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Sarah Wolff, Queen Mary, University of London

Abstract

Maintaining mostly a national and EU-level focus, the transnational dimension has been overlooked in the policy instrumentation literature. Seeking to fill this gap, this article researches the factors that shape the choice and evolution of policy instruments in transnational administrations, namely above and beyond the state. In an empirical analysis of budget support, it finds that the preference of the European Commission for this development aid instrument is dependent upon transnational agency and EU domestic habitat. This is evidenced in three steps. First, conflicting global objectives and institutional strategies of re-legitimization provided transnational administrative agency with power and leverage to promote managerial norms over developmental ones. Second, transnational knowledge networks have provided the European Commission venues of socialization to maintain its monopoly over the instrument. Third, the de-politicized transnational logic of budget support as a managerial tool is correlated to an increased politicization by some EU member states.

Introduction

Policy instruments, in public management and administration studies, are seen as technical devices that should efficiently address a collective problem (Howlett 2009). Against the criticism that Organisation for Economic Co-operation and Development (OECD) countries were trapped in ‘instrument fixation’ disregarding their systemic effects (Matheson and Sang Kwon 2003, p. 48), the ‘governance turn’ acknowledges the link between the choice of policy instruments and governance modes (Salamon 2002). Others argue that instruments carry ‘political values and conflicts’ and that their ‘habitats’ constrain the politics of instrumentation (Lodge and Wegrich 2012, p. 118). In structuring policy fields (Lascoumes and Le Galès 2004; Halpern 2010), they are negotiated in ‘dense institutional settings’ (Menon and Sedelmeier 2010, p. 75). Yet few studies systematically consider the transnational dimension in their explanation of policy instrument choice and evolution. By analysing the factors that shape the choice and evolution of budget support as a preferred development aid instrument of the European Commission, this article finds that both transnational administrative agency and EU political habitat matter.

Budget support is an Official Development Aid (ODA) instrument that enables donors to channel substantial amounts of development aid to a recipient country. At the end of the 1990s, budget support was presented as a ‘new’ policy instrument that would implement the global pro-poor agenda and work towards the eradication of poverty objective. It marked a departure from the tradition of donor-imposed agendas and previous structural adjustment instruments deemed inefficient. ‘The move to budget support was a backlash to conditionality’ (11)[1] that favored neo-liberal reforms through privatization and deregulation. It acknowledged the relevance of governance and institutional reforms and not merely macro-economics factors (Hout 2012, p. 405). It had novel characteristics: ownership, predictability, efficiency, and policy reform, and was results-oriented. Once a country is deemed eligible, general budget support (GBS) is indiscriminately directed to the national budget, while sectoral budget support (SBS) is earmarked for sectoral policy reforms in health, environment, or education.

Rapidly, budget support became one of the favourite instruments of OECD aid agencies and administrations, and in particular the European Union (EU). Over the course of 2003–09, the European Commission spent €13 billion, representing 25 per cent of total commitments. In 2014, the European Commission provided budget support in more than 83 countries (10). The Netherlands and the UK were pioneers. Since 2004, the World Bank has used it under the banner of Development Policy Lending (DPL) or Poverty Reduction Sup- port Credit (PRSC) in poorer counties. The African Development Bank (AfDB) provides GBS loans to countries like Cape Verde, Madagascar, Guinea, and Niger. Most beneficiary countries praise it for its predictability.

Since 2007 though, EU member states started to withdraw from budget support. While it reached 30 per cent of UK’s bilateral aid in 2007–08, it was halved in 2011–12 (UKAN 2013). Overall, GBS has been affected the most. In 2008, the Netherlands, following a UN report on the role of Rwanda in the Democratic

Republic of Congo, suspended its GBS, followed by Sweden. In 2010, Dutch GBS was stopped in Tanzania and withheld in Uganda following a corruption scandal (OECD 2011, p. 66). This backpedalling is, however, at odds with global commitments set out in the Paris Declaration (in 2005) and subsequent meetings in Accra (in 2008) and Busan (in 2011). Similarly, the European Commission reformed the instrument in 2011, while maintaining its ambitious objectives (Maxwell 2011). Since then, budget support has been considered an 'endangered species' (Maxwell 2011).

To explain the enduring preference of the European Commission for budget support, this article investigates the factors that shape the choice and evolution of this development aid instrument within a transnational administration. Theoretically grounded in the politics of instrumentation literature, I contend that both transnational and EU factors are interrelated. The article is structured as follows. First, I review the cogency of the policy instrumentation literature for the transnational dimension. Second, against functionalist assumptions, an analysis of the origins of budget support reveals that it emerged out of conflicting global objectives and institutional strategies of re-legitimization. This pro- vided transnational administrative agency with sufficient power and leverage to promote managerial norms over developmental ones. Third, transnational knowledge networks are identified as key venues of socialization for the European Commission. Fourth, a study of the EU's domestic multi-level setting reveals that the de-politicized transnational logic of budget support was confronted by increasing domestic politicization among EU member states.

