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'Team Europe' or the Battle of the Banks: Explaining the Evolution of the Pan-European Development Finance

Dermot Hodson and David Howarth

Abstract

Presented as a significant step for European integration driven by the COVID-19 pandemic, Team Europe combines the resources of the European Union (EU), its member states, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) under a single logo to support shared development objectives. This paper examines 'Team Europe' through the lens of new intergovernmentalism as the latest in a series of reforms to European external development finance dating back to the 1950s. These reforms have been marked by dynamism but also a reluctance to delegate new powers to European institutions. Team Europe continues this trend by expanding the EU's ambitions as a development actor while reinforcing the role of national development financial institutions. Member states' desire to preserve the perceived legitimating role of development finance and doubts about the EIB as a development bank help to explain why the Team Europe approach was preferred to the 2019 Wieser Report's more radical plans for a centralised European development finance architecture.

1. Introduction

In July 2021, the EU announced a €6.75 million grant to the Institut Pasteur in Dakar to support the production of up to 25 million COVID-19 vaccine doses per month (European Commission 2021a). Combining contributions of €4.75 million from the European Commission and European Investment Bank (EIB), €1.8 million from the Agence Française de Développement (AFD) and €200,000 from Germany's Federal Ministry for Economic Cooperation and Development (BMZ), this package was part of Team Europe, a new approach to European development finance. Unveiled by the High Representative of the Union for Foreign Affairs and Security Policy in April 2020, Team Europe initially pledged €20 billion to tackle the health, humanitarian, environmental and socio-economic consequences of the coronavirus in developing countries. By February 2022, the total pledged to this COVID recovery package reached €38.5 billion. Team Europe has also been assigned a central role in the Global Gateway, a new EU strategy unveiled in December 2021 to mobilise up to €300 billion in investment in the digital sector, climate and energy, transport, health, education and research across the world (European Commission 2021b).

Together, the EU and its member states account for around half of global overseas development assistance (ODA), but European development policy still suffers from longstanding and well-documented problems of coherence. In Senegal, for example, EU institutions operate alongside national development actors from no less than twelve EU member states. Although there have been numerous attempts to promote greater coherence in European development finance, including the 2017 European Consensus on Development, none have been quite as ambitious as Team Europe, which seeks not only to pool the collective financial resources of the EU, its member states, the EIB and EBRD but to promote such efforts under a single logo. The most important marker of ambition in this respect is the so-called Team Europe Initiatives (TEIs), which bring together European and national development financial institutions to seek 'transformational' responses to development 'bottlenecks' through a combination of grants, loans, guarantees and other instruments (European Commission 2021d: 13-14). To critics, this approach puts the public presentation of EU development finance ahead of concerns over policy effectiveness, transparency and participation (CONCORD Europe 2021: 19). And yet, the 158 country, regional and global TEIs launched as of September 2022 suggest a degree of policy commitment that goes beyond previous efforts at joint programming.[1]

For Burni et al (2022), Team Europe can be understood as a significant step forward for European integration driven by the exigencies of COVID-19, albeit in ways that privileged process over substance and shied away from joint decision-making on development projects. This paper offers a qualified endorsement of this view from a new intergovernmental perspective, a theoretical approach which seeks to explain the turbulent dynamics of European integration since the Maastricht Treaty was signed in 1992 (Bickerton, Hodson and Puetter 2015). In keeping with new intergovernmentalism, we find that Team Europe was driven by EU member state governments' preference for closer development cooperation combined with their reluctance to delegate authority to the European Commission in this domain. This reluctance was rooted in concerns about contestation over European integration and the legitimating role of national development finance. Such concerns, we find, reflect a complex array of contemporary and historical factors which predate COVID-19.

The remainder of this paper is divided into five sections. the first considers how EU development scholars have employed integration theory before putting forward a new intergovernmental perspective on this topic. The second explores the origins and evolution of the European Development Fund, arguably the most important instrument of EU development finance and one that was kept separate from the Union's budget between 1958 and 2021. The second considers member states' lukewarm response to the Wieser Report, a 2019 study commissioned by EU member states which sought to delegate responsibility for EU development finance to a new European Climate and Sustainable Development Finance

[1] Source: https://europa.eu/capacity4dev/tei-jp-tracker, Accessed 5 September 2022

Bank. The penultimate section considers why the low degree of delegation entailed by Team Europe proved more favourable member states and how coherent its approach to European development finance it is likely to be. The final section summarises the new intergovernmental dynamics at the heart of Team Europe and considers some of the key challenges facing the EU as a development finance actor.

