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ABSTRACT

This dissertation focuses on the European Union's development partnerships, and particularly on the differentiated approach to development which was introduced as an operational principle in the Multiannual Financial Framework 2014-2020. According to this approach, development funding should be targeted where it is needed most and where it can have the most impact. The differentiated approach to development, also known as the differentiation principle, initially affected nineteen Middle Income Countries (MICs) mainly in Latin America and Asia. In accordance with the principle, development cooperation was to be ended in the countries concerned when the MFF 2014-2020 came into force.

Adopting the differentiation principle as a policy decision is a significant one. It connects to the global debates on poverty in the MICs in particular which 1) may not have solid enough economic development to maintain their MIC status, and 2) may still struggle with development challenges such as in-country poverty pockets, deep economic and social inequality between their citizens, and environmental and political fragility. By introducing the differentiation principle, the EU has argued that the countries that have crossed the MIC threshold should take responsibility for dealing with their internal challenges when they have the prosperity to do so. As such, the principle raises for example questions such as whose responsibility poverty eradication is (and by what means) in the light of the Sustainable Development Goals and in today's global and inter-connected world. In addition, changing partnerships entail a shift from the old to something new, and considering "then what and on whose terms" is central to the analysis.

By asking whether the EU's differentiated approach is compatible and coherent with the EU's development policy objective of poverty eradication, and what alternative approaches to development cooperation the EU proposes in order to achieve the Sustainable Development Goals, the study at hand analyses the legitimacy of the principle as it was applied to the MFF 2014-2020. To that end, the notion of Policy Coherence for Development is being scrutinized from the point of view of differentiation in development. Likewise global taxation, a major policy agenda for the EU, is looked at as an alternative for more equal revenue re-distribution.

The analysis points to very ambiguous results, concluding that the EU, a stern promoter of values such as human rights, equality and equity, seemed not to have a clear strategy in applying differentiation when it became an operational principle in 2014. It did not have sound exit strategies that have been negotiated with the partners; neither did it seem to have clear visions of future partnerships when the

differentiation principle came into force. Rather, the initial decisions seemed to be based on motives driven by the EU's own interests, and only afterwards, most notably when the Sustainable Development Goals became the global sustainability agenda, did the EU start to pay more attention to inequality, particularly in MICs, as a development challenge. In any event, with its current financial architecture, the EU is ill-prepared to deal with complex development issues such as economic and social inequality which would require multi-layered responses across policy divides.

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TIIVISTELMÄ

Käsillä oleva väitöskirja tarkastelee Euroopan unionin kehitysyhteistyössä sovellettavaa eriyttämisperiaatetta (engl. differentation principle), jonka mukaisesti kehitysyhteistyörahat kohdennetaan niitä eniten tarvitseviin maihin, ensisijaisesti kaikkein köyhimpiin maihin. EU:n rahoituskehyksellä 2014-2020 kehitystyö lopetettiin eriyttämisperiaatteen mukaisesti 19 Latinalaisen Amerikan ja Aasian keskitulon maassa.

Vaikka eriyttämisperiaatteen voidaan toisaalta nähdä olevan rationaalinen operatiivinen päätös, kehityspolitiikan näkökulmasta se on hankala. Pariisin ja Busanin periaatteiden mukaisesti kehitysyhteistyön täytyy olla tuloksellista, läpinäkyvää ja laadukasta, kumppanin tarpeisiin vastaavaa ja ennakoitavaa. Periaatteiden mukaisesti myös avunantajien tulee olla sitoutuneita apuun. Eriyttämisperiaatteen toimeenpano on aiheuttanut huolta paitsi kohdemaissa, myös kansalaisyhteiskunnassa. Missä eriyttämisperiaatetta toteutettaisiin, millaisin kriteerein kohdemaat valittaisiin, ja miten se käytännössä vaikuttaisi meneillään oleviin etenkin monivuotisiin kehitysohjelmiin, kumppanimaat ovat kysyneet. Vastauksena Euroopan komissio tarjosi valmistumista kehitysyhteistyöstä ja siten ohjelmien tuen lopettamista.

Globaalisti eriyttämisperiaate liittyy läheisesti meneillään olevaan kehityspoliittiseen keskusteluun kehitysyhteistyön kohteista, ja siihen vastaako OECD:n virallinen kehitysavun vastaanottajamaiden lista nykypäivän globaalin, verkostoituneen talouden aiheuttamiin haasteisiin. Koska absoluuttinen köyhyys on viime vuosikymmeninä vähentynyt, monet valtiot ovat siirtyneet köyhien maiden kategoriasta keskitulon maiden kategoriaan, minkä tuloksena suurin osa maailman köyhistä asuukin nyt keskitulon maissa, joissa sekä taloudellinen että sosiaalinen eriarvoisuus ovat mittavia ongelmia. OECD:n kehitysavun vastaanottajamaiden listan mukaisesti nämä valtiot eivät välttämättä enää hyödy kehitysavusta. Riskinä on joutua väliinputoajan asemaan ja taantua takaisin köyhien maiden kategoriaan.

Tutkimuskysymykseni keskittyvät eriyttämisperiaatteen kriteereihin, sekä siihen, millaisin mittarein EU tarkastelee kehitysyhteistyökumppaneitaan ja miten se käsittelee eriarvoisuutta osana globaalia köyhyysongelmaa. Lisäksi tarkastelen eriyttämisperiaatetta kehityspoliittisen johdonmukaisuuden näkökulmasta, vertaillen esimerkiksi poliittisia kannanottoja operatiivisiin ratkaisuihin ja komission rahoitusvälineisiin.

Analyysini osoittaa, että EU:n valmiudet vastata köyhyyden ja eriarvoisuuden tuomiin haasteisiin ovat verrattain rajalliset. EU:n kehityspolitiikan voidaan nähdä olevan laaja-alaista korostaen esimerkiksi poliittista johdonmukaisuutta ja eri toimijoiden ja sektoreiden vastuuta köyhyyden poistamisessa, mutta EU:n ohjelmasuun-

nittelu tai rahoitusvälineet eivät välttämättä vastaa EU:n poliittisia kannanottoja. Toisinaan ne ovat jopa ristiriidassa. Mitä tulee eriyttämisperiaatteen toteutukseen, näyttää, että kehitysyhteistyö lopetettiin joissakin kumppanimaissa ilman siirtymävaihestrategioita, lähtökohtaisesti EU:n omien poliittisten tai taloudellisten motiivien vuoksi, ei välttämättä niinkään kumppanien toiveesta.

Acknowledgements

For as long as I can remember, I have been intrigued by different cultures, different world views, different ways of living and expressing oneself, and in the way they all are woven together into one world. The determination to try and make sense of it all to the extent that is even possible also became my profession, within which I continue to wonder what development actually is. In my view, the answer lies not only in understanding and embracing the existence of different cultures and societies around the globe, but also in understanding ourselves: in the ways we Europeans justify what we do in other regions where we are only visitors. I hope that this dissertation contributes to that fundamental debate.

Being passionate about development helps, but what has truly made this project worthy of, has been the opportunity to work with great people. While I celebrate the closure of one chapter, I do not take leaving my closest allies lightly; my supervisors Professor, Dr.Soc.Sc. Pekka Räsänen and Dr. Marikki Stocchetti, both of whom I would like to thank from the bottom of my heart, for being there always when needed, and by being the best possible examples of choosing careers out of a passion for what you do. Not only do I value you enormously as professionals from whom I have learned a lot, but I have also enjoyed working with you tremendously. It has been truly fun and a privilege and I hope this is the beginning, not the end.

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Haldorsson, the result of sending me to the first MFF-meeting, (which I gathered was an ad-hoc decision in the absence of anybody else being available) is here in this dissertation so my enormous thanks for that. Manuela Smolinski, my comrade with whom I shared so many fun moments in the office and with whom we totally dismissed the idea that not everybody might share the same interest in financial instruments; and Eija Mustonen, with whom I have kept in touch for years after formally working together.

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Lastly, none of this would have been possible or meaningful without the support of my family: my in-laws Christine and Guido La Tella, who have taken time to read and reflect on the topic with me, not to mention having provided fantastic facilities to work in Paris; my father Jyrki, who has always trusted my judgement, shared my enthusiasm and backed all my sound and occasionally questionable ideas. Thank you all. A great inspiration in my life, and this project is no exception, has also been my grandmother, mummi, Paula Ranta, who would have been proud today. Lastly, thank you Maxime, we have already experienced so much together and there is no end to that in sight yet. The most important support in all possible ways has come from you, and I hope that someday I can return some of it in one form or another.

In Monrovia, 14 February 2019
Riina Pilke

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Original Publications

I Pilke, R. & Stocchetti, M. (2016). Poverty, inequality, and differentiation: The ill-fitting pieces in the EU's development partnerships. *Regions and Cohesion,* 6(1), 1-22.

II Pilke, R. (2016). Partnerships in transition, the case of the EU and the MICs. *Development in Practice*, 26 (6), 719-730.

III Pilke, R. & Räsänen, P. (2018). Practicing or preaching? Linking taxation and sustainable development in EU foreign policy. *European Foreign Affairs Review*, 23(2), 203-222.

List of Abbreviations

ACP	African, Caribbean and the Pacific
CAP	Common Agricultural Policy
CSP	Country Strategy Paper
CCCTB	Common Consolidated Corporate Tax Base
DCI	Development Cooperation Instrument
DG	Directorate-General
EC	European Commission
ECDPM	European Centre for Development Policy Management
ECLAC	United Nations Economic Commission for Latin America
EDF	European Development Fund
EEAS	European External Action Service
EU	European Union
FDI	Foreign Direct Investment
FPI	Service for Foreign Policy Instruments
FATF	Financial Action Task Force
FTA	Free Trade Agreement
FTT	Financial Transaction Tax
GNI	Gross National Income
GNP	Gross National Product
GPGC	Global Public Goods and Challenges
GSP	Generalized Scheme of Preferences
HDI	Human Development Index
HIC	High Income Country
IMF	International Monetary Fund
LDC	Least Developed Country
LIC	Low Income Country
LMIC	Lower Middle Income Country
LRRD	Linking Relief, Rehabilitation and Development
MDG	Millennium Development Goal
MFF	Multiannual Financial Framework
MIC	Middle Income Country
MIP	Multiannual Indicative Programme

MNC	Multinational corporation
NGO	Non-Governmental Organisation
NIP	National Indicative Programme
ODA	Official Development Assistance
OECD	The Organization for Economic Co-operation and Development
OECD DAC	The Organization for Economic Co-operation and Development, Development Assistance Committee
PCD	Policy Coherence for Development
PFM	Public Financial Management
PI	Partnership Instrument
RBA	Rights-Based Approach
SMEs	Small and medium size enterprises
SWD	Staff Working Document
TEU	Treaty of the European Union, "Maastricht Treaty"
TOSSD	Total Official Support for Development Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UPR	Universal Peer Review

1. Introduction

> "Development, after all, is complicated. It is not linear. It is not binary. It is a moving target." (A. Barcena, S. Manservisi, and M. Pezzini, 2017)

This dissertation scrutinizes the differentiated approach to development; an approach that was considered to be a crucial policy and operational change in the European Union's (EU) development cooperation in the Multiannual Financial Framework (MFF) 2014-2020. The origins of the differentiation principle according to the Agenda for Change, the EU's updated development policy of 2011 that paved the way to the upcoming MFF, was in the call for targeting resources where "they are needed the most to address poverty reduction and where they could have the greatest impact" (European Commission 2011a: 9). Whereas the Agenda for Change left criteria for differentiation largely undefined, it already set the regions where the EU should focus its development funding with "particular importance" (Ibid.).

The key developments that led to these changes can be traced back to around 2010, which marked the onset of change for global (development) relations. The Arab Spring, stretching over the coming years, brought the world to a point of no return with massive social, political, and economic repercussions. The year 2010 was also the beginning of international collaboration that continued over the next five years, up until the international community was due to agree on the next generation development goals that were to follow the Millennium Development Goals (MDGs). Although poverty in absolute terms had been reduced in an impressive number of Low Income Countries (LICs) in the MDGs era, both individual citizens and politicians were asking: at what cost? An increased awareness of growing income and social inequalities in both rich and developing countries, and of the planet's ecological limits to achieving what we have commonly perceived as development, created a strong sense of a need for a change, even if the ideas of what kind of change was needed were (and continue to be) different between local and global citizens' movements, local communities, ethnic groups and cultures, states and international institutions. For the EU, one of the world's largest development donors and a neighbour of the Mediterranean countries Algeria, Egypt, Libya, Morocco and Tunisia, the Arab Spring was a wake-up call that set in motion a process of re-thinking the EU's security and development policies, and its partnerships with the Northern African states and the Middle East. These shifting priorities eventually had an influence on the EU's partnerships with all third countries.

Around the same period, negotiations on the next seven-year budget cycle of EU, the MFF 2014-2020, took off in an obviously difficult political climate: Europe had experienced a severe economic recession following the 2008 bursting of the housing bubble in the US, which at its worst led to the bailing out of Greece by other member states. The recession was followed by high unemployment rates and severe austerity measures that put constraints on European citizens' personal lives and caused them to doubt in the political elites. Partially as a consequence of these events, the UK under the leadership of David Cameron opened Pandora's Box in the form of a referendum on EU membership, which began to occupy much space on the EU's agenda right from the onset of the idea. The referendum finally took place in 2016 and led to Brexit negotiations being extended over several years to come.

Despite its internal challenges, the EU took a visible role on the international stage post-2015; engaging with the Sustainable Development Goals (SDGs) project and participating closely in the drafting process. Simultaneously it was revising its internal development policy and cooperation models with third countries. The Agenda for Change paved the way for changes to be introduced in the MFF 2014-2020. It was a product of its time with demands for more value for money, transparency on the ways European public money is used, stricter conditionalities imposed on partners, and the spending of development funding where it would have most impact. The policy also adopted stronger rhetoric on inclusive (economic) growth than the European Consensus for Development (2006), which emphasized inclusive development – a small but significant difference indicating the changing priorities of the EU.

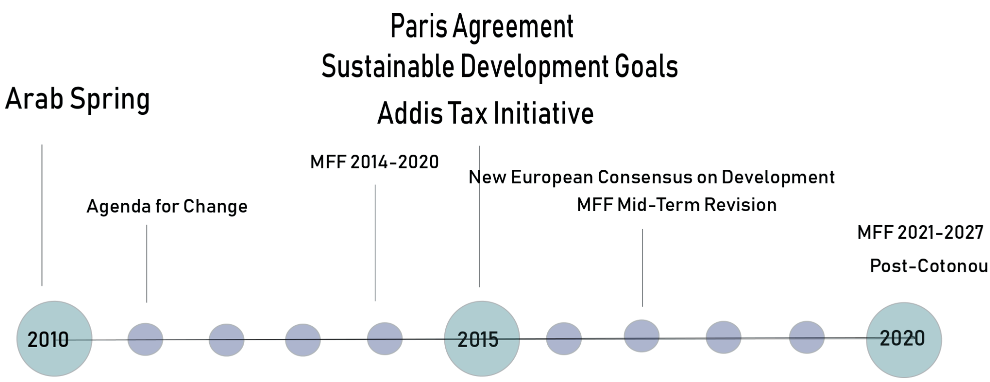

Figure 1: A decade of development policy changes in the EU.

In the MFF 2014-2020, differentiation was introduced in nineteen countries: Argentina, Brazil, Chile, Costa Rica, Ecuador, Colombia, Mexico, Panama, Peru, Uruguay, Venezuela, China, India, Indonesia, Iran, Maldives, Malaysia, Kazakhstan and Thailand. But why does differentiation merit an entire dissertation? It seems like a sound principle by means of which scarce development funding can be efficiently distributed to different parts of the world that struggle with an array of environmental, political and economic challenges. Nonetheless being steadfastly linked to the larger debate of where, how and by whom development cooperation should be carried out, differentiation has been a source of serious operational, normative, political and instrumental concerns both in the European Commission and among the affected partners. On the political side it caused internal disputes due to the member states' historical ties with the countries in question, and of course had a major influence on the relationships between them and the EU. As for normative concerns, it for example brought out questions about the EU's responsibility towards vulnerable groups, and whether the EU practices the rights-based approach that it preaches or even acts against international agreements such as the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (2005), and the Busan partnership for Effective Development Cooperation (2012).

Those working on the operational side had to think where to move next, and how to respond to the partners experiencing the gap that the closed development programmes might have left, and what kind of exit strategies were available. In addition, very few alternatives were considered in terms of definitions of differentiation: by and large it meant a complete cutback of development aid to the aforementioned countries at that point in time. When it comes to instrumental concerns and as the decision was to be effective in the MFF 2014-2020, differentiation was an inherent part of the re-design process of the Development Cooperation Instrument (DCI), and caused concerns particularly with regards to the eligibility criteria for different aid modalities set out in the DCI regulation. Most importantly though, the way the differentiated approach to development was defined by the EU discarded one of the most important and most hotly debated development concerns of our time: inequality.

The reduction of economic and social inequalities in their various forms has become one of the red lines in the context of the SDGs with a shared realization that inequalities are root causes of economic, social and political instability. During the design phase of the SDGs – although not necessarily as a result of that particular project – many scholars, civil society members and politicians drew attention to inequality as a development problem. Around 2014 Oxfam published its much-cited claim of one per cent of the world's richest controlling around half the world's wealth (Oxfam, 2014; The Guardian, 20 January 2014). Though many researchers would be cautious to endorse it due to the difficulty of verifying it with reliable data or methods, it has become an oft-repeated refrain that the general public can relate to. Additionally, in the same year, the French economist Thomas Piketty published Capital in the Twenty-First Century, which quickly became a popular, internationally recognized landmark study on the evolution of (economic) inequality. Also the OECD, now developing slogans such as "bridging divides" to tackle inequality (OECD Forum 2017), began to work on new definitions of development that would better correspond to the problem of inequality as related to poverty eradication, whether examined as a within-country or between-country phenomenon.