Analysing Budget Support as a Transnational Policy Instrument

Accounting for the transnational dimension as an explanatory variable in what shapes policy instruments is motivated by two observations. First, so far, the policy instrument literature, including the political sociological approach, has remained circumscribed to the national level (Linder and Peters 1989; Howlett 1991; Peters 2000; Salamon 2002) and to the EU level (Halpern 2010; Kassim and Le Galès 2010; Borrás and Ejrnæs 2011; Saurugger 2011). Studies researching the transnational dimension of the politics of instrumentation are scarce (Bennett 1997; Voß and Simons 2014). This rudimentary knowledge is nonetheless surprising given the internationalization of policies as well as the growth of global policies. Second, studies on EU budget support tend to focus primarily on EU-specific explanatory variables (Moleanaers and Nijs 2011; Del Biondo and Orbie 2014). This bias is found frequently in EU development policy studies (Carbone 2008). The global level variable is rarely analysed, with the exception of research on the variation in EU implementation of the Millennium Development Goals (MDGs) (Hollis 2014).

And yet, the transnationality of ODA is evident. This global policy is characterized by diverse actors and polycentric decision-making. Instruments like budget support tackle new global challenges (Severino and Ray 2009; Coleman 2012). Transnational administrations, such as the International Monetary Fund (IMF), the World Bank, the AfDB, or the Asian Development Bank, together with national bilateral aid agencies have adopted bud- get support. Beneficiary governments implement budget support, and both civil society and the private sector are involved in the policy dialogue. Analysing the global policy space of budget support is therefore instructive for understanding the politics of instrumentation, which rely on transnational teams of administrators and managers (Stone and Ladi, this issue).

Against the conventional wisdom that policy instruments are functional devices, the political sociology approach seems most appropriate for the purpose of this study. Traditionally, new policy instruments, as modern devices of governments, have been praised for their informality, flexibility, and softness. The prevailing view is that they are designed to reach policy outputs efficiently. The ambition is to cut red tape, and modernize public administrations through enhanced flexibility, performance–pay models, and expenditure control, following the logic of New Public Management (NPM) (Peters 2000, p. 44). The introduction of budget support can be seen as a rational attempt to modernize development aid, motivated by output performance, and to address the inefficiencies of prior structural adjustment instruments. It is therefore no surprise that the 2012 revised guide- lines on EU budget support are entitled 'Budget Support Guidelines, a modern approach to budget support' (European Commission 2012).

Yet, at the same time, past policy failure, which undermines the legitimacy of an organization, can motivate the adoption of new instruments (Howlett 2009, p. 80). International organizations, in a rational endeavour, aim at securing their legitimacy and their durability (Powell and DiMaggio 1991). The choice of policy instruments is driven by a 'survival strategy' and institutional isomorphism, where international organizations tend to adopt similar efficient solutions, which then shape global public processes. However, this view overlooks the fact that policy instruments are neither natural nor neutral. Beyond delivering a technically efficient solution, policy instruments 'constitute [also] a condensed form of knowledge about social control and ways of exercising it' (Lascoumes and Le Galès 2007, p. 1). They are inherently political, mixing technical (measuring, calculating, the rule of law, procedure) and social (representation, symbolism) components (Lascoumes and Le Galès 2007, p. 6). This implies that policy instruments can hold different types of legitimacy (Lascoumes and Le Galès 2007; Wolff and Schout 2013). Bringing a transnational dimension to the political sociology approach, I hypothesize that the preference of the European Commission for budget support is dependent upon transnational agency and EU domestic habitat.

The choice of instrument often reveals an agreement on the method rather than the goals (Kassim and Le Galès 2010, p. 8). There is a wide consensus amongst political sociologists that policy objectives are not necessarily set before policy instruments. Instead, policy instruments can conceal a lack of consensus on substantial decisions, or worse 'may be a useful smokescreen to hide less respectable objectives, to depoliticize fundamentally political issues, or to create a minimum consensus on reform by relying on the apparent neutrality of instruments presented as modern' (Kassim and Le Galès 2010, p. 6). In doing so, 'instruments thus appear as dynamic textual and material assemblages oriented towards the remaking of political reality, but without necessarily building on a consensus of the participating actors as to the "why" and "what for"' (Voß and Simons 2014, p. 742). I therefore first hypothesize:

> *Hypothesis 1*: The weaker the global normative consensus on policy objectives is, the more it provides leverage and power to collective transnational administrative agency.

This hypothesis is tested in two steps. First, the next section reviews the debate over the reform of ODA at the turn of the century and finds that ambiguous global objectives have lasting consequences today. It also reveals that the adoption of budget support was motivated by a quest by transnational administrations to re-legitimize their policies and secure their institutional survival. Second, in the following section, the empowerment of this collective transnational agency is evidenced by the role that transnational professional and knowledge networks play in diffusing and legitimizing new models of governance and policy instruments (Di Maggio and Powell 1983, p. 152). In particular the study empha- sizes the instrumental use of networks by the European Commission. Two transnational knowledge networks are analysed: the Public Expenditure and Financial Accountability (PEFA) multi-donor partnership; and Capacity4Dev, an information management network managed by the European Commission. They provide venues for transnational bureaucracies to gain influence through 'policy-oriented information and knowledge' (Nay 2012, p. 53).