2. Theorising European Development Finance

The focus of this paper is on external development finance, by which we mean the provision of grants, loans and guarantees by the EU to third countries. This excludes instruments which seek to promote economic, social or territorial cohesion among EU regions and member states, including the European Regional Development Fund, the Cohesion Fund and EIB lending within the union. Under the 1957 Treaty of Rome, the overarching aim of development policy was to improve the prosperity of overseas countries to which Europe was bound, a term that primarily referred to member states' (former) colonies. Over time, EU development policy expanded to cover low and middle-income countries in all parts of the world and a much wider range of policy goals. The 2017 European consensus on development, for example, focused not only on eradicating poverty but on how development policy could promote human development, democracy, the rule of law and human rights and efforts to combat climate change (European Commission 2017). The aims of European development policy have also competed over time with shifting geopolitical interests, including security concerns and the rise of new development actors such as China, which has gone in the course of one generation from being a recipient of EU overseas development aid to a development rival (Lundsgaarde 2012).

A range of theories has been fruitfully applied to the study of EU development policy, ranging from neo-Gramscian analysis (Hurt 2003) and network theory (Elgström 2017) to world society theory (Hollis 2014) and Europeanisation (Orbie and Carbone 2017). And yet, work in this field draws sparingly on integration theory (Delputte and Orbie 2018). A notable exception is Carbone (2007), who employs a variation of neo-functionalism to explain the European Commission's contingent leadership in relation to EU development policy. 'Intergovernmentalists would expect integration in EU development policy to be extremely difficult, with only marginal progress reflecting the convergence of interests of the most important states', Carbone argues (2007: 122). The dynamism of EU development policy thus 'confounds' this theoretical approach, he concludes.

New intergovernmentalism would challenge this reading by pointing toward EU member states' track record of deliberation and consensus-seeking, especially in response to global challenges (Puetter 2012). Intergovernmental bodies such as the Council of Ministers and European Council do not always produce the most effective policy responses and they are also drawn to short-term fixes rather than long-term strategic thinking. And yet, compared to the decision-making organs of other international organisations, these bodies have a track record in the post-Maastricht period of working through national differences and avoiding the kind of inertia associated with lowest common denominator politics. That the EU and its member states accounted for 46 per cent of global ODA in 2021 would be seen as a sign of national governments' commitment to this policy domain rather than a sign that supranational institutions had steered this political agenda, the new intergovernmentalism would contend.[2]

[2] Source: https://donortracker.org/country/eu Accessed 5 September 2022

To date, intergovernmentalists have shown limited interest in European development policy. For example, Andrew Moravcsik (1998: 148), a pioneer of liberal intergovernmentalism, treats the creation of a European development policy in the Treaty of Rome as little more than a side payment. Under this deal, Germany secured the right to trade freely with the overseas dependencies of Belgium, France, Italy and the Netherlands in return for the Community providing overseas development aid to these countries and territories. Liberal intergovernmentalism would, more generally, point towards the importance of commercial interests in shaping member-state preferences on European development finance. New intergovernmentalism does not deny the importance of side payments and commercial interests in development, not least as NGOs and private actors will seek influence and financial gain. But it also sees the process of preference formation as suffused with concerns over legitimacy. It is this concern for legitimacy which explains member states' reluctance to delegate new powers to European institutions along traditional lines, the new intergovernmentalism contends.

The problems of legitimacy facing the EU in the post-Maastricht period are well documented (Fabbrini and Puetter 2016). The rise of Eurosceptic challenger parties, public disquiet about the benefits of European integration and growing pressure for referendums either on treaty revisions, specific EU policies or wider questions of European integration from the 1990s onwards have made member states' reluctant to add to the European Commission's existing powers, the new intergovernmentalism argues (Hodson and Puetter 2019). This reluctance is partly explained by the European Commission's high degree of visibility as an EU institution, which has made it a target for Eurosceptics parties intent on stoking fears about the perceived influence of unelected Eurocrats. Member states were also reluctant to cede new powers to the European Commission after Maastricht for fear that this would necessitate major treaty revision, which in turn would trigger hard-to-win referendums.

Member states may have grown reluctant to delegate in the post-Maastricht period, but that does not mean that delegation never occurs. For one thing, it was sometimes possible to extend the European Commission's powers without recourse to treaty revision. Next Generation EU, a temporary instrument which allowed the Commission to borrow up to €750 billion on behalf of the Union to help with the economic recovery from the COVID-19 pandemic is a case in point (Schmidt 2020). More common, the new intergovernmentalism posits, is the delegation of policy-making powers to de novo bodies. De novo bodies are specialist bodies with narrow mandates, which tend to operate at one remove from the EU's institutional and legal architecture and subject to a very high degree of control by member states (Scipioni 2018). Some, such as the European Stability Mechanism, are underpinned by international law agreements, which tend to be easier to ratify than EU treaty revisions because they are approved in all instances by parliaments rather than a public vote. And yet, de novo bodies can themselves face legitimacy challenges, as evidenced by Italian opposition leader Matteo Salvini's attempt in 2019 to block reforms to the European Stability Mechanism over its alleged threat to national sovereignty (Galli 2020).

