and also no capacity to do so. Indeed, given the structural differences between countries on Ministries portfolios, the level of information and the degree of decision-making capacity vary great from one representative to another and no real coordination can take place. As such, it is mostly on very informal and ad-hoc basis, that EU capitals exchange information on WB related issues.

First of all, European EDs do not deal with all issues. The most sensitive political and economic issues are dealt in capitals. These for instance include financial topics (budget, staff salaries...), important orientations of the WB (in terms of policies) as well as main country-strategies (especially when some national interests are at stake. This is especially the case for African countries and "emerging" economies).

On these issues, some kind of very informal coordination is undertaken between capitals. Meetings on particular issues are organised as ad-hoc and flexible arrangements (this can for instance include all MS or only few "likeminded" and not always the Commission). Depending on the subject, there may be one meeting, or more per year (it is very irregular). This is held for instance every three years on the International Development Association (IDA) replenishment of funds¹⁵. In addition to this, the usual information channel is e-mail. Some officials from national ministries declare that these exchange are intense and do use a precise list of contacts across the EU. The European Commission seems to participate in these exchanges.

It is difficult to assess the efficiency of the ad-hoc coordination on WB between capitals, but it does not seem to be continuous and always consistent with action of European EDs in Washington. In the minutes of the visit of EDs to Brussels in April 2005, the UK ED, Tom Scholar, pointed out the gap in coordination machinery at level of MS as a complication for stronger EU coordination on WB issues.

¹⁵ Last IDA replenishment of funds was concluded in April 2005.

Nomination of Paul Wolfowitz as World Bank president

The mandate of James Wolfensohn, former WB President, ended on 31 May 2005. On 3 January 2005, he announced he would not seek a third mandate. Despite pledges US Treasury Secretary John Snow that an “open and consultative process” of selection would be followed, the opposite was the case. In January EU EDs issued a common paper with an agreed set of criteria for the selection process, recommending to their authorities that they communicate it to the US at a high level. These criteria related to procedural matters¹⁶ as well as substantive ones¹⁷. This produced few results, however, as the process and potential candidates were kept secret until Paul Wolfowitz’s name was announced on 16 March. Senior European officials acknowledge that they had no prior warning of this announcement.

Once Paul Wolfowitz had been presented as the US candidate, European EDs invited him to exchange views and answer questions. This was the first time that European EDs met a World Bank presidential candidate collectively with a common agenda. However, the Europeans were presented with a “fait accompli” situation, with no negotiating space. Following the meeting with European EDs, Wolfowitz agreed to appear before European Ministers of Development and Finance in Brussels a week later. Finally, at the election meeting on 31 March, European EDs issued a common declaration of 3 pages on EU priorities and requests as regards Wolfowitz’s Presidency of the WB.

The EU was heavily criticised for its lack of effectiveness in criticising US methods and choices. The European interviewed EDs told that they did all they could within the boundaries of what was possible. It seems that their main communication channel with the US was via their US colleague Bob Holland, but they got little out of him. Moreover, the list of criteria sent to their authorities was poorly followed-up beyond timid calls for greater transparency.

The Executive Directors argue that the main location of power was not in Washington but in European capitals, where “there was no appetite to oppose the US”. It is indeed the case that the US government chose to announce the Wolfowitz candidacy through a series of phone calls by George Bush to European leaders plus an almost simultaneous presidential press statement.

The Europeans’ willingness to act was also compromised by the unwritten arrangement between the US and the EU in Bretton Woods from 1946 states that the Managing Director of the IMF should be of European origin, and the President of the WB a US national. This despite the minor improvement in the process administered by the Europeans for the IMF head position in 2004. In this case there were two European candidates (probably more due to a lack of European unity than willingness to offer a choice to the rest of IMF members), and one African candidate. Hearings were organised, before the European, De Rato, finally won the selection process.

This shows the need for improved high-level political buy-in for any serious European coordination in IFIs. It also shows the shortcomings of a lack of a permanent structure in Brussels, which would be closer to capitals and would ensure continuity and give support to European EDs’ actions in Washington. In an internal document on the selection process from 7 March 2005, the Commission concluded that “the lack of structure at EU level to consult and come to a conclusion is yet another proof of the suboptimal representation of the Union in IFIs”.

¹⁶ This includes for instance: a parallelism with recent IMF Managing Director nomination procedure, the possibility to be consulted on more than one serious candidate, the inclusion of broader considerations on management team, in particular the appointment of a Deputy President, and ensuring a European Managing Director in IBRD and Vice President position in IFC, as well as to complete the procedures within two months.

¹⁷ This includes the following: attention to improve corporate governance checks and balance (in particular sharing agenda management, and chairing Board meetings), an emphasis on strong WB commitment and accountability in increasing donor harmonisation and coordination, as well as a reconfirmation of major standing policies (policy orientation based on the comprehensive development framework, focused at contribution to MDG achievement, whilst promoting higher selectivity and efficiency; Primary role of the Bank (IBRD and IDA) as lending institution, whilst accepting IDA guidelines for grants; Underscoring the importance of the “knowledge bank”, whilst improving clients’ access; Further expanding the role of IFC/MIGA and impact of private sector development strategy).

Speech of the EU Commissioner at the Development Committee

The European Commission is an observer to the WB. Twice a year at the annual and Spring meetings, the EU Commissioner for development, currently Louis Michel, submits a speech on behalf of the Community at the Joint IMF/WB Development Committee¹⁸. This is a very recent development, which dates back to 2004. The Committee's mandate is to advise Boards of Governors of the WB and IMF on critical development issues and on the financial resources required to promote economic development in developing countries. Over the years, it also included trade and environmental issues into its discussions. The importance of this speech must be assessed against the following elements: all WB members submit written contributions to the Development Committee, but only the 24 members of the Board have a speaking right. The Commission was invited at the last meetings but as an ad-hoc arrangement. Moreover it seems that the Development Committee is not as important as the International Monetary and Financial Committee which governs the IMF.

Annual Visit of Executive Directors to Brussels

Based originally on the Italian Presidency¹⁹ programme of 2003, the idea of inviting European EDs once a year to visit the European institutions has been concretised by the Irish Presidency²⁰ in 2004. In March 2005, a second visit was organised²¹ and in the eyes of relevant officials, this practice although still informal, has become a common rule. At this occasion, European EDs visited all relevant Commissioners (Development, External relations, Economic and Financial Affairs, Trade), and other senior Commission officials, the EU Presidency office, the European Investment Bank, and Members of the Development Committee of the European Parliament.

The general assessment from participants is positive. For European EDs, it provides a unique opportunity to exchange views with a comprehensive set of Commission services. In the minutes of one meeting, it is clearly stated that a key objective of this visit is to achieve greater coordination and enhance exchange of information between Member States and *European Institutions*. It is in fact a very beneficial exercise for the Commission, which does not have easy access to EDs and World Bank in general. In this respect, the minutes conclude in the following terms: "The Group was urged to help in raising the visibility and profile of the European Commission in the partnership with the World Bank, especially at the Board".

