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From the Wieser report to team Europe: explaining the 'battle of the banks' in development finance

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ABSTRACT
The European Union (EU) and its member states are the world's largest development donor, but the European financial architecture for development suffers from well-documented problems of fragmentation. EU member states' decision to convene the Wieser Group in April 2019 raised expectations over rationalising the roles of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). However, the Council of the EU showed little enthusiasm for the group's call to create a single entity for external development finance. Twelve months later, member states endorsed Team Europe, an alternative approach which mobilises the resources of the EIB, the EBRD, the European Commission and national development finance institutions in support of shared development goals. This article seeks to explain why the Council ultimately preferred Team Europe's coordinated approach to the Wieser Report's centralised vision of a European Climate and Sustainable Development Bank. In keeping with new intergovernmentalism, we find that member states' willingness to cooperate but reluctance to delegate, and the aim of EU institutions to protect their turf, favoured Team Europe. We see few reasons to expect radical changes in this domain despite continued doubts over the effectiveness and coherence of European development finance.

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Introduction

In April 2019, the European Union (EU) General Affairs Council created a high-level group on the future of the European financial architecture for development chaired by Thomas Wieser, a former Director-General in the Austrian Ministry of Finance and head of the Eurogroup Working Group. The Wieser

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Group's mandate was broad and ambitious. Tasked with offering a 'system-wide perspective', it was invited to consider how to overcome 'duplication' and maximise 'added-value' in European development finance.[1] The group was also specifically asked to explore 'opportunities for rationalising' the roles of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).[2] Published in October 2019, the Wieser Report made a forceful case for replacing the EIB and EBRD with a new European Climate and Sustainable Development Bank, but neither this proposal nor the report's three intermediate scenarios won the unanimous support of member states (Wieser et al., 2019, p. 26).

In April 2020, EU development ministers endorsed a new plan by the European Commission and the EU's High Representative for Foreign Affairs and Security Policy, under which the EIB, the EBRD, the European Commission and EU member states would mobilise their respective resources in support of 'common priority lines of action' and 'collective action' (European Commission, 2020). Initially, the EU pledged €20 billion to Team Europe to tackle the health, humanitarian, environmental and socio-economic consequences of the COVID-19 pandemic. But this commitment was quickly doubled, and in less than two years member states had agreed that Team Europe would mobilise up to €300 billion in investment in the digital sector, climate and energy, transport, health, education and research in partner countries worldwide as part of the EU's new Global Gateway (European Commission, 2021a).

This article asks why EU member states, having raised expectations over rationalising the EIB and EBRD's roles when they convened the Wieser Group, reaffirmed the banks' existing position in the European financial architecture for development through the Team Europe approach. To make sense of this 'battle of the banks', as Mikaela Gavas (2021) calls it, we turn to new intergovernmentalism, a theory of European integration which emphasises member states' reluctance to delegate new powers to European institutions even when there are compelling functional reasons for doing so, and European institutions' ambivalence about the pursuit of ever closer union (Bickerton et al., 2015). Drawing on elite interviews and the analysis of official documentation, press coverage and the secondary literature, this article attributes the lukewarm response to the Wieser Report's vision of a European Bank for Climate and Sustainable Development to member states' longstanding reticence about empowering EU institutions in the development domain, and the European Commission and EIB's determination to protect their own roles in development finance. Team Europe, we conclude, offered a more acceptable way forward to these actors by preserving key elements of the existing financial architecture for development, while affording opportunities for coordination. Our findings contribute to the emerging literature on the significance of Team Europe (Bougrea et al., 2022; Burni et al., 2022) as well as long-standing debates about the fragmentation of European development policy (Carbone, 2008) and its impact on the EU's global reach (Hurt, 2010).

The remainder of this article 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 recurring concerns over the fragmentation of European development finance in the post-Maastricht period. The third considers the reasons for the lukewarm response to the Wieser Report, while the fourth shows how the more modest ideas underpinning Team Europe won favour. The final section summarises new intergovernmental dynamics at the heart of European development finance and considers future challenges.

Theorising European development finance

The focus of this article is on external development finance, by which we mean the provision of grants, loans and guarantees by the EU to developing 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.[3] 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 aims of European development policy have also become blurred over time with shifting geopolitical interests, including migration and security concerns and the aim to compete with new development actors such as China, which has transformed in the course of one generation from being a recipient of EU overseas development aid to a development rival (Lundsgaarde, 2012). Seven rounds of enlargement have also widened the geographic coverage of EU development policy and turned former recipient countries into donors (Lightfoot, 2008). The UK's withdrawal from the EU in 2020, meanwhile, meant the loss of the world's fourth-largest development donor and a major contributor to EU development funds (Price, 2019).