EU development finance also faces some specific legitimacy challenges, which added to member states' reluctance to delegate. Public support for development aid tends to be strong and stable, much more so than attitudes towards European integration. Between 2009 and 2018, the percentage of people who considered it important to help developing countries went from 88 per cent to 89 per cent (Eurobarometer 2018: 1). And yet, the emerging evidence suggests that European development finance faces some of the same populist critiques as the EU, especially when it comes to issues such as corruption, waste and migration (Heinrich, Kobayashi, and Lawson 2021). Development finance is also part of a wider debate on EU finances in which member states' net contributions to the Union's budget face intense scrutiny (Rubio and Thiemann 2021). Where Eurosceptics occupy a prominent place in national debates, even when they are not in power, we would expect national governments to grow more reticent about delegating new powers and resources to the European Commission for fear of triggering treaty revisions or an unwelcome debate about net contributions to the EU budget. Delegation, where it occurs, will tend to favour de novo bodies — which are defined as specialist institutions which operate at one remove from the EU's decision-making structures and which are often subject to a very high degree of day-to-day control by member state representatives. Where an existing de novo body is perceived as too powerful, we would expect member states to empower multiple institutions (Hodson 2015).

The perceived legitimating role of development finance will also discourage delegation to European institutions. While there might be efficiency savings and other economies of scale to cross-border cooperation on development projects, governments will continue to see aid as a way of burnishing their country's standing on the international stage. Development donors 'expect to be recognized and appreciated for their resource allocation', argues Wilkins (2018), who views the prominent use of logos by national development agencies as part of this 'branding' strategy. For this reason, new intergovernmentalism would expect member states, no matter how open they are to European development cooperation, to insist on continued recognition for national development finance.

3. The European Development Fund

Team Europe is the latest in a series of changes to European development finance, some of which are easier to understand from a new intergovernmental perspective than others. This is partly the result of the approach's scope conditions – which limit its explanatory claims to the post-Maastricht period – but not exclusively so. Member states' reluctance to delegate powers to the European Commission in the early days of the European Community is one challenge for new intergovernmentalism. The so-called budgetisation of European development finance is another.

The Treaty of Rome established an association between 'non-European countries and territories' which had 'special relations' with member states, the purpose of which was to promote the 'economic, social and cultural development' of these countries and territories.[3] But the treaty did not confer specific responsibilities on the European Community and referred only in general terms to investments provided by the Community for 'the progressive development of these countries and territories.' The European Development Fund (EDF), the European Community's first international development finance instrument, was underpinned by the so-called internal agreement between member states and financed through bilateral contributions from member states. This arrangement ensured that the EDF was kept distinct from the Community budget and its governance procedures, leaving member states to decide on the aims and overall amount of funding provided to associated states via multiannual development programmes, beginning with the Yaoundé Convention (1963). European development cooperation was thus marked by a reluctance to delegate which was present from the outset of the European Community rather than being a feature of the post-

[3] Article 131, Treaty of Rome

Maastricht period, as the new intergovernmentalism suggests. And yet, there was more delegation in practice than was apparent under the Treaty of Rome.

Although member states maintained a tight grip on external development finance in this foundational period, two Community bodies played a supporting role. The first was the European Commission, which assumed de facto responsibilities for project design and programme financing under the EDF, albeit subject to strict oversight from national representatives. The second was the European Investment Bank (EIB), which in spite of its predominately domestic mandate, managed loans provided by the EDF to associated countries and territories and provided financing in its own right under the Yaoundé Convention. The EIB retained this role under the Lomé Convention (1975) and the Cotonou Agreement (2000), with the latter taking the form of the Investment Facility, a €2.2 billion fund aimed primarily at private sector and commercially-run public enterprises in the ACPs and Territories OCTs (Langan 2014: 479). Although it was established in 1958, EIB can be seen as a protype for the dozens of de novo bodies created in the post-Maastricht period. Like these later bodies, the EIB assigned a key role to member state representatives in its governance structures, with finance ministers serving as the bank's governors and national civil servants doubling as its directors. The European Commission was allowed to appoint a director but not a governor to the EIB, thus limiting the Community's influence over the Bank's lending policy.

The governance of European development cooperation under the Treaty of Rome was a source of frustration for the European Commission and European Parliament, which from 1973 pushed for the EDF to be included in the Community's newly reformed budget procedures.[4] Member states were divided over the merits of 'budgetisation', as it came to be known, which also proved unpopular with African, Caribbean and Pacific (ACP) countries and Overseas Countries and Territories (OCT), which feared that development funding might be reduced or redirected if integrated into the Community's financial framework (Langan 2014). Struggling to make headway on this issue, the European Parliament brought an action for annulment before the European Court of Justice against the Council in 1991 over the financial regulation underpinning the fourth Lomé Convention.[5] But the European Court of Justice rejected the European Parliament's argument that development aid provided through this regulation was Community expenditure and, as such, should be governed under the Community's budget procedures. Development was a shared competences, the Court concluded, meaning that it was for the Community and its member states to decide how such cooperation should be financed.