Another interesting element is to get European EDs and the Commission actually to work together. Indeed, at WB there has been at times a feeling that the management of the Bank was more influential in shaping the future of the Bank than its Board. Yet, the European Commission by being a strong operational partner (see next section) of WB management has been (and is seen by some MS as) a threat to their national power. Reinforcing the communication channels between EDs and Commission would aim to ensure consistency and unity of European action.

¹⁸ This speech is prepared by DG Development services. The first speech was about joining the HIPC initiative, the second on the financing of the MDGs.

¹⁹ Italy held the EU Presidency from July to December 2003.

²⁰ Ireland held the EU Presidency from January to June 2004.

²¹ The programme is set up and coordinated by Commission DG Development in collaboration with the Commission Delegation in Washington.

Operational relations between the World Bank and the European Commission

Given the scope of the study, this section will only briefly describe the main operational relations between the WB and the EU. In these fields, the European Commission is in the lead and deals directly with the WB.

The "Limelette Process"

The process started in April 2003, at the Castle of Limelette in Belgium. It is a meeting between the management of the WB on Africa and DG DEV. It aims to include the management and the field officers of the two institutions on one topic and with five given countries (five EC delegations are invited each year) in order to exchange views on practices and improve mutual coordination on the ground. Topics and delegations change every year. In 2003, it was on PRSPs, in 2004 on budget support and public finance management. The third meeting was held in October 2005 on infrastructure, public finance management and finally, trade and regional integration. The EU Strategy for Africa and the WB Africa Action Plan were also extensively discussed.

Others:

There are three protocols between the WB and the Commission on geographical zones of priority: on new MS and candidate countries, on new independent countries, and Mediterranean third countries. The purpose of these protocols is to ensure a good exchange of information and coherence in messages and policies delivered to these countries by the WB and Commission. DG ECFIN is in charge of this.

Finally, there is a Framework Agreement on trust funds and co-financing between the WB and the Commission. DG AIDCO is in charge of this.

Internal organisation within the Commission on WB files

As a side remark, the internal organisation of the Commission on WB issues illustrates the multiplicity of European actors involved in these matters. It seems that there is no form of formal coordination between the different DGs involved (AIDCO, ECFIN, DEV, RELEX, TRADE). These DGs meet on an ad-hoc basis, and in the traditional inter-service consultation on given proposals, at desk officers/heads of unit levels. DG ECFIN has the formal lead on the WB (as on IMF files). But given the nature of WB activities, DG DEV has been in the lead in practice in many files (especially operational ones). It also depends on the allocation of countries within the European Commission (i.e. DG DEV is in charge of ACP countries...). For European EDs, the lack of clear interlocutor at the Commission is described as an additional hindrance to coherence and visibility of EU action in the domain.

The coordination mechanisms at IFIs are thus recent, informal and often driven by ad-hoc arrangements and personalities. Against this background, we will now assess how they could develop in the future.

2 - DYNAMICS TOWARDS CHANGE: A GRADUAL APPROACH TO EU COORDINATION

In an attempt to assess what may happen in the future, many officials underline that EU coordination in IFIs started from scratch not long ago, and that expectations of enhanced coordination should be measured accordingly. Their opinions have been tested against several possible scenarios for the future of the EU coordination. These scenarios cover a broad and gradual scale of reform, ranging from the status quo (or going backwards) to a “big bang”/revolutionary approach. In order to summarise, we would distinguish 6 theoretical scenarios, as the following. Although as we will see, EU coordination is likely to develop step by step, these are not necessarily consecutive.

- 1) One Voice for EU- Single membership for the EU
- 2) Once voice- A single European constituency, one seat at the Board but with MS keeping their membership and voting powers
- 3) EU MS organised in European constituencies
- 4) Increased coordination
- 5) Status quo
- 6) Going backwards

These different scenarios will be assessed in the light of current EU internal dynamics, as well as external drivers linked to international political and economic realities.

Assessment and internal EU dynamics

The diversity of Member State interests and situations

Structural and organisational factors

Agendas of MS in IFIs are driven by considerations of different types. The first ones are of a structural and organisational nature. As seen above, the situations within the IFIs diverge to a great extent. Their level of representation in IFIs as well as voting power differ greatly. MS can have an ED on their own, they can be isolated in a constituency with non-Europeans (Ireland, Spain), or share their constituency with other Europeans or non-Europeans (Nordic-Baltic, Belgian, Dutch and Italian constituencies). In addition, their level of satisfaction within their constituency depends very much on the distribution of powers within the constituency, as well as shared agenda. The Nordic one is for instance known to be well functioning, egalitarian and homogenous. Finally, some are part of other coalitions such as the G7, some are not²².

These organisational factors greatly affect discourses and visions of the benefits and opportunities for the EU to streamline its representation. For instance, some theories suggest that European-led constituencies, by incorporating non-EU countries, strengthen the influence of the EU by adding on the voting powers of these non-EU countries. In the same vein, it would be better to have several voices expressing similar positions at the Board, rather than a single one. Given the weakness of the visibility and influence of the EU compared to other well-organised coalitions and blocs, the concrete effects of mixed constituencies on EU influence remains to be demonstrated. For Bini Smaghi, “the leverage that can be gained by incorporating non-EU countries in EU constituencies seems rather limited. What matters in an institution like the IMF, which tends to decide mainly on the basis of consensus, is the strength and cohesion of coalition agreements, rather than the overall size of a constituency voting power”²³.

Another argument against the homogenisation of the EU representation relates to the specific function “mixed constituencies” are supposed to play. There is no clear definition of mixed constituencies. In the broad sense, these are constituencies including countries with different

²² The impact and role of the G7 on EU coordination will be assessed in the next section on “external drivers”.

²³ “A single Seat in the IMF”, Lorenzo Bini Smaghi, JCMS 2004, Volume 42, Number 2, pp. 229-48.

interests. A comprehensive definition provided by Mahier, Ooms and Rottier²⁴ includes a comparison of GDP of the countries within a constituency, the division in broad geographical terms, and finally the ratio between creditor-debtor status of the members. These authors consider the Belgian and Dutch constituencies as the two EU-led mixed constituencies. European EDs from these constituencies, by being accountable to both donors and creditors, would be more inclined to find compromises and bridge the gaps at the Executive Board. They would in a sense play a “mediating” role within the IFIs and “would mitigate the potential detrimental effects on the co-operative nature in the IMF if too strong a division between creditors and debtors chairs”²⁵. As such, scenarios 1 to 3 would trigger the creation of blocs within the IFIs (the US bloc, the EU bloc) and would polarise the institutions’ governance by creating a “duopoly of creditors”²⁶. This would at the end of the day unbalance the representation of IFI members and be damaging to debtor countries. This theory is very much defended by Belgium and by the Dutch interviewed officials. Belgium’s official position is to maintain mixed constituencies. However, for many other countries as well as authors, this theory is challengeable in practice. It is the management of IFIs, which is usually in charge of finding compromises when views are split. And as we will see in a section below²⁷, the particular mode of governance of the IFIs makes the weight and influence of constituencies dependent on broader coalitions they can join.