From neo-Gramscian analysis (Hurt, 2003) and network theory (Elgström, 2017) to world society theory, a range of theories has been fruitfully applied to study EU development policy (Hollis, 2014) and Europeanisation (Orbie & Carbone, 2017). And yet, work in this field draws sparingly on integration theory (Delputte & 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:, p. 122). The dynamism of EU development policy, and the Commission's determination to push for deeper integration, thus speaks to neo-functionalism, he argues.

New intergovernmentalism would challenge this reading by pointing to 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 the EU and the 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. Compared to the decision-making organs of other international organisations, however, these bodies have a track record 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 an indication that supranational institutions had steered this political agenda, new intergovernmentalism would contend.[4]

To date, intergovernmentalists have shown limited interest in European development policy. For example, Andrew Moravcsik (1998, p. 148), the 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, and see member states as open to delegation where national interests overlap and functional reasons for locking in the benefits of cooperation are compelling (Moravcsik, 1998, p. 9). New intergovernmentalism does not deny the importance of side payments and commercial interests in development, but it sees the decision to delegate as being driven by concerns other than the search for credible commitments.

New intergovernmentalism puts forward a range of hypotheses for understanding, what it sees as, the changing dynamics of European integration in the post-Maastricht period. In this article, we focus on two core propositions which seem especially salient for understanding why Team Europe's decentralised approach to development finance was preferred over the Wieser Report's plans for a new European Climate and Sustainable Development Bank. The first posits that member states prefer coordination over delegation along traditional lines. The second views EU institutions as no longer hard-wired for the pursuit of ever closer union.

There are a number of reasons why EU member states might be reluctant to delegate authority over development finance to the European level, new intergovernmentalism conjectures. As in other policy areas, member states' capacity for deliberation and consensus-seeking in intergovernmental fora such as the Council might encourage them to take a hands-on role in policymaking rather than relying on EU institutions such as the European Commission (Puetter, 2012, p. 64). For neo-functionalists, such coordination will produce lowest common denominator policies (Sandholtz & Stone Sweet, 2012). To liberal intergovernmentalists, coordination without delegation is a shallow form of integration (Moravcsik, 2018, p. 1655). New intergovernmentalists, in contrast, see cooperation as a marker of member states' ambition, especially in sensitive policy domains, rather than a solution that is always second best to supranational policymaking.

Member states' reluctance to delegate is also rooted in concerns about aggravating the well-documented problems of legitimacy facing the EU in the post-Maastricht period, new intergovernmentalism contends (Fabbrini & Puetter, 2016). The rise of Eurosceptic challenger parties, public disquiet about 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 delegate new powers to the EU along traditional lines (Hodson & Puetter, 2019). 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. Since it is easier to hold institutions with very specific mandates to account, member states will be wary of delegating too much power to any one de novo body.

EU development finance also faces some specific legitimacy challenges, which potentially 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.[5] 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 et al., 2021). Development finance is also part of a wider debate in which member states' net contributions to the Union's budget face intense scrutiny (Rubio & Thiemann, 2021).

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 of national development finance.

Despite their differences, liberal intergovernmentalism and neofunctionalism assume that European institutions have strong preferences for the pursuit of ever closer union, be it for ideological reasons or to maximise influence (Pollack, 2003, p. 36). New intergovernmentalism, in contrast, sees EU institutions as having preferences that can take precedence over more Europe. Such preferences can be partisan, as in the European Commission's emergence as a more political body due to developments such as the Spitzenkandidaten process. They can also be parochial, as in the tendency of EU institutions to protect their turf or moderate their ambitions as a response to member state preferences or Eurosceptic criticisms about the centralisation of power in the Union. This ambivalence about ever closer union is not limited to the European Commission, with the European Central Bank's unease with the European Constitution over perceived threats to the Bank's price stability mandate a case in point (Hodson, 2015). From a new intergovernmental perspective, therefore, there is no guarantee that bodies such as the European Commission and EIB will support plans for deeper integration in development policy. Indeed, they may try to subvert proposals for greater centralisation in the search for a deal which enjoys the support of member states or to protect their own institutional interests, we conjecture.