In 2021, the EDF was finally budgetised when the Council of Ministers integrated all external instruments, including the Development Cooperation Instrument and the Instrument for Pre-Accession into a single instrument within the EU's multiannual financial framework, the Neighbourhood, Development and International Cooperation Instrument (NDICI), also known as Global Europe. Although this decision rested uneasily with the new intergovernmentalism by finally overcoming member states' reluctance to delegate, the result was less dramatic than it looked. For one thing, development assistance to 'non-associated' developing countries in Asia, Latin America and the Mediterranean (Rudner 1992: 3) had been budgetised since the 1970s. At first, such support was channelled through various thematic and geographic instruments, which were embedded in the Community budget and

[4] In C-316/91, EP v Council, 2 March 1994, the European Parliament lost a legal challenge concerning this issue.
[5] C-316/91, EP v Council, 2 March 1994

managed day-to-day by the Commission. These instruments were eventually integrated into the Development Cooperation Instrument, the first iteration of which ran from 2008 to 2013. A similar process of streamlining occurred with the creation in 2007 of the Instrument for Pre-Accession, which brought together programmes such as PHARE and the Special Accession Programme for Agricultural and Rural Development under a single heading. The Global Instrument built on these earlier practices and made little difference to the European Commission's role in relation to the EDF since decisions on EDF resources and contributions had always been based on a Commission proposal (D'Alfonso 2014). The European Parliament was arguably the big winner from this reform, acquiring a role, for the first time, in deciding on the overall amount of the EDF and in scrutinising the implementation of the fund.

Having resisted the budgetisation of the EDF for so long, member states eventually came around to this idea, not because they sought to empower the Commission, but as a means to rein in EU expenditure. Central to this reform, as Gavas (2012: 2) notes, was the attempt by France, Germany and the UK, among other net contributors, to freeze EU expenditure and so reduce the union's reliance on off-budget instruments such as the EDF. The desire to limit EU expenditure was partly a response to the mood of austerity, which prevailed in several member states after the global financial crisis. But it was also a response to Eurosceptic parties, which sought to portray the EU as spendthrift.

For much of its history, European development policy was underpinned by a permissive consensus. Long after Eurosceptic politicians sought to exploit and inflame popular discontent over European integration, public support for overseas development aid in principle remained strong (Henson et al. 2010). This dichotomy can be seen most clearly in the UK, which was home to the gradual politicization of development policy. As prime minister, Tony Blair talked openly about using UK overseas development aid as a form of soft power and he urged the EU, in so many words, to do the same. Faced with the failure of the European Constitution after 'no' votes in France and the Netherlands, Blair invited EU heads of state or government to an informal summit at Hampton Court where he urged them to demonstrate to the European people that the EU was a force for good in the world (Blair 2005). Convincing the EU and its member states to meet the United Nations 0.7 per cent of Gross National Income target for overseas development assistance formed part of this plan. And yet, the British government was equally insistent that the EDF not be integrated into the EU budget for fear that development would be caught up in controversy over the UK's budget rebate (Whitman and Thomas 2006: 12). That the UK secured an increase in aid volumes while avoiding the budgetisation of the EDF was seen at the time as a win for the UK presidency. It can equally be seen as an indication of the UK's determination to deepen cooperation while minimizing the delegation of authority to the EU, in line with the expectations of the new intergovernmentalism.

Blair's immediate successors, Gordon Brown and David Cameron, defended the 0.7 per cent target, despite deep cuts to public expenditure as a result of the global financial crisis. But this political consensus began to fray, as Eurosceptic voices within the Conservative Party and the UK Independence Party called for cuts to development expenditure (Crines and Heppell, 2017). This pressure intensified after the UK left the EU, culminating in Chancellor Rishi Sunak's decision in November 2020 to cut UK expenditure on overseas development assistance to 0.5 per cent of Gross National Income until at least 2024/05. Although these moves triggered a fierce backlash from NGOs, there was, by this point, public support for such cuts (Lansdale 2021).

These dynamics played out slightly differently in the rest of the EU. In France, for example, President François Hollande's sluggish efforts to meet the 0.7 per cent target made it more difficult for populist politicians such as Marine Le Pen to argue for cuts. During the 2017 presidential election, Le Pen promised to meet the 0.7 per cent target but to use such development aid to promote the return of irregular migrants and reduce terrorist threats (Saldinger 2017).[6] Despite such commitments, most development finance watchers expected cuts to the European Development Funds if Le Pen were elected president, not least as she had promised to reduce France's contribution to the EU budget by €5 billion per year. Had she won the presidency in 2017 or 2022, the dynamic of constraining the EDC via its budgetisation is likely to have intensified.