Cultural and sovereign reasons

In addition, there are some key cultural differences linked to the history and definition of their sovereign interests between MS. Some EU MS affirm that they have privileged relations and specific geopolitical interests with some third countries. The colonial past of several EU MS is often mentioned to explain the difficulty – and reluctance – of EU MS to turn agreements on horizontal issues into agreements on vertical (country-specific) ones, both at the IMF and WB.

Another geopolitical element relates to the neighbourhood policy of the EU. Interestingly, whilst many old MS feel that new EU MS’ position is not yet well structured and that the 2004 enlargement did not greatly affect EU coordination, it is nevertheless striking to see that some new EU MS are sensitive to the issue of not excluding EU neighbours, such as Turkey or Russia. Poland fears for instance that a single EU seat would prevent the EU from acting on its peripheries and would leave a big vacuum between the EU and Russia. Yet, scenario 3 with European constituencies (in the large definition of the term) would not create this difficulty.

Finally, more culturally, the level of “investment” in IFIs varies from one MS to another, according to the importance given to these institutions. For Bini Smaghi²⁸, large countries (defined by the international weight of the economy, but also the degree of exposure of the private sector) tend to see IMF matters as closely linked to their national agenda, whilst small countries have a more distant interest. In the field of WB and development policies, the Nordic countries have traditionally very strong positions and views.

Assessment of the Franco-German relationship

There have been several initiatives from France and Germany to enhance their coordination and EU coordination in IFIs. A few years ago, the French Economic Minister, Dominique Strauss-Kahn at the time, proposed to have a unique Franco-German chair at IMF. This proposal never materialised. It is said it was not operational, because of the IMF statutes reform that would be required, and mainly because of differences in administrative culture between the German Bundesbank, and the French Ministry of Finance.

At the WB, exchanges of staff between EDs offices in Washington are, however, regularly organised. Finally, this Franco-German couple played a strong role in the strengthening of the visibility of the eurozone, especially during the Convention on the draft Constitutional Treaty (see below).

²⁴ “EU Representation and the Governance of the International Monetary Fund”, Géraldine Mahier, Dirk Ooms, Stéphane Rottier.

²⁵ See previous footnote.

²⁶ See previous footnote.

²⁷ Page 27.

²⁸ See previous reference.

As traditionally challenged by other MS, it is nevertheless difficult to assess the impact of the Franco-German relationship on EU coordination in IFIs as such. Some officials recognise that given the political context after the failure of the draft Constitution, the EU would need a symbolic move that could help steering MS towards further coordination, and this could potentially come from these two countries. No specifics however are available on this given significant political changes occurring in the two countries.

Failure of the European Constitution and institutional limit

Competences in relevant IFIs' policies

Another key internal driver relates to the reform of the EU external representation in general, and on IFI policies in particular. Interviewed officials often justify the lack of convergence on ideas by the limits imposed by the Treaties (see Annex 4). Indeed, development is a shared competency under EU rules. However, MS are competent to negotiate in international organisations and conclude international agreements in the field. Economic and financial matters however are to a large extent (especially executive power) left to MS. The budgetary competence lies within the MS. The Commission has no executive powers but shares with the Council a role of multilateral surveillance of economic policies. Finally, monetary policy competence within the euro area lies within the Community and is exercised by the European Central Bank (ECB). As indicated in Annex 9, several models of delegation of competences in EU external relations exist, but as regards IMF and WB, this is rather limited by the legal provisions of the Treaty.

The draft EU Constitution contained several key provisions that would have enhanced the external representation of the EU²⁹, such as the creation of a Union Minister of Foreign Affairs, or the call for a Commission's proposal defining a list of issues of common interest in the field of economic and monetary affairs to be fostered at international level. The question whether this institutional convergence would lead to real convergence falls outside the scope of this study. However, the failure of the draft Constitution after the French and Dutch "No" votes has inevitably affected the level of expectations as regards rapid strengthening of EU external representation. The general mood amongst officials we interviewed was therefore to favour prudence, not the least in the European Commission whose position has been now weakened even further. Many MS felt that before strengthening EU cooperation at WB for instance, the EU should define and structure the features of the EU mandate on development issues and foreign policy. Views are to some extent similar as regards IMF. The unification of EU foreign policies is in this sense seen by several as a prerequisite to a single EU representation in this institution. Some authors even warn against potential risks of unifying in the IFIs before unifying on foreign policy in general³⁰.

The dynamics of the Eurozone at IMF

For some MS, one of the drivers of EU MS cooperation in IMF will be the common currency. The draft Constitution proposed progress on the external representation of the Economic and Monetary Union (EMU). This is very much reflected in a Franco-German contribution to the Convention on economic governance (and role of the Eurogroup) from 22 December 2002³¹. Interestingly, the fourth point is about a unique EU representation at IFIs: "*With respect to the external representation of the euro zone, France and Germany share the view that a single representation in IFIs such as IMF will be the adequate voice of a integrated Europe. A single European seat will increase the weight of the European Union compared to other major actors in the international environment. As a first step, it requires strengthening and improving the preparation of common viewpoints in international institutions*".

²⁹ See Annex 5.

³⁰ "If the EU was to opt for a single membership before foreign policy is unified, EU positions at the IMF would risk to become either watered down, or largely technocratic. The coordination of national positions would indeed be a cumbersome process, the outcome of which would risk being compromises reflecting the largest common denominator between still highly differing political views of member states. If and when IMF position-taking would be left to a more or less independent institution of the Union, a factor for tensions within the Union and between the Union and its MS would be built into the system, while at the same time the accountability of the Fund would suffer", Géraldine Mahier, Dirk Ooms, Stéphane Rottier, see previous reference.

³¹ CONTRIB 180, CONV 470/02.

Another idea in this paper was to elect a stable Presidency of the Eurogroup in order to give more weight, more visibility internally and externally to the Eurogroup/zone. It was justified on the grounds that coordination of macro economic policies requires follow up on budgetary policies, on growth, management of exchange rates, and economic surveillance. French officials talk about the need “for a President to be more committed, more professional, more present”.