The road to the Wieser report

In convening the Wieser Group in April 2019, the Council of the EU invited the wise persons to consider whether rationalising the European financial architecture for development would 'avoid duplication' and 'maximise … added-value'.[6] This mandate responded to longstanding concerns that the fragmentation of European development finance was undermining its effectiveness and, with this, the Union's global influence. These concerns predated the Maastricht Treaty – which invited the Community and member states to consult each other on aid programmes and provided for the possibility of joint actions – but they intensified in the 1990s.[7] The painful transition from central planning to market capitalism in Central and Eastern Europe put new demands on development policy as did the United Nations' Millennium Development Goals, which expanded the scope of overseas aid to tackle challenges such as HIV/AIDs and environmental sustainability. The Organisation for Economic Cooperation and Development emerged as a cheerleader for Policy Coherence for Development and frequently exhorted the EU and its member states to work more closely together (Carbone & Keijzer, 2016).

European development finance also grew more fragmented in the 1990s with the establishment of the EBRD. The European Commission, which managed economic aid to Central and Eastern Europe under the PHARE programme, could have taken on a bigger role in this region after the Cold War. But French President François Mitterrand was reluctant to give further powers to the Commission, which, Weber (1994, p. 15) argues, 'saw a threat to usurp its newfound leadership role' in Central and Eastern Europe. By way of compromise, the EBRD was established as a standalone institution, but EU member states and the EIB became majority shareholders.[8]

For Haggard and Moravcsik (1993), the EBRD's creation 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. But this liberal intergovernmentalist explanation sits uneasily with the EIB's role in external lending to third countries since the earliest days of the European Community (Clifton et al., 2018). It also downplays the significant transaction costs involved in setting up the EBRD in a matter of months. From a new intergovernmental perspective, the EBRD can be understood as a de novo body, which stemmed from EU member states' determination to coordinate aid for Central and Eastern Europe but their reluctance to delegate significant new powers to the European Commission for this purpose. It initially looked like the EBRD might be wound down once countries had completed the transition to market capitalism, but the Bank expanded its countries of operation to Mongolia, Turkey and the Middle East and North Africa in the 2000s and 2010s, cementing its place in the European architecture for development finance.

In 2010, Michel Camdessus, a former Managing Director of the International Monetary Fund, presented a wise person's report on the EIB's external lending at the request of the Council and the European Parliament. Sharply critical of Europe's fragmented approach to development finance, the report went beyond its narrow brief by calling for the European Commission, the EIB, the EBRD and national development finance institutions to become shareholders in a new European Bank for Cooperation and Development (Camdessus, 2010, p. 43). Although it provided limited detail on the proposed bank, the report was interpreted as calling for a merger of existing development finance instruments, thus threatening the traditional roles of the Commission and EIB in this domain. Consistent with new intergovernmentalism, the European Commission and EIB responded coolly to the Camdessus Report, suggesting that its reform proposals required 'further study' while showing no urgency about initiating such reflections (European Commission, 2010).

Foreshadowing their response to the Wieser Report, EU member states were not prepared to delegate authority to a new European Bank for Cooperation and Development, but they continued to seek closer cooperation between EU and member state development policies and finally agreed in 2011 on a set of principles for joint programming. Despite its vision of formulating 'joint analysis of and joint response to a partner country's national development strategy' this initiative was at pains to respect, what it described as, member states' 'sovereign decisions' over which partner countries they sought to work with and how much funding they would allocate (Council of the European Union, 2011). EU delegations in partner countries would seek consensus on indicative levels of funding for specific objectives but it would be for national financial development institutions to approve their share of this funding in accordance with their own decision-making processes. This tendency towards cooperation without delegation, once again, speaks to new intergovernmental claims about the dynamics of European integration in the post-Maastricht period.

An evaluation for the European Commission concluded in 2017 that joint programming had allowed the EU and member state donors to work more closely together while questioning the tangible benefits of such cooperation for partner countries (European Commission, 2017). Member states thus continued to seek ways of enhancing EU development cooperation, while defending the importance of national development finance institutions. A key voice in this regard was French President Emmanuel Macron, who put renewed ambitions for European development policy at the heart of his vision of European sovereignty in a speech at the Sorbonne in 2017 while promising to raise French expenditure on overseas development assistance. Macron was not the first EU head of state or government to draw a link between migration and development, but he politicised it more than most by insisting that only development could 'curb long-term migration flows' (Macron, 2017). Here, the French President borrowed a leaf from the book of his right-wing populist rival Marine Le Pen, who had promised to meet the United Nations' target for overseas development but to use this funding to promote the return of irregular migrants and reduce terrorist threats (Saldinger, 2017).[9]

This tight link between migration and development was also discernible in the Meseberg Declaration, which was signed by the French and German governments in June 2018 (see Antonowicz et al., 2020; Fitzgeorge-Parker, 2019). A wide-ranging document on the future of the EU, the declaration made no reference to the role of European development policy in alleviating poverty or improving the life chances of the world's poorest. Instead, it spoke exclusively of cooperation with countries of origin and transit as a means 'to avoid departures to Europe, fight illegal migration and speed up the process of return'.[10] It was in this context that the Meseberg Declaration called for the creation of a wise persons group to consider the future of the European financial architecture for development.