4. The Weiser Report

In June 2018, French president Emmanuel Macron and German Chancellor Angela Merkel signed the Meseberg Declaration which, alongside a range of EU reform proposals, called for a high-level group to be established on the European financial architecture for development (see Antonowicz et al. 2020; Fitzgeorge-Parker 2019).[7] Ten months later, the EU's General Affairs Council invited Thomas Wieser, a former Director-General in the Austrian Ministry of Finance and head of the Eurogroup Working Group, to chair the high-level group. Tasked with offering a 'system-wide perspective', the Wieser Group was invited to consider how to avoid duplication and encourage cooperation between the EBRD, the EIB and the financial instruments managed by the European Commission.[8] It was also invited to consider whether there was scope for rationalising the existing development finance architecture, 'in particular

[6] Bergmann, Hackenesch, Stockemer (2020) find a similar linkage in the discourse on development policy and migration in European countries where populist radical right parties perform well. Where such parties win power, their impact on development policy is less pronounced, although this could be because the populist radical right is more likely to see control over portfolios such as internal policy rather than development.
[7] 'Déclaration De Meseberg – Renouveler Les Promesses De L'Europe En Matière De Sécurité Et De Prospérité', Élyseé, 19 June 2018. https://www.elysee.fr/front/pdf/elysee-module-1980-fr.pdf
[8] Council Decision (EU) 2019/597 of 9 April 2019 on the establishment of a High-level Group of Wise Persons on the European financial architecture for development

with the respective roles of the EIB and of the EBRD'.[9] Although member states raised expectations through this ambitious mandate, their eventual response to the Wieser Report revealed a familiar reluctance to delegate.

Published in October 2019, the Wieser Report made a forceful case for the delegation of external development finance to an entirely new institution. The EU and its member states had played a major role in promoting 'poverty reduction, decreasing child mortality and higher life expectancy', the report argued, but the existing architecture suffered from 'overlaps, gaps and inefficiencies' (Wieser et al. 2019: 3). The report pulled no punches in its assessment of European institutions. The EBRD had a 'good record' as a development bank, it suggested, but it was not entirely clear that its focus on middle-income countries would extend to developing countries (Wieser et al. 2019: 21). The EIB's lending outside the EU was largely focused on infrastructural rather than development finance and it lacked expertise, a presence on the ground in partner countries and a well-developed relationship with international financial institutions. The European Commission, finally, lacked a single voice on development issues, 'experience in dealing with the private sector' and 'banking and risk-management knowledge' (Wieser et al. 2019: 20).

All other things being equal, the Wieser report argued, EU member states would be better off streamlining the lending activities of the EBRD and external lending of the EIB into a new European Climate and Sustainable Development Bank. Europe's crowded development finance community made it difficult to design such a financial institution from scratch so the Wieser Report sketched three intermediate options. Under the first, the non-EU lending activities of the EIB would be transferred to the EBRD. Under the second, the EIB, EBRD, the

[9] Council Decision (EU) 2019/597 of 9 April 2019 on the establishment of a High-level Group of Wise Persons on the European financial architecture for development

Commission and member states would become shareholders in a new European bank. Under the third option, the EIB group would create a subsidiary bank, which would involve the Commission, member states and national development banks as shareholders.

In keeping with the new intergovernmentalism, EU member states showed limited enthusiasm for the creation of a 'strong policy centre' for European development (Wieser et al. 2019). In its response to the Wieser Report in December 2019, the ECOFIN Council agreed on the need to 'avoid fragmentation' in European development finance (Council of the EU 2019). But it also defended the 'variety and diversity of actors and instruments in the European financial architecture for development [as] a strength in terms of quality, impact, effectiveness'. At the heart of this lukewarm response, in line with the new intergovernmentalism, was member states' reluctance to commit the additional resources that would be required to establish a well-capitalised new European bank under the report's second option. '[P]riority should be put on the use of existing financial resources', concluded EU finance ministers, who took the Wieser Report's second option off the table and commissioned an independent feasibility study in options 1 and 3 (Council of the EU 2019).

The Wieser Group conveyed doubts about its own third option by referring to the EIB's 'limited development expertise and structural risk aversion' (Wieser et al. 2019: 22). Member states were also divided over this option. An unlikely trio of governments from Luxembourg, Portugal and Greece produced a position paper in favour of strengthening the EIB's position in development finance, declaring that it had 'the right risk profile and business model endorsed and supported by Member States as shareholders' (cited in Fleming 2019). The pro-EIB positioning likely reflected economic interests: Greece and Portugal received more EIB loans per capita than any other country, while Luxembourg benefitted considerably from the location of the bulk of EIB staff in the country (interviews 1, 3).[10] But the Netherlands, Sweden and Denmark raised concerns over the EIB's experience in fragile and less- developed countries, lack of development 'know-how' and the risk of creating debt sustainability problems (Barker 2019). All three criticized the EIB's lack of engagement with civil society in African and Asian countries.