Interestingly, Eurozone countries decided to implement the sections of the Constitution dealing with the euro as of the 1st January 2005 and regardless of the final adoption of the Constitution. This was made “legally” possible because the Euro group is an informal structure. Jean Claude Juncker has then become the President of the Eurogroup for two years. This is expected to ensure stability and enhance visibility of the Eurozone. It remains unclear if, how and when Jean-Claude Juncker will attend IFI meetings. It is said that this will depend on the IMF’s agenda, and the overall political context, as well as Mr Juncker’s ability and ambition. Although a driver, the enthusiasm of some Euro countries is obviously not shared by the others. Also, for EDs in Washington, the impact of the Eurozone in their day-to-day activities is said to be minor. It does not seem to make a big impact on activities of SCIMF either. This is partly due to the fact that not all IMF issues fall within the scope of competences of the Eurogroup, such as fiscal policies for instance. However, for several MS, this is a continuous dynamic that should not be underestimated, all the more as the eurozone will likely enlarge and that the IFIs, especially the IMF, could be organised around big monetary zones in the future.

Recognition of the need to improve coordination

Despite the general scepticism towards major changes in the short time, almost all MS seem to recognise the need to improve existing coordination mechanisms in the IFIs. The term “unified EU representation” is no more a taboo. The vast majority agrees that it is a common –although long-term–objective.

The need for “pragmatism” is repeatedly mentioned. It is underlined that international economic affairs is a field dominated by pragmatism as opposed to foreign policies where deep rooted national interests prevent from making rapid progress. In this sense the culture of European officials dealing with IMF and WB would be less conservative than in other fields where external representation of the EU is an issue.

Several working groups

Interestingly, several working groups have been set up to further look into the issue of improving EU governance in IMF. There is currently one in EFC and SCIMF. Austria seems to be preparing a draft paper on this to submit to SCIMF during its forthcoming EU Presidency (January-June 2006).

In addition, a working group on the external representation of the Euro group at the IMF has been recently set up. The idea is to brainstorm on the possibility to strengthen the Euro group in IFIs without damaging Ecofin and the President of Ecofin, and countries such as the UK.

Yet, these groups do not seem to have a precise calendar or timeframe and their composition and work remain highly confidential due to the complexity and sensitivity of the issues.

External political drivers

Against this background, the following section will look at the external dynamics that could push or impede strengthened coordination. These are linked to the structure and organisational characters of the IFIs.

Coalition-building and decision-making in IFIs - prerequisites for influence

Conditions for efficiency of action within IFIs

The constituency set-up of the IFIs, as well as their mode of consensus decision-making make the power game quite complex. The opportunities of strengthened EU coordination and single representation should be measured in this context.

According to the IFIs' own rules, members of IFIs are free to change constituency, except the five biggest members, which should be individually represented. The latter aspect would pose problems for France, Germany and the UK. This principle of self-determination would make scenario 3 at least legally possible without major changes. However, the practice shows that the motivation to join a constituency is often linked to the distribution of power within this constituency and the upgrade one country would get by joining. The potential benefit of each MS to gather in European constituencies or even in one single EU constituency will firstly depend on the MS to gain power in the new setting. This would not favour the idea of an integrated EU representation at IMF. Some MS, such as Belgium, the Netherlands, Italy and Ireland will inevitably lose in terms of representation within a European constituency. Also, traditionally chairs focus on increasing the number of members of the constituencies so as to maximise their voting powers. This would run against the idea of creating a single EU bloc, unless it keeps MS combined voting powers at the same level than today, which is unlikely to be accepted by third countries, especially the US.

However, the measurement of power and influence in IMF is dependent on the effectiveness of the constituency, as well as the capacity to build coalitions. Individual members of IFIs have very little influence on decisions. For Ngaire Woods and Domenico Lombardi, an effective constituency gathers four features³². It must:

- maximise voting powers;
- share an agenda;
- show unity within the constituency beyond shared interests, and;
- have lobbying capacity and technical support.

In addition, effectiveness of a given constituency depends on factors external to this constituency. Indeed, "constituencies vary in size, shared interests and distribution of power. Effectiveness is not only affected by these attributes. It is also determined by decision-making rules across the institution, by the lack of formal accountability of Board members, and by the strength of other coalitions of countries acting informally within the institution"³³. As regards accountability, European officials feel that they are accountable to their governments, and this is satisfactory. The prospect of a better EU representation (scenarios 1, 2 and 3), by ensuring clear decision making and accountability mechanisms within the constituency and in relation to EU institutions, such as the European Parliament, is not considered probable by many. Indeed, there is a strong scepticism towards the EU as a driving tool for democratisation. This is particularly sharp after the rejection of the draft Constitution by two founding MS.

Another key element of influence is the capacity to build cooperation arrangements with other shareholders and constituencies. All large countries participate in some form of cooperation agreements. In this respect, several informal groups, more or less well coordinated, have

³² See previous reference.

³³ Working Paper on "Effective representation and the role of coalitions within the IMF", by Ngaire Woods and Domenico Lombardi, 28 February 2005.

been created. These are for instance the G7, the G10, the G11 or the G24. The potential of having a more integrated EU bloc would be key in the governance and bargaining powers in IFIs. Now, the relationship to such an EU bloc with other coalitions, such as the G7 is a particularly sensitive issue.

Importance of the G7 in relation to EU coordination

Views diverge on the impact of the G7 on the quality and future of EU coordination. The traditional and obvious dividing line of thought is between G7 and non-G7 countries. The latter complain about the “overwhelming” influence of the G7 on IMF decisions and see the G7 as an obstacle to strengthened EU coordination. The former state that it reinforces the weight of the EU to have some EU countries participating in the G7.

In the IMF, the G7 gathers 45.35% of the members’ vote and 47.06% of the vote of constituencies. In comparison, the EU gathers 30% of the votes, but provided that they are combined. None of these formations do have decision-making power, although the G7 is very close to it (50% for most decisions). For Bini Smaghi, “EU coordination cannot be an alternative to G7 cooperation since EU countries alone do not have majority in the Fund. Cooperation with the other major shareholders, in particular the US and Japan will always be needed”. Having “pure” or “virgin positions” is possible, but these will influence no one, according to him.

Yet, some see that in the medium/long term, the importance of the G7 will be diminished, as it will be less economically relevant especially with China and India’s growing economies. The IFIs will have to be organised around big economic and monetary zones. But this is a long-term perspective. In any case, “cross-cutting coalitions are (and will be) a pervasive feature of informal politics within the IMF”³⁴. The decision-making structure of IFIs tends to favour in the long run a single EU representation. All will depend on political realism and vision of European leaders on this.

Reform of World Bank and IMF governance

The “Voice issue”

Another external driver that would impact EU coordination is the reform of IFI’s governance. This is a multi-faceted debate, and for the purpose of this study we will concentrate on criticism of an unbalanced representation of its members and the potential link it may have to EU representation in general.

EU MS recognise the need to increase the shares of new emerging economies, in Asia for instance. They are more reserved as regards representation of Africa, as they don’t want to put the financial viability of the IMF especially at risk, and would rather support a capacity building efforts and an increase of basic voting rights. Yet, they do not always want to make the link between EU representation and reform of voting powers. Some deny the critics of EU overrepresentation³⁵; and some declare that the two issues are separate. Although some propose to redistribute chairs, European officials are in general very defensive of the status quo.