Examining the EU's differentiated approach to development in a broader context of sustainable development, inequality and poverty reduction are central themes of the study at hand and are linked to the differentiated approach to development in many ways. Firstly, all countries where the differentiation principle was to be applied have experienced relatively rapid economic growth when measured by GNI or GDP, leaving the countries with high income disparities and social inequality between their citizens behind. How to deal with extremely poor populations in relatively well-off states with positive economic outlooks is not only a question of development cooperation, but also a matter of wealth re-distribution that gives new importance to the notion of Policy Coherence for Development (PCD) as an approach for poverty eradication. Do these countries have adequate financial management systems in place, do they wish to have external support in the building of such systems, what is the impact of international trade and taxation, and to what extent should other countries or private sector take responsibility for their offshore operations are questions that the international community continues to ponder. Moreover, the suitability of the growth dogmas with regard to the planet's ecological limits, growing human population and to halting climate change are issues that have opened up current development cooperation principles to new, much needed discussions.

This dissertation investigates differentiation primarily from a socio-economic and development stance. Theoretically it combines economic sociology, EU and development studies, and political economic research. It includes three research articles published in 2016 and in 2018, and an introductory section. This introduction comprises eight chapters, beginning with setting the context by reviewing the main changes in the shift from the MDGs to the SDGs as relevant to the research topic. In the third chapter I briefly review the EU as a development actor, after which I turn to examining the phenomena of inequality and poverty in more general terms. I focus mainly on the international principles for development aid, and where they leave Middle Income Countries (MICs) that have experienced vast donor flight in recent years. The chapter is followed by an unpacking of the notion of differentiation, beginning with sociological theory and ending in an analysis of how it is used as an approach in development cooperation. Chapter six presents the research questions and methodology of the analysis. An overview of the results of the three research articles are presented in chapter seven, which is followed by a final discussion and conclusions in chapter eight.

2. Differentiated Development Cooperation Put into Context: Transformation from the MDGs to the SDGs

Coming into force in 2001, the MDGs served as the global development agenda for fifteen good years, during which many countries moved from the LIC to the MIC category as per OECD categorization. Although critical voices towards the Goals have always existed, it would be unjust to state that by aligning poverty reduction efforts for the benefit of the world's poor the MDGs did not work. By being chiefly concerned with the widening gap between rich and poor in the North-South axis – or in Quah's (1996) words, twin peaks of the polarized world – their greatest weakness was the sole focus on developing countries discarding the inter-relatedness of different parts of the world.

Different goals, different ideologies: From MDGs to SDGs

Although not all scholars sign up to the claim, for many the MDGs are a result of decades of neoliberal economic policies in the powerful Western countries. At their heart has been the preference for minimal government interference in the functions of the markets. For poverty reduction this meant the promotion of chiefly economic – "inclusive", as the most common discourse establishes – growth, where the role of the states has been to create an enabling business environment that is accessible to market actors. The State for its par was expected to take responsibility for different aspects of social development, including the provision of health services, education and social protection, and to regulate the use of natural resources for greater environmental sustainability and protection. The goal of economic growth has been the foundation of development cooperation as can be seen in the definition of development aid by the OECD, which categorizes countries into LICs, MICs and High Income Countries (HICs), which in turn serve as eligibility criteria for Official Development Aid (ODA). Growth measured in GNI has also been a generally accepted indicator for poverty reduction up until relatively recently (cf. Ogujiuba & Jumare, 2012; Carant, 2017; OECD, 2017).

While the 1990s and 2000s were considered as a globally successful period of poverty reduction during which a large number of countries moved from LIC to MIC category, a growing pool of scholars question the success of the neoliberal growth project. Focus on GNI for decades changed the global political geography of poverty, and we are now witnessing greater in-country inequalities and critical limits to the use of natural resources while dealing with a continuously growing population. As has been argued, GNI rates were increased at the expense of human development in general, and of women's empowerment and the provision of quality education in particular (Ogujiuba & Jumare, 2012). Perhaps most critically, as already argued, the MDGs were developed within the prevailing neoliberal system; therefore the agenda was hardly expected to change the structures that produced the present levels of poverty in the first place (Briant Carant, 2017). In contrast, the SDGs still serve the dominant global economic system, but they embrace a language of shared responsibility for poverty eradication, sustainable development and responsible use of limited resources and wealth re-distribution in comparison with the growth discourse of the MDGs era. The SDGs are also considerably more attentive to the causalities in poverty reduction and to closing of the gaps created by unequal outcomes of global and national economic and social structures, injustice in opportunities of individuals and the exclusion of social groups (Freistein & Mahlert, 2016: 2145). Notably, the SDGs take a horizontal bearing on the reduction of inequalities across the Goals. This strategy calls for an increasingly multi-layered approach to development planning: broad definitions of poverty that include analyses of the root causes of it, of socio-political factors, and of decision-making structures and processes in a society (Ibid.).

From least developed and low income to middle income countries, global trajectory

In 1996 the OECD Development Assistance Committee (DAC) listed seventy-three least developed (LDCs) or low-income countries, and whereas the number of LICs was on the rise until the new millennium, it began to fall after 2000 (Sumner, 2016). Today there are altogether forty-nine countries in these categories. A majority of them are in Africa (in 2018 thirty-four of the countries are African compared to a total of forty-four in 1996). These statistics follow the drastic change in the way poverty is distributed globally on one hand and the way wealth is concentrated on the other. Whereas some countries have moved from LDC category to LIC or MIC category, some countries, such as certain Eastern European countries, China and South Africa, have moved to the upper MIC category. As for Latin America and Asia, many countries have moved from lower MIC to upper MIC category, but significantly fewer have experienced a shift from MIC to high income category (Chile and Uruguay and most recently Argentina and Panama being the exceptions).

Many of the countries that have crossed over from LIC to MIC category, including giants such as China and India, continue to be socio-politically, economically or environmentally fragile, often also at risk of natural disasters: in 2017 51 per cent of humanitarian funds that were requested by the UN were for crisis responses in MICs (UNOCHA, OECD, 2018). From a point of view of development partnerships, the MICs are not easily categorized thanks to their heterogeneity, but they are home to over 70 per cent of the world's poor with development challenges, such as limited access to health care, clean water and sanitation, and general human security.[1] Taking into account these fragility factors, Sumner has launched the notion of "genuine and premature graduation", referring to the country's risk of falling back into the LIC category (Sumner, 2016: 15). What is of particular relevance here is that studies show that countries have become richer because of the resultant increase in their assets in the loosest sense of the word (i.e. their "residing wealth") but at the same time, governments have become poorer as a result of an imbalance between private (which is controlled by a very small population) and public wealth (Alvaredo et al., 2018).

Parallels: donor policies and assistance

As the geopolitics of poverty has changed, so have the development assistance flows, even if not quite in the same direction. Overall economic development – and the fact that development on the mere basis of GDP / GNI growth has not been truly questioned outside of the academia in the past – has made a number of countries far less dependent on development aid, which is undoubtedly the core idea of external assistance. However, whether or not the recipient countries themselves have declared the need for development assistance, GNI growth exceeding the MIC threshold has already set in motion donor flight from the newer MICs, leaving an epic blind spot as regards inequality as part of the world's poverty problem, and thereby risking the creation of forgotten poverty pockets in developing and well-off economies. Many OECD DAC members, including countries such as Finland, Sweden, Luxembourg and Ireland, had taken decisions to focus aid on least developed countries. However, albeit with good intentions, those sort of political decisions also come with challenges: almost half of the aid to LDCs worldwide was channelled to only seven countries

1 The UN defines human security as the people's right to "live in freedom and dignity, free from poverty and despair… with an equal opportunity to enjoy all their rights and fully develop their human potential" (UN General Assembly, 66th Session "Follow up to paragraph 143 on human security of the 2005 World Summit Outcome"). It refers to a wide array of factors that contribute to the feeling of personal / communal security, including security from violence and crime, economic, food, environmental, health, and political security (UNDP Human Development Report Office).

in 2014-2105 (OECD, 2017).[2] As for MICs, bilateral aid globally has been declining since the early 2000s, hitting bottom in the case of upper MICs in 2012-2013, and a year earlier in the case of lower MICs. A slight increase may be observed since 2015, coinciding with the SDGs coming into force. (Ibid.: 145)

Timing is an important factor and one of the themes of this research. Until around 2010, when the global discussion as to what the next generation development goals should look like began, inequality as part of the world's poverty problem (or its repercussions on global peace and stability) remained largely an academic debate, and not so much a concern among development practitioners. To that end, the general opinion among donors was that the MICs have the resources to deal with their poverty, and the answer lies in wealth re-distribution. Today, however, precisely because of the positive overall economic development of the newer MICs, the development communities are asking what can be learned from the processes and how to prevent gaps between rich and poor widening in the future. Domestic resource mobilization as part of donor policies is becoming more and more important as a re-distributive mechanism, but perhaps there is now also an increased recognition of a need for transition periods in the MICs when it comes to development cooperation or international cooperation in a wider sense.

It is against this background that the global SDGs project was born. To name just a few, economists such as Thomas Piketty with his study on inequality (2014); Amartya Sen with his extensive work around the notion of capability-poverty (cf. Sen, 2000); Joseph Stiglitz with his long-standing work on poverty reduction and more recently, on the elimination of inequality (cf. Doyle & Sitglitz, 2014); Kate Raworth, challenging the objective of GDP growth as a measure for sustainable development and calling for metrics that include economic, human, natural and social assets (The Worldwatch Institute, 2013); and Andy Sumner with his work on the newer MICs, have all brought to light grave global concerns that the MDGs did not address, but that the SDGs attempt to draw attention to. In other words, following the MDGs that were based on the twin peaks; one peak of extreme poverty and one of wealth, the SDGs are more attentive to the new middles of the world (Sumner, 2016).

2 These countries are Afghanistan, Bangladesh, the Democratic Republic of Congo, Ethiopia, Myanmar, South Sudan and the United Republic of Tanzania. However, it should be noted that overall ODA to LDCs according to OECD has fallen due to e.g. growing migration and subsequent increased ODA expenditure in home countries; the increase of concessional lending that targets chiefly MICs; and, increased channelling of ODA to multilateral cooperation.

3. The *Eu*ropean Way to Development

In many ways the EU is a unique player in international relations and worthy of many definitions, some reflecting the ideals it wants to convey to others, some the occasional confusion inside the institution. The EU has been described for example as an "unidentified political object" (Orbie, 2008: 2), "civilian power" (Freres, 2003) –and in that specific context, an "old power" (Duchêne, 1972; 1973 in Orbie, 2008; 4), which refers to a debate around the EU as a military or a normative actor; "normative power Europe" (Manners, 2002) or "ethical power" (Hyde-Price, 2008); "Fortress Europe" (Orbie, 2008b) for its protectionist trade policies; and by those who take an altogether more critical view of the EU as a power: "EUtopia" for its projections of what it wishes to be rather than what it is (Nikolaïdis and Howse, 2002 in Stocchetti, 2013: 24); possibly no longer much more than a "Chinese whisperer" (Mayer, 2008), and a "tragic actor" (Hyde-Price, 2008). In the context of development cooperation, it has been referred to as the "sleeping giant" (Makhan, Gänzle, & Grimm, 2012, in Carbone, 2012) for its thus far unrealized potential.

Some researchers have suggested that the EU's distinctiveness from other global actors lies in the formation of a relatively tight group of countries with a specific type of capitalism, which is characterized by highly coordinated market economies and state regulated markets (cf. Trigilia, 2002). While these views deserve legitimate support for instance in the light of the European single market project, the homogeneity of the EU countries may also be considered to a certain extent as an artificial juxtaposition created by the institutional premises of the Union. In fact this apparent "level playing field" is paradoxically also fertile ground for a range of problems, effectively also *creating* a space for disputes and disagreements that in turn militates against the operationalization of the EU's own policies. In other words, even if the policies embody common EU visions, in reality the EU Member States are rather different types of market economies and welfare systems and different also in terms of how robust the synergies created between the two may be.

The principles of EU development policy

In order to understand the EU's evolving development cooperation, it is worth looking briefly into the general institutional approaches on social development in Europe. In the case of the Nordic countries a salient focus on gender equality in labour markets by provision of universal child care and other social services in the 1970s and 1980s has been a ground-breaking factor in reducing poverty and inequalities. The soon to exit UK has, within its own borders, chosen a somewhat different socio-structural route, closer to the path of the US with more neoliberal employment policies than to that of the "Nordics in the North".[3] This has resulted in more in-country inequalities but more flexible labour markets than in the Northern Member States. Continental Europe forms the third institutional approach within the EU: that of relatively under-developed social services, especially for families, in favour of more elaborate employment and pension policies. (Esping-Andersen, 1990).

European welfare state building paths are important also in the context of a common EU development policy that stipulates the ways the institution forms partnerships with developing countries. While the country-specific approaches to social protection and welfare differ, the "Nordic" approach to development cooperation crosses these internal divisions of the Union. The Nordic countries have been traditionally like-minded, and have largely initiated, coordinated and driven the common EU development agenda (Elgström, 2015). These countries have introduced the elements of welfare states familiar to them from their own systems, such as state-coordinated taxation for equal social protection, gender equality, democracy and good governance into EU development policy. However those same policies in Europe have made the EU more vulnerable to an outflow of capital and to fierce competition in the labour markets, persistent unemployment, a high income tax burden (that risks becoming even higher) on individuals but low corporate taxes, and tendencies towards the privatization of services so as to ease the pressure of expanding public sectors. Job markets in Europe have generally been less flexible than in emerging economies that have experienced steep growth of GNI (Trigilia, 2002).

"The European way" for development cooperation entails combining the objective of poverty eradication with respect for human rights and democratic governance, values that were introduced to EU development cooperation in the 1990's (Elgström & Pilegaard, 2010). Orbie & Manners, who prefer the term "norms" over "values", state that the EU is a normatively constructed polity and add liberty, fundamental freedoms, social solidarity, non-discrimination and sustainable development to these ideals, (Orbie, 2008a:18). These norms, corresponding to the stated EU values in the official documents, are the cornerstone of the EU's development policy, and are

3 The UK, the Netherlands and the Nordic countries Sweden, Denmark and Finland, are often referred to as the Nordic countries in the context of the EU development policy, thanks to their generally aligned (though not necessarily unified) thinking compared to the rest of the EU member states. The categorization is commonly used in policy and advocacy texts and research. With "Nordics in the North" I specifically refer to Denmark, Finland and Sweden.

the distinctive element in the EU's actorness (Carbone, 2010), usually as opposed to another major global actor, the USA.

Even if the EU is unique in terms of the mix of policies and practices it emphasizes in global relations, it is still global team player that seeks coherence outside EU policies, and it aligns its norms and rules to the international ones (Lavenex & Schimmelfennig, 2009: 801). To that end, EU development policy has also been matched to international development frameworks, first the MDGs, and since 2015, the SDGs (European Commission, 2006; Holland, 2008; 2010), at least in so far as they have not conflicted with the EU's internal or other foreign policy areas. The EU is also an active player in international politics that seeks to influence global agendas, and with its participation in the drafting phase, the EU can take some credit – for better or worse – for the way the SDGs appear today.

By and large, this "EU-style development cooperation" has changed relatively little over time. Rather, development policy rhetoric has been enriched with a deeper commitment to both the values and the elements that are supposed to glue poverty eradication and development to other policy niches. Nevertheless, plenty of literature also establishes the contrast between the EU's more supposedly altruistic values and its often poorly-hidden pursuit of its own interests. For example, the EU has been repeatedly condemned for heavy external finance flows to its neighbourhood instead of to the least developed countries, or other regions in general (cf. Hurt, 2009; Hout, 2007). This critique also suggests that EU development cooperation is characterized by a level of ostentatious post-colonial self-congratulation incommensurate with reality in terms of practical success on the ground as well as being accused of aiming to Europeanize the rest of the world with an aid system that is based on incentives and conditionalities (cf. Vogt, 2006; Murray, 2010). At the heart of this type of criticism lies the idea of the EU as a neoliberal actor for which development cooperation is a stalking horse for free trade agreements (FTAs) (Meunier & Nikolaïdis, 2006; Fioramonti & Poletti, 2008; Hurt, 2010). Using normative rhetoric in development has provoked similar criticism. Examples are numerous; for instance Langan posits that the EU has "long utilized normative discourses without becoming entrapped" (Langan, 2009: 434) for private sector development under the auspices of Aid for Trade programmes in developing countries. The chief aim has been to endorse economic partnership agreements which essentially advance EU interest in trade liberalization and the opening up of lucrative markets in African, Caribbean and Pacific (ACP) countries. Furthermore, FTA negotiations, which are one of the EU's main instruments of partnership globally and allegedly a tool to facilitate the partners' integration into global markets, have been likewise criticized for their imbalanced outcomes with potentially minor benefits for the partners and major gains for European firms with free access to emerging markets (Fioramonti & Poletti, 2008; Robles Jr., 2008; Carbone, 2010; Icaza, 2010).

4. Inequality and Poverty Research in the Changing World

By and large the Western research tradition has problematized inequality either through economic or social lenses. Whereas economists have focused on the impact of inequality and re-distributive mechanisms such as taxation, on (economic) growth, social scientists have approached inequality through the notions of power, equality/ equity, social inclusion / exclusion and accountability. Economic sociologists have moved between the two by attempting to make sense of the roles of states and international institutions as market regulators on one hand and liberal markets on the other (cf. Block & Evans, 2005; Fligstein, 2005), and on social order with notable focus on studying the welfare state (cf. Esping-Andersen, 1990; Huber & Stephens, 2005). An emerging field is also the evolution of global economy, production networks and global commodity chains and how they may exercise power over developing economies and elsewhere (Gereffi, 2005).

As for the ways economic sociologists have understood and explained development, Trigilia distinguishes two specific epochs in modernization and development research. The first wave of research focused on dependency theories and was followed by the emergence of comparative political economy (Trigilia, 2002: 148). This second wave led to the present-day phase loaded with fundamental questions relating to the changing international agenda, and to contemplations on the benefits – or alternatives – for liberal economics, development, sustainability, and the roles, the rights and the responsibilities of states, corporations and individuals within them. In many Western countries the doctrines supportive of liberal economies are replaced by neo-protectionism, and "policies excoriated by the right – nationalization, higher taxes, Keynesian economics, financial regulation – are back on the agenda of liberal capitalist economies" (Wade, 2009: 540). For development cooperation, an epoch divider has been the transition from the World Bank's Washington Consensus to a Post-Washington Consensus – an ideological shift by the Western donors from an undisputed trust in the power of free markets to the recognition of the (state) institutions' regulative role in the inclusive growth which took place around the Millennium (Saad-Filho, 2010). Since the Post-Washington Consensus period we are again experiencing a change, this time towards an era of multi-polarity and multiple modernities, contesting the post-colonial, Cold War and early post-Cold War, Western-led world we knew (Petito, 2016: 84).

