Financial Geography Working Paper Series – ISSN 2515-0111

From transition bank to EU neighborhood policy bank: EBRD’s commitment change in Egypt

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February, 2022

Financial Geography Working Paper #35

Abstract

Motivated by an ongoing IPE debate on the repurposing of regional development banks as a means of global finance or state capitalism, we explain how and why the European Bank for Restructuring and Development (EBRD), a neoliberal development bank created to promote transition to market economy and democracy, operates today in Egypt, an authoritarian regime with characteristics of state capitalism. We explain EBRD's changing practice by pointing to the European development finance field and especially its operational logic in Egypt since 2015 to which EBRD mimetically adapts. EBRD's move to Egypt is motivated by its desire to break out of its legitimacy crisis in Eastern Europe and Central Asia. As Egyptian politics changes, EBRD moves closer to the European field and embraces its logic of financing public investments to fight the climate crisis, mitigate security threats, and counter geoeconomic rivals. By adapting the logic of the field, however, EBRD gives up its democratic commitment, even if it retains a liberal practice. Our findings point to a possibility of a nexus between global finance and authoritarian state capitalism. EBRD's involvement in this is a warning to the global development banking community to uphold the democratic oversight mechanism while embracing new goals.

1. Introduction

The weakening of the Bretton Woods system and its multilateral institutions has given rise to a new interest in regional development banks (RDBs) in the past decade (Lütz, 2021; Jędrzejowska, 2020). RDBs have been revitalized, as with the European Investment Bank (EIB) in Europe through the investment plan of the Junker Commission (Mertens & Thiemann, 2017), or the European Bank for Restructuring and Development (EBRD) through its expansion into Middle East and North Africa (MENA). New regional banks have been created, such as the Asian Infrastructure Investment Bank and the New Development Bank of the BRICS countries. Today, RDBs are called upon—and eager—to combat climate emergency, build infrastructure, and green the economy (Marois 2021).

The operation of revitalized RDBs should be especially interesting for International Political Economy (IPE) scholars due to their position at the meso level of international politics, where the interplay of global and local factors is most visible. Therefore, it is surprising that, until recently, there has been very little written on RDBs from an IPE perpective. In this article, we contribute to the few exisiting explorations of RDBs (Clifton et al., 2017; Park, 2017, 2021; Park & Strand, 2015; Shields, 2019, 2020) by examining an under-researched phenomenon, namely the operation of RDBs outside their core geographic region. RDBs' regions of operation are always politically constructed, and as such in constant change as political interest redraws the boundaries of an RDB's operation. Nevertheless, IPE scholars' attention has not been attuned to these changes, and we do not have good, theoretically grounded explanations for the drivers of change and the impact of these changes on RDBs' practices in a new region of operation.

Analyzing RDBs' operations in a new geographical region is also an important meso-level contribution to an ongoing IPE debate on global development finance. Macrofinancial scholars have recently exposed the role of Wall Street investors in influencing RDBs to design de-risking instruments through which private finance can deliver Sustainable Development Goals (SDGs) in the Global South (Gabor, 2019). The supportive Wall Street Consensus that provides policy scripts for the World Bank and RDBs was convincingly criticized for its dubious developmental impact, its empowering of private investors, and its destabilizing effect on global financial markets (Gabor, 2021). Against this view, however, scholars of various historical materialist traditions point to the emergence of state capitalism driven by geoeconomic rivalry as a key driver of RDBs' new activism. RDBs thus not only serve private investors' interests, but also satisfy those of great powers while their new activities leave the underlying structure of global capital accumulation unchanged (Alami et al., 2021b; Mawdsley, 2015).

Looking at a concrete case of an RDB that has moved into a new geographical region of operation thus provides us not only with theoretical insights into how changes in its operation occur, but also with empirical evidence from the meso level to substantiate competing views pitched at the global level. In this study, and with these goals in mind, we focus on the EBRD as it moved to the MENA region and specifically to Egypt in 2011.

2. Research design and argument

The EBRD is a particularly appropriate case against which to evaluate RDBs' new activism. The EBRD is one of the seven Western-leaning RDBs that contributed to the framing of the World Bank's *Transforming Development Finance* Development Committee Discussion Note in 2015[1]. This document contains the key policy scripts for RDBs to follow in order to create bankable projects for global financial investors in the Global South and EBRD's participation in framing it shows its commitments to the new agenda. Moreover, the EBRD has been mandated to prefer private-sector lending from the beginning of its operation. As such, this bank has the most institutional know-how, skills, and resources to carry out the new World Bank agenda. If there is one RDB that should be the key instrument of Wall Street investors, it is the EBRD.