Yet, third countries are calling for a EU coordinated voice. As highlighted by Lorenzo Bini Smaghi in a speech at the Committee on Economic and Monetary Affairs of the European Parliament in October 2005, the more EU countries act jointly, the more third countries regard them as a single entity and therefore call for a reduction of EU MS shares, which, when added, are seen as excessive. In addition, emerging market economies, such as the G11 will soon become a major challenge to the EU’s strength in IFIs. Practice shows that the US is sometimes able to build coalitions with the G11 in order to have a majority. Against these

³⁴ See previous reference.

³⁵ The idea is to exclude intra-EU trade from quotas calculations to reduce the combined EU quota and voting power by approximately 9% and to redistribute it accordingly to other members. This is very much defended by the US.

developments, EU MS would be well advised to unify their representation. However, only few MS and the Commission seem to acknowledge this serious challenge for the time being.

US position and agenda

At the same time, if European countries merged into one constituency, they would run the risk of losing their voting powers since third countries, and amongst them the US, would never accept the creation of such a big bloc with the same voting powers (30% against 17% for the US). To reform the voting powers, a majority of 85% is needed, and on any issue of IFIs governance this majority exists (notably because of US veto). This is a major argument to oppose such move.

However, the theory indicates that even with the same voting power as the US today, the EU as a bloc will be stronger than it currently is. A single EU chair would have both the power to veto important decisions and important constructive power to foster decisions, as seen above. Leech³⁶ has calculated the power indices of IMF members. He proves that for IMF decisions (ordinary ones), the US currently has political power far in excess of its voting weight, since it does not need many other members to build a majority. According to such indices, a single EU chair would have more power than the EU members all together.

Conclusions on a concrete and step-by-step convergence scenario: “no revolution but evolution” scenario

Future of EU coordination in IFIs will be dependent on development of internal and external dynamics, and the political assessment of these dynamics by EU MS. Against these, it seems that *increased coordination* will be the most realistic scenario within the next three to five years. Several concrete and practical proposals can already be envisaged and are likely to be concretised in the near future on a step-by-step basis.

Realistic scenario for IMF

In the short term, one could envisage that EU MS agree to decide on **a list of countries of common interest for Article IV review** where they would commit to coordinate. This idea is an official position of France³⁷ and is informally mentioned by German officials. It would not require much more effort since it is often done in practice on big industrialised countries. This would follow a logical path, without being too politically sensitive.

In the medium term, the strengthening of EURIMF for instance **through the creation of a coordination office in Washington** is another possible way forward. This is combined with an idea to have a **permanent President of EURIMF** on the model of EFC and SCIMF. This person, supplemented by staff, would be in charge of liaising between European EDs and other MS representatives at IMF, and profiling the EU at the IMF. This proposal obviously would encounter resistance from the forthcoming Presidencies of the EU, but would offer the continuity that is lacking today. Views and opinions still diverge on this, but they tend to favour more this idea than for instance a Presidency based on a Troika model (previous, current, and future Presidencies of the EU) which would be too burdensome and inefficient as regards lobbying in IFIs (especially in relation to the staff). The likelihood of strengthening coordination in Washington is reinforced by the lack of planned reforms as regards SCIMF.

³⁶ “Voting Power in the Governance of the International Monetary Fund”, D. Leech, Annals of Operations Research, 2002, in “EU Representation and the Governance of the International Monetary Fund”, Géraldine Mahier, Dirk Ooms, Stéphane Rottier.

³⁷ “Rapport présenté au Parlement sur les activités du Fond Monétaire International at de la Banque Mondiale”, Juillet 2001-Juin 2002.

In the medium term, another idea that could be put into practice is to organise a **visit of European IMF EDs to Brussels**, on the model of what happens for WB European EDs. Resistance linked to the substance of the issue and culture seems to be quite substantial for the time being, but this idea would not be too politically costly and is favoured by some MS.

Another potential medium term development will relate to the **impact of the Eurozone** on EU economic and financial matters, its enlargement to new MS, and the ability of its President to shape a role and mandate in international forums.

Realistic scenario for WB

As regards the WB, the most immediate initiative is likely to be a Commission proposal to **create an ad-hoc structure in Brussels** that would meet few times a year at first to provide EDs with permanent and European back-up. It would be composed of officials dealing with WB issues in the different national Ministries. The exact form of such a structure is still not clear, the idea of a **knowledge network** is also circulating, including what members could be part of this structure. But the Commission, (DG ECFIN), expects to have a draft ready by the beginning of 2006. Yet, the Commission acknowledges the solid resistance from some MS and each step would have to be cautiously taken. Already, some MS see this initiative as a tentative move from the Commission to position itself at the heart of the debate and reinforce its position on WB issues. But this could reflect one of the EDs' following wishes (as stated in the minutes of their visit to Brussels), that "European institutions were encouraged to find more systematic ways of providing inputs to the Group's work at the Board".

In the short term we may also see EU MS agree to have **systematic EU statements before each Joint IMF/WB Development Committee**, as proposed by Development Commissioner during the visit of EDs in April 2005. However, given the relative low importance of this Committee in the debate, this will not dramatically change the bargaining power within the WB.

In the medium term, the need to rationalise EU MS action and the Commission's policies in development will likely favour strengthened coordination and integration of EU at the WB. The EU is indeed the biggest aid donor in the world, accounting for 55% of development assistance, 20% of which is managed by the Commission. The Commission (DG DEV) recently entered a multi-step process where it will redefine the objectives and organisation of EU development policy in general, against the background of the Millennium Development Goals. This is reflected by recent Commission (DG DEV)'s Communication³⁸ from July 2005 for a "**joint approach**" on development policy. The aim is to distribute responsibilities between MS and the Commission in a more efficient way, by redefining a set of EU common principles and objectives in development policy. The new scheme is to be presented by the end of 2005. It does not mention external representation as such, but the outcome of this process may inevitably affect EU coordination in WB.

In the long run, one may see a redefinition of the Commission's role in development policy and of the EU in general. Of interest, are the different views expressed in a recent public consultation organised by the Commission which report was released in June 2005, on the "future of EU development policy". The first view favours the Commission as a "delivery agent", whose action would be governed by the principle of "subsidiarity". The second view favours the Commission as an analytical organ, which would be able to define a European approach to globalisation and development. The comparison with the WB is made, and it is said that the WB has analytical leadership even in sectors where the Commission has a comparative advantage. Knowledge in WB matters at least as much as financial resources.

³⁸ Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions, "Proposal for a Joint Declaration by the Council, the European Parliament and the Commission on the European Union Development Policy "The European Consensus", COM (2005) 311, 13 July 2005.

The Commission would need to “become a policy leader”, based on “**Brussels consensus**” shared by all EU MS.