Viewed from a neo-functionalist or a liberal intergovernmentalist perspective, we would expect the European Commission to have seized upon Meseberg as an opportunity to deepen European integration in the domain of development finance. In keeping with new intergovernmentalism, European Commission President Jean-Claude Juncker argued against the proposed reflection exercise. 'We don't need new institutions or wise men groups to meet our goals', Juncker argued in September 2018, 'We need wise decisions, taken swiftly by relying on our existing structures and partners' (European Commission, 2018). This response bore the hallmarks of a turf war. Two years earlier, the European Commission had launched the External Investment Plan, an ambitious attempt to mobilise public and private investment in Africa and the European Neighbourhood through a combination of blended finance, guarantees and technical assistance. Rather than supporting the Meseberg Declaration's calls for a wise person's group, the Commission countered with plans of its own to extend the External Investment Plan's approach to development finance worldwide. The European Commission had 'no intention to act as a development bank', it insisted when it presented this proposal, but it was determined to protect its role in development finance and to set the agenda for reform rather than deferring to an expert group (European Commission, 2018).

The Multiannual Financial Framework for 2021–2027 incorporated the Commission's reform ambitions, most noticeably through the creation of the European Fund for Sustainable Development Plus (EFSD+) and the Neighbourhood, Development and International Cooperation Instrument (Bougrea et al., 2022). But these reforms did not prevent member states from endorsing Franco-German calls for a wider debate on the architecture for European development finance. The terms of reference given to the Wieser Group did not share the Meseberg Declaration's preoccupation with immigration and asylum, but it echoed concerns in the post-Maastricht period about whether the EU could 'deliver on the Union's policy priorities for external action and development' without 'rationalising the European financial architecture for development'.[11] The existing role of national development finance institutions and agencies was taken as given in the mandate, but 'the respective roles of the EIB and of the EBRD' were left wide open for discussion.[12]

Why the Wieser Report Failed to Win Favour

By inviting the Wieser Group to consider the 'challenges to and opportunities for rationalising the European financial architecture for development', the

Council hinted that some member states were more enthusiastic than others about the case for radical change in this domain.[13] However, rather than looking for consensus, the wise persons offered a pointed criticism of the status quo and encouraged further reflection at the 'highest political level' (Wieser et al., 2019, p. 3). The lack of a 'strong policy centre' for European development finance, the Wieser Report suggested, had produced profound inefficiencies, including a lack of coordination, unnecessary competition between multiple actors and a lack of overall political guidance and prioritisation (Wieser et al., 2019, p. 23). 'The present fragmentation of the system, especially between the EIB and the EBRD', it concluded, 'is detrimental to the fulfilment of the EU's priority goals and the achievement of the desired development impact' (Wieser et al., 2019, p. 3). 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 could extend to developing countries (Wieser et al., 2019, p. 21). The EIB's lending was largely focused on infrastructure investment 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 (Wieser et al., 2019, p. 21). 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, p. 20).

All other things being equal, the Wieser Report concluded, EU member state interests would be served by streamlining the lending activities of the EBRD and external lending of the EIB into a new European Climate and Sustainable Development Bank (Wieser et al., 2019, p. 3). 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, which bore a striking resemblance to the Camdessus Report's plan for a European Bank for Cooperation and Development, the Commission and member states would become shareholders in a new mixed-ownership 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.