From the MENA region, Marocco, Tunisia, Egypt, and Jordan—where the EBRD started operations in 2011—the case of Egypt allows us to best evaluate claims about increasing state capitalism in defining RDBs operations[2]. Since the fall of Arab Spring, the Sisi-led government in Egypt not only undermined any attempt at democratization, but in 2016 launched 'Vision 2030', a grandiose investment plan to build, in the framework of the Suez Canal Corridor Project (SCCP), an interconnected system of new ports, logistic centers, roads, railways, and industrial zones accompanied by the design and establishment of a New Administrative Capital (NAC) along with a significant transformation of Cairo's urban landscape (Tawakkol, 2020). The EBRD is actively involved in a number of sub-projects within the Sisi administration's 'Vision 2030' plan. Moreover, Egypt allows us to observe geopolitical rivalries because of the recent arrival of large investments from China, Russia, Turkey, and the Gulf States (Roccu, 2018b; Roccu, 2019).

We take it as a research puzzle to explain the EBRD's move to Egypt. We would like to understand how and why the EBRD—a bank created to advance the transition to a private actor-driven market economy and to promote democracy in post-communist countries in the early 1990s—became an active investor in the MENA region in 2011 and advances lending to Sisi's authoritarian regime to fund public infrastructure projects. Egypt today is thus strikingly different from the EBRD's original countries of operation, yet on a country basis Egypt's share of the EBRD's lending portfolio is the second largest after Turkey in 2021[3].

We theoretically position our answer at the nexus of *field* and *new institutional analyses* to see how the organizational field within which an RDB operates structures its institutional practice through the adaptation of the field's logic in its operation (Bourdieu, 2005; DiMaggio & Powell, 1983; Fligstein, 2001; Leander, 2011). We identify the emerging *European development finance field* (Mertens et al. 2021) as the framework of the EBRD's operation in the MENA region. Looking at the EU's neighborhood policy towards the MENA region since 2011, we expose an increase in the activity of European development finance actors through the Neighborhood Investment Facility (NIF), other funding facilities, and European investment banks such as the EIB, and large national

[1] "From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance" was written by AfDB, ADB, EBRD, EIB, IADB, IMF, and WB.
[2] In 2020, the EBRD entered Lebanon, Algeria, and West Bank and Gaza.
[3] https://www.ebrd.com/standard-poor-supranational-special-edition.html (p. 90), accessed on 6th December 2021.

development banks, in particular the German KfW (Mertens, 2021) and the French AFD as well as AECID, CEB, EBRD, NIB, OeEB, SIMEST, and SOFID[4].

The EBRD's key *institutional features* define its openness and capacity to adapt *mimetically* to the logic of the field. We argue that prior to its expansion in the MENA region, the EBRD accumulated a host of tensions and conflicts and was actively seeking a way out if its anachronistic mandate when the opportunity to operate in Egypt after the Arab Spring opened up. In particular, we point to its diverse shareholder structure, its operation within a dense aid network, its anachronistic transition mandate, and its previous experience in Central Asia that, taken together, urged the EBRD to redefine its legitimacy. We point to the European field in an uncertain environment to be the most important blueprint to which the EBRD mimetically adapted its practice to escape from its legitimacy crisis.

The most important impact of the European field on the EBRD is the naturalization of its dealings with authoritarian governments and the financing of large-scale public-private partnership (PPP) projects, going against its original mandate of promoting private enterprise in democratizing countries. In Europe, the development finance field's logic is defined, on the one hand, through the legitimation of public financing of development targets through capital markets. On the other hand, the field's logic assumes a cooperation among the EIB and national development banks to steer public resources to link European integration and national development goals (Mertens & Thiemann, 2019). In the MENA region, the field's logic is augmented by the NIF and other EU fund-defined goals, such as delivering SDGs, mitigating security threats, and containing geoeconomic rivalry. In the uncertain political environment of Egypt, and as an escape route from its accumulated institutional tensions, the EBRD's staff swiftly embraced these new goals as its own and used them to rework its identity from a transition bank to a European neighborhood and green bank.

Although the EBRD has been known to work with and thus enable autocracies in Central Asia, in that case the aid regime remained dominated by neoliberal scripts, thus the EBRD did not engage in redefining its purpose and legitimacy, but instead actively diluted its transition mandate of democracy promotion and private sector development (for the most recent changes in the region, see (Groce & Köstem, 2021). In the case of Egypt, we identify an active engagement on the part of the EBRD to depart from its transition bank identity and redefine itself as an essentially green public bank through the mimetic adoption of the European development finance field's logic, ready and capable of delivering on SDGs and fighting climate change.