Current research trends stem from the realization that just as economic growth did not solve the structural problems of poverty, large increases in development aid alone did not automatically lead to better development outcomes (Fischer, 2009: 863). Traditional development cooperation that includes institution-building for more efficient resource management may even be counterproductive if the international community does not consider the related global systems and agreements (Ibid.). Furthermore, the old donors are being challenged to take a critical look at their own systems, where the production of goods has typically decreased while income generated by fluid financial markets and rentier capitalism continues to increase. It should be noted here that by "old donors" I refer to the USA, which with its Marshall aid is a pioneer in development cooperation; and especially the older EU members with a long tradition of development assistance in Africa, the Caribbean, Asia, Pacific and South America. Understanding and acting upon these factors is key in shaping sustainable societies.

The changing world order has compelled researchers from different disciplines to explain multiple forms of inequality. Inequality is not a new research agenda per se, but inequality as part of the poverty problem is a relatively fresh angle to existing poverty research, stemming from the need to consider relative poverty in new terms. Inequality, however, is a trying concept, and explaining it is a difficult job and however it is explained there are guaranteed to be well-evidenced counter-arguments from others. There is great variation in terms of levels of inequality, the pace with which it increases or decreases, and the socio-economic and political circumstances in which inequality occurs globally (Wilkinson & Pickett, 2010; Ravaillon, 2018). Underscoring the need for social and behavioural analysis in development planning, there is no universal evidence that economic growth or currently existing inclusive growth policies would lead to an increase or decrease in inequality. Furthermore, the data collection methods currently available are not sensitive enough for individual behaviour, and they tend to under-report the income of the well-off individuals in a society (Ravaillon, 2018). They also do not disaggregate intra-household distribution of income, which is a major concern in development programming.

Leaving aside the conceptual challenges, evidence does in any event suggest that between-country inequalities have decreased while within-country inequalities have in many settings increased in the past decades (Bourgoignon, 2015; Ravaillon, 2018). There also seems to be a consensus that inequality is bad for development, that the reduction of it is a "*sine qua non*" for poverty alleviation (Van der Hoeven, 2010: 26); or that "lower net inequality seems to drive faster and more durable growth for a given level of re-distribution" (Ostry, Berg & Tsangarides, 2014: 6); and that inequality "seems to matter in itself and is not just proxying for other factors" (Berg & Ostry, 2014: 187). Research also shows that the patterns of inequality are hard to break, and they appear more resistant to change than poverty alone (Bebbington et al., 2008: 4). Studies likewise suggest that economic growth is subject to, and fuel for, inequality especially during periods of rapid growth (Sumner & Mallett, 2013: 2). Moreover, it seems, accepting the scarcity of data and the challenges it brings for measuring inequality worldwide, that relative development of incomes during growth appears to leave the poorest behind, even if "growth is still good for the poor" in terms of average increase in income (Dollar, Kleineberg & Kraay, 2013). Relative inequality also seems to be inconvenient in mainstream economic systems, as it leads to economic inefficiency, capital flight and rent-seeking (Todaro & Smith, 2011: 220), and less sustained growth (Berg & Ostry, 2014).

Focusing on economic/income inequality alone is fundamentally too narrow an approach to deal with existing complex poverty challenges. Inequality is a contextual phenomenon that changes over time and is influenced, produced and re-produced by a range of economic and socio-cultural values in different types of power settings. The construction of political systems and the institutions within them plays a particularly important role in societal processes, as "they embody social norms which shape the behaviour of individuals about what it is appropriate to want and to do" (Grown, Elson & Catagay, 2000: 1148, in Sabates-Wheeler, 2008: 63). To that end, no doubt quality of life and human security factors, which stem from fulfilling the basic needs such as personal health, security or access to clean water, and from the individual's subjective experience of sustainable, decent, secure and holistically good quality life (cf. Sen, 1999; Alonso, Glennie & Sumner, 2014; Gupta & Vegelin, 2016), are subject to (politico-economic) power and to the choices the political elites make. Sociologists and anthropologists are at home with these types of concerns, which generally have received only little attention in international development politics or in development programme design. Contemporary social development research is concerned as much with *definitions* as it is with the *processes* of development: transferring and translating goods and ideas and conversing ideologies. As Mosse writes, "the power lies in the narratives of the organization's own definition of the problem…" which in development planning inevitably leads to "the need for translating one set of interests into another" (Mosse, 2005: 8). The notion of power, thus, is intertwined with the notions of interests, dominance and resistance in complex ways and the failure of development interventions is often a consequence of underestimating, miscalculating or discarding prevailing local power structures, and overestimating the hegemony of Western development institutions.

The ways in which inequality is ascribed to the notion of power seem to confirm that inequality re-creates inequality, and that inequality in one group occurs as a result of the powerful others (Mosse, 2010). While these types of positivistic conclusions also seem risky, studies that focus on the links between cultural values and economic growth help to explain why some societies have succeeded in building more equal and equitable structures than others. To that end, for example Granato et al. (2014) have established a potentially higher risk of abuse of power (nepotism) in cultures where obedience is a highly valued norm. In this regard, to deal with inequality, societies must deal with relationships of inequality – yet "the scope for doing so is restricted *because* of the relations of inequality" (Bebbington et al., 2008: 6). This leads to other globally significant problems of peace and security, social gaps for example in health and education (cf. Farmer, 2003) and polarization (Esteban & Ray, 1994; Seshanna & Decornez, 2003).

Whilst modelling inequality as part of the world's poverty problem has not yet fully taken shape in order to be translated into development planning, theoretical meeting points do exist. Francois Bourgoignon for example in his study on inequality emphasizes the need for both economic and social analysis of inequality. As an analytical illustration he takes up employment, which on one hand from a technocratic data evaluation perspective is a factor that contributes to income inequality one way or another. The other side of the coin, a qualitative approach to employment, is concerned with unemployment as a risk factor for social exclusion, deprivation of personal opportunities, employment precariousness, a lack of decent jobs and discrimination in the labour markets (Bourgoignon 2015: 63–64). Also the widely cited report of Joseph Stiglitz, Amartya Sen and Jean-Paul Fitoussi (2009) takes both horizontal and vertical stances – incorporating non-market activities and a household level income-consumption relationship – to measuring inequality by conceptualizing poverty and inequality around the notion of social progress.

Because of the conceptual ambiguity of inequality the questions we ask must address which aspects of it matter and what exactly should be focused on in the context of sustainable development, and how to turn these questions into concrete programmes or state structures that would effectively address inequalities. It seems profoundly unfair to expect the development actors to deliver on the SDGs as closing the global gap between the rich and the poor is highly dependent on a wide array of political choices available to the states. Importantly here, inequality in its various forms seems to be the gravest in countries other than LICs. While (North-South) development cooperation has been mainly concerned with inequalities between countries, an increase in within-country inequalities in a large number of states across the world including the Nordic welfare states, has been the sinister reality since the 1990s (Bourgoignon, 2015: 33). What to do about the "new bottom billion"[4] in the MICs is among others, an *instrumental* question, as it legitimately challenges the current international system and the current common understandings of dividing

4 "Bottom Billion" was originally launched by Paul Collier (2007), with which he refers to the billion poorest people in the least developed countries. More recently, Andy Sumner (2012b) has suggested the notion of "New Bottom Billion", referring to increasing numbers of poor people at risk of being left without assistance in middle income countries. These concepts will be discussed in the following chapter.

elements of the world: countries that depend on financial support for climbing out of poverty; the LICs, and other countries that are less dependent on external funding but continue to struggle with poverty and the related problems because of other factors. This applies to a good number of countries in the MIC category (Sumner, 2016).

In summary, inequalities in different forms are both a cause and an effect of poverty, and economic and social dimensions of inequality are distinct, although entwined in multifaceted ways. In general, economic inequality has increased the risk of leaving people behind, which has created a range of social challenges from polarization and growing resentment towards globalization, to deprivation of individuals' choices and opportunities (Faux & Michel, 2000; Ostry, Berg & Tsangarides, 2014). In poverty reduction development assistance is only one part of the story, in which Policy Coherence for Development (PCD) through differentiated cooperation that extends development outcomes to other relevant sectors is equally important. To that end, increased openness (of national economies) to international trade, foreign direct investment and capital flows, and the consequent shifting of poverty and capital concentration, have forced many traditional Western donors to critically assess the ways they interact with the rest of the world. This discussion has been enfolded in the demand for more contextualised and therefore more flexible and tailor-made aid that is allegedly more responsive to the needs of the recipient. Tailor-made aid – also including the transition periods from aid to other forms of partnerships, has been mainly justified by:

- A needed update on the cooperation modalities that better reflect the partner's economic status (the "MIC" argument);
- Changes in partnerships related to changes in international cooperation (the "political/power" argument);
- The pressure to achieve more value for money and more effective development outcomes (the "efficiency" argument); and
- Shared responsibilities of the protection of shared resources ("the global public goods" argument) with cooperation beyond development assistance.

Aid and the transition in emerging economies: the "MIC" argument

The new MICs are in the spotlight during these debates for many reasons. The number of LICs has reduced significantly; since the 2000s, it has roughly halved (The World Bank, 2019), as more countries have moved into the MIC category, and, as already stated, many donors have ceased their support to MICs arguing that the countries have the resources needed to deal with their poverty problems. These newer MICs, about forty in number, are what Sumner calls "bounce back", "premature" or "genuine" MICs according to their economic development (Sumner, 2016: 14). While indeed from an economic point of view they offer emerging, lucrative markets for the rest of the industrialized countries, from a social and environmental justice viewpoint it is crucial that they get resource distribution right in order to reduce the risk of widening income, socio-cultural, rights and access to resource gaps between their citizens. As numerous inequality researchers have argued, economic growth has not solved problems related to social cohesion; and what the role of other countries is in building social cohesion in the process of the emerging economies' integration into world markets is the key piece of the debate. Central to the discussion on whether or not to continue development cooperation with MICs, and in particular countries that up till quite recently were LICs and are therefore still fragile in many ways, is whether, and if so how, inequality is treated as an accredited form of poverty problem.

In many of the newer MICs, including countries such as Colombia and Ecuador, the way inequality is treated as part of the poverty reduction agenda affects those countries' prospects for international support. Scholars have put forward strong arguments for continued support for the "new bottom billion" in the poverty pockets in the MICs. Indeed, the large number of poor people in the MICs form today's most frequently debated grey area in international cooperation for poverty reduction (cf. Sumner, 2012). It is also one of the central concerns of the SDGs, (themselves a consensus agenda and the result of a long and careful "grinding" of the needs into one document that would be acceptable to most of the countries in the world), which attempt to address the problem of unequal resource distribution in a way no other international development agenda has done in the past.

Development assistance and the "political power" argument

Sociological research tradition has assumed that "development" is a somewhat linear process for which the Western countries provide a legitimate model. The notion of development has become loaded with the dichotomy between "traditional" and "modern", in which development represents the imaginary ideal and therefore an objective of modernity. In this setting the donor has been considered as holding significant power over the beneficiary – usually Third World elites – who, by accepting the imposed development model, gain both development assistance and foreign investments, which in turn serve as channels to import Western values (Ogujiuba & Jumare, 2012: 53). In broad terms, the research has also assumed that collaboration between (developing and developed) countries leads to positive development outcomes – presumably primarily in Southern developing countries – and that development indeed requires external interventions. (Trigilia, 2002: 155). Today, we are not only questioning the roles and the legitimate types of economies and their contributions to what we perceive as development in different contexts around the world, but the global North has also had to adjust to the fact that ideological power relations have changed as countries outside of the traditional Northern hemisphere have gained more economic power. For the global poverty reduction agenda this has meant a considerable change to donor-recipient relations.

How the old powers capitalize on emerging forms of collaboration, such as South-South and triangular cooperation, is an important factor as emerging economies that are now also emerging donors offer a competitive option for partnerships compared to the traditional donors. Their attractiveness derives both from the ideological and methodological alternatives that the Southern partners offer. They often fundamentally reject the donor-aid recipient idea, and thereby form equally beneficial partnerships free from political ties (Woods, 2008; Zimmermann & Smith, 2011), in comparison to, for example, the EU, which is notorious for the weight which its support puts on partners in form of conditionalities (cf. Khanna, 2007; Schmidt, 2012; Fioramonti & Poletti, 2008). Also, while the traditional Western donor community fears a range of possible pitfalls in South-South cooperation (See Woods, 2008, for a summary of such concerns), there has been less discussion of the common socio-cultural understandings that South-South partners may have in turn.

To give and to give up: the "global public goods" argument

Global public goods and challenges (GPGCs) were introduced to the international development agenda by UNDP in the 1990s, and were received with considerably mixed enthusiasm by the international community.[5] The initial reluctance concerned both the definition of GPGCs (and by the way, how they should be linked to development), and the financing of GPGCs – whether it should have been in addition to or part of the ODA. Entering the SDG and Post-Paris Agreement era has demonstrated that the international community has solved some of these initial concerns at least at the political level, and those who doubt the often harmful effects of globalization on GPGCs if they are not jointly protected, are by now a minority.

In the case of countries transiting from development aid to other types of partnerships, one of the arguments for continued support has been the persistently

5 Global public goods are defined as "1) natural global commons, such as the ozone layer or climate stability; 2) human-made global commons, such as scientific and practical knowledge, principles and norms, the world's common heritage, and transnational infrastructures (Internet); 3) global conditions, such as peace, health, and financial stability … to be considered public a good must be non-excludable … and non-rival in consumption." (Carbone, 2007b: 181-2).

fragile governance of scarce resources. Furthermore, especially in the case of Latin America, the pleas for continued development funding have been influenced by the challenge of striking a balance between foreign investments for national growth and development, and the criticism of the extractivist behaviour of multinational corporations (North & Grinspun, 2016; Burchardt & Dietz, 2016). In search of possible solutions ever since discussions on the Tobin tax (a currency transaction tax) accelerated in the 1970s (Carbone, 2007), there have been frequent but inconclusive discussions on the need for different international, regional and national taxes to alleviate the effects of international trade on local communities and their environments. These have been backed by international NGOs, and above all from Oxfam, as well as the Economic Commission for Latin America (ECLAC) which has proposed an international financial transaction tax (FTT) in line with these demands from NGOs.

International taxes, however, also require well-functioning national tax systems, which is in fact one of the challenges identified in developing economies. Hence, they would probably benefit from external assistance with more effective domestic resource mobilization which is needed for both financing public services and for taking appropriate measures to protect public goods. In other words, global, regional and national FTTs require adequate national and international infrastructure for their governance.

The second issue concerns political decision-making for the re-distribution of tax revenues. Where additional revenues are invested is a question of both political choices *and* national sovereignty in order to make those choices. While the general assumption might have been that international taxes would automatically help to preserve the GPGCs and generate more money for development assistance, there are no guarantees that this would be the case. Also, some critics have suggested that more tax revenues channelled to more development assistance would lead to tax cuts in recipient countries, thus the primacy must lie in strengthening income taxation of the elites (Clist, 2016). On the other side, some not only reject the negative effect of development assistance in the recipient countries' tax bases, but suggest a modest positive effect (Ibid.).

Value for ODA: the "efficiency" argument

The argumentation that defends ODA (see Appendix 2 for a full definition of ODA) as a tool primarily for the LICs is rooted in Paul Collier's influential study "The Bottom Billion". One of Collier's main conclusions is that as overall prosperity in the world has increased, the billion poorest people in the poorest countries have continued to fall deeper into poverty, and hence are in need of ODA resources more than the rest of the world (Collier, 2007: 11). Also Dollar, Kleineberg and Kraay's (2013) results of the study on the impact of economic growth on the poorest in relative terms support Collier's arguments. For the LDCs, ODA, which has steadily increased globally in the past decades, is indeed still a major source of external financing – on average 70 per cent of it. The MICs on the other hand have lost considerable amounts of ODA resources as more donors have focused their ODA on the poorest countries. However, in many MICs the ODA continues to play an important role in the provision of technical support, knowledge and technology transfer, and essential public goods. (OECD, 2017).

The priority need of ODA in LDCs is unquestionable, however, the efficiency argument; spending development funding where it can have most results, is often advanced without much contemplation of what efficiency is and how to measure the results. In the specific case of the MICs, it is also problematic, if not impossible, to establish what the pace and the level of progress towards the SDGs would be with continued donor support as opposed to closing development cooperation and thereby fully financing the same with national resources. In other words, efficiency requires a consensus on both what is considered efficient in a given setting, and how to measure it. The notion of efficiency in development metrics should entail working towards development results against globally and locally agreed objectives, and should include managing money transparently and preferably without losing it on its way to the intended targets. Therefore the discontinuation of development funding can lead to the creation of sectoral or issue-based funding deficits, which in turn can lead to an acceleration of other problems, such as exhaustion of natural resources in the MICs. On the other side, the "aid darlings" can experience absorption capacity problems. Both cases demonstrate inefficiency problems of some sort, whether directly or indirectly counted as inefficiency in development.

Efficiency also entails accountability, and the SDGs leave some open questions about who is accountable to whom. The SDGs are not only development goals. They present the ideal world order from which each nation should benefit – a world which in all likelihood would not have quite the same economic or political governance system we have today. These sorts of unresolved issues are present for example in the new measures of ODA, such as the Total Official Support for Sustainable Development (TOSSD) statistics framework of the OECD. TOSSD is designed to also cover private funding for development mobilized through official means (OECD, 2017). This gives agency to more actors in the field of development, and thereby raises the question of who these actors must be accountable to their actions – states, international bodies or the beneficiaries?