Viewed from a liberal intergovernmental perspective, we would expect member states to have kept an open mind about the creation of a 'strong policy centre' to address the institutional inefficiencies highlighted in the Wieser Report. They had, after all, invited the wise persons to reflect on such inefficiencies and did not take issue with their analysis, which was based on comprehensive consultation with a range of national development actors. While member states had commercial interests in defending national development policies, the Wieser Report did not seek to dilute such policies but rather to concentrate European-level financing in the hands of a single institution. There were functional reasons for delegation, in other words, but such reasons did not convince the Council of the EU, which sidestepped the report's call for a European Climate and Sustainable Development Bank while insisting that the 'variety and diversity of actors and instruments in the European financial architecture for development' was 'a strength in terms of quality, impact, [and] effectiveness' (Council of the European Union, 2019). Member states had differing views about the three options presented in the Wieser Report (Bougrea et al., 2022, p. 345). But, in keeping with new intergovernmentalism, none championed the creation of a strong policy centre for European development. This much was already clear from the mandate given to the Wieser Report, which questioned the roles performed by the EIB and EBRD but not that of development finance institutions.[14] The Council's response to the report reiterated this red line by defending the 'variety and diversity of actors and instruments in the European financial architecture for development [as] a strength in terms of quality, impact [and] effectiveness' (Council of the European Union, 2019). This response chimed with a joint statement on the Wieser Report by nineteen European bilateral public development banks and development finance institutions, which endorsed calls for closer coordination between 'European instruments and institutions' (Association of European Development Finance Institutions, 2019) but refused to endorse any of the report's scenarios. French President Emmanuel Macron, despite his central role in commissioning the report, waited for nearly two years to make a public comment on the future of the European financial architecture. When he did speak, it was to rule out radical changes, which would 'lose a lot of time' (Chadwick, 2021).

There was no immediate fear of a Eurosceptic backlash against a European Climate and Sustainable Development Bank. Had it focused on immigration and asylum, as the Meseberg Declaration had envisaged, the Bank might actually have appealed to populist politicians such as Marine Le Pen, whether they were willing to say so publicly or not. Public opinion in the EU was also strongly supportive of the Union playing an active role in development. In a Eurobarometer published in June 2019, 70 per cent of respondents agreed that tackling poverty in developing countries should be a top priority for the EU (Eurobarometer, 2019, p. 16).[15] Although this figure varied among member states, Bulgaria, Estonia and Latvia were the only countries in which a majority of respondents believed that the EU should not be focusing on this development goal. When asked whether tackling poverty in developing countries should be a top priority for national governments, a majority agreed in fifteen out of twenty-eight member states, suggesting limited public attachment to development finance as a national competence (Eurobarometer, 2019, p. 18). Despite this permissive consensus over European development finance, the potential for ratification difficulties relating to the Wieser Report's reform proposals cannot be discounted. Establishing a new EU development bank or reallocating responsibilities previously assigned to the EIB would have been difficult to achieve without treaty revision, raising the prospect of a difficult-to-win referendum in one or more member states, however favourable public opinion might be towards the EU's role as a development actor.

Member states' more immediate concern over the Wieser Report's recommendation was financial rather than constitutional. The European Climate and Sustainable Development Bank must be 'well-capitalised', the wise persons insisted, whether it was established as a single entity or mixed-ownership bank (Wieser et al., 2019, p. 29). In keeping with new intergovernmentalism, member states were not prepared to put up the additional capital at a time of intense debate over the Multiannual Financial Framework. '[P]riority should be put on the use of existing financial resources', ministers insisted (Council of the EU, 2019).

The European Commission greeted the Wieser Report with a deafening silence.[16] Had the Luxembourg-based lender been hard-wired for ever closer union, it would have championed the European Climate and Sustainable Development Bank or, at any rate, the Wieser Report's third scenario. Instead, reports emerged in May 2019 that the EIB Board of Directors was planning to transfer responsibility for its lending to non-EU countries to a new subsidiary, the European Bank for Sustainable Development (Global Capital, 2019). This strategy was a pre-emptive one which sought to reaffirm the EIB's credentials as a development bank. By this point, Thomas Wieser had already made clear his views that the EIB lacked 'the necessary knowledge on development projects' (Barker, 2019). When the Wieser Report was published, EIB President Werner Hoyer went public with plans for the European Bank for Sustainable Development, implying that it — rather than the scenarios sketched in the wise persons' report — could 'deliver immediate and visible benefits without significant additional financial resources' (European Investment Bank, 2019).

There was limited support among EU member states for the Wieser Report's third option of giving the EIB a greater role in external development finance (Erforth, 2020, p. 25). Nor was there much enthusiasm for the EIB's counter-proposal. 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).[17] The Netherlands, Sweden and Denmark, three of the EU's most generous development donors, opposed the EBSD as both undesirable and unworkable given that the EIB lacked sufficient funding to provide loans at World Bank-style concessionary rates (interviews 1, 3). France and Germany, although they favoured rationalising the roles of the EIB and EBRD, 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 Community to play a role in external development finance, but they were not prepared to transform it into a fully-fledged European development bank. Faced with this response, the EIB launched 'EIB Global', a new branch dedicated to the Bank's external lending rather than a subsidiary which purported to be a development bank in its own right (European Investment Bank, 2022).