Some MS are very reluctant to subscribe to this idea, but there are feelings in some others that the WB acts as a “doctrinal guide” which is sometimes exaggerated or not in accordance with European visions. Some recognise that the Commission is a very strong counter weight to the WB in some countries. However, this public consultation gathered mostly non-EU countries and civil society organisations. It remains to be seen how EU MS will officially react to it. Yet, the possibility to counterbalance a “Washington consensus” may be an appealing idea for some MS and may have more potential to trigger institutional convergence at WB than at IMF for instance.

To conclude this section, we would refer to the table in the executive summary of this study which summarises the assessment of the different scenarios in light of different internal and external political, legal and economic drivers.

3 - CONCLUSIONS ON ADVOCACY OPPORTUNITIES FOR NGOS

This section does not preclude any decision from the commissioning organisations as regards their future advocacy work at EU level. Also, there may be actions already undertaken by the commissioning organisations. The section takes as a prerequisite the existence of joint advocacy tools and some degree of homogenisation and increased networking of NGOs in Europe on these topics.

As preliminary observation, **national channels are still valid channels** for advocacy work on IFI issues. Even at EU level, they are the central decision-making power in respect to main political orientations decided at IMF and WB. In this respect, NGOs should maintain and enhance their relevant contacts within national administrations. Now, as seen in the above sections, they interact between each other in different forms and to a large extent work together in the broader context and power game of IFIs. Indeed, the power of each MS is relatively low in IFIs and experience tells that the abstention or disagreement of one MS does not change the outcome of the vote in IFIs. Provided that European NGOs would homogenise their interests and advocacy tools, they would then likely benefit from joint campaigns in European capitals. This will maximise their voice, given the interactions national administrations have amongst each other. In this respect, a clear list of people of relevance in different Ministries working on the IMF and all the more on the WB (since there is no Brussels structure) would help to ensure a systematic and coherent approach to EU MS. Even on European issues, national administrations would thus remain priority targets.

Now, as seen above, some coordination mechanisms exist at EU level. The potential of influence of the EU in IFIs is real and will inevitably grow, although probably at slow pace- in the future. The informal and intergovernmental nature of these mechanisms prevents these to offer obvious windows opportunities for civil society organisations. However, given both the potential and the shortcomings of EU coordination in IFIs, European NGOs should be ready to take up the challenge by opening channels to and ensuring a strong presence in existing coordination structures. This work will require focusing both on structures and substance.

As regards structure, given the complex and opaque structure of EU coordination mechanisms in the IFIs, we would recommend NGOs to **target a multiplicity of actors** at EU level. In the absence of a unique EU representative in IFIs, the leadership is shared amongst several persons in relevant institutions.

Given the power-game within IFIs, NGOs should closely monitor the **forthcoming duplication of responsibilities for EU MS within the main cooperation arrangements**, which are relevant in IFIs. For instance, the UK is currently heading the EU and the G7. In 2007, Germany will be in the same position. This would potentially offer a good window of opportunity for influencing the IFIs.

Moreover, NGOs would benefit from a more coherent and streamlined organisation of EU coordination in IFIs that would put an end to the “closed door” and “labyrinth” type of coordination currently taking place and would allow them to foster an open dialogue with recognised decision-makers in the field. In the absence of ratification of the draft European Constitution which would have clarified EU external representation and opened up economic and financial affairs to the co-decision procedure, this is still a medium term prospect. However, some improvements could be sought:

- A call for a visit of IMF European EDs in Washington;
- The establishment of a coordination office on WB issues in Brussels where NGOs would be consulted at a regular pace; In this respect, NGOs should take advantage of the informal nature of such body to claim this regular consultation process;

- Raise the accountability problem of European coordination today and institute a dialogue with the European Parliament³⁹ as a regular practice;
- A call for public access to EURIMF, SCIMF and WB EDs common papers and diffusion of SCIMF agenda in advance of the meetings.

As regards substance, it is difficult to grasp what issues of interest to NGOs would be likely to get a European common view. However, a first move would be to **develop analytical tools and joint positions for horizontal issues**, which are the easiest to lobby on at EU level. This could include governance issues, accountability and democratic reforms of IFIs, budget and other general principles. In addition, and depending on the NGOs' expertise, some advocacy positions could be developed on some specific countries.

Another concrete proposal would be to focus on **the meetings with WB EDs**. Some officials expressed the idea that the agenda of this meeting should be decided well in advance, should be concise and that documents should be circulating in advance in order to allow for a real exchange of views between NGOs and European EDs. This could be prepared in close collaboration with Commission DG DEV.

Finally, a **few promising initiatives** should be closely monitored. These are part of the forthcoming "Joint approach" initiative by DG DEV on development policy, the forthcoming Commission's proposal to create an ad-hoc structure on WB issues in Brussels, and the outcomes of the two working groups on external representation in IFIs of the EU and of the Eurozone. The strategy of NGOs should then be adapted accordingly.

ADS Insight SPRL
14 November 2005

³⁹ Because of limited resources, the European Parliament has been left out of this study. However, any action on democratisation of IFIs should take this institution into account.

Annex 1- List of Acronyms

ACP (countries): Africa-Caribbean-Pacific (countries)
DG AIDCO: Directorate General for Europe Aid Cooperation Office
DG DEV: Directorate General Development
DG ECFIN: Directorate General for Economic and Financial Affairs
DG RELEX: Directorate General for External Relations
DG TRADE: Directorate General for Trade
EC: European Commission
ECB: European Central Bank
ED: Executive Director
EFC: European Financial Committee
EU: European Union
EURIMF: European coordination body on International Monetary Fund
GDP: Gross Domestic Product
IBRD: International Bank for Reconstruction and Development
IDA: International Development Association
IFC: International Finance Corporation
IFIs: International Financial Institutions
IMF: International Monetary Fund
IMFC: International Monetary and Financial Committee
MS: Member States
NGO: Non-Governmental Organisation
PRSP: Poverty Reduction Strategy
SCIMF: Sub Committee on International Monetary Fund
US: United States
UK: United Kingdom
WB: World Bank

Annex 2- List of interviewed persons

	IMF	WB
Germany	Karlheinz Bischofberger (ED) Franz Neueder (Ministry of Finance)	Juergen Zattler (Ministry of Development)
France	Pierre Duquesne (ED) Sandrine Gaudin (Ecofin Attaché- Permanent Representation)	Pierre Duquesne (ED) Brice Quesnel (Ministry of Finances)
UK	Tom Orlik (UK delegation to IMF and WB)	Tom Orlik (UK delegation to IMF and WB)
Netherlands	Jeroen Kremers (ED)	Ad Melkert (ED)
Belgium	Willy Kiekkens (ED) Olivier Henin (Cabinet, Ministry of Finances)	
Austria	Kurt Bayer (Ministry of Finances) Isabella Lindner (Austrian Central Bank)	
Italy		Biagio Bossone (ED) Empedocie Maffia (Senior Adviser)
Poland	Andrzej Raczko (Alternate ED)	Jakub Karnowski (Alternate ED)
Norway		Olav Sleim (Ministry of Foreign Affairs)
Sweden	Anders Wahlberg (Ministry of Finances)	Ruth Jacoby (Ministry of Foreign Affairs)