The SDGs and the related new measures reflect the difficulties of transition periods: we are aware of the need for enacting change but we are pursuing it within the structures already familiar to us. As some suggest what we in reality lack is a global governance model that would support more equal wealth distribution worldwide (cf. Stiglitz, 2009). The lack of such a model is allegedly one of the main challenges facing global taxation as well. A global structure would possibly allow efficiency for development to be defined in more elaborate way. Also new alternative (instead of mere GDP/GNI based) metrics encompassing the social, natural and economic assets and liabilities of a state within the confines of social and planetary limits may establish efficiency in a meaningful way within the framework of global sustainable development. These models aspire to bring as many voices to the defining of targets for inclusive and sustainable development in different contexts, and provide models for identifying present and alternative paths to "safe and just space for humanity" (Leach, Raworth & Rockström, 2013, 86–87).

The origin of the efficiency argument – the pressure to show that the money is well spent – is particularly dominant among the old donors; the OECD members, who have provided development aid from public financing. Especially the European Commission, which is financed by its Member States, has been pushed to show more results in ODA spending and to continuously justify the added value of institutional development cooperation. In that context grants-loan blending for example is considered to be an efficient way of leveraging development funding in partnerships with the private sector. The division of labour for blending principles is clear: governments are to create enabling business environments with supporting, solid regulatory frameworks, and, at the same time to provide seed money, while the private sector can bring substantial leverage to the task. However, efficiency for the EU in this context is no doubt measured differently than it would be by a private sector counterpart, which is still primarily looking for financial profits. On the other hand, efficiency in some emerging economies might be measured in different ideological terms altogether. Some regimes may consider post-capitalist models, which are becoming increasingly popular research topics, and which emphasize sustainable communities models over the market economy (cf. Gibson-Graham, 2006). Where such models are actively being discussed, like-mindedness becomes an efficiency factor in achieving common objectives.

5. Tailor-Made Aid for Effective Cooperation: the Anatomy of Differentiation

Sociologists have associated *structural differentiation* in its traditional sense with modernization processes, which indeed have been treated as processes of "development" by those who have understood them as a change from traditional societies to modernity. One significant feature of modernization has been the formation of state structures as opposed to governing systems based on religion or kin. For Parsons and many other structural functionalists, differentiation essentially happened as a natural by-product of modernization. Parsons has also discussed the notion of ranking as a fundamental element of social systems, and which individuals use to categorize and evaluate their social surroundings (Parsons, 1964: 70). As for economic systems, Parsons and Smelser (1956) considered them as functionally differentiated sub-systems of a society. Differentiation in development cooperation entails elements of these classical definitions: it is an artefact of specialization and an outcome of a set of relative considerations and ranking which takes place by evaluating different factors against one another in interactive processes of weighing interests, roles and the specific goals attached to them (Parsons, 1964).

Then how to differentiate for the best, tailor-made outcomes of poverty reduction? For development scholars, differentiation primarily stands for the distinct selection of the levels of resources, types of instruments, the choice of actors, and the length and the scope of chosen interventions (Freres, 2003). Differentiation may be also understood as a more facilitative concept, in which case the analytical interest lies on places, sectors and arenas of development and what needs to happen in them in order to improve the material and cognitive well-being of an individual (cf. Gupta & Vegelin, 2016: 436). Taking a more problem-oriented view, Yamey et al. (2016) suggest both temporal and spatial approaches to the conceptual development of differentiation. Examining Swedish development assistance for the health sector, they propose two-track strategies divided into global and local functions with a view that the (local) beneficiaries will build their own capacities in order to take over within a given timeframe. What makes their work particularly interesting and potentially translatable to horizontal pro-poor development and welfare planning, is the proposed combination of actions that regard certain health issues as global public goods with potentially grave local effects which accordingly require cross-national management and should therefore be subject to continuous international support. As for local functions, they propose a strategic approach to distinguish "replaceable" and "less replaceable" local functions, such as support to vulnerable groups (Ibid.:137).

Differentiation as the EU's operational principle

Turning specifically to the EU, the institution has increasingly emphasized a differentiated approach to development in its recent policy documents. While it has altered the original meaning of structural differentiation, it has maintained both its ideological roots and an instrumental aspect of it. The EU defines differentiation in development cooperation as follows:

> "Implementation of Community development cooperation is necessarily country or region-specific, 'tailor-made' to each partner country or region, based on the country's own needs, strategies, priorities and assets. Differentiation is a necessity, given the diversity of partners and challenges… Development objectives are goals in their own right. Development cooperation is one major element of a wider set of external actions, all of which are important and should be coherent, mutually supportive and not subordinate to each other." (European Union, 2006: 10)

Since this definition there have been some additional conceptual developments on differentiation. The element of tailor-made action is still present in the EU's later policy texts, but differentiation has evolved into primarily a device for the distribution of development funding, and should thus be subject to debate on whether it should be targeted to poor people or poor countries (see also Wilkinson & Pickett, 2010). The Agenda for Change of 2011 establishes that "a differentiated EU approach to aid allocation… is key for achieving maximum impact and value for money" (European Commission, 2011a: 9).

Evidently differentiation is a more complex issue than simply which countries development assistance goes to, and certainly levels of funding per se do not add up as differentiation in development cooperation. Rather, they become differentiated when one beneficiary or sector receives more as a result of another one losing. As such, differentiation as an EU policy approach entails the already debated question of whether development assistance should be targeted to poor people or poor countries (Sumner, 2010; Verbeke & Renard, 2011; Koch, 2015; Sumner, 2016). In recent years, generally speaking, the EU has responded to the pressure to channel more development assistance to LDCs in Africa in respect for the Cotonou Agreement and the subsequent Africa-EU strategy (cf. Holland, 2008), which has consequently reduced development funding in other parts of the world.

The European Centre for Development Policy Management (ECDPM) identifies three modalities of differentiation that are typical of European Commission development cooperation: 1) a differentiated mix of policies and instruments; 2) differentiated levels of development assistance; and 3) differentiated eligibility of development cooperation (ECDPM, 2012: 5-6). To this definition, which is in fact relevant beyond the EU, we should also add differentiated conduits of cooperation including bilateral and multilateral partnerships, and triangular cooperation models. Of these options eligibility for development assistance in particular has been under scrutiny in the latest overhaul of the Commission's financial architecture in the MFF 2014-2020, whereby eligibility is linked to the process of "graduation" of certain countries from development assistance. Importantly, in the EU development policy context, graduation is essentially interpreted as becoming non-eligible to ODA as defined by the OECD DAC recipient list.

Differentiation and Policy Coherence for Development

Treating differentiation as an operational principle seems insufficient without discussing the notion of PCD in EU development policy. The aim here nevertheless is not to dive into the depths of defining PCD in the context of the EU development policy, which is well covered by a number of scholars elsewhere: pioneering research has been carried out by Forster and Stokke (1999), who have laid the foundations for the conceptual understanding of PCD in the EU policy. Their work has been followed by a number of other researchers, including Koulaïmah-Gabriel (1999), Holland (2002), and Carbone (2008), who have all deeply contributed to both a conceptual and a process-based analysis of PCD. Suffice to state here, therefore, that EU development policy is tightly inter-linked with other policy areas of the Union, such as security and trade, which should all be facilitated for synergies through the EU's policy coherence approach. To that end, if development assistance with the current system to account for ODA alone does not allow enough flexibility to facilitate tackling multi-dimensional development challenges, PCD is one approach that is fit to do so (Koch, 2015: 487). Relevant here is how PCD ought to both evolve and facilitate the differentiated partnerships between the EU and a number of emerging economies in the SDGs framework. Notably, while the pioneering "first phase" of PCD research has largely focused on the relationship between development policy and the EU's trade (and security) policies in the external policy framework, the second phase, for which there is only a modest amount of research to date (see for example Siitonen, 2016), should bridge the divide between internal and external policies, and assess the consequences of potentially harmful practices of the EU in developing and emerging economies.

Particularly in the context of the EU's differentiation principle PCD entails the diversification of policy objectives in a given partnership rather than the eradication of one of them. To that end Gupta and Vegelin (2016), for example, argue that a genuinely inclusive approach and putting the SDGs at the heart of the EU together entail adequate ecological, social and political grounds for sustainable development in developing and emerging economies, something which will not be achieved without the developed countries giving something up (Gupta & Vegelin, 2016: 445) and thereby accurately demonstrating the contemporary socio-economic and political paradoxes. Similarly, Stiglitz notes on the post- US financial crisis period that hopefully it will lead to a more global change of policies and ideas:

> "If we make the right decisions, not merely the politically or socially expedient ones, we will not only make another crisis less likely, but perhaps even accelerate the kinds of real innovations that would improve the lives of people around the world." (Stiglitz, 2009: xiii).

In order to be successful in such a task, it is necessary to assess the way the EU formulates its internal policies, in which European interests are placed at the core. To that end, it is also worth briefly discussing the idea of free markets that sets the foundations of the current global trade system. Economic sociologists examine the very idea of free markets by approaching economies as systems of markets and social structures (Block & Evans, 2005; Swedberg, 2005). As such, markets are just one part of an economic organization whereby different actors take up different roles according to their motives and interests, and in order to find and secure their respective niches (cf. Swedberg, 2005; White, 1981). Furthermore, markets are processes resulting from social relations that involve competition, calculation, struggles for power and control and even conflict (Lie, 1997; Swedberg, 2003: 120) in an arena for corporatist behaviour on the one hand and state interventions on the other (Lie, 1997).

Many scholars have concluded that there is no real incentive for EU Member States to apply the notion of PCD, but that instead the EU's economic and security interests continue to dominate partnerships (cf. Hurt, 2010). Indeed, applying PCD rigorously would also mean more regulation of trade relations, and likely not to the economic benefit of the EU. This in general terms disputes the basic principles of capitalism, which are considered to represent "the highest degree of market freedom" (Weber, 1978: 82-83). Consequently, researchers in the field will have a new, extended agenda – less because of the SDGs themselves and more because of the reasons for the states to agree on them. As discussed previously, poverty is no longer a problem solely of developing economies as richer countries not only struggle with unequal wealth distribution amongst their own citizens but are now also obliged to answer the moral questions of uneven wealth distribution between rich and poor countries. These discussions bring us to two main considerations: whether de-regulation is an illusion altogether, and whether actors in the market are willing to change the system by giving up some of their own interests. Concerning the former, Weber posits that even if markets are said to be free, they must still be rational and predictable, which inevitably requires regulation, whether it is traditional, conventional, legal, or through voluntary action driven by interests (Ibid.). In the same spirit, Fligstein and Stone Sweet question the idea that economic growth depends on free markets and thereby de-regulation (Fligstein & Stone Sweet, 2002). As for the latter, the existence of free markets has been rejected altogether by Guy Standing, who has made a strong case for the damaging effects of "crony" and rentier capitalisms (Standing, 2016).

Policy coherence and the EU single market

Among policy coherence experts, there is a strong tradition of assessing the effect of trade policies and practices on developing economies. Similarly, in the EU context, the repercussions of the Common Agricultural Policy (CAP) on development cooperation have been discussed from many angles by different scholars over the past two decades or so. The EU's tax practices and policy coherence for development is still an emerging field that is likely to attract more interest among development professionals, given that domestic resource mobilization and blocking loopholes in taxation have been identified as one of the crucial global concerns for sustainable development. Moreover, while the responsibility of tax havens to play by international rules is widely discussed, and several mechanisms have been created for holding them accountable, less attention has been given to the ways the EU's tax good governance agenda connects to the notion of responsibility towards third countries.

If the SDGs are to be placed centre stage as a global sustainability project, then it seems highly important to scrutinize the ways the European single market operates in relation to third countries. The single market is a product of the neoliberal ideology emanating from modern financial markets in the 1980s, when competitiveness became the ultimate goal to be achieved and maintained by attracting foreign direct investment, and by boosting exports and limiting imports (Standing, 2016). Indeed, Fligstein and Stone Sweet (2002) have found that those who have benefited from the single market the most are exporting companies. By now the single market has evolved into a complex yet relatively stable, self-reinforcing system of national and regional governance structures, rules of exchange, property rights – and to an increasing extent immaterial and patent rights – which the states facilitate to enable the functioning of the European markets (Ibid., 2002).

Taxation, nevertheless, has been solely a Member-State competence and largely ignored in the single market project until quite recently. This does not however mean that taxation has been a neglected area, on the contrary for most Member States it has been a pivotal part of their state structures. The Member States' tax policies were, for their part, not subject to cooperation with others, but were subject to mechanisms to reinforce the neoliberal ideology. Taxes were used as a tool for competition, mainly through lowering corporate taxes and placing relatively heavy burdens of income taxes on the citizens (cf. Kemmeren, 2014, Standing, 2016). For example Germany, one of the strongest economies in the EU and one of the stoutest defenders of the neoliberal ideology, has been defined as a "combination of the principle of market freedom with that of social compensation" (Müller-Armack, 1956, in Scharpf, 1996: 18).

Even if tax cooperation is expected to deepen in the future, tax cooperation to tackle aggressive tax planning and tax evasion nevertheless means a significant change of paradigm that is likely to cause "conflict of interests between upholders of the old rules and supporters of change" (Trigilia, 2002: 252). It may prove to be an impasse in two ways: the first problem concerns the ways different agents organize themselves according to their motivations in order to create the right conditions for markets à la Fligstein et al. (Fligstein & Merand, 2002; Fligstein & Stone Sweet, 2002). The second challenge entails the methodological processes that lead to the adoption of common rules of action à la Scharpf (1996). According to Scharpf, who has analyzed the ways the EU has reached its current form, the EU has benefited mostly from negative integration – that is, agreeing on regulatory frameworks at the supra-national level primarily by removing certain national rules that have acted as barriers to the Member States (Ibid.). Achieving positive integration is problematic, as it entails putting joint regulations (which often mean restrictions and obligations for individual members) in place, which depends on both national decision-making and thereafter on a unanimous agreement at a supra-national level (Ibid.). Taxation inescapably involves positive integration, and it cannot promise economic gains similar to the single market. In fact, corporate tax cooperation involving more state control contradicts to an extent the idea of free markets, in which generally minimum state interventions is preferred.

6. Research Questions, Data and Methodology

Research problem and questions

The aim of this study is to examine how the EU's development cooperation accommodates the need to address poverty and inequalities in the MICs, where of great concern is the formation of poverty pockets owing to high levels of inequality as the countries' overall economic situations improve. The study proceeds from the *differentiation principle,* which has been discussed in more general terms in the previous chapters, and which is applied in the EU's development cooperation. As stated earlier, differentiation has been applied in nineteen countries during the MFF 2014-2020: Argentina, Brazil, Chile, Costa Rica, Ecuador, Colombia, Mexico, Panama, Peru, Uruguay, Venezuela, China, India, Indonesia, Iran, Maldives, Malaysia, Kazakhstan and Thailand. The study is founded on two specific arguments: it is reasonable to assume that an operational decision to apply differentiated cooperation is 1) backed up by political and strategic visions of mutually beneficial post-development partnerships (including the option of non-collaboration as well) that are compatible with international development frameworks, and 2) implemented according to shared conceptual understandings of *differentiation*. The research questions can be summarized as follows:

RQ1 Is the EU's differentiated approach compatible and coherent with its development cooperation objective of poverty eradication?

I specifically focus on investigating how operationalization of differentiation fits into the EU's commitments to PCD, and how coherent differentiation strategy is with the relevant financial instruments.

RQ 2 What are the EU definitions of poverty and inequality and how do they interrelate within the EU's differentiated cooperation framework?

Here it has been relevant to shed light on the ways the Commission has operationalized its policy objectives for poverty reduction under the MFF 2014-2020, and what the criteria for applying differentiation in certain MICs were.

RQ 3 What kind of other approaches, apart from differentiation, could the EU apply in MICs in order to reduce inequalities and marginalization? For

example, in the SDG framework, what role has taxation to play in social development in partnerships between the MICs and the EC?

Given the increased focus on tax-related good governance in the EU in the recent years, I have anchored my analysis to the Commission's Platform for Tax Good Governance. To that end, I have examined the institutional conditions under which the Platform has to sustain its operations, and the ways different institutions' actors affect the Platform's functionality.

The research questions have been taken up chronologically in each of three research articles. The main aspects of the articles are summarized as follows:

Table 1: Research questions and main assumptions.

	A1	A2	A3
RESEARCH QUESTIONS	***RQ 1 Compatibility and policy coherence between differentiation and poverty eradication*** RQ 1.1 Consistency between Policy coherence for development and differentiation RQ 1.2 Coherence between differentiation strategy and financial instruments	***RQ 1 The EU's definitions for inequality and poverty and their inter-relation with differentiated cooperation*** RQ 2.1 Definitions of poverty, inequality and differentiation RQ 2.2 Operationalization of poverty, inequality and differentiation	***RQ 3 Alternative approaches to differentiation and the SDGs*** RQ 3.1 Institutional conditions for the functioning of the EU Platform for Tax Good Governance RQ 3.2 The influence of institutional actors in platform operations
KEYWORDS	Aid, development policies, governance and public policy, Latin America and the Caribbean, East Asia	Development policy, differentiated approach, European Union, inequality, poverty	European Union, poverty reduction, sustainable development, tax good governance, welfare
HYPOTHESES / MAIN ASSUMPTIONS	Differentiation poorly defined as a strategy, which leads to incoherencies in programme design.	EU policy weak / ambiguous when it comes to operational responses to poverty and inequality.	Agreeing on tax co-ordination principles and mainstreaming taxation in the European Commission programming is difficult due to different and competing internal interests.
KEY THEORETICAL APPROACHES	Carbone (2008); Forster and Stokke (1999): policy coherence for development; Freres (2003): differentiation in development cooperation; Holland (2002); Manners (2002); Hyde-Price (2008): EU as a normative power	Greig et al. (2007), Pogge (2010): definitions of poverty and inequality Sen (2005): human capabilities Sumner (2010; 2013) : inequality and development financing in MICs	Fligstein & Dioun (2015); Fligstein & Mara-Drita (1996); Martin & Prasad (2014): economic sociology, markets and the EU single market development; Deacon (2001); Grahl & Teague (1997), Kemmeren (2014): EU, tax harmonisation and welfare states
DATA	18 EC country strategy documents, 14 Multiannual indicative programmes, financial regulations, development policy documents	12 Development policy communications	41 Tax good governance policy, operational and legal documents, single market policies, semi-structured interviews (10)
ANALYTICAL TECHNIQUES	Critical comparative interpretation and content analysis of policy documents	Critical comparative interpretation of policy documents and conceptual framework analysis	Contextual interview analysis and thematic parsing

Research Data

The data set, which consists of the EU's official documents and interview data of 11 Commission officials, is the result of a gathering process that has stretched over several years, first as a practicing policy analyst and an advocate, then as a researcher. The documents, which have been used as data and which are listed in Appendix 1, are generally but not strictly limited to the Post-Lisbon era from 2010 onwards. From an analytical point of view, a significant period has been from 2012 to 2015, when the Commission first negotiated, and then began to implement, the MFF 2014-2020, which entailed new programmes with third countries for the next seven year period.