Consequently, given that a policy instrument is more about structuring a policy field than achieving specific objectives (Halpern 2010), it is likely that administrations will pursue 'de-politicization' strategies of the policy space (Lascoumes and Le Galès 2007; Kassim and Le Galès 2010). The literature has also established that '[the] habitat matters by affecting the "administrability" factor in different policy domains and therefore the viability of particular policy tools' (Lodge and Wegrich 2012, p. 124). Because policy instruments inherently give rise to battlefields and governance location matters (Stone and Ladi, this issue), I research the extent to which the EU multi-level 'habitat' matters as an explanatory variable. Given that transnational administrations tend to favour the de-politicization of instruments, I hypothesize:

> *Hypothesis 2*: The more the instrument is de-politicized transnationally, the more it is politically contested in domestic constituencies.

Methodologically, I rely on desk research, document analysis, and interviews. Thirteen in-depth interviews were conducted in Brussels, London, and Washington between July 2013 and November 2014. They are coded with numbers and remain confidential by mutual agreement. EU and World Bank officials were identified according to their expertise on budget support as well as their participation in networks. In addition, I conducted further interviews with member states' officials and non-governmental organizations (NGOs). The article is structured as follows. The next section reviews the normative and institutional context within which international organizations and the EU have adopted budget support. It reveals that budget support has suffered from a strong consensus on policy objectives and was adopted by the EU mostly as an instrument that would re-legitimize its aid policy. The third section analyses transnational budget support knowledge networks as venues of socialization for the European Commission. The fourth section reviews the politicization that pushed to revise EU budget support, highlighting the specificity of the EU multi-level governance habitat.

The Genesis of a Transnational Policy Instrument

Analysis of the genesis of budget support as a transnational policy instrument confirms hypothesis 1. A weak global consensus on ODA objectives empowered transnational administrations to promote budget support as a managerial tool. This explains why there is 'no consensus around a precise rationale, expectations and objectives, across development practitioners or over time' (Tavaloki and Smith 2011, p. 2). An additional finding is that budget support provided the European Commission with a renewed legitimacy derived from the global level. This complements research on the unintended consequences of instruments during their lifetime (Menon and Sedelmeier 2010) and shows that the initial institutional choice can be intentional.

Following the Washington Consensus, the structural policies of the IMF and the World Bank were criticized for their inefficient macro-economic reforms in developing countries. The Zedillo report and the 2002 UN Monterrey Summit on Financing for Development led to the formulation of the global objective of eradicating poverty. Targets were set with the MDGs. The development aid community agreed upon 'making poverty history' (Hout 2012, p. 407) and to advance a genuine development partnership between donors and beneficiary countries. It was 'an attempt to morally rehabilitate the aid industry' (Sjöstedt 2013, p. 146). By allowing donors to channel large sums of money into the national budget of the beneficiary country, budget support was seen as a global solution to palliate the lack of ownership of past structural adjustment funds. Budget support was meant to be more inclusive and symbolized 'a re-engagement with the state as the primary development actor; a focus on policy dialogue and institutional capacity building to deliver poverty reduction strategies; and more effective aid through greater country ownership and donor coordination' (Hayman 2011, p. 3). The ambition was to strengthen the role of the state in developing countries (6) and to 'nudge countries towards better governance' (11).

Transnational administrations were, however, also concerned by the stagnation of aid development flows. The EU was concerned as 'its aid budget was increasing faster than its capacity to spend the money' (12). NPM principles became central to ODA with the 2005 Paris Declaration on Aid Effectiveness. Budget support quickly became a fashionable managerial instrument (4), favoured by the transnational diffusion of NPM norms across administrations. The moral objective of eradicating poverty was rapidly undermined and did not stand much of a chance before the 'neoliberal epistemic community in the IMF, the World Bank, US Treasury and ministries of finance around the world' (Hulme 2010, p. 22). The debate opposed the 'radicals' to the 'reformers'. The radicals comprise both neo-liberals and Marxists, who consider foreign aid counterproductive (Gulrajani 2011, p. 200). International aid reformists, rather, are 'the most optimistic adherents of managerial logics and their application to aid administration and planning as a way to coax improvement and higher performance' (Gulrajani 2011, p. 204). The latter, supported by the growing aid consultancy industry, strengthened the primacy of NPM principles (Putzel 1998; Sachs 2005; Collier 2007).

Thus, it is not surprising that the MDGs were conceived as 'Specific, Measurable, Agreed, Realistic and Time-Limited' indicators. Budget support also marked the end of the 'project paradigm', which carried high uncertainties and transaction costs. Aid projects were seen to undermine local ownership and recipients' capacity building. Administrations were worried about high transaction costs due to: 'different reporting and accounting requirements'; 'a multitude of separate projects with different conditions and requirements for disbursement [making] the size and timing of funding less predictable'; issues of accountability; and 'suboptimal efficiency of spending' (Koeberle and Stavreski 2006, p. 4). Rather, budget support would 'provide long-term, predictable and stable support; it would have lower transaction costs than other forms of aid; and it would help donor agencies to shift larger amounts of aid, faster' (Hay- man 2011, p. 3). 'This is a false impression, however, since a good budget support costs time and resources' (3). Interviewees confirmed the prevalence of the managerial logic of budget support. By committing and disbursing aid rapidly and efficiently, donors found '[a] cash cow to get rid of their money' (6, 7).