European Commission	
DG Development	Karen de Jonghe- (Desk Officer B2) Gilles Hervio (Head of Unit B2)
DG Economic and Financial Affairs	Daniel Daco (Head of Unit D4) Didier Bouteiller (Head of Unit D2)

European Central Bank
Lorenzo Bini Smaghi (Member of the ECB Executive Board)

Annex 3 - Main provisions as regards EU External Representation contained in the current EU and EC Treaties

European Policies	Main Provisions
<p>Common Foreign and Security Policy</p>	<p>Title V CFSP (TEU), <i>Art. 11, par. 2</i> The Member States shall support the Union's external and security policy actively and unreservedly in a spirit of loyalty and mutual solidarity. The Member States shall work together to enhance and develop their mutual political solidarity. They shall refrain from any action, which is contrary to the interests of the Union or likely to impair its effectiveness as a cohesive force in international relations.</p>
	<p>Title V CFSP (TEU), <i>Article 12</i> The Union shall pursue the objectives set out in Article 11 by: — deciding on common strategies, — adopting joint actions, — adopting common positions, — strengthening systematic cooperation between Member States in the conduct of policy.</p>
	<p>Title V CFSP (TEU), <i>Article 16</i> Member States shall inform and consult one another within the Council on any matter of foreign and security policy of general interest in order to ensure that the Union's influence is exerted as effectively as possible by means of concerted and convergent action.</p>
	<p>Title V CFSP (TEU), <i>Article 19</i> 1. Member States shall coordinate their action in international organisations and at international conferences. They shall uphold the common positions in such forums. In international organisations and at international conferences where not all the Member States participate, those which do take part shall uphold the common positions.</p>
	<p>Part VI (General and Final Provisions) TEU, <i>Article 302</i> It shall be for the Commission to ensure the maintenance of all appropriate relations with the organs of the United Nations and of its specialised agencies. The Commission shall also maintain such relations as are appropriate with all international organizations.</p>
<p>Economic and Monetary Policy</p>	<p>Part III, Title VII (Economic and Monetary Policy) TEU Ch.3 Institutional provisions <i>Art. 11</i> 2. At the start of the third stage, an Economic and Financial Committee shall be set up. The Economic and Financial Committee shall have the following tasks: — to keep under review the economic and financial situation of the Member States and of the Community and to report regularly thereon to the Council and to the Commission, in particular on financial relations with third countries and international institutions</p>
<p>Development Policy</p>	<p>Part. III, Title XX (Development cooperation) TEU <i>Article 180</i> 1. The Community and the Member States shall coordinate their policies on development cooperation and shall consult each other on their aid programmes, including in international organizations and during international conferences. They may undertake joint action. Member States shall contribute if necessary to the implementation of Community aid programmes. 2. The Commission may take any useful initiative to promote the coordination referred to in paragraph 1.</p>
	<p>Part. III, Title XX (Development cooperation) TEU, <i>Article 181</i> Within their respective spheres of competence, the Community and the Member States shall cooperate with third countries and with the competent international organisations. The arrangements for Community cooperation may be the subject of agreements between the Community and the third parties concerned, which shall be negotiated and concluded in accordance with Article 300.</p>

Annex 4 - Main provisions as regards EU External Representation of the Treaty establishing a Constitution for Europe.

European Policies	Main provisions
<p>Common Foreign and Security Policy (CSFP)</p>	<p>Creation of the post of Union Minister of Foreign Affairs (<i>Part I, Title IV - Art. I-28</i>) It merges tasks of current High Representative for the Common Foreign and Security Policy and Commissioner for external relations. His responsibility includes:</p> <ul style="list-style-type: none"> - Ensuring the External representation of the Union in FSCP and the consistency of the Union's external action - Chairing External Relations Council <p>Union Competence on CFSP (<i>Part I, Title V, Ch II, Art I-40</i>) 1. The EU shall conduct a common foreign and security policy, based on the development of mutual political solidarity among MS, the identification of questions of general interest and the achievement of an ever- increasing degree of convergence of MS actions. 5. MS shall consult one another within the European Council and the Council on any foreign and security policy issue which is of general interest in order to determine a common approach. MS shall ensure, trough the convergence of their actions that the Union is able to assert its interests and values on the international scene. MS shall show mutual solidarity. <i>Part III, Title V, Ch II, Art. III-294 (ex. art. 11 and 12 TEU)</i> 2. The MS shall support the CFSP actively and unreservedly in a spirit of loyalty and mutual solidarity. They shall refrain from any action, which is contrary to the interests of the Union or likely to impair its effectiveness as a cohesive force in international relations.</p>
	<p>Coordination of positions in international organisations <i>(Title V, Ch II Art. III- 301)</i> 2. The diplomatic missions of the MS in...international organizations shall cooperate and shall contribute to formulating and implementing the common approach... <i>Art. III-305 (ex. art. 19 TEU)</i> 1. MS shall coordinate their action in international organizations and at international conferences. They shall uphold the Union's position in such fora.</p> <p>Union's relations with international organisations and third countries <i>(Part III, Title V, Ch. VII Art III-327 (ex. Art. 302, 303 TEC)</i> 1. The Union shall establish all appropriate forms of cooperation with the organs of the UN and it's specialized agencies, the Council of Europe, ... 2. The Union shall also maintain such relations as are appropriate with other international organisations.</p> <p><i>Art. III-328</i> 1. Union delegations in third countries and at international organisations shall represent the Union. 2. Union delegations shall be placed under the authority of the Union Minister for Foreign Affairs. They shall act in close cooperation with MS' diplomatic and consular missions.</p>
<p>Economic and Monetary Policy</p>	<p>Provisions specific to Member States whose currency is Euro <i>(Part III, Title III, Ch II- economic and monetary policy. Section 4- Art. III-196)</i> 1. In order to secure the Euro's place in the international monetary system, the Council, on a proposal from the Commission shall adopt a European decision establishing common positions on matters of particular interest for economic and monetary union within the competent international financial institutions and conferences. The Council shall act after consulting the European Central Bank. 2. The Council, on a proposal from the Commission, may adopt appropriate measures to ensure unified representation within the international financial institutions and conferences. The Council shall act after consulting the ECB.</p>
<p>Development Policy and Humanitarian Aid</p>	<p>Development cooperation (<i>Part III Ch. IV Art. III-316</i>) Union policy in the field of development cooperation shall be conducted</p>