Finally, with regard to broader theoretical debates, our findings indicate that the EBRD's participation in the implementation of President Sisi's 'Vision 2030' plan represents a critical nexus between Western governments' redefinition of RDBs to serve global financial interests and Egyptian autocratic developmentalism. As such, our findings echo those of Groce and Köstem (2021) in that development banks' practices reflect both state capitalism (Alami et al., 2021a)—although with a much larger role of international actors in shaping its contours than usually accepted—and neoliberal securitization (Gabor, 2018), but with more diverse goals, interests, and instruments than those outlined in the literature. In the end, we draw attention to the sweeping ease with which the EBRD

[4] https://ecdpm.org/wp-content/uploads/BN-55-Blending-loans-and-grants-for-development.pdf, accessed on 23rd November 2021.

abandoned democratic values in the course of the fight against climate change—a general warning to the development finance community.

Throughout our study, we relied on primary and secondary documents produced by the EBRD and about the EBRD, and other relevant development banks. We reviewed relevant data sets provided by the EBRD and other development banks. EBRD provided data is scarce, sketchy, and inconsistent in Egypt and we explicitly engage with private and public classification in section 6 (https://www.ebrd.com/egypt-data.html accessed on 6th December 2021). We also conducted seven semi-structured interviews with EBRD personnel both from its Board of Governance as well as operation managers from its Egyptian and Balkan missions.

Table 1. List of Interviews

Interviewee #	**Position at the EBRD**	**Date of interview**
Interviewee #1	former Board member of the EBRD	March 2019
Interviewee #2	former Board member of the EBRD	May 2019
Interviewee #4	current officer at EBRD	May 2019
Interviewee #5	current officer at EBRD	May 2019
Interviewee #6	current officer at EBRD	May 2019
Interviewee #7	current officer at EBRD	August 2020

Source: authors.

The article is structured as follows: First, we develop our methodological take on regional development banks and organizational field dynamics. Next, we introduce the EBRD and highlight its core features and practices prior to its entry in Egypt. We then explore the changing modalities of the EU's neighborhood policy and identify the European development banking field as it becomes a key means of the policy. Next, we outline in detail the changing practice of the EBRD in Egypt in two time periods and provide analytic insights into the IPE debate on global development finance. The last section concludes.

3. Regional development banks and organizational field dynamics

The IPE literature on RDBs is still surprisingly limited today. A welcome general introduction to RDBs has been only recently published by Clifton et al. (2021). In this volume, regional specialists provide descriptive insights into various RDBs, e.g., the African Development Bank (Kraemer-Mbula, 2021), the Asian Development Bank (Barjot & Lanthier, 2021) or the Inter-American Development Bank (Babb, 2021). Among the few IPE analyses of RDBs is the excellent constructivist work of Susan Park, who—in observing norm creation and transformation made in relation to the World Bank and International Monetary Fund (Park & Vetterlein, 2010) and the nature of global governance (Moschella & Weaver, 2013; Park & Strand, 2015)—analyzes accountability mechanisms in multilateral development banks in general (Park, 2017) and in the EBRD in particular (Park, 2021). In addition, from a neo-Gramscian perspective, Stuart Shields has exposed the working of the EBRD in Eastern Europe while conceptualizing it as an organic intellectual that stands behind neoliberal reform processes (Shields, 2019, 2020).

In the literature, RDBs are usually defined as development banks with an ownership structure and operation connected to a specific region (Park and Strand 2015). Most RDBs were set up in the 1950s and '60s, modeled on the World Bank, and their key function was to generate additional funding for their region (Park and Strand 2015). They could fulfill these goals more efficiently than the World Bank because RDBs are historically, culturally, and geographically more connected to their specific region (Clifton et al. 2021). As a result, RDBs exhibit large organizational heterogeneity that makes it difficult to classify them (Park and Strand 2015). Moreover, it would also be misleading to connect all RDBs over time to only one pre-defined region. In fact, RDBs have been known to (re)interpret 'their' region of operation quite loosely and include shareholders from outside the region or countries of operation and have been quite active in setting new boundaries and legitimating their expansion or withdrawal from different countries, regions, or sectors (Park & Strand, 2015).

