

# The Reinvention of Development Banking in Europe

History, Power Asymmetries and the Quest for Transformative Change

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DANIEL MERTENS (OSNABRÜCK UNIVERSITY)

*HYPE WEBINAR SERIES, 14 APRIL 2021*

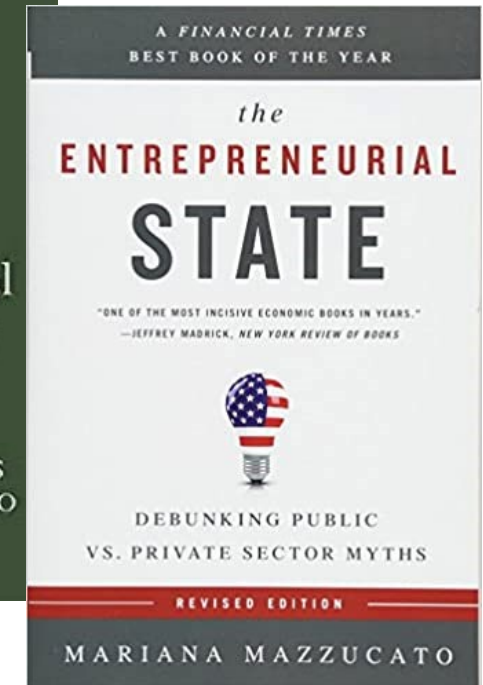
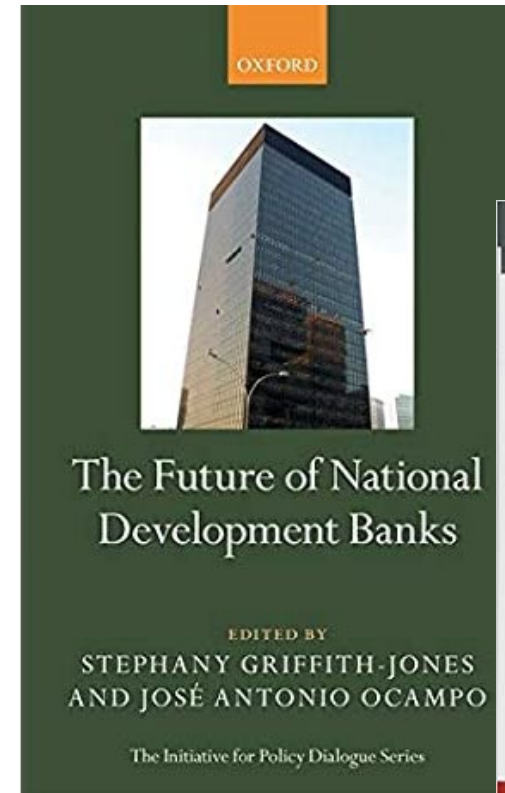
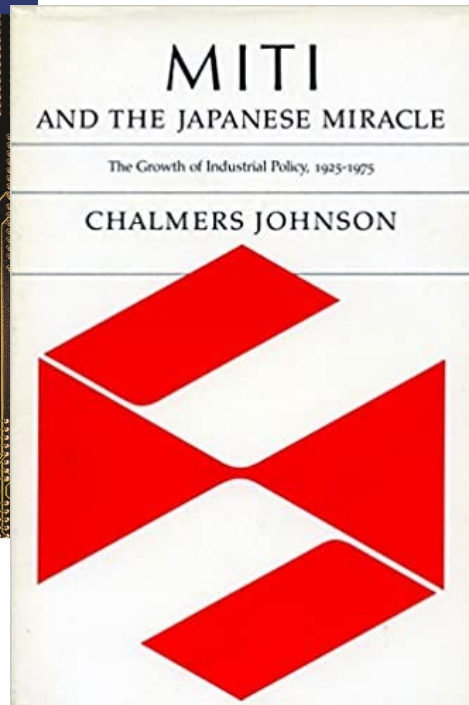
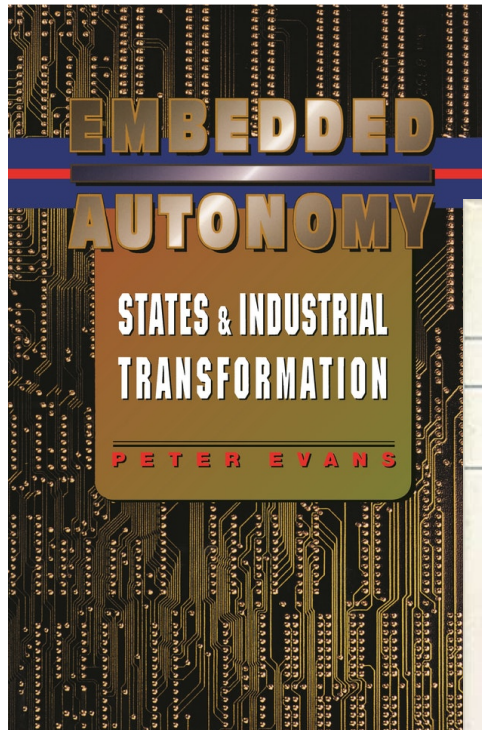
# Outline