This has played against the moral objective of poverty eradication. Budget support has supported 'fulsome liberalization, with regressive consequences for poverty reduction (and political sovereignty) in African contexts' (Langan 2015, p. 106). There is ample evidence that budget support has not turned out to be an innovative instrument regarding poverty reduction. Thus, even if evaluations point to successes in improving public financial management systems (ECDPM 2002; Eifert and Gelb 2005; Koch and Morazan 2010; Tavaloki and Smith 2011; De Catheu 2013), they highlight poor achievements in reducing
poverty (IOB 2012; Lagan 2015). Many agree that it has reproduced old neo-liberal and neo-colonial patterns of structural adjustment facilities (SAF) (11, 12; Langan 2015).

The global eradication of poverty and the aid effectiveness agenda nonetheless provided transnational administrations with a renewed legitimacy for their internal reform. This explains why budget support developed as a managerial tool. Budget support was not the most efficient instrument, 'but helped to legitimize a new institutional model'. Very quickly, even though there is variation in the design and implementation, donors agreed to deliver aid through GBS or SBS. Today, DPL represents around 30 per cent of the World Bank projects, while 70 per cent is still project-based financing (9). The IMF also loans money through budget support (IMF 2010). The AfDB provides GBS and SBS under the banner of policy-based operations (later called programme-based operations) in the agricultural sector (two in Lesotho in 1999, and one in Tanzania in 2007), in the education sector (one in Rwanda in 2006, and one in Tanzania in 2007), and in the finance sector (one in Mauritania in 2001) (African Development Bank Group 2012, p. 2). The Asian Development Bank gives mostly SBS (Asian Development Bank 2009).

At the EU level, the translation of global ODA objectives took place in the midst of a deep governance crisis. Normatively, the pro-poor agenda matched the EU's normative power identity (Manners 2002) and its evolution from a post-colonial donor to ‘a development actor in its own right’ (Orbie 2012, p. 17). The supra-norm to eradicate poverty was translated into EU Treaties (Article 208 of the Treaty on the Functioning of the European Union) and in key policy documents like the European Consensus and Policy Coherence for Development. The ‘Brussels Consensus’ succeeded the ‘Washington Consensus’ (Orbie 2012, p. 22), stressing that ‘combating global poverty is not only a moral obligation; it [would] also help to build a more stable, peaceful, prosperous and equitable world, reflecting the interdependency of its richer and poorer countries’ (Council of the EU 2005).

Yet, budget support as an EU managerial instrument expanded significantly compared to other international organizations. Following the 1999 Santer crisis, the White Paper on Governance committed European institutions to improve human resources management, activity-based management, results-oriented policies, as well as financial public management (Levy et al. 2011). Delivering better regulation, reducing red tape, and relying on more flexible and open modes of governance would also provide deliberative forms of democracy (Wolff and Schout 2013). The European Parliament and the Council were held responsible for past EU ODA inefficiency as they continued to mandate the European Commission with more tasks, without taking into account the financial or managerial implications (ECDPM 2002).

An in-depth reform took place. Aid instruments were rationalized. A new Directorate- General, DG EuropeAid, was created in 2001. Quality support groups (iQSG) were created and Country/Thematic Strategic Papers translated the negotiations of National Indicative Programmes (NIP) with beneficiary countries. Results-Oriented Monitoring (ROM) was also created, ensuring independent peer reviewing of aid projects. Additional competences were devolved to EU Delegations, which started to become driven by managerial functions (Bruter 1999).

This ‘new season’ that led the EU to become a more coherent development actor (Car- bone 2008; Orbie 2012) was also driven by internal coercion by the European Court of Auditors (ECA) (4). Since 1981, the number of special reports on external aid represents 26 per cent of the total number of reports initiated, of which 64 per cent audited bud- get support or the SAF. In 2001, a special report reviewing the SAF in the 6th, 7th, and 8th European Development Fund (EDF) recommended strengthening public finances in African, Caribbean, and Pacific countries. The report advised the Commission to monitor ‘more closely the quality of public finance management in beneficiary countries, the volume and regularity of the social sector expenditure and the refocusing of programmes, in coordination with all the parties concerned, in order to achieve effective poverty reduction in the beneficiary country’ (European Court of Auditors 2001, p. 4). Thus, until 2011, ‘performance-based ex post conditionality’ was central to budget support (Schmidt 2006, p. 4). Such endogenous coercion is very much embedded in a transnational standardization of auditing, which has been well documented elsewhere (Pollitt 1999; Botzem 2012).

The absence of a sturdy global normative consensus on aid objectives has thus contributed to providing leverage, power, and collective agency to transnational administrations. Yet, in order to fully validate hypothesis 1, the following section researches the extent to which this collective agency, organized in transnational networks, has over time cultivated a transnational belief in public management.

The PEFA and Capacity4dev Transnational Networks as Venues of Socialization

The European Commission's continued preference for budget support is dependent upon its active participation in transnational networks that produce specific knowledge and methodologies on budget support. International organizations such as the World Bank, the UN, the IMF, and the EU often rely on knowledge networks to provide for 'policy transfer ' of public administration (Stone 2004). In the 1990s, the OECD Public Management Service (PUMA) and the Public Management Committee participated in sharing expertise and diffusing shared understandings of public management (Sahlin-Andersson 2000). Transnational networks are known for consolidating professional organization culture. The latter is 'both a result from shared educational experiences (and the values instilled through shared experiences or common curricula), biased selection of personnel, and close networks of communication among policy professionals regardless of formal jurisdictional boundaries' (Lodge and Wegrich 2005, p. 217). It is therefore reasonable to assume that the European Commission's preference for budget support is nurtured by its participation in transnational networks as venues of socialization. Three examples evidence this point.