In June 2019, EIB President Werner Hoyer presented plans for a €60 billion European Bank for Sustainable Development (EBSD) (Barker 2019). This proposal not only pre-empted the Wieser Report; it also challenged the Report's assumptions about the EIB being an infrastructure rather than a development bank. Moreover, the EIB secured a Commission commitment that €30 billion out of €45 billion of Commission funds to support external lending would go to the EIB rather than other development financial institutions (Barker 2019). This explicitly contradicted the recommendation of the Wieser Group to avoid new commitments prior to the publication of the group's report in October. The EIB proposed to fund the EBSD through EU guarantees, the continuation of €2.5 billion a year of its 'own risk' lending, and the repurposing of other investment facilities. It planned to place the EBSD off its balance sheet and open it to equity-like contributions to increase its lending capacity. The Netherlands, Sweden and Denmark were among those member states to oppose the proposed EBSD as not only undesirable but unworkable given that the EIB lacked sufficient funding to provide loans at World Bank-style concessionary rates (interviews 1, 3). The German and French governments, meanwhile, opposed the EIB's plan to establish the EBSD and rather proposed strengthening their own national development banks, the KfW and the AFD. Member states may have looked to the EIB since the early days of the European

[10] Greece was the largest per capita beneficiary of EIB and EIF financing world-wide, reaching 2.7 per cent of national GDP in early 2022 (EIF 2022).

Community to play a role in external development finance, but they were not prepared to transform it into a fully-fledged European development bank.

This left the Wieser Report's first option of transferring the EIB's external lending activities to the EBRD. Some EU member states were sympathetic to this proposal, especially Central and Eastern European countries which lacked development financial institutions of their own but had a long track record as EBRD shareholders and countries of operation (interview 3). And yet, the Wieser Report's unstated assumption that the EU could co-opt the EBRD was problematic. Like the EIB, the EBRD can be understood in new intergovernmental terms as a de novo body, albeit an even more experimental one. French President François Mitterrand was the driving force behind the creation of this bank, which formed part of his wider efforts to create new pan-European bodies after 1989. Consistent with the new intergovernmentalism, Mitterrand was reluctant to give further powers to the Commission, which, Weber argues, 'saw a threat to usurp its newfound leadership role' in Central and Eastern Europe (1994: 15). For Haggard and Moravcsik (1993), this reluctance can partly be explained by the transaction costs of delegating such tasks to the EIB, which could have required time-consuming and politically-costly changes to its statutes to allow the involvement of Central and Eastern European countries (Haggard and Moravcsik 1993). But this argument rests uneasily with the EIB's role in external lending before and after the end of the Cold War (Clifton et al. 2018). It also downplays the significant transaction costs involved in setting up the EBRD in a matter of months.

Ultimately, Mitterrand sought a solution which kept the EU and its institutions at arm's length, but he was forced to give ground on this issue in negotiations with European partners (Weber 1994: 15). By way of compromise, the EBRD was established as a standalone institution, but EU member states and EIB became majority shareholders in the

EBRD.[11] Non-EU national government shareholders in the EBRD — notably, the United States, Canada and Japan — were invited and by the 2010s there were sixty-nine national shareholders.

Under the EBRD's statutes, the EU, its member states and the EIB must account for a majority of the total subscribed capital stock.[12] This was unchanged as a result of Brexit, but the EU's combined capital subscription fell from 63.1 per cent to 54.5 per cent following UK withdrawal (Berglöf 2019). While the EBRD's Board of Directors takes some decisions by a simple majority vote, sensitive issues, such as the annual review of operations and lending strategy require a two-thirds majority.[13] EU member state directors work closely together within the EBRD, but they are also careful to seek consensus with the representatives of other shareholders (interview 3), making it difficult to see how the Bank could become the EU's development bank while fulfilling its wider responsibilities. The Wieser Report sidestepped this thorny issue and member states showed no interest in grappling with it.

In June 2021, the ECOFIN Council finally met to discuss the feasibility study it had commissioned in response to the Wieser Report. Having already ruled out the report's second option, which sought to create a new European bank, ECOFIN was left with the choice between concentrating development finance in the hands of the EBRD or EIB. Instead, it called for the two banks to work more closely together in a Team Europe approach. In this sense, Team Europe owed as much to member states' reluctance to delegate further responsibility and resources for development finance to existing institutions, in line with the new intergovernmentalism.

[11] European Commission was given the authority to nominate both a governor and director to the EBRD
[12] Article 5(2), Agreement Establishing the EBRD
[13] Article 5(2), Agreement Establishing the EBRD

5. Team Europe Reconsidered

The Wieser Report's headline proposal for a European Climate and Sustainable Development Bank and three interim options may have fallen flat, but its 'immediate steps' for reforming European development finance proved more acceptable to member states. In its response to the report in December 2019, the ECOFIN Council invited the Commission and External Action Services to take a range of steps 'to strengthen the European financial architecture for development' (Council of the European Union 2019: Para 25). Perhaps the most concrete of these steps was the invitation from EU finance ministers to put forward ideas concerning the 'branding and narrative' of EU development policy (Council of the European Union 2019: Para 16). This took forward a suggestion in the Wieser Report to create a new 'label' which could maximise the use of the EU budget and increase awareness of EU development policy both inside the Union and globally (Wieser et al. 2019: 26).