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1. Prelude: relics from the past?
2. The European puzzle: the reinvention of development banking
3. Politics and power asymmetries: a field-theoretical approach
4. Towards a research agenda & outlook

# Relics from the past?

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# Relics from the past?



## How a New RFC Connects to a Green New Deal

by Ilmi Granoff, Douglass D. Sims, Todd N. Tucker

DECEMBER 2, 2020 4:55 AM



## White Paper: A National Investment Authority

*Cornell Legal Studies Research Paper No. 18-10*

29 Pages • Posted: 20 Feb 2018 • Last revised: 21 Feb 2018

**Robert C. Hockett**

Cornell University - Law School

**Saule T. Omarova**

Cornell University - Law School

Date Written: February 17, 2018

## UK's first infrastructure bank to boost climate goal investment

Industry welcomes pledges for initial £12bn but warns that the move is not a 'game changer'



The new bank aims to draw private sector finance into local authority projects © Realimage/Alamy

Gill Plimmer in London MARCH 3 2021

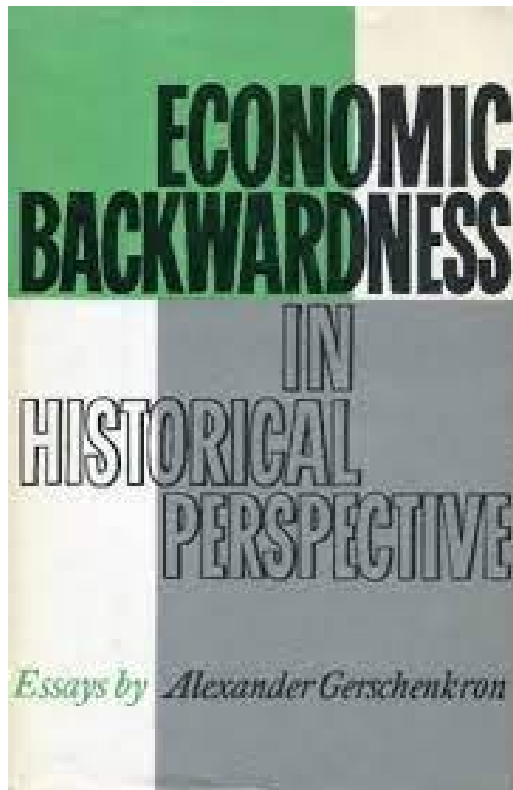
## A mission-oriented framework for the Scottish National Investment Bank

by Mariana Mazzucato and Laurie Macfarlane

March 2019

# Relics from the past?

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„The more gradual character of the industrialization process and the more considerable accumulation of capital [in England ...] obviated the pressure for developing any special institutional devices for provision of long-term capital to industry“ (p. 14).