First, the European Commission has invested in developing transnational methodologies that value public and financial management knowledge. The Public Expenditure Financial Assessment (PEFA) is a multi-donor partnership created in 2001 as a direct result of the global aid effectiveness agenda. Set up by France, Norway, Switzerland, the UK Department for International Development (DfID), the IMF, World Bank, and the European Commission, it provides a 'diagnostic tool' to be 'used by a limited group of donors into a global public good that can assist in Public Financial Management (PFM) reform formulation and monitoring by countries themselves in collaboration with inter- national development partners' (PEFA website). The PEFA partners have developed, in cooperation with the OECD/Development Assistance Committee (DAC) Joint Venture on PFM, the PEFA Measurement Framework. This set of 31 performance indicators evaluates public finances designed by transnational expert teams (EU, World Bank, and IMF). PEFA monitors three main budgetary outcomes: its aggregate fiscal discipline; its strategic resource allocation; and whether it makes an efficient use of resources for service delivery. PEFA is presented as a 'public good' that 'everyone can carry in their own country' (13), a 'performance assessment' that any country can request. The PEFA Secretariat 'checks published good practices in the process of implementing a PEFA assessment and then issues the "PEFA Check", a process quality endorsement' (PEFA 2015). Countries are also free to choose whether they want the report to be public. Other partners, such as the Inter-American Development Bank (IDB), the AfDB, and the Asian Development Bank, have funded assessments that use the PEFA methodology. This standardization frame- work has been quite successful as ‘it is not about comparing countries, it’s only the starting point for reform’ (13). Yet, critics point to a de-politicized institutional isomorphism that ignores the specificities of beneficiary domestic political systems. Therefore, in spite of transferring standards that provide legitimacy to beneficiary governments, in-depth issues of implementation sometimes remain a ‘black box’. Thus, even though Mozambique’s budget process is ‘exemplary’ according to PEFA assessments, the policy dialogue is weakened by several structural problems, which GBS have not been able to address (Lawson *et al.* 2014).

The European Commission is a leading end-user and stakeholder of the PEFA frame- work. As of June 2014, the European Commission and the World Bank led 70 per cent of the assessments (13). Accordingly, it is ‘the preferred tool to assess the quality of the PFM system in a country’ (European Commission 2012). As a risk management tool, the PEFA is used to determine whether countries are more or less subject to corruption and public financial management risk (10). Over the years, PEFA standards and methodology have been de facto coupled to eligibility conditionality for EU budget support. For instance, in Francophone Africa, a PEFA is required before delivering any EU budget support (13). Similarly, the EU has been trying to influence the PEFA methodology by inserting criteria that would reflect the EU’s political conditionality (10), following pressure by member states.

Second, the PEFA values are cultivated via other networks that develop joint methodologies to implement budget support in a coordinated fashion. The OECD/DAC EvalNet, a steering group for the evaluation of budget support, has conducted comprehensive evaluations via the input of private consultants. This has resulted in the development of a Common Evaluation Framework (OECD 2012a). For instance, in Mali, a joint evaluation assessed 32 budget support operations between 2003 and 2009, conducted by ten different donors (European Commission *et al.* 2011). At country level, transnational administrations interact consistently through *ex ante* assessments, implementation networks, as well as informal and formal coordination. In some countries, like Cabo Verde, a formal budget support group was set up in 2005 by the government to coordinate seven donors (the Netherlands, the World Bank, the EU, the African Development Bank, Austria, Portugal, and Spain) (OECD). At the EU level, budget support is also conditional upon the implementation of Poverty Reduction Strategy Papers, a global financial institutions’ methodology, translated into a national reform plan. Containing the uncertainties of budget support, and in particular fiduciary risk, is a common concern of these networks. Third, the EU has initiated a transnational tool of knowledge sharing. Capacity4Dev is an EU virtual network created by DG DevCo. Launched in 2009, it aims to consolidate knowledge and build institutional memory, supporting thematic expertise, enabling cross learning among practitioners from the EU institutions and beyond, and consolidating knowledge sharing tools and communities of practice. It was developed as a result of the 2007 Paris Declaration and a European Court of Auditors (2007) report on improving the effectiveness of technical assistance via capacity development. It also responds to an internal ambition of DG DevCo to become a ‘learning organization’, as highlighted in its 2008 Backbone Strategy on Reforming Technical Cooperation and Project Implementation Units (European Commission 2008). The online platform combines three types of access: public access; European Commission access (with the possibility to invite other stakeholders); and private access. It is a transnational tool for knowledge sharing amongst donors and beneficiary countries.