	<p>within the framework of the principles and objectives of the Union's external action. The Union's development cooperation policy and that of MS shall complement and reinforce each other</p> <p><i>Art. III- 318 (ex. art. 180 and 181 TEC)</i></p> <p>1. In order to promote the complementarity and efficiency of their action, the Union and the MS shall coordinate their policies on development cooperation and shall consult each other on their aid programmes including in international organizations...</p> <p>2. The Commission may take any useful initiative to promote the coordination referred to in Par. 1.</p> <p>3. ... The Union and the MS shall cooperate with third countries and the competent international organizations.</p>
	<p>Humanitarian aid. (Art. III-321)</p> <p>1. The Union's operations in the field of humanitarian aid shall be conducted within the framework of the principles and objectives of the external action if the Union.... <i>The Union's operations and those of the MS shall complement and reinforce each other.</i></p> <p>6. <i>The Commission may take any useful initiative to promote coordination between actions of the Union and those of the MS, in order to enhance the efficiency and complementarity of the Union and national humanitarian measures.</i></p>

Annex 5 - EU Constituencies in the IMF

EU Countries	Other Countries	Constituency Chair	Votes (%)
Germany (6,00)		Germany	6,00
France (4,95)		France	4,95
UK (4,95)		UK	4,95
Italy (3,26), Greece (0,39), Portugal (0,41), Malta (0,06)	Albania (0,03), San Marino (0,02), East Timor (0,02)	Italy	4,19
Netherlands (2,39), Cyprus (0,08)	Armenia (0,05), Bosnia and Herzegovina (0,09), <i>Bulgaria</i> ⁴⁰ (0,31), Croatia (0,18), Georgia (0,08), Israel (0,44), Macedonia (0,04), Moldova (0,07), <i>Romania</i> (0,49), Ukraine (0,64)	Netherlands	4,87
Austria (0,87), Belgium (2,13), Czech Republic (0,39), Hungary (0,49), Luxemburg (0,14), Slovak Republic (0,18), Slovenia (0,12)	Belarus (0,19), Kazakhstan (0,18), Turkey (0,46)	Belgium	5,16
Denmark (0,77), Estonia (0,04), Finland (0,59), Latvia (0,07), Lithuania (0,08), Sweden (1,11)	Iceland (0,07), Norway (0,78)	Rotating every two years	3,52
Spain (1,41)	Costa Rica (0,09), El Salvador (0,09), Guatemala (0,11), Honduras (0,07), Mexico (1,20), Nicaragua (0,07), Venezuela (1,24)	Rotating between Spain, Mexico and Venezuela	4,29
Ireland (0,40)	Antigua and Barbuda (0,02), Barbados (0,04), Belize (0,02), Canada (2,94), Dominica (0,02), Grenada (0,02), Jamaica (0,14), St. Kittis and Nevis (0,02), St. Lucia (0,02), St. Vincent and the Grenadines (0,02)	Canada	3,72
Poland (0,64)	Azerbaijan (0,09), Kyrgyz Republic (0,05), Switzerland (1,60), Tajikistan (0,05), Turkmenistan (0,05), Uzbekistan (0,14)	Switzerland	2,63
TOTAL: 31,92			44,28

⁴⁰ Future EU MS like Romania.

Annex 6 - EU Constituencies in the World Bank

EU Countries	Other Countries	Constituency Chair	Votes (%)
Germany (4,49)		Germany	4,49
France (4,30)		France	4,30
UK (4,30)		UK	4,30
Italy (2,78), Greece (0,12), Portugal (0,35), Malta (0,08)	Albania (0,07), San Marino (0,05), East Timor (0,05)	Italy	3,50
Netherlands (2,21), Cyprus (0,11)	Armenia (0,09), Bosnia and Herzegovina(0,05),Bulgaria(0,34), Croatia(0,16), Georgia (0,11), Israel(0,31), Macedonia (0,04), Moldova (0,10), Romania (0,26), Ukraine (0,69)	Netherlands	4,46
Austria (0,70), Belgium (1,81), Czech Republic (0,41), Hungary (0,51), Luxemburg (0,12), Slovak Republic (0,21), Slovenia (0,09)	Belarus (0,22), Kazakhstan (0,20), Turkey (0,53)	Belgium	4,80
Denmark (0,85), Estonia (0,07), Finland (0,54), Latvia (0,10), Lithuania (0,11), Sweden (0,94)	Iceland (0,09), Norway (0,63)	Rotating every two years between Denmark, Finland, Sweden and Norway	3,34
Spain (1,75)	Costa Rica (0,03), El Salvador (0,02), Guatemala (0,14), Honduras (0,06), Mexico (1,18), Nicaragua (0,05), Venezuela (1,27)	Rotating between Spain, Mexico and Venezuela	4,50
Ireland (0,34)	Antigua and Barbuda (0,05), The Bahamas (0,08), Barbados (0,07), Belize (0,05), Canada (2,78), Dominica (0,05), Grenada (0,05), Guyana (0,08), Jamaica (0,17), St. Kitts and Nevis (0,03), St. Lucia (0,05), St. Vincent and the Grenadines (0,03)	Canada	3,85
Poland (0,69)	Azerbaijan (0,12), Kyrgyz Republic(0,08),Switzerland(1,66), Tajikistan (0,08), Turkmenistan (0,05),Uzbekistan(0,17)	Switzerland	3,04
TOTAL: 27,98			40,58

Annex 7 - External representation of the EU countries

	G7	G20	G10	IMF and WB	OECD	UN	WTO
D	✓	✓	✓	✓	✓	✓	✓
F	✓	✓	✓	✓	✓	✓	✓
I	✓	✓	✓	✓	✓	✓	✓
UK	✓	✓	✓	✓	✓	✓	✓
B			✓	✓	✓	✓	✓
NL			✓	✓	✓	✓	✓
SV			✓	✓	✓	✓	✓
Other EU				✓	✓	✓	✓
Council		✓					
ECB		✓			✓		
Commission					✓		✓
Other members	3	15	4	169	15	175	129
EU observers	Commission Council ECB Eurogroup		Commission ECB	Commission ECB		Commission	

Source: Géraldine Mahier, Dirk Ooms, Stéphane Rottier "EU Representation and the Governance of the International Monetary Fund".

Annex 8 - Models of delegation in EU external economic relations

Model	Main features	Examples
Unconditional delegation	Policy responsibility delegated to EU institution Monitoring by MS, if any, not binding on decisions by EU institution	Competition policy (subject to appeal to ECJ) ECB exchange rate policy (monitoring by Parliament)
Supervised delegation	External representation and negotiation authority delegated to EU institution MS exercise surveillance: issue guidelines and monitor implementation	Trade in goods and services Market regulation Environment
<u>Coordination</u>	No delegation of external representation to EU institution MS coordinate among themselves and with EU institutions, may or may not commit to follow guidelines	International macroeconomic and financial affairs (G7, IFIs)

Source: Benoit Coeure, Jean Pisany-Ferry, *One market one voice? European arrangements in International Economic Relations*.

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