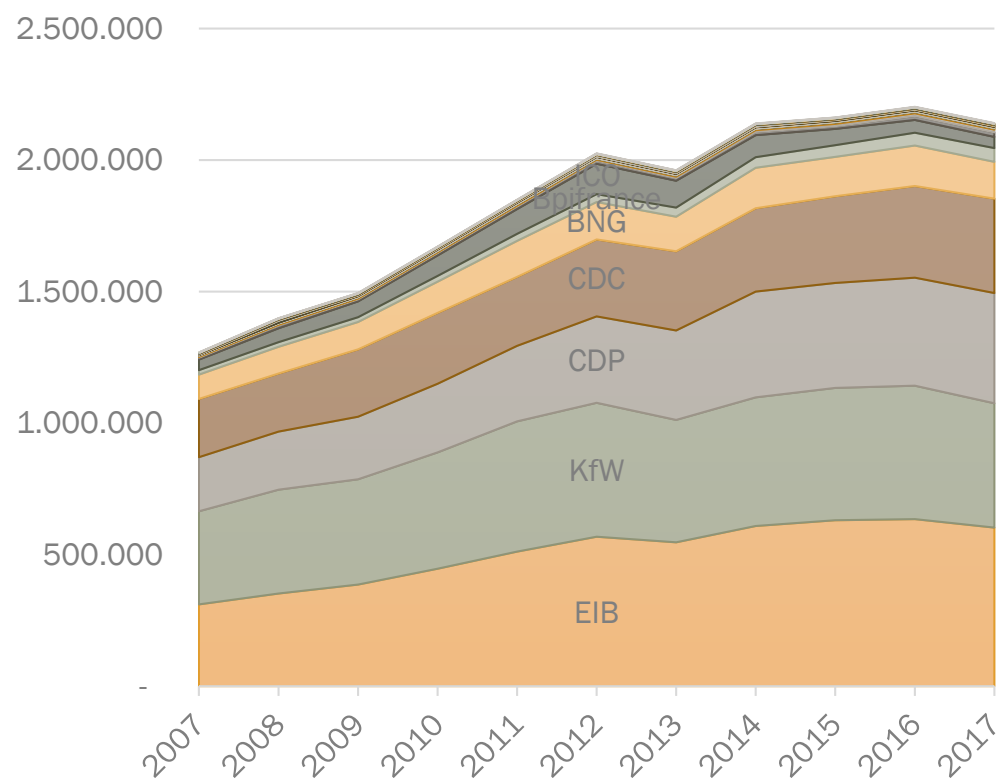
VS.

„The continental practices in the field of industrial investment banking must be conceived as specific instruments of industrialization in a backward country“ (ibid.)

National Development Bank in the European Union	Country	Year of creation	Total assets in % of GDP (2017)	Δ% 2007-2017
CDC (Caisse des Dépôts et Consignations)	France	1816	15,64	62%
CDP (Cassa Depositi e Prestiti)	Italy	1850	24,41	104%
BNG (Bank Nederlandse Gemeenten)	Netherlands	1914	18,98	51%
BGK (Bank Gospodarstwa Krajowego)	Poland	1924 [1989]	3,74	169%
KfW (Kreditanstalt für Wiederaufbau)	Germany	1948	14,39	28%
AWS (Austria Wirtschaftsservice)	Austria	1954 [2002]	0,6	279%
SFPI (Société Fédérale de Participations et d'Investissement)	Belgium	1962 [2006]	0,5	46%
SNCI (Société Nationale de Crédit et d'Investissement)	Luxembourg	1977	2,61	39%
ICO (Instituto de Crédito Oficial)	Spain	1971 [1999]	3,62	5,8%
SZRB (Slovak Guarantee and Development Bank)	Slovakia	1991	0,67	8%
Vaekstfonden	Denmark	1991	0,55	301%
ČMZRB (Českomoravská záruční a rozvojová banka)	Czech Republic	1992	0,46	-59%
SID (Slovenska izvozna in rzvojna banka)	Slovenia	1992	5,81	74%
HBOR (Hrvatska banka za obnovu i razvitak)	Croatia	1992	7,68	61%
MFB (Magyar Fejlesztési Bank)	Hungary	1993	3,40	20,3%
Altum (Latvijas Attīstības Finanšu Institūcija Altum)	Latvia	1993 [2013]	0,05	-65,9%
ALMI	Sweden	1994	0,19	70%
BDB (Bulgarian Development Bank)	Bulgaria	1999	2,43	1055%
Finnvera	Finland	1999	4,62	414,6
KredEx	Estonia	2001	0,82	n/a
Invega	Lithuania	2002	0,61	2784%
Bpifrance	France	2012	2,29	308%
BBB (British Business Bank)	UK	2012	0,05	n/a
VIPA	Lithuania	2013	0,08	n/a
IFD (Instituição Financeira do Desenvolvimento)	Portugal	2014	0,05	n/a
SBCI (Strategic Banking Corporation of Ireland)	Ireland	2014	0,26	n/a
Malta Development Bank	Malta	2017	n/a	n/a
EIB (European Investment Bank)	EU-27	1957	4,36	95,88



# The European puzzle



**Figure 1: Total assets for all NDBs in the EU and the EIB, 2007-2017**

Source: Bloomberg, own calculations.