Member states' refusal to create a new European bank and reticence about upgrading the EIB's role in development finance left only the Wieser Report's first option of transferring the EIB's external lending activities to the EBRD. The EBRD, although it failed explicitly to endorse this scenario in its official response to the Wieser Report, was more upbeat than the EIB, with the London-based lender declaring in October 2019 that it was 'poised to do even more' (Williams, 2019).

Some EU member states were sympathetic to this scenario, especially Central and Eastern European countries which lacked development finance institutions of their own but had a long track record as EBRD shareholders and countries of operation (interview 3). Nevertheless, the Wieser Report's unstated assumption that the EU could co-opt the EBRD was problematic. Non-EU national government shareholders in the EBRD — notably, the United States, Canada and Japan — were founding members and by 2022 there were 44 non-EU national shareholders out of a total of 71.

Under the EBRD's statutes, the EU, its member states and the EIB must account for a majority of the total subscribed capital stock.[18] This was maintained despite Brexit, but the EU's combined capital subscription fell from 63.1 per cent to 54.5 per cent following the UK's withdrawal from the EU (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.[19] 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 assume responsibility for EU development policy while fulfilling its wider responsibilities. The Wieser Report sidestepped this thorny issue and member states showed no interest in grasping it, illustrating that Brexit was not so much a catalyst for reforming the European financial architecture for development as a complicating factor.

Having established the Wieser Group but finding themselves unable to agree on its recommendations, member states could have drawn a line under this exercise. Instead, the Council played for time by commissioning an independent feasibility study to consider the Wieser Report's first and third options (Council of the EU, 2019). That this task was not entrusted to the European Commission provides a further indication of this institution's lack of enthusiasm for the wise persons' policy alternatives.

Team Europe reconsidered

New intergovernmentalism would expect member states to defend the role and visibility of national development finance institutions and for 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 and the European Commission 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). In this sense, Team Europe was not simply a logo to rebrand the various strands of European development finance but an attempt to address the same concerns over duplication, coherence and effectiveness which had led member states to convene the Wieser Report.

Team Europe was presented as a response to the rapidly unfolding COVID-19 pandemic, which had claimed more than 51,000 lives in the EU/European Economic Area and UK by the beginning of April 2020 (European Centre for Disease Prevention and Control, 2020). The EU had been heavily criticised for its initial handling of the pandemic, which included restrictions on the export of personal protective equipment outside the EU. These restrictions helped to diffuse tensions between EU member states, some of which had sought to restrict the circulation of such equipment within the European single market. However, they also cast doubt on the EU's commitment to developing countries and its global standing at a time when China was winning plaudits for providing emergency assistance to international partners, including two EU member states, Italy and Spain (Kelmen, 2020). In presenting their proposal for Team Europe, the High Representative of the Union for Foreign Affairs and Security Policy and the European Commission insisted that the EU 'show solidarity with the rest of the world' for the sake of its 'strategic interests' as well as its 'core values' (European Commission, 2020).

Team Europe was also initially framed as a response to a humanitarian crisis. Yet work on this approach was already underway before the EU's global response to the pandemic, which became a hook on which to hang a new approach to development finance.[20] This fact explains the heavy emphasis on 'partner countries' rather than coronavirus hotspots in the

April 2020 Commission Communication, which invited European development financial institutions to work together to help vulnerable populations in 'Africa, the Neighbourhood, the Western Balkans, the Middle East and North Africa, parts of Asia, Latin America and the Caribbean' (European Commission, 2020).

Determined to show global leadership in the face of the pandemic, EU development ministers endorsed the Team Europe approach on the same day that the High Representative and Commission published their proposal (Council of the European Union, 2020a). By June 2020, the Council had increased Team Europe pandemic funding to €36 billion and endorsed the use of the Team Europe label in 'national or joint communication campaigns, visibility efforts and public announcements' (Council of the European Union, 2020b).

Team Europe, although it avoided the delegation of new powers to the EU, was a win for the European Commission since it gave it an opportunity to shape the debate over the future of the European financial architecture and play a coordinating role in relation to the EU's external response to the pandemic and wider development policy. Whereas the Wieser Report's plan for a European Climate and Sustainable Development Bank threatened to distract from the Commission's approach to the Multiannual Financial Framework for 2021–27, Team Europe was complementary.