The network works in a decentralized way since it is up to the community of practitioners to sustain the input. Although it aims to connect in a more integrated way the European Commission with its 144 delegations, the network is also open to consultants, member states, other donors, and NGOs. Its *Voice & Views* section is particularly geared towards engagement with external actors (1, 2). This has been rather successful considering that if only 30 per cent are European Commission users, 70 per cent come from the private sector, civil society, and EU member states. Some member states, like Germany, are already familiar with similar networks and therefore are more eager to use the net- work. Yet, linguistic barriers and limited access to the Internet constrain some beneficiary countries' participation.

Internally though, this transnational network is weakened by problems of organi- zational capacity. The voluntary nature of the network is problematic and reveals that 'knowledge-sharing' is not yet deeply rooted in the Commission (2). In addition, there is a 'knowledge deficit' that arises from the European Commission's human personnel policy. Traditionally, EU staff in DG DevCo are divided between civil servants (administrators) and temporary personnel (contract agents), the latter representing 40 per cent of the total staff (OECD 2012b, p. 68). Coupled with 'a lack of specific expertise in areas of policy dialogue, public financial management, health and education' (ECA 2009a, 2009b, 2010b), this affects 'EU institutions' capacity in formulating polices and strategies for specific areas, and in implementation' (OECD 2012b, p. 68).

Delegations are also under a lot of pressure and are under-staffed (p. 69). The OECD 2012 Peer-Review underscores the impact it has on knowledge and recommends 'finding ways to draw on and value staff knowledge and experience − particularly in implementation, monitoring and evaluation − disseminating it, and establishing better links between these lessons and policy' (p. 69). More specifically, delegations have been sidelined from the aid development policy cycle. This finding echoes the fact that, as in the case of environmental politics, the European Commission is confronted by capacity issues and the fact that the organizational structures to implement a policy instrument like budget support are often disregarded by policymakers (Schout *et al.* 2010).

An intermediate conclusion is that the active role of the European Commission in transnational knowledge strengthens the transnational communities of practice on bud- get support as a managerial tool. Yet, because knowledge is never neutral, transnational networks can be used by the European Commission to 'increase legitimation, access means and influence' over EU budget support. Such an endeavour is mostly triggered by 'competition between institutions, governments and non-state actors' (Saurugger 2011, p. 15). Transnational factors need to be analysed in relation to domestic instrument constituencies.

Governance Location Matters: EU's Multi Governance Context

Policy instruments are used by transnational public administrations to organize relations amongst stakeholders, de-politicize sensitive issues, and induce policy change across countries. This is at odds with the political sociology argument that instruments give rise to intense political negotiation, contestation, and resistance. Linking the EU habitat to the transnational dimension this section tests hypothesis 2, according to which 'the more the instrument is de-politicized transnationally, the more it is politically contested in domestic constituencies'.

The degree to which budget support is de-politicized is evidenced by an analysis of its evolution since the 2000s, which was reinforced, in spite of a series of incidents and reforms. ODA transnational bureaucracies are agents that 'transform political issues into technical and managerial problems, thereby removing them from the sphere of political decision-making and fundamental political contention' (Jaeger 2007, p. 260). In doing so, they have been criticized for ignoring the domestic political context of the beneficiary countries where they operate (Ferguson 1990). Thus, when the donor community, led by the World Bank, withheld budget support from the Ethiopian government after it cracked down on its opposition (11), it was the politicization of its programme that it precisely sought to avoid. And yet, the Development Assistance Group, which coordinates donor support to Ethiopia, continued its support in spite of much criticism from civil society (Human Rights Watch 2010).

Thus, following this anti-politics argument, it is not surprising that 'the EC kept political governance outside of budget support until 2011–2012, following OECD–DAC recommendations' (Del Biondo and Orbie 2014, p. 416). Yet, more recently, donor administrations have attempted, rather unsuccessfully, to introduce a political-economy approach into their aid, in particular through political risk and good governance assessments and methodologies (Hout 2012). The Dutch Ministry of Foreign Affairs introduced, as early as 2006, a Strategic Governance and Corruption Analysis (SGACA) (Hout 2012, p. 411). In the UK, the Drivers for Change policy was introduced as early as 2002 in Bangladesh. When delivering budget support, the World Bank can conduct a Country Policy and Institutional Assessment (CPIA) that takes into account the quality of policies and institutions (9). The de-politicization logic has prevailed: first, due to the fact that 'the agencies' professional outlook leads them to see development in primarily technical terms'; and second, because 'the nature of incentives for development professionals leads them to resist the implementation of political economy analyses' (Hout 2012, p. 405).

Similarly, an analysis of the revision of EU budget support guidelines in 2007 and 2011 shows that performance-based logic was reinforced (4). Following the Paris Declaration on Aid Effectiveness, the Council, the European Parliament, and the Commission agreed, for the first time, on common development objectives through the European Consensus, adopted in November 2005. Combined with the 2005 ECA report on budget support in EDF countries and an OECD evaluation of GBS in May 2006, new guidelines were subsequently adopted in 2007. Risk management was better integrated into the preparation and implementation of EU budget support. Furthermore, greater attention was paid to eligibility conditions, notably through a better application of the PEFA methodology as well as greater guidance on 'the use of results/outcome oriented performance indicators' (European Commission 2007, pp. 8–9).