The new intergovernmentalism would expect member states to defend the role and visibility of national development finance institutions and the European Commission to be acutely aware of such red lines in formulating policy proposals. So it proved when the High Representative of the Union for Foreign Affairs and Security Policy Josep Borrell presented the Team Europe approach in April 2020. As the title suggested, Team Europe sought a collective rather than a unified approach to development finance in which the European and national development finance institutions would combine resources in pursuit of shared objectives while retaining their institutional identities (European Commission 2020).

Work was already underway on the Team Europe approach before COVID-19 struck, but the pandemic became the initial hook on which to hang this new approach. Borrell's communication identified the health, humanitarian and socio-economic consequences of the pandemic as the immediate priorities for collective action and pledged to create a 'coherent financial package' for each country in need of support (European Commission 2020). It also pledged to raise funds for the Global Preparedness Monitoring Board, a World Health Organisation (WHO) and World Bank Group initiative on global health security, and promised to leverage the EU's position in multilateral financial institutions and to promote a globally coordinated approach to COVID-19.

That Team Europe did not threaten national development financial institutions helps to explain, from a new intergovernmental perspective, member states' enthusiasm for the approach. The €15 billion in funding earmarked for Team Europe in the communication came from 'existing external action resources' rather than inviting additional contributions from member states. Nor did Borrell ask member states to specify precisely how much national development financial institutions would contribute to Team Europe, with financial packages being decided on a case-by-case basis. EU development ministers duly endorsed the Team Europe approach on the same day that Borrell published his proposal (Council of the European Union 2020b). By June 2020, the Council had raised Team Europe pandemic funding to €36 billion and endorsed the use of this brand in 'national or joint communication campaigns, visibility efforts and public announcements' (Council of the European Union 2020b).

Team Europe faced serious questions over its likely effectiveness. Writing in May 2022, Mikaela Gavas and Aitor Pérez, noted continuing uncertainty over 'decision-making rules; intervention costs; which financial instruments will be deployed; what division of labour will apply; who is driving the agenda; and the extent to which investments are jointly owned by partner countries' (Gavas and Pérez 2022). More fundamentally, member states' remained free to pursue their own national development goals and were under no obligation to coordinate their efforts with EU partners. Team Europe, for this reason, risked being a voluntaristic and cosmetic exercise, which used branding and logos to give the impression of a genuinely European development finance policy.

Such concerns notwithstanding, Team Europe became a focal point for the EU's response not only to the pandemic but to a range of international challenges. A key achievement was the spirit of cooperation it produced between the EIB and EBRD, two banks which had a track record of working together in countries of operation such as Egypt (Piroska and Schlett 2022), but which had been divided in their response to the Wieser Report. Just as member states saw no threat to national development finance institutions from Team Europe, the EIB and EBRD saw little downside to working together. In May 2020, EBRD President Suma Chakrabarti participated in the virtual European Union (EU) Western Balkans Summit. There the EBRD chief agreed to join forces with the EIB and the Commission to provide financial support for Albania, Bosnia and Herzegovina, Kosovo, Montenegro, North Macedonia and Serbia to help with the economic impact of COVID-19. 'We are proud to be supporting the efforts of "Team Europe"', Chakrabarti told the summit (Reiserer 2020). Building on such efforts, EIB president Werner Hoyer and Odile Renaud-Basso, Chakrabarti's successor as EIB president, signed a Framework Project Cooperation Agreement in October 2021 to facilitate joint financing of 'projects and platforms' outside the EU (Reiserer 2021).

New intergovernmentalism emphasises member states' track record of cooperation when faced with shared global challenges. EU member states' growing belief in the Team Europe approach can be seen in *A Globally Connected Europe*, a strategy document adopted by EU foreign ministers in July 2021. Widely interpreted as a response to China's Belt and Road Initiative (see Lau and Cokelaere 2021), the strategy envisaged a new programme of infrastructure investment, coupled with new regulatory frameworks, to promote the EU's values and advance its 'economic, foreign and development policy and security interests' (Council of the European Union 2021b). Team Europe was assigned a central role in mobilising public and private resources for such investments, including through joint financing models.

The Commission put flesh on the bones of this investment strategy in December 2021 when it presented the Global Gateway, a plan to mobilise up to €300 billion of investment in the digital sector, climate and energy, transport, health, education and research across the world (European Commission 2021b). Team Europe was assigned the task of raising and disbursing this funding, turning the EIB and EBRD, as well as national development banks into the gatekeepers of the EU's new investment strategy. A communication accompanying this policy announcement proposed that the Global Gateway would be taken forward by the High Representative and relevant Commissioners 'under the overall steer' of the Commission president (European Commission 2021b). But it also promised to create a Global Gateway Board which would provide strategic guidance to Team Europe projects. The communication did not provide details on the composition of this board, but it looked like a de novo body in the making.