The data set has been selected on both a thematic and a geographical basis. It consists of documents that establish past and future cooperation in the countries subject to a differentiated approach to development. These include both country-specific and general strategies which one way or another address MICs as a distinct category for partnerships. As for the thematic focus of the documents in the data set, since development cooperation was the main modality of cooperation in the focus countries in the past, and since the differentiation principle primarily affects development cooperation, the EU's development policies and a number of policy communications that further elaborate on specific issues referred to in the EU's development policy are the point of departure of the analysis. The communications form a crucial part of the analysis, as they further elaborate on the EU's thinking on a certain topic, and may offer clues about the institutional ways of working. In addition, the EU's post-MDG, or more accurately the Agenda 2030 policy statements and strategic documents, are an important part of the analysis and relevant to the formulation of new partnerships between the MICs and the EU.

Other horizontal policy guidance has been analysed where relevant. Examples include communications on equality, human rights, and policies concerning the single market and taxation. Furthermore, as one of the key objectives of this study is to examine how policy turns into operations, I have also examined work programmes and staff working documents that are of relevance to the polices being investigated as well as regulations covering key financial instruments. Moreover, in order to include relevant aspects of the decision-making processes, I have reviewed Council conclusions when development, tax good governance issues, or related budgetary matters have been on the agenda of the European Council.

Lastly, while policy documents form the main body of data, the interviews that I carried out in Brussels served as important complementary sources of information. The interviews, which were carried out in October 2015, served two purposes: 1) to gather additional, unpublished information (such as impending policy elaborations) on how and where differentiation was applied, on tax good governance and its linkages to differentiation and SDGs; and 2) to further investigate the internal working processes in the Commission.

Nodal points and the floating signifier

Common to all research articles is the interpretation of the political discourse of the EU's policy and legal documents, assuming that the EU aims to achieve, and is committed to the achievement of, the SDGs. It should be stressed, though, that this study is not only placed in the domain of development policy, but has as an objective the assessment of how the SDGs, with their single most important goal i.e. poverty eradication in all settings, guide the EU in more horizontal terms; across policy divides. To that end, the third article focuses chiefly on a complementary or even alternative approach to development assistance; tax good governance after the differentiation principle has been applied, whereas *differentiation* is both a central common denominator and a dependent variable for the two former articles. Differentiation alone, however, is not in and of itself susceptible to analysis; it is only given a meaning through the discourse and practice in which it is used. In order to be a meaningful part of development discourse, it must be examined within such a discursive environment. In the EU policy framework this should be easy if one focuses only on policy documents that are clearly labelled as "development policy". However, given the complex policy environment that the EU is, the challenge is to draw "a meaningful whole" from the various policy communications that address problems relevant to development and poverty reduction in Europe and in third countries.

The research problem is a practical one, but in an attempt to construct a full picture of differentiation as a policy and operational approach, the articles draw from the long-standing structuralist research tradition by borrowing the idea of "nodal points" and a "floating signifier" in discourse analysis (cf. Mehlman, 1972; Johnson, 1993). As Jorgensen and Phillips (2002) explain,

> "…discourse theory has a term for those elements which are particularly open to different ascriptions of meaning, and that is floating signifiers (Laclau 1990: 28, 1993b, 287) [as quoted in in Jorgensen & Phillips 2002: 28]. Floating signifiers are the signs that different discourses struggle to invest with meaning in their own particular way." (Jorgensen & Phillips 2002: 28)

While floating signifiers may also be "nodal points", for analytical purposes of this study I consider *differentiation* as a floating signifier, as its utilization as an operational device depends on the type of the cooperation in a given situation. *Poverty, inequality*, *policy coherence for development*, and *tax good governance* function as nodal points for the EU's overall approach to development. While there are good arguments for other kinds of methodological distinctions as well, such a conceptual division of labour makes sense for the purposes of limiting the data to relevant official documents for this analysis.

The chosen nodal points (i.e. *poverty, inequality*, *policy coherence for development* and *tax good governance)* that I have considered as critical pillars in EU development policy also reflect recent global development policy reforms. It should be noted, however, that while the notions of *poverty, policy coherence for development* and *tax good governance* are concepts that the EU has defined as its central concerns, the perception of *inequality* is more ambivalent, and the EU has not considered inequality to be a problem in its own right up until now. In other words, it does not have explanatory strategic visions for inequality as a distinct development challenge, in the way it has for *resilience* in poverty reduction, for example. In spite of this, there are plenty of policy statements that recognize and respond to the problems that inequalities create.

As the first step in the analysis I have gathered policy and legal documents of the EU that address and define the EU's understanding, role and assumed actions in relation to the nodal points (particularly *poverty* and *inequality*), initially simply by searching for them in the texts. In order to ensure the inclusion of as many relevant documents as possible, I have also searched policy documents that define the same as antonyms: in pursuit of equality or equity. I have then added *policy coherence for development* as a nodal point for the purposes of widening the scope of the analysis from what is traditionally considered as development policy or cooperation to other policy domains.

Research Method

Differentiation is a central axiom that gives meaning to both overall policy deliberations and operational direction in relation to the chosen nodal points. From an analytical point of view, this is a key distinction. On one hand differentiation sets out political direction and a strategy for better targeted development interventions according to the needs of the partner while on the other, it serves as functional guidance for operational decisions with significant ramifications for the partner. The former aspects are discussed particularly in the article *Inequality and poverty: The ill-fitting pieces in the EU's development partnerships* (Pilke & Stocchetti, 2016), whereas the article *Partnerships in transition: the case of the EU and middle-income countries (MICs)* (Pilke, 2016) focuses on the latter. Both analyses are grounded in Norman Fairclough's idea that discourse both produces and changes social knowledge (Fairclough, 1992).

According to Fairclough (1993), three dimensions can be identified in a discourse: 1) language use as social practice; 2) the kind of language used in a given social context; and 3) the ways language is used from different social perspectives. I examine *differentiation* both as a policy text and as a discursive practice (Jorgensen and Phillips, 2002: 68). The latter, it should be noted, both consumes and reproduces meanings. Laclau and Mouffe argue that political articulations determine how we act, think and thereby create society (in Jorgensen & Phillips, 2002: 45). *Differentiation* was originally created as a political concept mainly to allow flexibility to define partnerships in different contexts, but it has thereafter been given various meanings which have led to different institutional practices, depending on who is utilizing the principle.

Once the initial selection of data according to the chosen nodal points was completed, I then moved on to investigating how and in which contexts differentiation is used in the documents, dividing the analysis into two parts: a) differentiation as a political message (corresponding with aforementioned Fairclough's analytical distinction of discourse as a social practice and the forms it has taken in different contexts); and b) differentiation as an operational approach (corresponding with Fairclough's idea of the ways language is used from different social perspectives). These two categories were further broken down into functional sub-categories as presented below:

Table 2: Differentiation; analytical categories

	Category A: Differentiation as a political tool	**Category B: Differentiation as an operational approach**
Sub-categories	1 Definitions of differentiation	
	2 Expressions related to the need for differentiation	
	3 Practical interpretations, implications and criteria	

Another key methodological choice that is common to all articles is that they approach the research problem linearly, from the production of policy to operations. Consequently, the analysis focuses on the processes through which the Commission turns policies first into financial instruments, and then, within the scope of the instruments, into programming and partnerships with third countries. The assumption here is that the different parts of the institution act according to a somewhat stern division of labour, and it is well possible – although not necessarily always the case – that policies are written without consulting operations, and vice versa.

The problem of inequality in differentiation

The first article (Pilke & Stocchetti, 2016) reviews the EU's different discursive understandings of poverty, inequality and differentiation, and whether they create different and antagonistic dispositions to one another (Jorgensen & Phillips, 2002: 51) in the ways that these understandings are conveyed into practical cooperation. We have examined both the evolution of more general policy discourse from inclusive development (of the European Consensus for Development of 2006) to inclusive growth and differentiation (of the Agenda for Change of 2011), and reviewed definitions and stated consequences of inequality on poverty and on the related actions aimed at poverty reduction.

We began by outlining the EU's legal commitments to development cooperation, establishing that the legal framework enables the EU to work simultaneously for poverty eradication and the reduction of inequalities. The subsequent analysis was anchored to the Agenda for Change (2011), which sets the EU's basic conceptual understanding of differentiation in poverty eradication: "… *Country needs: assessed using several indicators, taking into account, inter alia, economic and social/human trends, and the growth path as well as vulnerability and fragility indicators*" (European Commission, 2011: 9). This approach has been fruitful, as our assumption was that within the EU system those who create policies and those who design programmes based on the institution's policies, may often have less connection between each other than might be presumed. Such disconnections constitute different institutional realities and discursive competition between competing interests and resources internally.

For the purpose of establishing the conceptual relationship between poverty, inequality and differentiation in development cooperation, we analysed twelve policy communications, staff working documents, and relevant regulations where inequality or synonymous and related terminology / phrases had been used. In respect of what we have considered as "synonymous" or "related" terminology, the texts or specific issues addressed in a policy text must have either referred to the Union's development policies (The European Consensus on Development or the Agenda for Change), or to poverty reduction, welfare, and the MDGs in the case of pre-2015 texts, or in the post-2015 Agenda; the SDGs. In addition, we have included policies that address vulnerability and fragility, and the related stated indicators for measuring them. Other sources for the analysis were relevant documents for the functioning of the financial instruments and recent publications that were generally considered as key policy guidance for external relations. Table 3 in chapter seven lists the reviewed policy, staff working documents and regulations.

Policy coherence for development in differentiation

Following a similar logical path to the first article, the second article (Pilke, 2016) assesses the ways differentiation is made into an operational concept in the Commission and how it thereby fits the EU objectives on PCD. For the EU, PCD is an important approach that should cut across the external policy framework, in which differentiation represents the "why" in choosing the right mixes of partnerships, while PCD signifies the "how" of the same. As such, there has been a noticeable and already much researched change, whereby the different parts of the EU's external policy framework have experienced cross-absorption. In Fairclough's terms, this refers to an increased intertextuality by "bringing other voices into a text", either in the form of citations, or otherwise. In doing so, it brings both differences and relational aspects to a narrative (Fairclough, 2003:41). Furthermore, and typical of the EU policy environment, there is a high inter-relativity of policy texts, in which understanding a single factor requires cross-examination of, and a dialogue between, several policy statements. According to Fairclough, high levels of inter-discursivity is associated with high levels of change, whereas low levels are associated with reproducing the existing order (Jorgensen & Phillips, 2002: 73). Although assessing the level of change is not a focus of this study per se, a blurring of discursive boundaries – and increased inter-discursivity – can certainly be observed in the EU. This is evident for example in the EU's trade policy of 2015. Therefore it is both interesting and worthwhile to examine the notion of PCD in the process of differentiation, i.e. a shift from one form of partnership to another.

I examine different conceptual understandings of PCD and differentiation, departing from the assumption that differentiation, which is vaguely defined in policy texts, allows both re-production and re-creation of social practices within the institution in a two-way process. I investigate the discursive change paths that can be identified first in policy formulation, e.g. production of discourse, and then by the practitioners in programming, which are the consumers and re-producers of discourse (Fairclough 1992). In the case of the MICs, the article underscores an important shift in discourse away from traditional development cooperation (with an imbalanced interest and power set-up between the partners), towards interests in mutually (often economically) beneficial and hence presumably more equally leveraged partnerships.

As a final step in analysing and describing the evolution of the two concepts in focus here from political narrative to programming, I utilize the notions of vertical and horizontal coherence introduced by Mauricio Carbone (2008). Vertical coherence in this case refers to the European Commission's intra-organizational processes, and specifically how development cooperation and the relevant country strategies matched the design of two relevant financial instruments in the light of differentiation. The article examines horizontal and vertical coherence in three functional dimensions: 1) horizontal policy coherence for development and differentiation between different foreign policy niches, 2) operationalization of policy from the top (politics) to institutional grass roots (operations and programming); and 3) consistency and complementarity between the Partnership Instrument (PI) and the DCI.

What comes next? Tax good governance in the EU internal markets and in third countries

The third article (Pilke & Räsänen, 2018) examines vertical coherence from policy formulation to the operationalization of policies, the interests of the interlocutors, and the actions that the different units of the Commission pursue according to their own interests. We focused on tax good governance as a nodal point for several reasons. Most importantly, tax good governance in both the single market framework and in external relations or in the SDGs framework, has gained significant impetus within the EU in recent years. To emphasize the importance of taxation as a global agenda, the Commission established the Platform for Tax Good Governance in 2013, and launched a list of non-cooperative third-country tax jurisdictions in 2015. An increased emphasis on tax matters is just as visible in political relations as it is in cooperation with third countries. In many countries to which differentiation has been applied, the Commission has continued to support – politically or financially – the development of good fiscal practices for more efficient tax collection and domestic resource mobilization. Particularly in its development policy, the EU considers sound tax practices pivotal for poverty eradication. Hence, as the two other articles focus on the problematics of transitioning from development cooperation to other types of collaboration in a situation where conceptually *poverty* is also an increasingly problematic idea, we have considered the EU's tax good governance agenda as one of the possible solutions that the EU chooses to offer.

The analysis began with a policy review to establish what kind of approaches the EU has taken for harmonizing taxation. We focused on examining the EU Platform for Tax Good Governance. Given that the Platform was established only in 2013, it naturally somewhat limited the analysis mainly to the period between 2013 and 2016. However, it should be noted that we reflect the recent changes, under the auspices of the tax good governance agenda, to the creation and functioning of the single market – which dates back to the 1990's – and is of great relevance to the demand for tax harmonization in the EU. For analytical purposes, methods of political mapping have been applied (World Bank, 2007). Through policy and interview data analysis, different dimensions of policy and decision-making processes for tax good governance within the European Commission were examined. On one axis, there are the policy *formulation* processes including the motivations that lead to certain types of policies. On the other, there are the interests of the various parts of the Commission, the European Council and the Parliament that pose risks to reforms and the effective *implementation* of new policies. This internal cohesion and intra-institutional collaboration from policy to operations – similarly to the two other articles – has been the main focus of the article.

Our document review was supported by interview data. For semi-structured interviews, the Brussels-based informants were chosen by direct contact and by a snowball sample technique on the grounds of whether their respective units were thought to be relevant to the research questions. All interviewees had also participated in, or otherwise possessed in-depth knowledge of, tax policy developments, the SDGs and related programming, and were presumably either affected by, or otherwise familiar with. the differentiation principle. This strategy was chosen as a response to overcoming the problems associated with finding the right informants from a relatively sequestered group of experts (Atkinson & Flint, 2001; Heckathorn, 1997).

7. Results – Overview of the Research Articles

Article 1: Inequality and poverty: The ill-fitting pieces in the EU's development partnerships (Pilke & Stocchetti, 2016)

Inequality has become an important determinant in international (development) politics, but there is a lack of common consensus on what inequality in different contexts entails. To highlight the importance of this global discussion, Andy Sumner for example asks whether it should be more important to focus on inequality than poverty reduction in the shared frameworks for poverty eradication (Sumner 2010). This article explored the different definitions of inequality that are used in development cooperation and attempted to shed light on the interrelationship between inequality and poverty in EU development policy. We did not aim at presenting a full range of different definitions, but instead focused on aspects that are relevant to the EU external policy framework; poverty and inequality in the light of the differentiated approach to development in the nineteen MICs that are the focus of this thesis, and in which inequality is identified as being among the greatest development challenges. The main aim of the paper was to 1) review the EU's definitions of inequality and poverty, and to 2) investigate how inequality and poverty are, if at all, taken into account in the differentiated cooperation between the Commission and the selected MICs.

We conclude that the EU's development policy, or the external policy framework more broadly, is weak in pinning down the interrelationship between inequality and poverty. Nonetheless, it would be false to state that inequality, or more appropriately inequalities in various forms, would be considered insignificant in the EU external policy framework. EU policies approach inequality from dual perspectives: in other words, they give consideration to the fight against inequality and the promotion of equality either as stated problems or as antonymous routes to the achievment of their objective. To that end, and as an overarching standard, the EU underscores principles of equality, and rights-based approaches to poverty eradication in the spirit of international human rights agreements. Hence, we argue that while inequalities are indeed a concern to the EU in its development partnerships, the weakness lies in the inability to consider inequality and poverty as different sides of the same coin. This leads to a lack of strategic vision in operationalizing an all-encompassing definition of poverty, which is for example described in the first European Consensus (European Union, 2006: para 11).[6]

The interplay between the policy and the financial regulations – or programming more generally – is more problematic to pin down than the EU's approach to poverty and inequality, owing to policy texts that are formulated in a way that allows multiple interpretations as to how operations could or should be organized. In the context of differentiated cooperation, this is most visible when comparing the financial regulation of the DCI to the policy statements. While the policy texts consider "multi-dimensional aspects to poverty" (European Union, 2006: 3) and a need for a more "comprehensive approach to human development" (European Commission, 2011a:7), legislative financial regulation limits the cooperation through geographic instruments based on the OECD DAC list and the GNI of the country. This generally rules out financial assistance for tackling inequalities as a poverty reduction strategy in the MICs.

We also argue that while there are quite clear political manifestos on the need to support the MICs in their fight against inequalities, the EU may not have sufficiently considered them when it was designing differentiated cooperation at the beginning of the MFF 2014-2020. As a strategy, the EU has increasingly allocated funds to LICs rather than dealing with poverty and inequality in the MICs. It should be stressed, though, that the necessity of focusing development aid on the LICs, and specifically on the LDCs, is a generally agreed principle, which we do not contest. However, applying differentiation prematurely since the beginning of 2014 left questions on exit strategies (from development cooperation) in the countries concerned, which is in contradiction to the Paris and Busan principles on aid effectiveness and the EU's own policy statements regarding the need for predictable and long-term support for poverty eradication, as is stated in the 2010 communication on tax and development, for example.