Later on in 2011, the Commission and the European External Action Service (EEAS) were asked to 'develop an improved risk management framework adapted to the specific risk profile of budget support, covering political governance, macro-economic stability, development risk, public financial management, corruption and fraud' (European Com- mission 2011, p. 9). The governance structure of EU budget support was also modified with the creation of a special unit within DG DevCo and the establishment of a high-level Budget Support Steering Committee. Chaired by the Director-General of DevCo, it also involves senior management of DG DevCo, EEAS, and Directorate-General for Economic and Financial Affairs (DG ECFIN). A new Risk Assessment Tool was introduced which covers risks in terms of political governance, macro-economics, development and public financial management, corruption, and fraud (Capacity4Dev 2012). A pilot study has been conducted with EU Delegations (10). Most of the interviewees stressed the weakness of the political risk methodology (4).

The clash between this administrative de-politicization logic and the politicization of the instrument by its domestic constituency, which culminated in 2011, dates back to the early days of budget support. Politicization here means an increased salience of budget support in domestic debates and a polarization of the actors on this issue. Proving the ODA's 'value for money' to taxpayers became an imperative concern of European governments and parliaments. Following a 2001 DfID document, this concept spread rapidly to Danish and Swedish aid agencies (Jensen 2012). The EU espoused the notion of 'mutual accountability', which helped 'donor governments to demonstrate to their parliamentarians and tax payers that they are using public funds allocated for development assistance effectively' (European Commission 2010, p. 11).

In the EU's multi-level polity, political conditionality was more visible than for other bureaucracies. This is partly due to its international identity of normative power. Because it does not want to provide third countries with a 'blank cheque' (European Commission 2011, p. 2), EU budget support is framed within the 'political dialogue' between the EU and the beneficiary country, which serves as a 'key forum to address concerns and challenges relating to fundamental values, including human rights issues' (European Commission 2012). Thus, 'EC development aid people, with a few exceptions, are much more like diplomats than in the IMF or the World Bank' (11). The disbursement of budget support is usually agreed for three years, with first a fixed tranche and then variable tranches. Variables tranches are disbursed subsequently, following success of the recipient country in reaching macro-economic stability and/or MDGs-related criteria. However, many argue that those variable tranches are 'really a non-transparent process where the head of the delegation has all the discretion' (11).

The 2011 reform shows, however, that budget support as a de-politicized managerial tool was contested mostly by EU member states and their parliaments. The 2011 *Com- mission Communication on a Future Approach to Budget Support* included governance conditionality in Good Governance and

Development Contracts (European Commission 2011), and a differentiation was introduced with Sector Reform Contracts (the old SBS) and State Building Contracts for fragile countries. These modifications also translated at global level the need to differentiate budget support for fragile countries, as identified during the High Level Forum on Aid Effectiveness in Busan (Hauck *et al.* 2014, p. 70). Council conclusions codified a concern regarding conditionality on fundamental values, which had been raised by the Nordic countries and the ECA. ‘We need to face the political dimension and take it into account in our decisions. This is something we accepted from the member states’ (10). Debate arose as early as 2007, when the Commission released budget support to Kenya just after the eruption of violence (7) and was subsequently criticized by the member states for its weak political conditionality. A 2013 report of the ECA severely evaluated the use of EC development aid in Egypt. Out of the €1 billion spent between 2007 and 2013, 60 per cent of the aid was channeled through SBS. SBS was mainly delivered in the area of public finance management and the fight against corruption (European Court of Auditors 2013, p. 21). The Commission was criticized for never suspending any tranches or applying any other kind of conditionality despite breaches of human rights. External audit and legislative scrutiny were identified as key weaknesses, since they were never ‘followed up by firm steps to put in place a reform programme’. ‘Only in December 2011 did the Ministry of Finance (MoF) endorse an International Monetary Fund roadmap which provided the basis for a PFM reform programme’ (European Court of Auditors 2013, p. 20).

The 2011 reform debate reveals how the conflict between EU member states and EU institutions structured this policy field. In 2011, Germany, the Netherlands, and some Nordic countries, faced with criticism from their parliaments, raised the issue in the Council. They favoured stricter political monitoring, supported by the EEAS, that would include human rights and good governance. Not only had EU SBS in Burkina Faso, Ghana, and the Dominican Republic been deemed inefficient from a development perspective, but it was also severely challenged politically. Strong presidential systems and weak national parliaments with a ‘severe lack of capacity, resources and support structures’ were key obstacles to an efficient implementation (Koch and Morazan 2010, p. 6). National parliaments were excluded from the overall budget support procedure and dialogue with donors. This highlights the gap between the EU as a global development norm-setter and its overemphasis on the NPM aspects of budget support: ‘the EC focuses mainly on governmental institutions and on technical and administrative aspects. Therefore, *the EC Guidelines on the Programming, Design & Management of General Budget Support* does not sufficiently take into account national control mechanisms and agents of domestic accountability’ (Koch and Morazan 2010, p. 7).

The Commission, as well as France, Portugal, and the UK, were opposed to reopening the debate on eligibility to budget support (5). Together with Oxfam, they thought this would politicize budget support (7). The latter argued instead that not providing budget support in difficult political contexts could come at a significant cost and that political dialogue in such situations remains key. Oxfam also offered to provide independent monitoring of the budget support (7). In the end, a compromise was found with Nordic countries in the Council, and a fourth criterion of eligibility on ‘good governance and transparency’ was adopted. This is a clear distinction from other international organizations that have not been faced with a similar politicization. The World Bank is indeed more concerned with corruption and fiduciary risk (9). The EU, by focusing increasingly on political criteria, departs from global guidelines, in particular those of the OECD–DAC, which recommend against linking political conditionality to budget support.