Today, there are, however, a few key characteristics of RDBs that are key to understand their practice in the world economy. First, RDBs, as any international organization, may be conceptualized according to their degree of autonomy from shareholders. RDBs are usually controlled by a large number of shareholders, with different degrees of voting power, and different and changing interests in the banks' geographical region, thus with more or less interest in the operation of the bank (Strand, 2003). Therefore, RDBs' autonomy is most suitably conceptualized through constructivist scholarship, which—unlike realists or historical materialists—methodologically allow RDBs a larger degree of autonomy from shareholders. Moreover, in a constructivist vein, RDBs also have some degrees of autonomy from donor and recipient states, private financial markets, NGOs and other watchdogs, etc., while working in a field densely populated by various competing actors having an impact on their operation (Barnett & Finnemore, 2004; Weaver, 2008).

Second, throughout their history, RDBs have functioned in the background of the World Bank and IMF which set important constraints on their operation, but also enabled their activities in certain neglected areas. Up until the recent crisis of multilateralism, RDBs left agenda-setting up to Bretton Woods institutions, while focusing on carving out a niche for themselves in the economic governance of their region. From the 1980s, when the World Bank focused on conditional program lending backed by IMF's own conditionality (Babb, 2013; Kentikelenis & Babb, 2019), RDBs lent less for programs and with considerably less conditionality and oversight than the World Bank (Park and Strand 2015: 5). They addressed the same policy issues as the World Bank, but differed in speed, depth, and strategies. Lacking the political support of powerful states that the World Bank and the IMF enjoy, and being less equipped with expertise in the domains in which they operate deprives RDBs of the authority that Bretton Woods institutions have. However, working mainly under the radar of public opinion (being invisible organizations (Shields, 2021), with fewer watchdogs[5] checking their steps, allows them greater room for maneuvering in defining their political commitments (Weaver, 2008).

Third and connectedly, RDBs' operations require them to create a field of like-minded actors whose connections and support they can rely on for their own operation. From within the field, RDBs build either cooperative or competitive relations with the actors and often take over functions from either the Bretton Woods institutions or from the national development players (Clifton et al., 2021). Lacking the explicit support of global powers, RDBs must learn to co-operate with other

[5] Bankwatch is the only watchdog organization that explicitly monitors the EBRD.

multilaterals, private actors, and public actors to ensure the success of their operation (loan repayment, conditionality, etc.). RDBs consequently value negotiations with national actors, technical assistance, and other forms of soft power exercise even more than Bretton Woods institutions. Lacking the overwhelming capacity to set conditions to ensure the repayment of their lending, they favor shaping the social environment as a safeguard in relation to the loans they provided. Recently, with the weakening of multilateralism, RDBs can exercise a larger impact on the new development agenda by having a greater influence on the global development agenda and defining the contours of local practices, depending on their own institutional identity (Lütz, 2021).

Taking RDBs' field dynamics as a starting point to explore RDBs allows us to take advantage of a key promise of field analysis for IR/IPE, namely its capacity to 'making basic divides—such as public⁄ private and inside ⁄ outside—part of the analysis rather than its point of departure (Leander, 2011: 296). Looking at RDBs as part of organizational fields (Powell & DiMaggio, 1983) allows us to circle in all relevant actors—irrespective of national boundaries—and point to the field as having a formative impact on an RDB's practices (Schmitz & Witte, 2020). In this way, the development finance field becomes a site of interaction in which development actors recognize each other as members of the same field (Fligstein & McAdam, 2012). The field is defined by the 'stake at stake' or the logic of the field's operation that actors mutually accept to be the rules of the game. The field's logic corresponds not only to a set of discourses that allow development actors to interpret their actions, but more importantly as a structuring logic to their practice (Leander, 2011). This is a key advantage of combining field analysis with institutional analysis as opposed to competing analytical frameworks because it allows us to analyze a single actor's action not only related to their own individual interactions with others, but by the collective logic that all actors in the field adhere to. Obviously, not all actors are equally positioned to define the logic of the field, and the analysis should clearly point to actors that play a consecrating role in granting symbolic recognition to certain practices as opposed to others (Stringfellow et al., 2015).

Here we follow new institutionalist scholars to analyze the institutionalization of ideas into an RDB's practices. They argue that organizations not only compete with each other, but also draw powerful injunctions from their broader institutional environments about what they should look like and do (DiMaggio & Powell, 1983). Out of three isomorphic mechanisms (coercive, normative, and mimetic) in organizational field-defined contexts, we evaluate only mimetic adaptation as the most likely in the highly uncertain context of a new country outside the RDB's core region of operation. The mimetic adaptation occurs when organizations copy successful role models to shape their practice in new and uncertain environments (DiMaggio & Powell, 1983). As DiMaggio and Powell (1983) explain, 'When organizational technologies are poorly understood …, when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations' (p. 151). More importantly for our argument in DiMaggio and Powell's framework mimetic adaptation also serve to enhance adopting organization's legitimacy. (p. 151). 'Organizations tend to model themselves after similar organizations in their field that they perceive to be more legitimate or successful' (p. 152). In the following, we map out the build up EBRD's legitimacy crisis, that we argue urged it to seek a new blueprint of operation in the highly uncertain Egyptian context. In the next section, we introduce the European development finance field as it operates in the MENA region.