Table 3 summarizes EU policy discourses on poverty and inequality and gathers the most relevant discourse for our analysis. These have been categorized as follows: 1) Legal basis of EU development and the protection of rights; 2) Key policy orientations and principles; and 3) the EU's approach that the EU may utilize for the achievement of equality.[7] It should be noted that some communications as a whole can be considered as strong expressions of equality and equity. This is the case for

6 The EU published a new development policy The New European Consensus on Development, "Our World, Our Dignity, Our Future", in 2017. Maintaining the overall goal of poverty eradication, its format is closer to the European Consensus than the Agenda for Change, and expresses the EU's vision for the implementation of the Agenda 2030.

7 Here the focus is on the EU as an institutional bilateral partner, hence the stated actions in collaboration with or through other international organisations such as the UN are excluded. Despite this framing, channeling development funding through strategic international partners is an avenue which widens the scope of EU support both in substantive and in instrumental terms.

Table 3: Poverty and inequality in EU policy documents

SOURCE	LEGAL BASIS	POLICY POSITION / KEY EU PRINCIPLES	KEY APPROACHES
European Consensus on Development 2006	Treaty of the European Community Art. 177-181	– Poverty relates to human capabilities and requires multi-dimensional approach – Sustainable development entails good governance, human, political, economic, social and environmental rights – Development aid for poor people with particular attention to fragile states and donor orphans	– Increasing financial resources – Mainstreaming, coordination and complementarity, synergies with other donors and private-public partnerships – Conditional general or sector budget support and grants – Contract-based negotiated mutual commitments – Micro-financing and debt reduction
COM (2012) Agenda for Change and Council Conclusions for Agenda for Change	Treaty of Lisbon, Art. 208-211 on development cooperation and Art. 212-213 on economic, financial and technical cooperation	– Poverty elimination imperative for sustainable development – Differentiated support for inclusive and sustainable growth for human development – Coherent approach to development, security and poverty, and address underlying causes of conflicts	– Support for and participation in political dialogues – Support for better access to land, food, water and energy, stronger business environment, environmental and social protection, health and education, and green technologies – Conditionality and differentiation – Private-public partnerships
COM (2014) 335 Decent Life for All	N/A	– Sustainable, people-centered development a common, global and inter-dependent concern – PCD and a transformational rights-based framework essential to address inequalities, equality and equity in all countries – Address income and wealth disparities for more peaceful societies	– Duty free and quota free market access for LDCs – Generalized Scheme of Preferences (GSP+), Aid for Trade and Everything but Arms – Science, Technology and Innovation
COM (2012) 446 Social Protection in the EU Development Cooperation	Charter of Fundamental Rights Art. 34	– Comprehensive approach to human development: increase of equity, inclusive growth, social cohesion, stability and state accountability – Poverty in MICs; globalization associated with increased social polarization	– Inclusion of social protection in policy dialogues on tax and development, climate change, corporate social responsibility and linking relief, rehabilitation and development – Political dialogues, exchanges and collaborative research, technical assistance
COM (2012) 492 on the roots of democracy, sustainable development and Europe's engagement with civil society	N/A	– Civil society engagement for stronger democratic processes and accountability systems, and better development outcomes – Equity in access to national systems	– Promote a conducive environment for structured participation of CSOs – Promote equitable and sustainable growth and stimulate sustainable local economic growth – Support inclusive policy-making and governance – Support for social economy and the creation of jobs
COM (2012) 586 The EU approach on Resilience: Learning from Food Security Crises	N/A	– Poorest households the most vulnerable for natural disasters, political instability and conflict – Working with vulnerable countries and poorest populations to build resilience through multifaceted strategy and a broad systems perspective fundamental for poverty reduction	– Long-term commitment to building of long-term resilience through multi-sectoral support with a focus on prevention and preparedness, for the empowerment of vulnerable groups – Promote resilience and inclusion of resilience in humanitarian action plans – Support to food security and disaster risk reduction programmes
COM (2013) 280 on empowering local authorities in partner countries	N/A	– Good governance at local level and participation of citizens fundamental for sustainable development and poverty reduction – EU cooperation with local authorities particularly where human rights violations take place – More balanced distribution of resources linked to social cohesion	– Support de-centralization reforms and promote political, administrative and fiscal autonomy of local authorities – Budget support (Sector Reform Contracts) – Cross-border cooperation between local authorities in Europe and in partner countries; peer-to-peer learning, balanced, equal & long-term partnerships
COM (2010) 163 on tax and development	N/A	– Sustainable provision of public services requires an increase in domestic revenue, taxation instrumental for state building and fostering citizenship – Fight illicit financial flows from developing countries for increased spending on MDGs & long-term and predictable assistance from donors	– Strengthen public financial management (PFM) – Incentives for high tax good governance performers – Technical cooperation Donor coordination & international collaboration
European Council 2012 human rights framework & Toolbox for Rights-Based Approach	EU Charter on Fundamental Rights, European Convention on Human Rights, TEU Art. 21, Regulation establishing a renewed DCI Art. 2, 3.8	– 'The EU will speak out against any attempt to undermine respect for universality of human rights' (p. 2) – The implementation of RBA will be progressive as long as donors 1) respect core obligations, 2) prevent discrimination, 3) avoid retrogression, 4) use maximum resources, 5) ensure transparency	– Promote culture of human rights in all areas of external action, with particular focus on poor and vulnerable groups; fight discrimination; staff training on human rights – Ensure universal access to basic services & human rights in employment and social policy – Political dialogues, sanctions and condemnation, and make trade work in a way that helps human rights

example with the communication of 2012 on the engagement with civil society, and the 2014 communication Decent Life for All on the EU's vision for the SDGs. Other communications mentioned below have been considered relevant as they make direct references to EU treaties, or to them indirectly through other communications, thereby forming pieces of the puzzle which fabricates a set of soft and hard law commitments to development through poverty and inequality reduction.

Article 2: Partnerships in transition: the case of the EU and middle-income countries (MICs) (Pilke, 2016)

Building on the analysis described above, the article aimed to assess differentiation in the light of the EU's commitments to PCD, and how applicable a PCD approach is in differentiated cooperation. The analysis focused on the pre-MFF 2014-2020 era, particularly from the final negotiation period, during which a vivid debate between the EU and its stakeholders and partners took place on where and how differentiation would be applied, continuing up to 2014-2015 at which point the new forms of cooperation took shape under the revised financial instruments. The article seeked answers to three specific questions: what where the criteria for the selection of certain countries for differentiated cooperation; how compatible these criteria are with the EU's PCD principles; and how coherent the differentiation strategy is with the financial instruments through which it is applied. The analysis concludes that the Commission seems not to have developed a differentiation methodology that would take into accound the PCD approach, despite an apparent need to do so.

The paper is constructed around three analytical dimensions: 1) coherence between the EU foreign policy niches; 2) turning the policy texts into operations; and 3) coherence between programming, in particular between the PI and the DCI. On dimension one, the different political statements were compared with the EU's approach to the SDGs, on which the EU has taken a multi-faceted stance to poverty eradication, linked to both universality and differentiation principles. As for the notion of universality, the Commission defines it as the achievement of "the necessary transformation in all countries at various levels of development" (European Commission, 2014a: 3). While the policies emphasize the need for differentiated cooperation so as to meet the development needs of the recipients, the operational criteria for executing differentiation are formulated in ways that allow the operations significant room for manoeuvre according to the needs or even interests of the service.

Several methodological approaches to differentiation can be identified on the basis of EU policy and programming decisions: restricted eligibility (ECDPM, 2012: 6), which in Commission terms has been referred to as the graduation of countries from development cooperation, with assessments based on the human development or economic vulnerability indexes (or both), or "other relevant indexes including measuring in-country poverty and inequality" (Official Journal of the European Union, 2014a: Art. 3d). Simultaneously, the Commission has expanded ideals that have been more familiar to development cooperation to other policy domains such as trade.

Dimension two focuses on the EU's past (2007-2013) cooperation with the 19 focus countries, concluding that in most countries poverty eradication or social cohesion have been among the main objectives of the Commission's development cooperation. The Commission's future plans to exit the countries have been visible in some cases. As was equally apparent in the country strategies under examination and other programming documents, a considerable part of the cooperation has, despite its objectives being more social or developmental in nature, focused on reaching free-trade agreements or otherwise advancing trade between the EU and the partner countries. The analysis also shows that PCD in those partnerships has most often boiled down to compatibility with the EU's rules and procedures, particularly with sanitary and phytosanitary standards, and less to coherent programming for development as per the EU's and international definitions of the concept.

While it is problematic to establish the reasons for differentiation in each country by means of an analysis primarily of the differentiation criteria and to an extent their application, there are clues to these reasons to be found in the strategic and policy documents, which at times do not comply with the stated differentiation criteria. The Commission has expressed frustration regarding the incompatibility of administrative rules of the EU and those of the partner, and a lack of EU political leverage with modest allocations to the partner countries. As is also demonstrated, the strategic importance of the partner to the EU has influenced funding allocations. Most importantly, however, seventeen of the nineteen countries in question are upper MICs, and the countries' economic statuses have naturally played a role in their graduation. Despite this, the analysis, supporting other research on the topic, reveals that the countries have very varied socio-economic situations, in which inequalities hamper the efforts to eradicate poverty.

On the third dimension, two financial instruments relevant to differentiation are examined: the PI and the DCI. The PI, a new instrument for advancing European interests in its partnerships with third countries, was, during the MFF 2014-2020 negotiations, often mentioned as a partial answer to the funding gap that the graduation of the MICs under the DCI might leave. A closer analysis does indeed point to similarities between the instruments when it comes to fostering partnerships with third countries, but significant differences on the perspective from which partnerships are supported. Another noteworthy difference between the instruments is their geographic ranges. Most importantly, while the DCI funds partnerships that are based on the needs and rights of the partner, the PI funds initiatives that are of European interest. It also seems that the transition from one form of partnership to another has not been particularly well coordinated between the different services of the Commission or European External Action Service (EEAS), and therefore the transition process has not involved considerations for PCD.

In conclusion, it seems that the way differentiation is operationalized is, at least partly, a consequence of weakness in the use of the PCD approach. On dimension one – coherence between different policy niches – the PCD approach has been increasingly visible in other domains as well as the development domain, and conceptually the EU seems to have expanded the scope of PCD from a technocratic style (rule compatibility) to an inclusion of more normative elements in line with the SDGs. Therefore the problem lies less in the formulation of inclusive and coherent policies than in turning these policies into operational strategies and programming.

Obviously, a narrow technocratic interpretation of the PCD approach complies only partially with the EU's development policy aspirations as described in dimension one but as such, it has led to conclusions on the inefficient results of cooperation due to compliance issues, combined with a feeling that the EU's political leverage is limited in the host countries. A secondary concern, if a concern at all, seems to have been the countries' political, economic or social fragility. By the same token,

Table 4: Differentiation, policy and operational approaches

DEFINITION OF DIFFERENTIATION IN DEVELOPMENT POLICY **European Consensus for Development (2006):** • Developed and developing countries share responsibility for poverty eradication • Support for poverty eradication & pro-poor development also in MICs, attention to donor orphans **Agenda for Change (2011):** • Country needs and capacities • Country commitments and performance • Potential EU effect & leverage	**ASSUMED REASONS FOR DIFFERENTIATION IN OPERATIONS AND PROGRAMMING** • Technocratic approach: rule / administrative compatibility of the EU and the partners • Efficiency / inefficiency in achieving results • EU's political leverage in host countries • Priority focus on economic partnerships
CRITERIA FOR DIFFERENTIATION IN DEVELOPMENT COOPERATION INSTRUMENT Country status based on: • Human Development Index • Economic Vulnerability Index • other indexes such as in-country inequality measures	**DIFFERENTIATION AND THE PARTNERSNIP INSTRUMENT** • No criteria for differentiation, but sets a need for a differentiated and flexible approach to key partner countries taking into account their economic, social and political contexts and the EU's priorities and interests • Worldwide scope, but geographic proximity to the EU matters

on dimension three, there seems to have been a limited dialogue among those responsible for programming between the compared financial instruments DCI (for which DG DEVCO is responsible) and the PI (for which the Service for Foreign Policy Instruments, FPI, under the EEAS is responsible), despite their similar thematic focuses and partly overlapping geographic scopes. To that end, the main conclusions of the article demonstrate challenges in the ways policy objectives are conveyed into their respective operational levels; and how, at the operational level, different services match their different strategic objectives for differentiated cooperation.

Article 3: Practicing or preaching? Linking taxation and sustainable development in EU foreign policy (Pilke & Räsänen, 2018)

2015 marked the shift from MDGs to SDGs, suggesting significant ideological and operational changes to the ways poverty eradication is achieved globally. Not only do the seventeen SDGs present a much wider array of common global concerns than was the case with the former MDGs agenda, but they also stress the wide participation of actors including the private sector in the joint SDGs project. To that end, the division of labour is fairly clear: the role of the state is to protect its citizens, and to regulate markets in a way that enables businesses to function globally, and businesses should contribute to sustainable growth in a responsible manner – for example in accordance with the UN Global Compact. When it comes to the states' tools for regulating markets, taxation is perhaps the most important of them, and boosting of domestic resource mobilization for poverty eradication has been agreed upon in the "Third Financing for Development" Conference in Addis Ababa. The conference resulted in the "Addis Tax Initiative" that takes stock of progress on the Monterrey Consensus and the Doha Declaration, and sets goals for aligning financial flows with economic, social and environmental priorities as stipulated by the SDGs. As for the SDGs, the projected actions on taxation should aim to enhance domestic resource mobilization, fight tax avoidance, tax evasion, and (aggressive) tax planning.

As the 2030 Agenda stipulates, poverty eradication is a universal target, and its achievement is a globally shared responsibility. The aim of our article was to examine recent developments in tax harmonization aimed at attacking aggressive tax planning within the EU and in its relations with its partners. We structured our analysis around two areas: taxation as a development policy tool for the SDGs; and Europe's protectionism towards European wealth and the single market. A key concept to examine was tax good governance, which the EU uses as an overarching policy objective, and which entails a range of law and policy initiatives to address the problems that lead to tax base erosion. In short, tax good governance equates to paying taxes where profit has been made, being transparent and exchanging information, and exercising fair tax competition. These principles are equally applicable, but are applied rather differently in practice depending on whether the focus is on EU internal or external relations. Exploring the European single market and the ways it will integrate different aspects of taxation – which it initially ignored – is nonetheless of great importance.

Our findings point to the Commission's reasonably far-reaching plans to close loopholes in taxation for both development outcomes and for more European protectionist motives. Nevertheless, the weakness of the EU's tax agenda thus far, from the point of view of global sustainable development, is the absence of efforts to join up the work streams related to SDGs and the tax harmonization plans that concern the single market. The EU is already working on tackling tax evasion with third countries to a certain extent, but not from a perspective that would assess in particular the impact of European actors on developing economies – rather the focus has been on the efforts to halt tax evasion within Europe. As for instruments of tax cooperation, judging by its numerous proposals in recent years the Commission has seemingly preferred a tighter regulative approach to tax coordination whereas the European Council up until now has essentially favoured a soft law approach. This has resulted, unsurprisingly, in quite an imbalanced amount of policy guidance compared to only a few legal commitments to fight tax avoidance and evasion. When it comes to European companies operating responsibly in third countries (particularly in developing economies), next to nothing in the field of tax evasion is has been agreed on, underscoring the necessity of finding ways to break the internal-external policy divide if the SDGs are to be fully implemented.

Moving on to the institutional level, we anchored our investigation in the operations of the Platform for Tax Good Governance, a consultative body steered by the Commission with the participation of fifteen representatives of academia, trade unions and NGOs. Through the platform, DG TAXUD of the Commission consolidates views and puts forward proposals on tax coordination and cooperation. We examined how DG TAXUD and the platform collaborate with other DGs and with certain parts of the EEAS, and concluded that there is limited collaboration between the different institutions; they drive their agendas largely basing them on their own, quite possibly differing, interests. The work of DG TAXUD and the platform was found to be either irrelevant or even damaging to other DGs in certain cases. In the case of the FPI and its Partnership Instrument, which is discussed in detail in the first article, its main concern lies in defending European interests in third countries – taxation was not one of their focus areas. As for potentially conflicting intra-institutional interests, DG TAXUD focuses on fighting tax evasion and avoidance, whereas DG Trade's main concern lies in fighting tax discrimination against European companies outside the EU trade area. But perhaps the most striking example of intra-institutional conflict is DG TAXUD's list of non-cooperative tax jurisdictions, a blacklist of countries with harmful tax practices, which was published for the first time in 2015. It seems that DG TAXUD has managed the list largely in isolation from other services, which have had to deal with political sensitivities with the listed partners, in certain cases learning about the list from the partners themselves. Also, while the Commission has used naming and shaming tactics to put political pressure on third countries, it has not done so in the case of EU members, or the ways they take advantage of offshore financial centres.

In the case of DG DEVCO, there is a strong focus on taxation but from the point of view of strengthening the aid recipient countries' own tax collection systems. Bilateral development cooperation has focused, in line with the communication 163 on tax and development, chiefly on the ideals and practices that the Commission exports to third countries. DG DEVCO has typically supported the fight against tax avoidance through capacity-building for both monitoring illicit financial flows and enhancing revenue collection for increased social spending. Importantly here, the question of Europeans' responsibility for paying taxes (also) in third countries, seems not be of particular concern.