Brussels, 22.7.2015  
COM(2015) 361 final

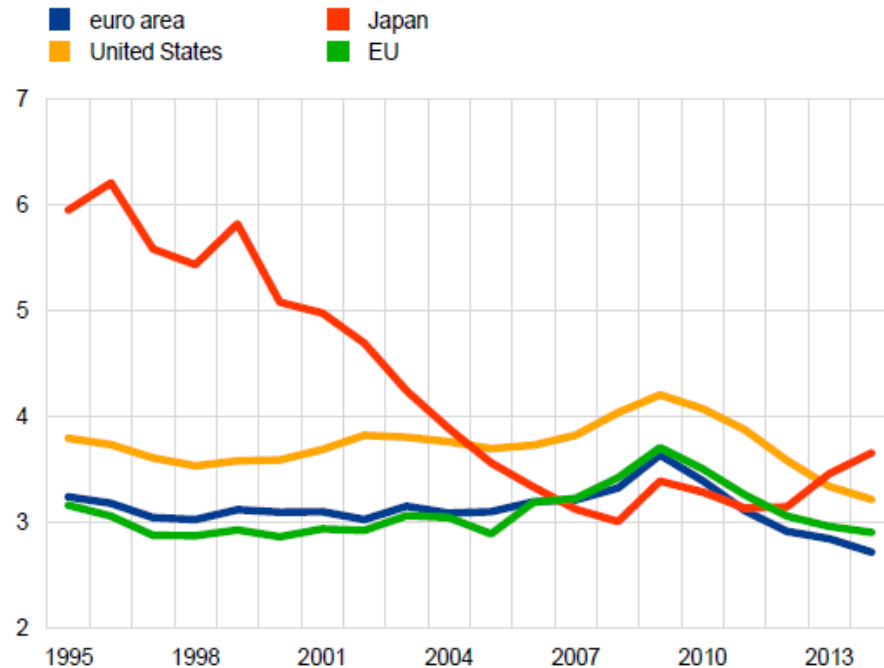
## COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

**Working together for jobs and growth: The role of National Promotional Banks (NPBs)  
in supporting the Investment Plan for Europe**

# The European puzzle: fiscal capacity anyone?

## Public investment

(as a percentage of GDP)



Source: European Commission.

- Post GFC: growing concern over low investment, but:
    - No fiscal capacity on supranational level to address this centrally
    - Institutional framework preventing member state fiscal expansion (Stability and Growth Pact, Fiscal Compact)
    - German et al. objection against common debt instruments and fiscal transfers
- EU level turns to EIB
- Member States (Germany) send NDBs



# The European puzzle: reinventing NDBs

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## Market-oriented turn by key NDBs themselves

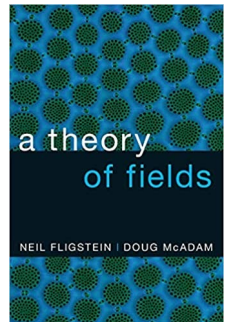
- Use of financial instruments, guarantees, equity and mezzanine finance (de-risking agenda)
- Leverage and private fund mobilization as principles of blended finance
- Best practice of second-tier lending and SME focus (,promotional banking', market failure discourse)

# Politics and power asymmetries: A field-theoretical approach

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Key concept in economic and political sociology to capture power dynamics and strategic interactions (Bourdieu, Fligstein & McAdam, DiMaggio & Powell)

- Emergence through taking other relevant actors into account
- Efforts to define the 'rules of the game' by those who have dominant positions (collaborative and competitive strategies)
- In conversation with Historical Institutionalism to emphasize rule-making and rule-taking dynamics that structure evolving institutional constellations and governance frameworks



→ Enables us to move from single development banks to the broader environment of development banking and thereby the multiple relationships between key actors shaping development finance