4. Introducing the EBRD, an RDB to manage the EU's neighbourhood

The EBRD came to existence as the Western states' response to the fall of communism in Eastern Europe. Originating in 1989, the EBRD's mandate follows the Cold War logic of countering threatening forces through the provision of loans and technical assistance. There are a few key characteristics of the EBRD's past thirty years of operation that defined its entry into Egypt: (1) its particularly fragmented shareholder structure; (2) its operation within a dense aid network; (3) its anachronistic transition mandate; and (4) its previous experience with autocracies. These institutional features, taken together, enhanced the tensions and conflict in EBRD's operation which made it actively search for and especially willing to embrace new (thus less anachronistic) operational features. As a result, the EBRD was especially open to influences from the European development finance actors.

The EBRD has a European majority of its shareholders (altogether more than 75% of voting shares). However, it is complemented by a few and powerful non-EU shareholders. The EBRD's largest shareholder is the United States, with 10 percent of voting shares, followed by France, Germany, the UK, Italy, and Japan, each with around 8.3 percent of voting shares (45 percent in total)[6]. Currently, the EBRD has 72 members in addition to the European Union and the European Investment Bank and includes every borrowing country. From the outset, the management of the bank has been dominated by donor countries (through voting shares and managerial positions) and recipient countries' influence have been weak (Walker, 1998). Moreover, the EBRD's largest shareholders have diverging interests regarding the operation of the bank (Strand, 2003).

Since the early years of the post-communist transition, the EBRD operated in a densely institutionalized aid regime where competing institutions provided similar forms of aid and technical assistance to post-communist states (on the density and propensity of the Eastern European international aid network, see, for example, Appel & Orenstein, 2018; Epstein, 2008; Johnson, 2016). Throughout the 1990s, the policy script to which the EBRD adjusted its practice came from Washington-based institutions, and due to the region's looming foreign debt crisis, especially from the IMF[7]. Key actors in the development finance field were the IMF, the World Bank, the IFC, the EU through its PHARE program, the OECD, private donors, and governments from all over the world which all focused their attention on Eastern Europe and post-Soviet countries in the 1990s (Piroska & Mérő, 2021). The EBRD was an important, but by no means a key actor in this field. The economic assistance it distributed in the Eastern Europe mattered mainly in its symbolic value (Haggard and Moravcsik 1993). Thus, EBRD staff had to learn to maneuver between large and ambitious mandate backed up only with limited financial resources from the outset in a densely populated field.

The EBRD's solution to this dilemma was to put a large emphasis on technical assistance. It became its key distinguishing feature in the Eastern European development finance field of the 1990s. The EBRD staff regarded it essential to develop state institutions, legal frameworks, and training programs for public personnel, i.e., to transform the mindset of the state (Johnson, 2016). However, the EBRD's founding documents did not allow its staff to use its own capital for this purpose. Instead,

[6] https://www.ebrd.com/shareholders-and-board-of-governors.html, accessed on 25th November 2021
[7] https://www.imf.org/external/np/g20/pdf/2018/082918.pdf (p. 3), accessed on 23rd November 2021.

technical assistance provisions had to be financed through donor funds that the staff brokered out each time it identified a clear purpose and form. But technical assistance financing through donor funds came with a caveat (interviewee #3). According to its charters, while the EBRD's own capital must be distributed on a market-conforming manner, donors to particular funds can set up requirements with regards to the beneficiaries of the funding. Thus, technical assistance was provided through donor states' nationals, legal and advisory firms, and often were shaped by market actors' interest in donor states. The EBRD's key goal—building a level playing field of liberal markets—thus was compromised through the distorted funding structure of its operation.