Another key finding concerns the need for the streamlining of agenda priorities in different DGs and the EEAS. Taxation has not been part of the Corporate Social Responsibility (CSR) agenda, even if tax good governance would seemingly fit well

Table 5: Key findings, main challenges for tax collaboration

	Key challenges for tax cooperation
Instrumental	Taxation not a joint competence, no regulative powers within the institution
	Emphasis on joint guidance and shared responsibilities, not on obligations
Political	Taxation a tool to increase economic competitiveness
	National sovereignty at stake
	Protectionism towards national and/or regional interests
	Differing priorities between member states and between the institutional actors
Normative	Lack of conceptual clarity on the SDGs in relation to taxation
	Lack of joint models, no integration of tax cooperation into other solidarity agendas, for example CSR and fair trade
	Offshore centres considered a problem for tax discrimination in the case of profit loss, not because of a lack of solidarity
Human factors	Lack of knowledge on the link between taxation and poverty
	Lack of culture of working together across policy sectors
	No interest in sustainable development / poverty reduction
	Lack of vision on other than neo-liberal economic models
	Insufficient culture of transparency

in the responsible business and fair trade agenda, potentially increasing both fair pay and revenues for social spending. Taxation could be a powerful way to brand companies, and embedding taxation in the CSR principles and branding "corporate citizenship" for ethical business practices, and thereby making CSR a "business case" (Jenkins & Newell, 2013: 387–388) is a potential way to promote the EU's responsible trade and investment policy "Trade for All" (European Commission, 2015j).

8. Discussion and Conclusions

Placing the problem of inequality at the heart of the notion of poverty, this dissertation has investigated how the EU's development policy has evolved and interacted in a changing global poverty landscape. It has scrutinized the EU's differentiation strategy as part of its development cooperation according to the commitments to the achievement of the SDGs. I have attempted to shed light to whether the EU's differentiated approaches to development are coherent with the EU's objective of poverty eradication in its bilateral cooperation. Central has been to examine the EU's policy approaches to poverty and inequality in the light of the priorities set by the SDGs, and to compare these approaches to operational methodologies to differentiate partnerships allegedly for more fittingly tailored cooperation with the beneficiaries. Assuming that policies inform the ways cooperation is organized and carried out, the analysis has compared policy definitions and the key political issues related to differentiation of the instruments through which such principles are turned into practice. As a third element, I have examined, although not in a detailed manner, the organizational dynamics that greatly affect the ways the policies are interpreted in practice.

When it comes to the criteria for differentiation and what led to the selection of countries where the principle would be applied and not to others, my analysis points to very ambiguous results. Demonstrating the difficulties of paring such principles down to strategic orientations, the criteria were also a source of lengthy debates during the MFF 2014-2020 negotiations. Whereas the EU seemed to have a reasonably sturdy idea of which countries would be affected by differentiation when the MFF negotiations began, it stumbled heavily in explaining why this was the case, and in fitting the decision into a strategic framework. It also appeared not to have had an explicit strategy outlining what differentiation means, what selection criteria it would lay down in the DCI to conceptually establish differentiation for similar decisions in the future, and what the specific instruments of differentiation are. The EU is notorious for its policy statements that allow multiple interpretations in practice, and differentiated (development) cooperation is no exception. It is the same ambiguity that has raised questions of the legitimacy of the differentiated approach.

From an operational point of view, while at a certain moment during the MFF 2014-2020 negotiations the EU seemed to lean towards following the OECD DAC criteria for ODA as a basis for differentiation, the DCI regulation with the Member States' final stamp on it ended up enabling more space for the consideration of different development factors than the OECD ODA criteria alone. This is an important point although not yet sufficient to explain differentiation: the EU has in many aspects followed shared international principles but took its own course in outlining eligibility for development cooperation. A second and a more significant point to be made has to do with the totality of differentiation. At the time of the MFF 2014-2020 negotiations the principle was mostly discussed in the context of closing development programmes in nineteen countries. Very few other possible strategic orientations to differentiation, such as reduced cooperation or innovative mixes of development cooperation and private/civil society partnerships, were put on the table. These operational alternatives are nevertheless at the heart of global discussions with regards to what counts as ODA and how to achieve the SDGs especially in the newer MICs that are still at risk of falling back into the LIC category, and in MICs that struggle with multiple development challenges despite their impressive GDP/GNI growth levels. For the EU, this point was a missed opportunity to develop innovative ODA mechanisms with partners from developing and emerging economies. The MFF 2021-2027 seems to be an effort to fix some of the problems encountered in the current MFF when it comes to financing development and addressing the grey areas within MICs. In its initial proposal published in May 2018, the EU dropped the language of differentiation that was present in the MFF 2014-2020. Instead, the narrative attempts to follow the tone of the SDGs, calling for more synergies between programmes in both geographical and thematic objective-setting. With its proposal of only one external overarching financial instrument, the new financial architecture is considered to be both more "agile" and more "flexible" and so better able to respond to global needs arising in the next seven year period. The proposal contains major changes to current and past development funding, (changes which could well serve the implementation of the SDGs better provided the right strategic choices are made) but given that it seems to build on the differentiation principle it therefore poses some further risks for regions that are not allegedly among the EU's priorities.

Latin America and Asia, in the spirit of differentiation in MFF 2014-2020, will most probably be more affected in the next budget cycle (see also ECDPM, 2018). While the new MFF proposal hardly mentions Latin American or Asian MICs anymore, many of the countries discussed here are ex-colonies of the European countries, and for example the cooperation with Latin America was significantly boosted when Spain and Portugal, significant partners of many Latin American countries, joined the EU. Looking at the EU's development policy changes in the years following the introduction of the differentiated approach, the EU has increasingly directed its development resources to its neighbourhood. Latin America and Asia are perhaps seen as potential grounds for testing innovations and the power of political dialogues, but with no significant interest in financial support from the EU side anymore, whereas the EU's immediate border region currently covered by the European Neighbourhood Instrument (ENI), receives substantial support almost regardless of these neighbouring states' financial status. Also the new MFF proposal for 2021-2027 leaves no illusions when it comes to the question of interests, with considerable emphasis on the EU's neighbourhood. Of the sixteen neighbouring countries, six are LMICs, seven UMICs, and Israel is a High Income Country (HIC); Syria and Palestine are in need of humanitarian aid (The World Bank, 2018). Despite their economic statuses, some of these countries also receive funding through DCI. However, distribution of scarce development funding is a matter of equity and equality, and the EU should be careful – normative actor that it is – not to make decisions either on the grounds of colonial heritage or proximity to the EU, but with a view of poverty eradication according to the SDGs. On the operational side, differentiation seemed to be based on a strong reliance on the advice of the delegations concerned, where for instance the knowledge of using the PCD approach for best development outcomes have been demonstrably limited. As the analysis has revealed, PCD in cooperation in the field has often seemed to be understood as mere rule compliance between the EU and the partner.

As has also been discussed, while development cooperation objectives remain chiefly targeted at developing countries, the SDGs have blurred the policy boundaries between development and other domains, which is why the MICs should not be, ex-colonies or not, automatically excluded from development cooperation if there is the will from the partner's side to continue. The global discussion on GPGCs has been intimately linked to both innovative development financing – public-private partnerships – and to the demand to develop national, regional and global tax mechanisms to cater for the protection of common goods (Carbone, 2007b). Here the EU has been careful to emphasize that the responsibility is shared, and that there should not therefore be overly optimistic expectations of development assistance from the EU. Turning the same issue the other way round, there have been fewer statements on the responsibilities of the European actors and the EU regarding the protection of developing economies' resources and their sustainable use in the context of European trade interests.

Global political economy and post-development models

Collier has fittingly suggested that we tend to identify root causes of poverty problems according to our own interests or as he calls them, "hobby horses" (Collier, 2007:22). This may lead to identification symptoms not being correctly diagnosed, and the solving of problems according to our own understanding of the world order instead. The EU has been keen on emphasizing that sustainability is not achieved by old means, and that innovative forms of cooperation are needed. In 2016 the European Political Strategy Centre called for developing models to "embrace change" such as the circular economy, and to promote innovative thinking for new, possibly immaterial, growth models that would stop stretching the planetary boundaries and creating social de-cohesion, recognizing that such a lack of harmony is unsustainable for the future (EPSC, 2016: 5-8).

Turning back to differentiation, it was an instrumental decision and, even if its success is debatable, it was an attempt to level partnerships to fit the current world order better. As emerging economies have gained more economic power, they have also brought more diversity and a different power balance to the international fora. Especially in Latin America, a home continent of many rapid GNI growth MICs, the MDGs were considered to lack regional relevance and to focus too narrowly on economic growth (ECLAC, 2012: 72). Even if the SDGs are considered to be a more inclusive set of goals in that they enable considerations of local priorities and alternative means of addressing them, Latin America, where equality and equity, particularly of rural populations, indigenous people, women and youth, are major poverty concerns, continues to be critical to poverty eradication agendas that are products of the globally dominant liberal economic tenets. There is a growing body of academic literature of "alternatives to development" – a concept originally launched by a renowned South American scholar, A. Escobar (1995). Whereas the alternative theories, whether originating in South America, Africa or elsewhere, present a diversified range of ideas, they are generally critical towards growth models and the existing development machinery, and above all; Eurocentrism. To name a couple as examples, the Latin American born neo-extractivism project takes a critical approach to extractivist development paths by for instance suggesting more national control over resources (Burchardt & Dietz, 2014). The Australian academics Gibson-Graham with their long-term work on post-capitalist theory take a significantly more radical approach by promoting discursive change in the form of "collective dis-identification with capitalism" (Gibson-Graham, 2006: 56-7).

There is very little, if any, economic sociological research to connect to these alternative models. Some research has been carried out regarding how third world countries' development strategies are embedded in the ways industries are organized on the one hand, and the ways grassroots social movements shape such an order on the other (Gereffi, 2005). Gereffi, by emphasizing the role of multi- or transnational corporations in global economic integration, discusses "immiserizing growth" that refers to growth in terms of economic activity and employment, but accompanied by a decline in terms of economic returns in developing countries (Ibid.: 164). These types of analyses link directly to the criticism of global capitalism evolving in, from our Western viewpoint, the peripheries of the world.

For the EU, free trade agreements have been one of the most commonly used tools to form partnerships with third countries, both out of self-centred interests and for the ideological belief that the integration of developing countries into the West-centred world economy is the answer to poverty eradication. Despite a few recent policy statements on the need for a change that embraces environmental and developmental sustainability, there is little evidence that alternatives to the dominant development discourses based on liberal economies would make a significant difference to the objectives of the cooperation between the EU and its MIC partners using the currently available operational instruments discussed in this analysis. What are perceived as "innovations" in the EU – or in the Western world at large, have been products of the prevailing system, for example in the field of taxation, discussed at length in this dissertation. It is likely that tax cooperation will be deepened, which may enable, for example, experiments on universal basic income systems as mechanisms to achieve more equal revenue distribution.

Limitations of the study and future research

Taking a sociological stance on the research problem has been a deliberate choice but by no means the only existing possibility. EU research, including similar analyses to the one at hand, tends to be anchored in political or political economic science, but with over 30,000 employees and far more officials closely connected to it in the Member States, the EU is as much a social as it is a political entity. It is thus also an arena in which groups are formed according to their interests and motives. Understanding the social construct of the EU would also deepen the understanding of why and how the EU forms its policies, and how it relates to the rest of the world.

Social aspects of the functions of the EU are still under-studied, which poses a risk to the carrying out of a credible multi-disciplinary analysis such as this one. One difficulty of making such an investigation is the lack of comparative research, and therefore, at times, of finding an intellectual home for it, but keeping the theoretical focus solely on social sciences would have also resulted in a truncated and therefore flawed analysis especially with a novel, complex operative principle such as differentiation. Despite these concerns, the increased complexity of our societies must be reflected in academic work as well, and one should not shy away from the challenge of multi-disciplinary research. Even if the research problem is chiefly tackled from a social point of view, the vast amount of political and development studies of the EU that already exist, and which I have combined here fairly liberally, have provided the necessary broader contextual framework to the topic.

Parts that focus on organizational development and taxation have drawn from both classic and contemporary economic sociology. Parts that centre on poverty reduction and development have been based on economic theories and development studies, which itself is a multi-disciplinary field. Parts that focus on qualitative aspects of a good life, equality and equity, and the power relations within a society have benefited from both economic research and cultural anthropology. Conceptual deliberations have been drawn in equal parts from political economy and social studies.

The study has chiefly focused on analysing the operational approaches to differentiation in the past few years, and on searching for the existing definitions of differentiation in the mainstream framework of thought on development. The researchers have relatively recently started to pay attention to the interrelations or causalities of economic inequality (income disparities) and inequality in human capabilities and individual or collective, relative and absolute opportunities. There is plenty of room for more such studies, especially in societies with increasing inequalities, and in countries with heterogenic ethnic and social groups. Another, so far relatively unexplored, field is the impact of external factors, especially the impact of donor policies and practices beyond development cooperation on in-country inequalities experienced by the beneficiaries. A better understanding of inequality, including knowledge inequality, and the dominance of US and Europe-based social research that produces and reinforces dominant discourses (Connell, 2016) can potentially increase both human and ecological equity and equality. As for economic sociology in particular and as a distinctive element, it is attentive to the notions of agency and power, the relations between states and firms, and the ways markets are born, stabilized and changed through interactions between different agents. As Fligstein and Dauter posit, “Perhaps the most promising aspect of the sociology of markets is the potential to theorize as well as empirically examine the connections between intra-organizational dynamics and inter-organizational competition and exchange” (Fligstein & Dauter, 2007: 117). These types of analyses will be crucial to understanding changing global relations, whether between states, international organizations or the private sector.

Lastly, and for the same reason, strengthening future research collaboration between the traditional North and the South is essential. Combining Southern perspectives and existing inequality research would enable the development of genuinely tailored – instead of one-size-fits-all – cooperation approaches that assume that a comparative advantage in global economic growth is the ideal “development”. When it comes to criticism emanating from the global South, we should refrain from looking at the SDGs as a mere product of the Western development machinery, but rather, with their wide scope, use them to serve different world views, polities and cultural values for the best societal outcomes.

Research recommendations for the future

Research evidence is still ambivalent as to whether inequality is on the rise or decreasing (Ravaillon 2018). However, what can be safely stated is that a considerable gap between rich and poor exists in different parts of the world and that state borders fail to mark those gaps. Evidence also suggests that inequalities seem to have progressed as the share of financial markets (as opposed to capital accumulation through manufacturing) has increased (Bourgoignon, 2015: 57). Most parts of the world have grown more concerned about sustainability, but we have also become more wary of the difficulty of achieving it, facing the paradox of being more joined to each other than ever before – thanks to different aspects of globalization – and at the same time more in need of diverse solutions for the achievement of what is perceived as a good quality of life than ever before. Some instrumental and strategic recommendations as to how differentiation could be conceptualized and made to serve as a tool for planning more inclusive cooperation arise from the analysis:

- Inequalities are difficult to define and quantify, and therefore care should be taken as to how inequality data is used for policy making and public awareness raising. Much of the available data focuses on income inequality, which is by and large based on income data or consumer prices of baskets of goods (Ravaillon, 2018). Apart from the inadequacy of income as a measure of societal inequalities, an additional weakness lies partly in the failure to take into account alternative forms of consumption, social structures and livelihoods, and partly in the idea that across the world people's perceptions of a good life are satisfied by similar sets of goods according to similar lifestyles. Data-gathering models that also consider subjective experiences of happiness and lifestyles more holistically and throughout life cycles would help to establish baselines to reflect more accurately the situation in a given context and thereby to achieve real structural changes in the long term. Examples could be sought from different models of barter economy, whether rooted in indigenous cultures or born in Western societies in search of alternatives for consumerism. In the same vein identification of unjust systems or practices that may create inequalities between different social or age groups, or even between household members seems to be necessary.

- The current economic system does not seem to cater to the achievement of equity, and the development of mechanisms for controlling financial markets and re-distribution that touch the richest of the societies on a global scale appears no less than essential. According to Alvaredo et al., (2018) the EU is a model region, with its potential to curb increases in income inequality with, for example, progressive taxation. However, as the analysis has shown, there are also

EU countries whose policies have favoured attracting investment and wealth (with low corporate taxes), which has led to – through multi-faceted paths – to decreased net incomes of individuals and increasing in-country inequalities (Bourgoignon, 2015). From the sustainability point of view one may ask why corporate taxes seem to governments and policy makers to be untouchable, and why controlling financial markets combined with developing equivalent global re-distributive systems to poorer populations and to the protection of global public goods appears logical for the achievement of the SDG.

- Differentiation as a methodology seems artificial if inequalities are not considered as part of the poverty problem in a more strategic way. Identification of inequalities and the causes of them can point effectively to the root causes of poverty, provided that donors adopt inter-disciplinary definitions of inequalities. In more operational terms, tackling inequalities by lifting people out of, or preventing them from falling into, poverty combined with a systems approach to changing oppressive structures would as a tactic, in all likelihood, lead to improved lives for the poorest in the long-term. As discussed in earlier chapters, evidence also suggests that focusing on inequality in poverty reduction will entail a discussion around financial and qualitative trade-offs instead of unlimited growth.
- As for utilizing differentiation as a functional tool, adapting the idea of Yamey et al. (2016), a differentiated operational approach for sustainable development should entail twin-strategy models for development planning that distinguish between, but also recognize causalities between, global, regional and local actions. A prerequisite however is to come up with sharp enough definitions of global public goods in order to enable effective provision and protection of them by means of cross-border collaboration. This approach should be accompanied by the positive integration of the EU into global systems (such as supply chains) with the necessary self-regulation of elements that have repercussions on third countries, whether financial, environmental or social. Local actions should be planned both in dialogue with global actions and with consideration given to local specificities in living and environmental conditions.
- The core idea of development cooperation is to make it redundant within an appropriate time frame. Despite this logic, very few donors consider exit strategies at the onset of their cooperation in third countries. To state the obvious, they should exist. But they should also be beneficiary-driven and free from donor interests. They should be based on consultative, evidence-based development projections that differentiate 1) systems/structural, 2) time-bound as opposed to persistent; and 3) socio-cultural development challenges from each other, as well as feasible hand-over strategies.