# Politics and power asymmetries: A field-theoretical approach

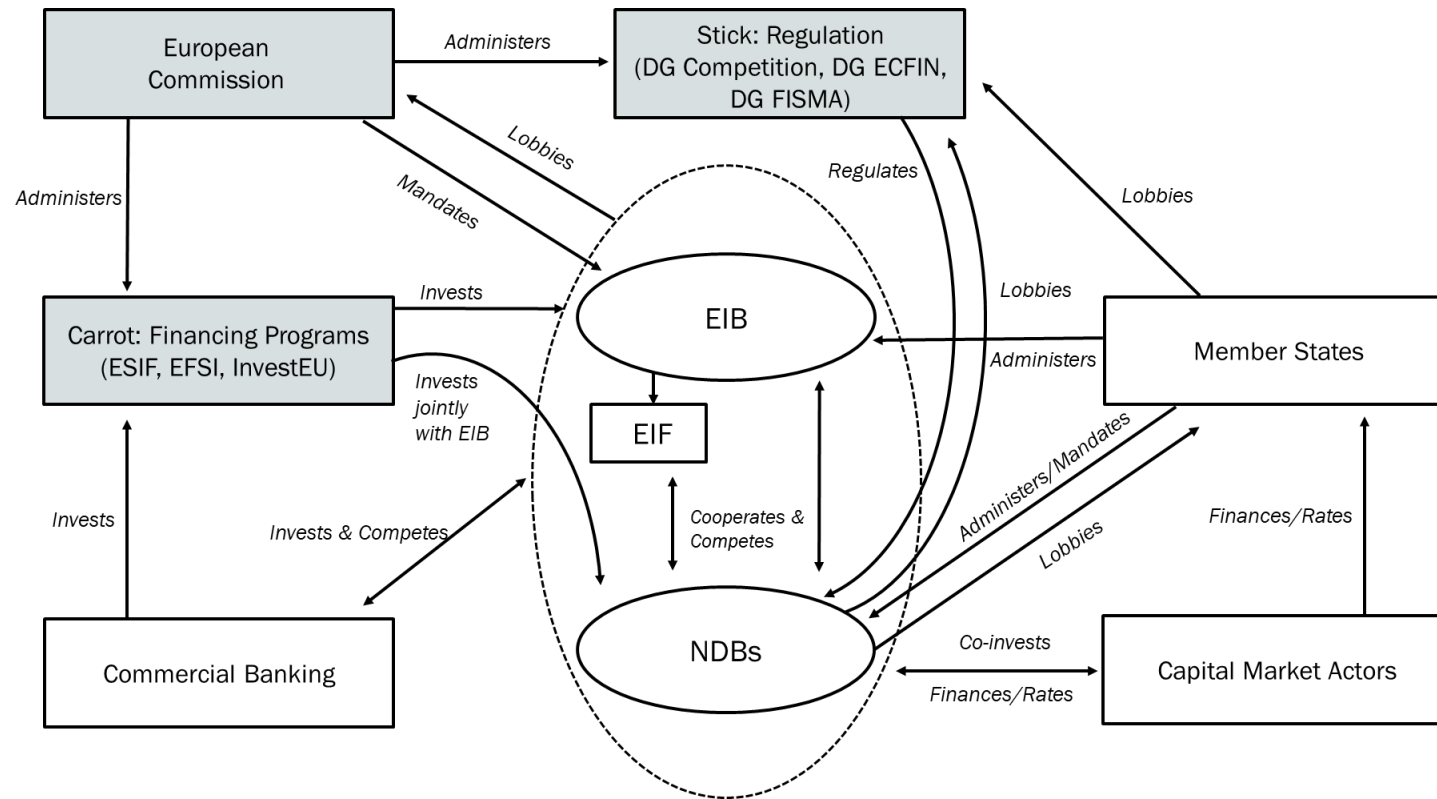


Figure 2: The Field of European Development Banking

# Politics and power asymmetries: A field-theoretical approach

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- **Emergence**

- Field really emerges in 1992 with the EIF: recognition of NDBs and EIB as partners to implement policy objectives, expanded financing initiatives through next two decades / plus: KfW goes East