The EBRD's particularly narrow development mandate, "to promote private and entrepreneurial initiative"[8], further contributed to its market-disturbing operation in two ways. First, controversies arose due to its preference of private actor-driven solutions over broad development goals that may include superior public solutions. The share of private sector investments had been set at 60%[9] in the EBRD's statute, although the actual practice of the bank differs in various countries, with 100% in Eastern Europe and 0% in Turkmenistan today.[12] Prioritizing the private sector as opposed to public investment propelled it at occasions to declare public services inefficient, such as public transportation, public health care, or public education projects[10]. Second, EBRD's strong preference for private actors in capital-poor Eastern Europe almost always meant preferring Western investors, developers, or constructors as beneficiaries of its lending operation. Thus, through technical assistance, its cooperation with Western European commercial banks and Western European investors, the EBRD was instrumental in the hands of European governments, mainly Germany, to function as a market-builder for Western products and businesses in Eastern markets (Jacoby, 2010). As such, the EBRD was among the key actors which shaped the FDI landscape and dependence of Eastern European economies (Medve-Bálint, 2014).

The EBRD's political mandate to operate only in countries that are committed to democratic transition is at odds with most other multinational development banks which are, like the World Bank, prohibited to take politics into consideration when lending (Weaver 2008: 74). Following its democratic mandate has posed a series of challenges to the EBRD as it moved east from Eastern Europe. As a result, the EBRD has gradually re-worked both its economic and political mandate[11]. The EBRD's actual geographical operation has been gradually moving towards non-EU neighborhood regions including the Western Balkans, Central Asia, and the MENA region. The EBRD's operation in these regions compelled it to engage in projects that did not primarily support market-building or the spread of private enterprise, but instead satisfied its key shareholders' (especially the USA, Germany, France, etc.) geopolitical interests (Interviewee #2) thus contributing to its legitimacy crisis.

The European Union's influence on the operation of the EBRD became more decisive over the years. Since 2004, the EBRD operates both within and outside EU borders. The EBRD takes over functions

[8] Article 1 of the Agreement Establishing the European Bank for Reconstruction and Development.

[9] Paragraph 3 of Article 11 of Agreement establishing the EBRD, https://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html, accessed on 27th November 2021.

[10] https://bankwatch.org/publication/ebrd-transition-role-in-the-spotlight-again, accessed on 25th November 2021.

[11] https://www.ebrd.com/documents/comms-and-bis/pdf-transition-and-transition-impact.pdf, (p. 10), accessed on 27th November 2021.

from the EU as shown by its activity in setting up the Vienna Initiative in 2009 and remaining committed to this forum ever since (Epstein, 2014). The geographical shift, however, has not been without contestations and political conflict, and was also driven by the ongoing debates within the EU on the strategic priorities and organizational structure of the European Union's neighborhood policy (Kilpatrick, 2020).

Inside the EU, however, the EBRD struggles to build good working relations with the European Investment Bank as an 'EU-bank', as well as to make more explicit its superior positioning as a market builder outside the EU vis-á-vis the EIB. Recently, the European Council (pressured by Germany and France) requested a Wise Persons Group report[12] on the future placement of the EBRD, the EIB, and national development finance institutions ahead of the 2021–2027 budget. The report pointed out redundance and the possibility of transforming the EBRD into a specialized, EU-external green bank.

In sum, since the 2004 EU accession of Eastern European states, the EBRD suffers from an active legitimacy crisis. It reflects tension among its shareholders, the increasing anachronism of the EBRD's mandate, and its role in the EU as a non-European neighborhood bank. Taken together, these tensions have compelled the EBRD to rework its own identity, since its old identity as "the expert of transitology" (Shields, 2020: 233) is increasingly untenable. The EBRD's turn to the MENA region bears the mark of these institutional tensions, which define the continuous conflict between its mandate and practice.

5. The EU development finance field enters EU's Mediterranean Partnership policy

Traditionally, the EU's external relations towards the MENA region have been guided by the Southern Mediterranean neighborhood policy (Tömmel, 2013; Bilgin, 2018). Whereas there is an abundant literature on the EU's security and stability priorities in the region and its projected normative democratizing agenda (Khakee, 2017; Khakee & Wolff, 2021), we outline the evolving economic dimension of this policy in order to show the growing influence of the European development finance field upon its operation.

Already in the shadow of the Common Foreign and Security Policy (CFSP)-dominated European neighborhood policy, the MENA region's economic integration into the European economic sphere has been a key interest of European actors. Some policy makers made the case for an extended common market under the label of 'shared prosperity' (Hollis, 2012), others underlined the importance of the region for its natural energy resources (Tagliapietra, 2016), and its role as a transit region for the EU's trade and resources from Africa (Gaiser & Hribar, 2012). For some scholars, the EU's economic agenda, just like the one targeting Eastern Europe, has been dominated by neoliberal reform (Shields, 2015). For others, market shaping and state (re)building efforts through the spread of EU standards is a kind of 'ordoliberal' regulatory solution (Roccu, 2018b) aimed at securing EU investment interest.