Member states also found it easier to sign up to Team Europe, which showed sensitivity to national differences over the European financial architecture for development rather than presenting member states with a proposal that was detailed but divisive, as the Wieser Report had done. That Team Europe did not threaten national development finance 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 the High Representative ask member states to specify precisely how much national development finance institutions would contribute to Team Europe, with financial packages being decided on a case-by-case basis. In line with new intergovernmentalism, Team Europe was careful not to crowd out the perceived legitimating role of national development finance. An early version of the Team Europe logo connected the European flag to the flags of EU member states and the logos of the EIB and EBRD, under the slogan 'We are stronger together'.[21] Consistent with this approach, Team Europe press releases make clear how much national development finance institutions contributed to the overall support package.[22]

Viewed through a neo-functionalist or liberal intergovernmental lens, Team Europe would appear to be a lowest common denominator exercise, in as much as it places member states under no obligation to align their development policies. But, from a new intergovernmenalist perspective, this interpretation overlooks member states' commitment to coordinate their development policies more closely, even if they are not bound to do so. An important marker of ambition in this respect are the so-called Team Europe Initiatives (TEIs), which bring together European and national development finance institutions to seek 'transformational' responses to development 'bottlenecks' through a combination of grants, loans, guarantees and other instruments (European Commission, 2021c, pp. 13–14). The 158 country, regional and global TEIs launched as of October 2022 suggest a degree of policy commitment that goes beyond previous efforts at joint programming (Jones & Sergejeff, 2022).

Team Europe became a focal point for the EU's response to a range of international challenges. 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 & 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, 2021). 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, 2021a). 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.[23]

By this point, the Team Europe approach had become folded into debates about the future of the European financial architecture for development. When the Council finally responded in June 2021 to the feasibility study it had commissioned in response to the Wieser Report, it was unwilling to choose between the EIB and EBRD. Instead, member states called for the two banks to work more closely together 'in a Team Europe approach' (Council of the European Union, 2021). The outcome was a disappointment for the Wieser Group, which had insisted that 'maintaining the status quo is not an acceptable option' only to see member states press ahead with a plan dubbed 'status quo plus' (Wieser et al., 2019, p. 29; Gavas, 2021; Gavas & Pérez 2021).

On the day that the High Representative presented the Team Europe approach, the EIB provided an update on support for businesses and health investment outside the EU in response to the COVID-19 pandemic.

The €5.2 billion in funding was, the Bank declared, part of the 'Team Europe response' (European Investment Bank, 2020). This upbeat press release stood in stark contrast to the EIB's defensive response to the Wieser Report. Although the wise persons envisaged deeper integration in the domain of development finance, Team Europe proved less threatening and thus more acceptable to the EIB. In line with the expectations of new intergovernmentalism, parochial interests trumped the pursuit of ever closer union.

Before the pandemic, the EIB and EBRD had worked together in countries of operation such as Egypt (Piroska & Schlett, 2022), but they quickly intensified their cooperation under the Team Europe approach. A case in point was the virtual European Union (EU) Western Balkans Summit in May 2020, where EBRD President Suma Chakrabarti 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).[24]

Conclusion

This article has sought to understand why member states invited the Wieser Group to explore options for rationalising the roles of the EIB and EBRD in April 2020 before reaffirming their existing position in the European financial architecture for development twelve months later through the Team Europe approach. This 'battle of the banks' can, we conclude, be explained by new intergovernmentalism, which emphasises member states' willingness to cooperate but reluctance to delegate in the sensitive domain of development finance and by EU institutions' determination to protect their turf.

The Wieser Report was a bold response to the growing problems of fragmentation facing European development finance in the post-Maastricht period. Yet its calls for a European Climate and Sustainable Development Bank, we conclude, ran counter to member state preferences, which were protective of national development finance institutions, and reflected a reluctance to find the additional capital required to create a European Climate and Sustainable Development Bank. Having ruled out the creation of a mixed-ownership bank for the same reasons, member states were unwilling to give the EIB a greater role in development and were neither inclined nor capable of entrusting this task to the EBRD.

The European Commission and EIB were equally wary of the Wieser Report, we conclude, with both preferring to protect their roles in development finance rather than champion deeper integration. Team Europe was a more modest attempt to mobilise the combined resources of the European Commission, the EIB, the EBRD and national development finance institutions in support of shared objectives, which was trialled in the early months of the COVID-19 pandemic and then quickly scaled up in response to other global challenges. Team Europe won favour, we find, by promising a coordinated approach to development finance without requiring national governments to cede authority to a new European bank to put additional capital on the table. It was also sensitive to the perceived legitimating role of national development policy, which the EU continued to recognise in its branding and public communications. Divided in their response to the Wieser Report, the EIB and EBRD engaged positively with Team Europe as a way to strengthen cooperation between the two banks.