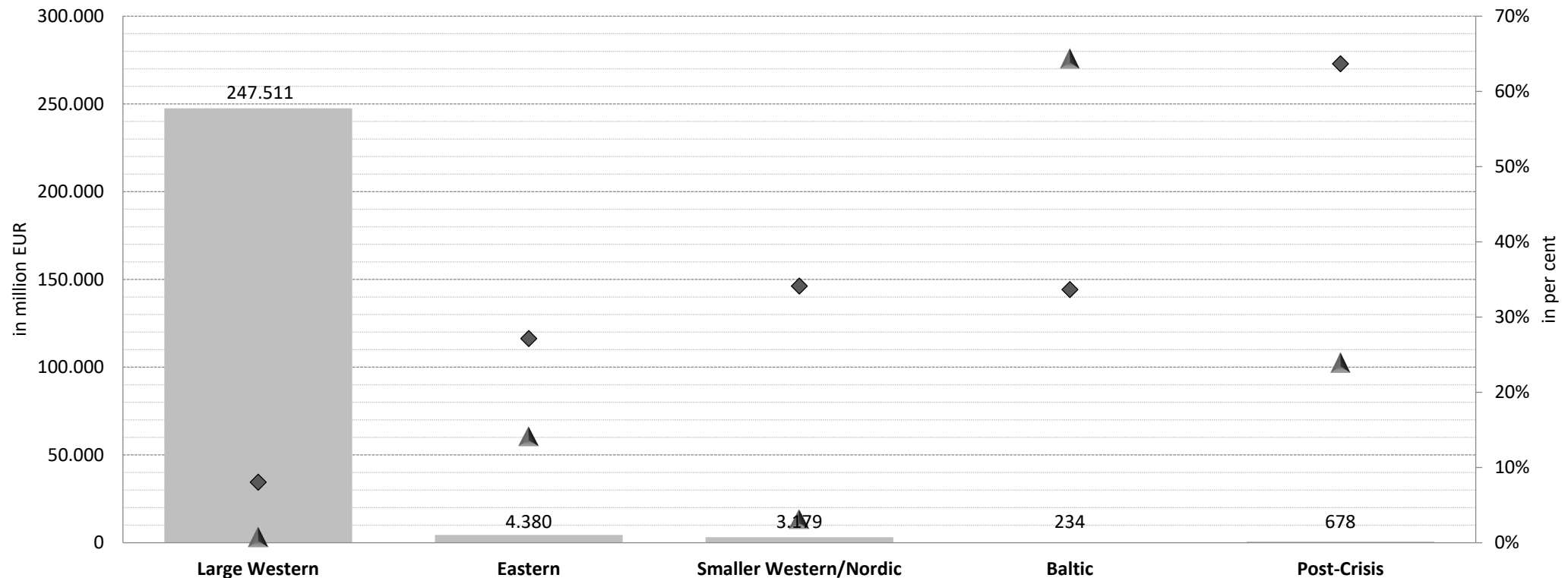
- **Financial Crisis**

- Critical juncture for NDBs as they gain importance for EU policies
- Juncker Plan provides carrot for specific sectors, State Aid Modernization provides new opportunities

- **Full Field Development**

- Post financial crisis, NDBs become policy/lobbying partners (though unequally)
- InvestEU (and European Green Deal) has strengthened the place of NDBs (though not all)

# Politics and power asymmetries: A field-theoretical approach



**Figure 3: NDB Average Total Assets (bars, left), Average Equity Ratio (diamonds, right), and EU Money as Share of Total Assets (triangles, right), by Region in 2017**

Sources: European Court of Auditors 2019; EU Commission 2017, EU Commission 2019; Bloomberg; various annual reports; own calculations. Note: EU money means resources from EFSI and ESIF channeled through NDBs between 2007 and 2017. Data for 'Post-Crisis' cover the British Business Bank, the Strategic Banking Corporation of Ireland, the Lithuanian VIPA and the Portuguese Instituição Financeira do Desenvolvimento. The Malta Development Bank is excluded since it did not take up business before 2018. Bpifrance as a recombination of several existing institutions is categorized under 'Large Western'.