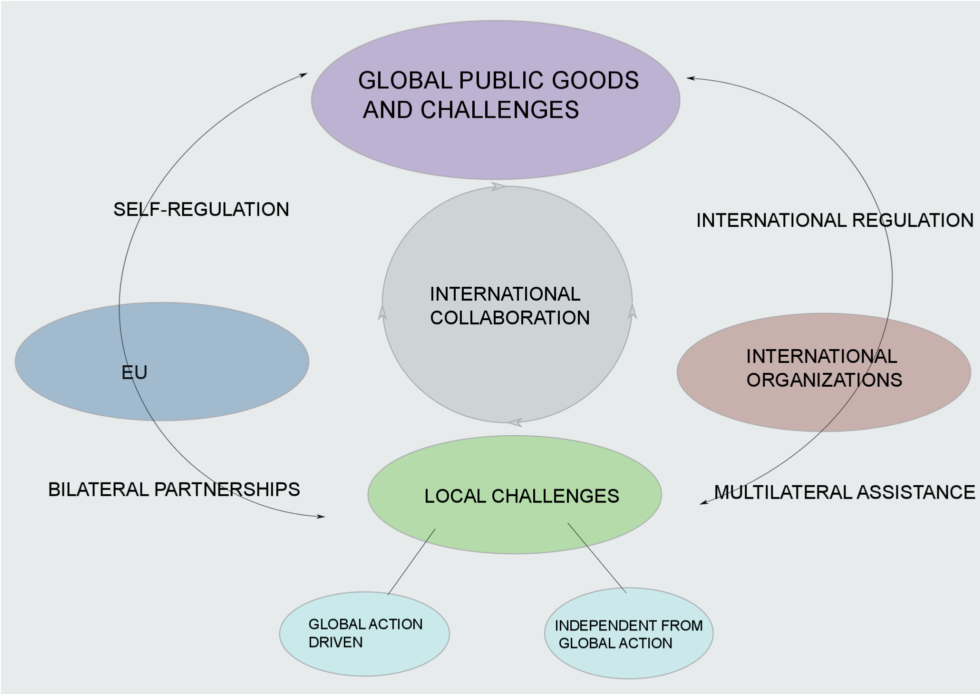

Figure 2: Differentiated intervention logic

Conclusions

New alternative models for sustainable life that tackle the problems that inequalities create already exist outside the EU, but despite the recognition of the problems (and in some cases possible solutions) the EU's policies are by and large still ill-prepared to deal with complex development challenges outside the EU's own socio-political, economic and administrative culture. However, this is only one part of the story, while another one is the political priorities of the institution.

I have attempted to make a point of portraying the EU as a responsible actor, and a donor of a significant share of the world's ODA. As such, it has a great say in global development politics. Indeed, it has been one of the key players in the creation of the SDGs with uncompromised policy to promote rights and equality, rigorous environmental policies based on research, and a strong discourse for sustainability. Nevertheless, at the operational level it seems not to really initiate any change for sustainability and stability – at least not at the cost of its economic opportunities. The EU also has a reputation as a global promoter of democracy and peace, and has emphasized for example the building of resilience among vulnerable states and communities, yet it does not have a particular capability to deal with the risks of rising economic or social inequalities and polarization. It has also a strong political commitment to policy coherence for development, but as numerous researchers have stated, it does not have the tools (or the will) to operationalize PCD effectively. By the same token, the EU is also a promoter of change and innovation, yet it seems not particularly flexible when it comes to different knowledge systems for ideological changes, or for considering local social or economic specificities among its partners. As I have discussed in chapter three, the EU has many definitions: EU the responsible actor, Fortress EU and so forth. This analysis concludes that the EU is also an encoded EU: despite being attentive to new global challenges, it is a sort of machinery that creates apparent challenges to change; in this case in a situation where conceivable divergence between policy and operations is detected. This has been visible in the operationalization of differentiation, which was seemingly done on the EU's institutional terms and within the limits of its operational scope, even if development policies would have supported other, perhaps more suitable, strategies for the partners. Indeed, the EU's broad foreign policy scope would have also enabled an approach to differentiation that would be attentive to global development challenges and their equivalent repercussions at the local level. A prerequisite of taking such elements into account would have been to carry out thorough assessments of the explicit local socio-economic and environmental conditions, governance and political drivers, as well as the partners' own views on the circumstances. Thorough knowledge of such elements would then have helped in drawing up forecasts for the potential termination of development cooperation, and for exit strategies that could outline corresponding and, appropriate operational solutions.

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Appendices

Appendix 1. EU Data Sources, Official Documents

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Appendix 2. Key Concepts

Blending Or grants-loans blending, an aid modality with which the Commission pursues innovative financing mechanisms for development according to the global Agenda for Financing Development (2015). Typically the Commission combines grants from its development funding budget and loans from European finance institutions, such as the European Investment Bank (EIB) for leveraging effect. The Commission's grants are used for, for example, interest rate subsidies, technical assistance or guarantees to reduce financial risk for the partner. Blending is most commonly utilized in capital-intensive energy and infrastructure initiatives.

Budget support A development assistance modality that includes direct transfers of funding to the treasury of the partner country. Budget support can be either sectoral or general. Aligned with the Agenda for Change, the general objectives of budget support are poverty reduction, sustainable and inclusive economic growth and the consolidation of democracies. Eligibility for budget support from the European Commission is conditional; it is based on general conditions related to the existence of credible (to the donor) national development strategies, macro-economic policies, public financial management systems and transparent budget management. Also context-specific "special conditions" are used. These are agreed upon by the European Commission and the beneficiary. In 2016, budget support disbursements of the Commission amounted to 1.73 billion Euros, which is equivalent to 18 per cent of the annual development assistance of the institution (https://ec.europa.eu/europeaid/node/13967)

Common Agricultural Policy (CAP) Dating back to the early 1960's and reflecting the economic importance of the agriculture sector in the EU, the CAP is among the oldest joint policies in the EU. Even if the CAP has been reformed several times in the past decades, the importance of it has not changed. Support to agriculture still forms the largest single expenditure in the joint EU budget. Governed by four regulations, the CAP entails 1) direct payments to support environmentally friendly agriculture; 2) regulating agricultural markets, 3) rural development, and 4) horizontal issues for CAP expenditure and compliance mechanisms (https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-glance_en). In the context of poverty eradication, the EU has been criticized for distorting world markets with its CAP and for regulations that lead to preferential treatment of European products at the expense of developing economies.

Common Consolidated Corporate Tax Base (CCCTB) A proposal which the Commission has put forward to the Member States to pursue fairer and more efficient taxation with less administrative burden for the EU. In connection with the Single Market, it would form a set of rules for cross-border companies operating in the EU.

With CCCTB in place, the European Commission's vision entails reporting taxable income to an EU-wide system, which the Commission would coordinate, instead of reporting to each Member State where the companies operate. The Commission first proposed CCCTB in 2011. After lack of support from the Member States, it withdrew the proposal, but re-introduced the idea as part of the Post-2020 MFF proposal in 2018.

EU development policy Development policy is a shared competence of the Union. The "**European Consensus for Development**", adopted in 2005, was the first joint policy to express a comprehensive EU-wide vision of development with an objective of poverty eradication. It was aligned with the Millennium Development Goals, and emphasized sustainable development as the means for the achievement of the Goals. In 2011, it was followed by the "**Agenda for Change**", which renewed the commitment to poverty eradication, but which updated the EU vision of it, laying its main emphasis on sustainable growth. As a third phase, aligned with the Sustainable Development Goals that came into force in 2015, the EU has again updated these previous policies with its "**New European Consensus on Development**" of 2017. The policies are not legally binding, but they outline the principles, the modes and the modalities, and the thematic areas of development cooperation, which all members aim to adhere to.

European Council Led by the Council President, it consists of the Heads of State or Heads of Government of the EU Member States. The Council holds the ultimate power in the EU, and decides on the EU's political direction as well as the priorities of the Union.

European Commission Executive institution of the European Union. Led by its President, its main tasks include proposing common policies and legislation, and implementing the EU's policies. It functions on a commonly agreed budget with member state contributions, and it employs some 32,000 staff members, of which approximately 65 per cent work in its headquarters in Brussels, and the rest within EU Member States and the roughly 140 EU delegations around the world (Source: European Commission 2018, HR Key Figures).

European Parliament With 751 representatives (pre-brexit situation) from the Member States and led by its President, the Parliament provides guidance and monitors the work of the Commission. It participates in political debates in the Union and together with the Council and the Commission it sets the political priorities of the EU. It has gained significant decision-making powers in the Union with the changes in the EU Treaties; for example the MFF must be agreed on unanimously with the consent of the Parliament.

Financial instrument The Headings of the MFF are divided into numerous thematic financial instruments, through which funds are disbursed for the execution of the EU's strategic objectives. This research has discussed two specific financial instruments under Heading 4: the Development Cooperation Instrument and the Partnership Instrument. There are also a number of instruments outside of the MFF that are based on various specific agreements. Such instruments include the European Development Fund (EDF), the Emergency Aid Reserve, the European Globalization Adjustment Fund, the European Union Solidarity Fund and the Flexibility Instrument.

Multiannual Financial Framework (MFF) 2014-2020 The EU's institutional budget running on a seven year cycle to translate the EU's political priorities into financial terms. It is negotiated between, and agreed upon, by the European Commission, the European Council and the European Parliament. The MFF 2014-2020 established maximum ceilings under 5 Headings with their sub-headings: 1) Smart and Inclusive Growth (47%); 2) Sustainable Growth: natural resources (38.9%); 3) Security and Citizenship (1.6%); 4) Global Europe (6.1%); and 5) Administration (6.4%). Heading 1 includes cohesion funds, of which the largest beneficiary is the group of Eastern European member states. Heading 2 includes financing CAP, one of the major policy priorities of the Union. Financing European Commission cooperation with third countries has been included under Heading 4. To the Post-2020 MFF, the Commission has proposed significant structural changes, which, if agreed upon, will bring changes to the headings.

OECD Development Assistance Committee (DAC) Established in the 1960's, the Committee includes 30 member states from Europe, Asia and North America. The European Union is also a DAC member while the World Bank, the IMF and UNDP participate as observers. The Committee gives recommendations and policy guidance for the formulation of national development policies, and as such it has a major influence on the ways development cooperation is understood and carried out worldwide. The Committee carries out peer reviews among its Members regularly.

Official Development Assistance (ODA) Defined by the OECD as "i. Provided by official agencies, including state and local governments, or by their executive agencies; and ii. Each transaction, which: a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and b) is concessional in character and conveys a grant element of at least 25 per cent, calculated at a rate of discount of 10 per cent, (www.oecd.org)". Eligibility for ODA is set in OECD DAC List of ODA Recipients, based on the per capita GNI division between Least Developed Countries, Other Low Income Countries, Lower Middle Income Countries and Territories, and Upper Middle Income Countries and Territories. The list is reviewed on an annual basis. The OECD members have reaffirmed the commitment to the 0.7 per cent allocation of the GNI to ODA, first introduced in the 1950s, although only five countries in the world have reached this target: Denmark, Luxembourg, the Netherlands, Norway, Sweden, and the UK. Together the EU member states and the EU institutional ODA represents the largest share, over 55 per cent of the global ODA (Statistics OECD, 2015).

Policy Coherence for Development (PCD) With a growing realization of the need for more synergies between development and other policy domains in the increasingly complex and inter-linked world, the concept was first developed by the OECD in the 1990s. At minimum, PCD has been defined as a "do no harm principle" according to which other policy domains should not contradict or endanger development objectives. More ambitiously and nowadays more popularly, donors aim to achieve the more ambitious goal of creating positive spillovers into trade and other policy fields for poverty reduction with PCD approach. The Maastricht Treaty (1992) iterates the importance of a PCD approach to the EU, for which PCD entails the so-called 3Cs: complementarity, coordination and coherence (Holland, 2002). The EU is considered to be a champion of the PCD approach, although applying a PCD approach in practice has been recognized as a challenge. The 2005 European Consensus for Development was the first important policy affirmation outlining the commitments and the mechanisms of the EU to be applied to the PCD concept.

Rights-based approach An operational approach that takes into account human rights standards in all cooperation between partners. It entails compliance with human rights treaties, promoting of non-discriminatory practices, and provides lenses through which to analyse any unjust distributions of power that hinder progress towards common goals, such as development objectives. It distinguishes rights holders and duty bearers, and calls for accountability of the latter. (Source: www.hrbaportal.org). The EU defines democracy, the rule of law, indivisibility of human rights and fundamental freedoms, respect for human dignity, equality and solidarity, and respect for the principles of the UN Charter and international law as its universal values, values which guide rights-based approaches in all EU action.

Single Market Still considered as one of the EU's main achievements, the Single Market was developed in the 1990's and entails free movement of people, goods, capital and services and the elimination of tariffs, quotas and taxes on trade within the EU area. In addition to forming a free trade area internally, it comprises significant share of world trade. Together with China and the US, the EU's single market area is among the world's largest traders with a share of over 15 per cent of world exports in 2016 (Source: http://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do). In its partnerships with third countries the EU exercises power in trade (exchanging goods, capital and services) and power through trade (exporting EU norms and standards) (Meunier & Nicolaïdis, 2006: 910).

Sustainable Development Goals Coming into force in 2015 as a result of several years' intensive work by states, international organisations and civil society, the 17 Goals, 169 targets and 230 indicators set a global agenda for poverty reduction and sustainable development. Also referred to as the Agenda 2030, the Goals are considered to be the most ambitious and inclusive sustainable development agenda in the arena of international cooperation so far. The EU, which was an active partner in the drafting process, has stressed joint responsibility beyond development cooperation for the achievement of the goals and encompasses a broad approach to the implementation of them; through policy coherence, with innovative sources of funding and with a broad range of public, private and civil society actors. The EU's own development policies are aligned with the SDGs.

Tax Good Governance Policy orientation, which the European Commission pursues both in its internal affairs and external relations. Aligned with international tax commitments such as the OECD/BEPS, it entails promoting tax transparency, fair tax competition and paying taxes where profit has been made. The Economic and Financial Affairs Council (ECOFIN) has agreed in its conclusions of May 2008 that tax good governance should be incorporated into all relevant bilateral and regional agreements between the EU and third countries. Applying the principle in practice has met with varied success, facing resistance from some countries. (Source: COM (2016) 24, 28 January)

Treaty of Lisbon A reform treaty amending the Treaty on European Union and the Treaty establishing the European Community, which came into force on 1st December 2009. It changed the way the Union exercises power, the decision-making processes and the consequent institutional set up. As a novelty, it outlined three different EU competences: exclusive competence, where the Union alone can legislate whereas the role of the Member States is to implement the legislation; shared competence, where the Member States can legislate when joint Union legislation does not exist; and supporting competence, where the EU supports and adopts Member States' legislation. Development policy is a shared competence of the Union. The Treaty of Lisbon also strengthened the Union's legal commitments to protect fundamental rights, by making the Charter of Fundamental Rights a legally binding document. The Treaty also enables EU accession to international treaties.

Washington Consensus An agenda that was originally created by the World Bank, the International Monetary Fund and the US in the 1980's. It consisted of a set of economic reforms to be promoted in developing countries. The Washington Consensus has been considered as a deeply neoliberal agenda with the idea that markets are efficient whereas states are inefficient. The Consensus aggressively promoted free markets, privatization, flexible labour policies and monetary policies over fiscal policies with the assumption that economic growth will automatically benefit the poor as well.

By the same token, the Consensus has unconditionally promoted globalization and capital mobility with the idea that individual countries profit from international free trade. After much criticism in academia and from social movements in the 1980's and early 1990's, the World Bank gradually shifted towards the **Post-Washington Consensus** in the late 1990's. The Post-Washington Consensus was more attentive to the social aspects of development, specifically education, social protection and efforts targeted on poverty reduction. While it did not reject most of the neo-liberal ideas of the markets, it put additional emphasis on institution-building and the state's role in regulating markets for economic growth and putting in place social policies for poverty reduction. Today the weakness of both agendas is considered to be the striking lack of any promotion of re-distributive fiscal policies, which has resulted in deep global wealth inequality over the past decades. (Saad-Filho, 2010).

Appendix 3. List of interview questions

General information

- Position of the interviewee and their main area of work
- The unit's overall strategic and operative focus as related to sustainable development

Questions on tax good governance for horizontal units:

- How do you see the relevance of tax good governance / corporate social responsibility initiatives in your unit's work?
- What is your opinion of the usefulness or practical implications of tax good governance initiatives such as the work of Platform for Tax Good Governance in your area of work?
- Specifically in the context of your unit's work, is tax good governance taken into account in the partnerships?
- If you answered yes to the previous question, in what ways does tax (good) governance work in practice, what is the division of labour between your unit and the other internal interlocutors? What means are used for coordination and coherence between different interlocutors?
- Why do you think there is, or is not, a need for tax good governance initiatives?
- Are there specific factors (and what are they) that explain why tax good governance principles are a challenge to operationalize?
- Have there been (and if so what kind of) links to the Commission's corporate social responsibility and tax good governance agendas?
- Can you provide concrete examples of initiatives on tax good governance or corporate social responsibility that contribute to tax good governance and fairer resource distribution related to your area of work (e.g. such as specific clauses in trade agreements)?

Questions limited to certain geographic units:

- Specifically in the context of ACP, is tax good governance taken into account in the partnerships with them?
- If you answered yes to the previous question, in what ways does good tax governance work in practice, what is the division of labour in the Commission (from your point of view?) and what means have been utilized to ensure coordination and coherence between other interlocutors?

Specific additional questions for units involved in developing tax good governance initiatives

- Background: what were the factors that made the Commission focus specifically on tax initiatives (in internal and external policies) and establish a platform?
- What is the division of labour in terms of the commitments of different actors and how does the Platform function in practice?
- What are the Commission's role and competences with regards to the work of the Platform, and which are the current main initiatives and focus areas?
- How do the objectives of the platform feature in the Commission's partnerships with third countries? Are there specific target countries or regions and if so, for what reason?
- What is the relevance of corporate social responsibility initiatives in tax initiatives? How does the Platform link to them?
- What tools exist for a fairer distribution of income in third countries within the single market framework?
- Where is the Commission at with regards to the Common Consolidated Corporate Tax Base (CCCTB)?
- What has been the impact of the list of non-cooperative tax jurisdictions on existing partnerships or on forming new partnerships?
- What were/are the challenges between the Member States and the institution with regards to publishing of such a list?
- Are there specific factors (and what are they) as to why tax good governance principles are a challenge to operationalize?
- Can you provide concrete examples of initiatives on tax good governance (or corporate social responsibility) that contribute to tax good governance and fairer resource distribution related to your area of work (e.g. such as specific clauses in trade agreements)?

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