A stronger voice for Europe in global development*

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In this time of resurgence of parochial nationalist tendencies around the world, Europe can and must place itself at the forefront of the issues that matter most. A strong global role requires strong coherence in the EU’s approach to development. With development goals derailed by the COVID-19 crisis, a strong European voice in development is a moral imperative. The EU must strengthen its strategic autonomy to promote its priorities and values across the world. For years, the foundation of an EU development bank has been discussed as a necessary and correct step forward. It is now high time for member states to follow-through, leveraging on the asset that European Member States have already built. An EU Development Bank under the roof of the EIB Group would give the EU a stronger voice.

In this time of resurgence in parochial nationalist tendencies around the world, Europe can and must place itself at the forefront of the issues that matter most. From trade and human rights to disease control and climate change, Europe can be a beacon in the world, promoting the kind of multilateralism that is at the heart of our own European Union. As French President Emmanuel Macron said at the UN General Assembly in September, Europe must “build new solutions, because we are not collectively condemned to a dance of power that would, in a way, reduce us to being the sorry spectators of collective powerlessness.”

A strong global role requires strong coherence in the EU’s approach to development. With development goals derailed by the COVID-19 crisis, a strong European voice in development is a moral imperative. The World Bank estimates that up to 100 million people could fall into extreme poverty. This is not just a moral question. It is also in our own interest. While developing countries are grappling with the health-related and economic consequences of COVID-19, none of their existing security threats and challenges have become

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easier. There are already indications that the number of violent incidents in fragile or conflict regions, such as the Sahel and Iraq, is increasing.

Meanwhile, the devastating effect of climate change on developing countries demands that Europe strengthen its international role. We know that actions in Europe alone will not change the direction of travel on global warming. Europe’s carbon emissions are less than a third of Asia’s, after all. If we are to address the impact of climate change, we must reach beyond our borders, learn lessons, share our expertise and partner with green investors everywhere. A coherent climate strategy must be a key building block in a coherent European development strategy.

This requires that Europe start to think big about development. The EU’s development finance activities are delivered in four strands: (1) Globally – through participation in global organisations such as the World Bank; (2) Regionally – through participation in entities with a regional focus, such as the African Development Bank or European Bank for Reconstruction and Development; (3) Bilaterally – through development financing activities delivered by the EU’s promotional bank, the European Investment Bank; and (4) Nationally – through national development finance institutions, such as Agence Française de Développement.

We will need to continue to engage on all four fronts. Yet with increasingly divergent global interests, the EU must also strengthen its strategic autonomy to promote its priorities and values across the world. On issues of such strategic importance as climate change, human rights, transformation of global value chains or migration, we cannot sit back and wait for the United States, China or Russia to act. The action of European countries in isolation would be insufficient, inefficient and even counter-productive for Europe.

The EU needs to speak with a clear voice – as others do already. China has founded the Asian Infrastructure Investment Bank and massively increased the resources and commitment of its bilateral development bank, the China Development Bank, under the emblematic “Belt and Road Initiative”. Alarmingly, while China has instituted some restrictions on fossil fuel investment at home, its overseas investment shows a pronounced tendency toward financing coal and gas projects.

Doing so, China opens up markets for Chinese companies – while other global suppliers of clean-tech solutions fall by the wayside. Meanwhile, the US, which currently follows a very inward-looking ‘America First’ policy, is bringing together various institutions under the umbrella of the Development Finance Corporation to strengthen its bilateral development activities. If the EU wants to level the playing field – and prevent the Paris accord and UN global sustainability goals receding into the background of the global agenda – it needs to reinforce its development financing activities.

For years, the foundation of an EU development bank has been discussed as a necessary and correct step forward. It is now high time for member states to follow-through leveraging on the asset that European Member States have already built together. When, if not now, should the EU step up its role in the world by establishing a true EU development bank under the roof of the EIB Group?

The impact would be immediate, significant and resource-efficient. By putting EU Development Ministers in the driver’s seat, while ensuring overall oversight of the Group by the Ministries of Finance, the newly formed institution would ensure a coordinated, transparent and European approach to development financing that so far has been sorely missing. Complementing this with a strong role in governance for the European Commission and the European External Action Service would guarantee, furthermore, that the Bank’s strategy and all its individual projects serve the Union’s development policy targets from day one.
An EU development bank under the roof of the EIB Group is not a way to replace Europe’s involvement with global and regional multilateral banks, nor a way to weaken the strong and diverse landscape of national development institutions. No, its role would be to give the EU a stronger voice on issues where Member States share a common ambition that is, however, not sufficiently taken into account at the global and regional level.

Indeed, to fully capitalise on the wealth of the existing European development work, all national development banks and agencies should have the option of participating in the new EU development bank – without, of course, losing their autonomy, national mandates or access to EU instruments. In this way, it will be possible to finally link up development financing activities at EU and national levels and to ensure a transparent division of tasks.

If, in addition, co-financing activities between the EU development bank and national development institutions become subject to an accelerated approval procedure for EU risk-sharing mandates (as is already the case for some EU mandates today), we can furthermore achieve – without any additional resources – a significant increase in impact by reducing the level of bureaucracy (and time) in the allocation of these resources.

We need to set a new course for development – and send a strong signal that Europe is ready to play its role in the world. Europe owes this to its history, to its principles, and to its ambition. Let’s make it happen.

About the author

Dr Werner Hoyer is the President of the European Investment Bank. He was appointed on 1 January 2012 and was re-appointed for a second term in office, with effect from 1 January 2018. He has a PhD (economics) from Cologne University where he also started his career in various positions. Dr Hoyer served for 24 years as a Member of the German Bundestag. During this period, he held the position of Minister of State at the Foreign Office on two separate occasions. In addition, he held several other positions, including that of Whip and FDP Security Policy Spokesman, Deputy Chairman of the German-American Parliamentary Friendship Group, FDP Secretary General and President of the European Liberal Democratic Reform Party (ELDR). Dr Hoyer and wife Katja have two children.