# Politics and power asymmetries: A field-theoretical approach

Organisation name	Country head office	Lobbying costs**	Lobbyists (FTE)	# of meetings
KfW Bankengruppe	Germany	900000 - 999999	5.5	52
Cassa Depositi e Prestiti s.p.a.	Italy	100000 - 199999	3.25	24
Caisse Des Dépôts	France	700000 - 799999	3.75	14
Bpifrance	France	100000 - 199999	1.25	5
Agence Française de Développement	France	200000 - 299999	4	4
Bank Gospodarstwa Krajowego (BGK)*	Poland	100000 - 199999	3	3
Instituto de Crédito Oficial (ICO)*	Spain	75000	0.75	0

**Table 2: NDB interest representation on EU level** | Source: LobbyFacts Database, retrieved 17 April 2019 | Notes: \*currently not on lobby register; \*\*declared annual spending on lobbying, latest financial year available; FTE =full-time equivalent; # of meetings “covers meetings held since November 2014 with commissioners, their cabinet members or directors-general at the European Commission; other lobby meetings with lower-level staff may have taken place, but the European Commission doesn't publish information about such meetings”

# The structure of the book

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## SECTION I: DEVELOPMENT BANKING AND EUROPEAN GOVERNANCE

2. United in Diversity? Interests, Preferences, and Patterns of Engagement of Public Development Banks in the Implementation of the EU Budget  
*Eulalia Rubio and Matthias Thiemann*
3. State Aid and National Development Banks in the EU  
*Peter Volberding*
4. Leveraging Policy Steer? Industrial Policy, Risk-sharing, and the European Investment Bank  
*Stephany Griffith-Jones and Natalya Naqvi*

## SECTION II: THE MANY FACES OF DEVELOPMENT BANKING IN THE EU

5. A German Model? KfW, Field Dynamics and the Europeanization of “Promotional” Banking  
*Daniel Mertens*

6. Privatization, Crisis, and the Transformation of Cassa di Risparmio di Bologna  
*Fabio Bulfone and Donato Di Carlo*
7. The Rise of Bpifrance: The Rebirth of a Dirigiste State?  
*Matthias Thiemann and Peter Volberding*
8. Is a European “Hidden Investment State” Emerging in Spain? The Role of *Instituto de Crédito Oficial*  
*Judith Clifton, Daniel Díaz Fuentes, Clara García, and Ana Lara Gómez*
9. Managing the Contradictions of Development Finance in the EU’s Eastern Periphery: Development Banks in Hungary and Poland  
*Dóra Piroška and Katalin Mérő*
10. Development Finance in the Baltic States and the Process of Europeanization  
*Olga Mikheeva and Egert Juuse*
11. The Rise, Fall, and Return of Promotional Banking in Greece  
*Jens Bastian*
12. Conclusion: Development Banking and the Future of European Capitalism  
*Daniel Mertens, Matthias Thiemann, and Peter Volberding*



# Towards a research agenda

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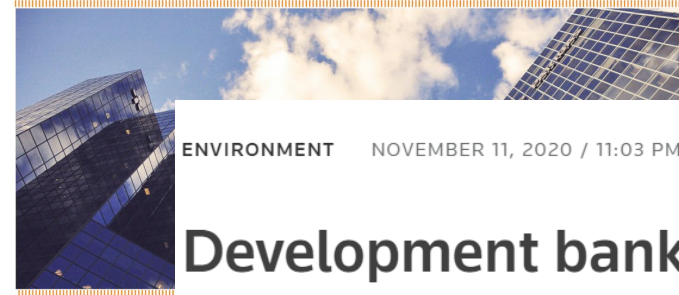
1. Taking NDBs' agency seriously
2. Studying the distributional and socioecological consequences of NDBs' practices
3. Embedding NDBs in structural trends in the global and regional political economy
4. Probing the governance and democratic accountability of NDBs

# Outlook



**EU BUDGET**  
**POLICY PAPER NO.252**  
**APRIL 2020**  
**#BUDGET**  
**#COVID19**  
**#HEALTH**

## COVID-19 AND THE MOBILISATION OF PUBLIC DEVELOPMENT BANKS IN THE EU



ENVIRONMENT NOVEMBER 11, 2020 / 11:03 PM / UPDATED 5 MONTHS AGO



## Development banks make landmark climate pledge, but no fossil fuel phase out

By Kate Abnett, Simon Jessop, Matthew Green

4 MIN READ