[12] https://www.consilium.europa.eu/media/40967/efad-report_final.pdf, accessed on 25th November 2021.

Whatever its key defining feature in the past was, the EU's Mediterranean policy started to gradually embrace development finance in the early 2010s. In 2008, the EU's NIF was set up as a financial instrument to address 'infrastructure projects in the transportation, energy, social, and environmental sectors as well as to support private sector development (in particular SMEs)'[13] in the Southern and Eastern Neighborhood areas.

The 2011 Arab Spring provoked an inconsistent and incoherent EU response both in terms of politics and economic policy (Börzel et al, 2015). In the immediate aftermath of the political turmoil, between 2011 and 2015, democracy promotion, human rights protection, and 'more for more' conditionality was strengthened, while, since the 2015 migration crisis and multiple state collapses, the EU's focus shifted to managing these securitized processes. As a result, a more traditionally defined understanding of security returned to the core of the EU's neighborhood policy (Roccu, 2018a; Giusti & Mirkina, 2019), however, with different means. Gradually, the initial multilateral 'region building' approach was replaced by a more de-politicized socio-economic understanding of development that also serves European security interest (Bicchi, 2014; Dandashly, 2018). In this new EU agenda, spelled out in the 2016 'Shared Vision, Common Action' strategy, development finance actors gained prominence in the new EU approach towards the MENA region.

An important driver of change in the EU's neighborhood policy was the emergence and consolidation of an EU-based development banking field (Mertens & Thiemann, 2018). Inside the EU, in the framework of Junker's Investment plan, launched in 2014, the EIB and national development banks (NDBs) have formed a network to finance investment within the governance structure of capital markets (Braun et al., 2018). The new field is governed by a post-financial crisis field logic of development: the state is now legitimated to selectively finance certain economic actors and give direction to the development of the economy, and member states are also inclined to invite private investors to jointly provide finance either in the form of public private partnerships or through de-risking (taking over investment risk) in projects deemed public goods. Moreover, the new European development finance field is not limited to the European Union geographically: both the EIB and large national development banks, in particular the German KfW (Mertens, 2021) and the French AFD, are active outside the EU. In the case of the MENA region, we see their defining role as instruments of the EU's neighborhood policy, and the EBRD as playing an increasingly influential role in the field.

Thus, in the MENA region, starting from around 2014 onwards, a remarkable shift occurred in the institutional setting and the scope of the European neighborhood policy: development finance took a leading role. In 2014, a new EIB facility called MED5P (Public-Private Partnership Project Preparation in the Southern and Eastern MEDiterranean) was invoked under the NIF umbrella dedicated to Egypt, Jordan, Lebanon, Morocco and Tunisia to support the preparation, procurement and implementation of PPP infrastructure projects[14]. Operating with a total budget of 15 million EUR and within the Union for Mediterranean (UfM) MED5P was set up for the planning, management, and finance of PPP projects jointly financed by the EIB, the EBRD, and the KfW[15]. The already

[13] https://op.europa.eu/en/publication-detail/-/publication/285a3c64-5152-4cb4-aff6-ea5a307324ba, accessed on 23rd November 2021.
[14] https://www.eib.org/en/projects/regions/med/med5p/index.htm, accessed on 22nd December 2021.
[15] https://ufmsecretariat.org/, accessed on 22nd December 2021.

existing Facility for Euro-Mediterranean Investment and Partnership (FEMIP) was upgraded not only with budgetary support but also with the EBRD and other banks joining in[16]. In 2016, the EU Commission published its new foreign policy strategy (Shared Vision, Common Action) with explicit reference to development funds and investment as key instruments to achieve the EU's goals in promoting SDGs, 'building stronger links between our trade, development and security policies in Africa', 'synergies between humanitarian and development assistance', and 'sustainable development and climate change'.[17] In 2017, the European Fund for Sustainable Development (EFSD)[18] and Neighborhood Investment Platform (NIP)[19] was established. By the early 2020s, the external aid and the neighborhood funds were further centralized and consolidated under the External Investment Plan (EIP)[20]. Along with the EBRD, the EIB, the Council of Europe Bank, and the Nordic Investment Bank, a number of other EU-based actors were involved, such as the AFD, the KfW, the AECID, the OeEB, SIMEST, and SOFID,[21] all of which have been participants in the NIF. Right at the beginning of the Covid-19 pandemic, the EU launched the 'Team Europe' initiative, framed as a mixture of a more traditional humanian aid package (PPEs, vaccines) and development banking instruments with the flagship role of the EBRD and the EIB[22]. Finally, in 2021, the EU Commission announced the 'Global Gateway' strategy to mobilize up to €300 billion in public and private funds by 2027 to finance EU infrastructure projects abroad to counter China's Belt and Road.[23]