The 2011 Communication, however, remains vague on how to implement conditionality: 'unless there is a clear cut-situation where EU financial interests and reputation need to be protected, in which case GBS can be suspended immediately, the response to deterioration should be progressive and proportionate' (European Commission 2011, p. 4). The European Think-Tanks Group criticized it and argued that political eligibility criteria respond to 'highly normative legitimacy concerns on the donor side' but completely ignore the recipient side (Vanheukelom 2012). It could jeopardize years of efforts and render aid 'highly ineffective, volatile and unpredictable' in fragile countries such as Afghanistan. Budget support could very well reproduce the problems of development aid instruments from before the reform of 2000, and therefore be even less innovative. The revised guidelines, adopted in 2012, by addressing both fiduciary and political risks, reflect a European compromise between the de-politicized logic of European aid administrations and the politicization of European parliaments and governments. Like Europeanization (Radaelli 2000), it appears that de-politicized transnational logic has contributed to an increased politicization at the member states' domestic level.

Conclusions

Academics have started to address the European or global dimension of policy instruments. However, much remains to be done in order to uncover the complex dynamics of the transnational dimension. The latter, as shown in this study of EU budget support instrumentation, is structurally multi-layered and convenes a heterogeneous group of public and private actors. This gap in the literature is probably due to a predominant interest in whether administrations have been globalized or Europeanized, rather than questioning 'if there is transnational policy-making above and beyond the state' (Stone and Ladi, this issue). This article has sought instead to study the relevance of the transnational dimension in the politics of EU budget support instrumentation. It found that transnational agency and EU habitat matter in accounting for the European Commission's choice of this policy instrument and the instrument's evolution over time.

Both hypotheses are confirmed, and some preliminary findings point to ways to refine them in future research, particularly when it comes to the relation between EU and transnational factors. First, a weak consensus on global aid objectives has fuelled transnational collective agency around the implementation and development of the budget support instrument. Transnational administrations have been particularly keen to promote budget support as a managerial instrument. This confirms that not only do 'actors find it easier to reach agreement on methods than goals' (Kassim and Le Galès 2010, p. 8), but it also confirms that this agreement takes a transnational dimension that transcends national and global levels. Second, this transnational administrative agency has taken the form of transnational knowledge networks. The study of the PEFA network and Capacity4Dev, conceived transnationally, has revealed that these venues of socialization over the methodology of budget support cultivate the transnational belief in public management. Yet, findings show that transnational network governance requires important organizational capacity and coordination of the mutual interdependence of the 'politics' and the 'administration' of the policy instrument (Schout *et al.* 2010, p. 165). This needs to be thought about in transnational terms. Third, the de-politicized transnational logic of budget support as a managerial tool is correlated to an increased politicization domestically. Contrary to the transnational administrative preference for NPM standards, the revision of the EU budget support since 2007 shows that several member states, confronted by their own constituents and debates in parliaments, brought the politics back in. The revised EU budget support methodology thus pays more attention to political risk. Yet attention to fiduciary risk is still prominent, reflecting the transnational preference for aid effectiveness. Those findings are nonetheless limited, as a full study of the causes of increased politicization should be conducted. Several other factors might also enter into the picture, such as the conflation of the financial crisis and the rise of euro-scepticism. The politicization of the instrument by some member states could be interpreted, since 2007, as a need for domestic constituencies to find a renewed legitimacy. Overall, the transnational dimension appears to have significant value in explaining mechanisms of de-politicization and (re)-politicization.

The transnational dimension is relevant to comprehensively appraising the relationship between instruments, agency, and structures. A key element that deserves fuller treatment is the legitimacy of transnational instruments in domestic structures and the impact of transnational agency. Given that instruments carry different social meanings, depending on the actors' perception and interest, there is a risk that an instrument's legitimacy is weakened by its transnational practice. Instruments can hold legitimacies that can be mixed (Lascoumes and Le Galès 2007, p. 14). Integrating the transnational dimension into a reflection upon the way instruments organize relations between the governing and the governed seems therefore a promising avenue for research.

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Interviewees

1 – DG DevCo official, 18 July 2013, Brussels

2 – DG DevCo official, 18 July 2013, Brussels

3 – DG DevCo official, 18 July 2013, Brussels

4 – DG DevCo official, 18 July 2013, Brussels

5 – French diplomat, 19 July 2013, Brussels

6 – NGO expert, 6 September 2013, phone interview

7 – Overseas Development Institute (ODI) experts, 8 October 2013, phone interview

8 – Department for International Development (DfID) official, September 2013, phone interview

9 – World Bank official, 8 October 2014, Washington, DC

10 – DG DevCo official, 29 October, phone interview

11 – NGO Expert, 20 October 2014, Washington, DC

12 – NGO Expert, 30 October 2014, phone interview

13 – PEFA Secretariat official, World Bank, 21 October 2014, Washington, DC