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.[25] 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 (Carbone 2008) or to enhance the EU's global reach (Hurt, 2010), but none have been quite so visible or grown so quickly.

For Burni et al. (2022), Team Europe should be understood as a significant step forward for European integration driven by the exigencies of COVID-19. Our article offers a qualified endorsement of this view. Team Europe has encouraged closer coordination between key elements of the European financial architecture for development and increased the EU's visibility as a global development actor. However, we find that the EU's reasons for choosing Team Europe run deeper than COVID-19, reflecting the tendency towards integration without supranational decision-making in the post-Maastricht period.

Whether the Team Europe approach will be effective in delivering better development outcomes or sufficient to enhance the EU's global reach remains to be seen (Bougrea et al., 2022). Although new intergovernmentalism is more optimistic than either neo-functionalism or liberal intergovernmentalism about the prospects for coordination without delegation, it is too soon to say whether Team Europe will ultimately overcome the problems of fragmentation that have bedevilled European development policy since Maastricht. Reform proposals will predictably follow future crises, but there is little prospect for a new EU development bank or significant reconfiguring of the roles of the EIB and EBRD. While the battle of banks might be rerun, a radically different outcome seems unlikely.

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.

Data access statement

The participants of this study did not give written consent for their data to be shared publicly. Therefore, due to the sensitive nature of the research, this supporting data is not available.

Notes

1. 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
2. Council Decision (EU) 2019/597
3. The Preamble to Treaty of Rome (1957) refers specifically to 'the solidary which binds Europe and the overseas territories'.
4. Source: https://donortracker.org/country/eu Accessed 9 December 2022
5. 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, p. 1).
6. Council Decision (EU) 2019/597.
7. Article 130x, Treaty on European Union (1992).
8. The European Commission was given the authority to nominate both a governor and director to the EBRD.
9. Bergmann et al. (2021) 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.
10. 'Europe – Franco-German declaration (19 June 2018)', Full text available at https://www.diplomatie.gouv.fr/en/country-files/germany/events/article/europe-franco-german-declaration-19-06-18. Accessed 9 December 2022
11. Council Decision (EU) 2019/597.
12. Council Decision (EU) 2019/597
13. Council Decision (EU) 2019/597
14. Council Decision (EU) 2019/597

15. In the same survey, 70 per cent of respondents saw financial assistance as an effective way to strengthen the EU's influence in the world (Eurobarometer, 2019, p. 23).
16. In her mission letter to the Commissioner for International Partnerships, Jutta Urpilainen, European Commission President Ursula von der Leyen endorsed Juncker's External Investment Plan. Von der Leyen (2019) also called on Urpilainen to propose a 'comprehensive coordination mechanism' for international financial assistance, thus side-stepping the proposals set out in the Wieser Report.
17. Greece was the largest per capita beneficiary of EIB and EIF financing worldwide, reaching 2.7 per cent of national GDP in early 2022 (EIF, 2022).
18. Article 5(2), Agreement Establishing the EBRD
19. Article 5(2), Agreement Establishing the EBRD
20. The Commissioner for International Partnerships, Jutta Urpilainen, first used the term 'Team Europe' in a press conference on 9 March 2020. In her remarks, which made no mention of the pandemic, Urpilainen called for European development financial institutions to work more closely together in a 'Team Europe' approach as part of a proposed 'Comprehensive Strategy with Africa' (Borrell & Urpilainen, 2020)
21. See, for example, 'Working Better Together as a Team Europe Through joint programming and joint implementation', PN Team Europe task force meeting of 19 November 2020. Available at https://www.dev-practitioners.eu/media/event-documents/DEVCO_presentation_on_WBT_guidance.pdf. Accessed 9 December 2022
22. In July 2021, the European Commission 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 under the Team Europe approach (European Commission, 2021b). The accompanying press release disaggregated this figure into €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).
23. 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. The Global Gateway has nonetheless been greeted by EU watchers as 'a serious proposal with potentially far-reaching consequences for EU development policy' (Furness & Keijzer, 2022).
24. As of October 2022, the EBRD had participated in 20 country TEIs compared to nearly 100 for the EIB. This difference partly reflects the wider geographic scope of EIB lending. It also overlooks the fact that the EBRD has been much more involved in TEIs than it had been in joint programming, which as of 2021 encompassed only Moldova and Uzbekistan. Source: https://europa.eu/capacity4dev/tei-jp-tracker Accessed 9 December 2022.
25. Source: https://europa.eu/capacity4dev/tei-jp-tracker/. Accessed 9 December 2022.

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