It remains to be seen whether the Global Gateway will mount a credible challenge to the Belt and Road Initiative, which itself faces questions over its own effectiveness and future, especially after Chinese Premier Xi Jinping announced a new Global Development Initiative focused on health and environmental concerns at the UN General Assembly in September 2021 (Batabyal 2022). Nor can it be taken for granted that the EU will be able to mobilise the €300 billion in investment it has promised under the gateway and whether such financing would be enough to achieve the EU's goals. And yet, the Global Gateway has been greeted by EU watchers as 'a serious proposal with potentially far-reaching consequences for EU development policy' (Furness and Keijzer 2022).

The biggest challenge for Team Europe could be yet to come. In July 2022, the European Commission, EIB, EBRD and representatives of all 27 EU member states were present at the Ukraine Recovery Conference in Lugano to discuss the guiding principles for the eventual reconstruction of Ukraine after its war with Russia. The presence of Canada, Japan the UK and the United States underlined the international dimension of future reconstruction efforts. And yet, the European Council's decision to recognise Ukraine as a candidate country means that Team Europe would be likely to play a major role in coordinating financial support for reconstruction. Indeed, the EIB and EBRD were among the first donors to offer financial support to Ukraine after Russia invaded. In March 2022, the EIB provided €668 million in immediate assistance to the Ukrainian government, including for food, fuel and medical supplies (EIB 2022a). By July, this figure had increased to €1.59 billion (EIB 2022b). The EBRD, meanwhile, offered a €2 billion 'resilience package' targeted at Ukraine and 'affected countries' (Porter 2022). Although existing Team Europe projects were put on hold after the war started, this situation would probably be reversed in the event of EU-sponsored reconstruction efforts.

6. Conclusion

In the first three months of 2022, Team Europe pledged financial support for transboundary water management in Africa, vaccine programmes in Argentina and renewable energy projects in Brazil. Two years after the European Commission and High Representative proposed this new coordinated approach to European development finance, the EU, its member states, the EIB and the EBRD had pledged nearly €340 billion to causes ranging from dealing with the COVID-19 pandemic to creating a global connectivity strategy to rival China's Belt and Road Initiative. Team Europe is far from being the first attempt to promote greater coherence in this policy domain, but none have been quite so visible or grown so quickly.

Does Team Europe, as some scholars have suggested, amount to a significant step forward for European integration in the domain of development finance? Viewed from a new intergovernmental perspective, the answer is a qualified 'yes'. New intergovernmentalism questions the link between integration and supranationalisation underpinning classic theories of European integration. Member states are the most important engines of European integration, it contends, but they remain reluctant to delegate new powers to EU institutions along traditional lines. Such reluctance was present from the very beginning of European development finance, this paper has shown, and it permeates through the Team Europe approach, which champions cooperation between European and national development finance actors rather than the transfer of significant new policy-making powers from the national to the EU level.

This reluctance to delegate is borne not only of commercial interests, as liberal intergovernmentalism expects. It also reflects the importance of legitimacy considerations in national preference formation, as new intergovernmentalism predicts. Member states remain protective of national development policy's perceived legitimating functions, the paper finds, as well as cautious about placing additional demands on the EU budget and national treasuries. The budgetisation of the EDF in 2021 is a partial exception to this trend, but member states remain otherwise reluctant to delegate new powers to the European level.

The Wieser Report's calls for a more centralised approach to European development finance ran counter to these new intergovernmental dynamics, but not so member states' lukewarm response to its ideas. Protective of national financial institutions and reluctant to delegate new powers and more resources to the European level, member states rejected calls for the creation of a new European bank out of hand, and showed little interest in giving either the EIB or the EBRD a greater role in development finance. Team Europe proved more acceptable to member states by promising a coordinated approach to development finance among European and national institutions without the need for national governments to put additional capital on the table. Whether the approach delivers on this promise remains to be seen, given question marks over how closely its main players, both European and national, will work together and whether the resources pledged will suffice. But for now, Team Europe has been given a central role in European development finance, which it looks set to maintain as the global challenges facing the Union mount.

Interviews

1: Former senior EIB official, Luxembourg, 10 January 2022.
2: Former senior EIB official, Luxembourg, 27 January 2022.
3: Former senior EBRD official, by Skype, 28 March 2022.
4: Spanish Finance Ministry official, Luxembourg, 7 April 2022.

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About the Authors

Dermot Hodson is Professor of Political Economy at Birkbeck College, University of London. David Howarth is Full professor in Political Science: European Union studies at the University of Luxembourg.

Further Information

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