At the same time, at the program level, new and reorganized umbrella funds and incentives came into existence from the EU Initiative for Financial Inclusion and the Trade Facilitation Programme and the Green Economy Financing Facility (GEFF)[24]. The GEFF is a joint program of the EIB, the EBRD, and the AFD and is specifically targeted Egypt 'to provide loans for small-scale renewable energy investments by private companies through a group of participating banks'[25] Moreover, the importance of providing technical assistance as a key means of state building underscores the development finance-led neighberhood policy. This is because the EU focuses not only on any kind of state building—the objective is to provide targeted 'grants to fund the technical, legal and financial consultancies required to develop, structure and procure an individual PPP project' (p. 4) and 'technical support for procurement and the supervision of the consultancies funded by MED 5P grants' (p. 4).[26]

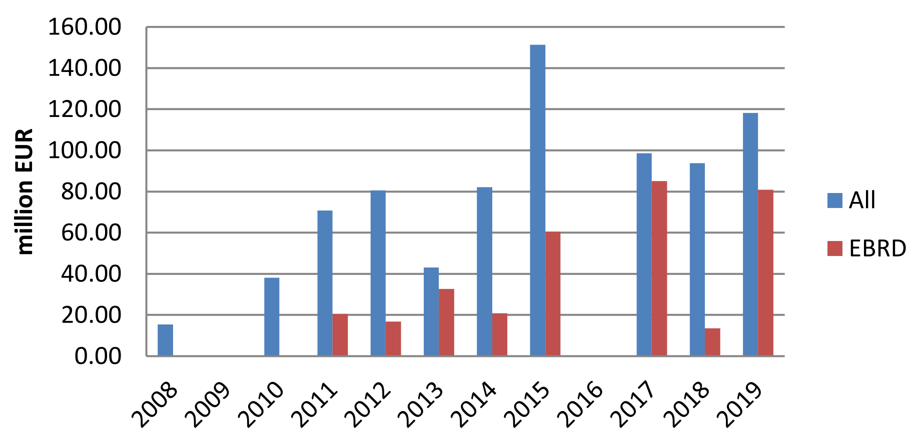
[16] https://www.eib.org/en/events/femip-presentation, accessed on 22nd December 2021.
[17] https://eeas.europa.eu/archives/docs/top_stories/pdf/eugs_review_web.pdf, accessed on 6th December 2021.
[18] https://www.europarl.europa.eu/RegDaa/etudes/BRIE/2019/637893/EPRS_BRI(2019)637893_EN.pdf, accessed on 22nd December 2021.
[19] https://ec.europa.eu/neighbourhood-enlargement/neighbourhood-investment-platform_en accessed on 22nd December 2021.
[20] https://ec.europa.eu/neighbourhood-enlargement/neighbourhood-investment-platform_en, accessed on 22nd December 2021.
[21] https://ecdpm.org/wp-content/uploads/BN-55-Blending-loans-and-grants-for-development.pdf, accessed on 23rd November 2021.
[22] https://www.cgdev.org/blog/getting-bottom-team-europe-initiatives, accessed on 22nd December 2021.
[23] https://www.politico.eu/article/eu-launches-global-gateway-to-counter-chinas-belt-and-road/, accessed on 6th December 2021.
[24] https://ebrdgeff.com/, accessed on 22nd December 2021.
[25] https://www.devcommittee.org/sites/dc/files/download/Documentation/DC2017-0009_Maximizing_8-19.pdf (p. 5), accessed on 22nd December 2021.
[26] https://www.devcommittee.org/sites/dc/files/download/Documentation/DC2017-0009_Maximizing_8-19.pdf (p. 5), accessed on 22nd December 2021.

The revitalized activity of EU-based development banks is legitimated through their embrace of post-crisis logic of development (see above) which is adapted to the Egyptian context through a combined logic of delivering SDGs, countering geoeconomic rivalry, and mitigating security threats after the 2015 migration crisis. Clearly, the EU-based development banks' promotional lending to infrastructure development, energy sector upgrading, and state building targeted a greening of the economy by financing the upgrading of energy transmission and regulation systems, new energy plant facilities, and the strengthening of the private sector investing in green energy. However, the same investment targets should also be seen as serving the EU's interest in responding to China's decision to include Egypt into the Belt and Road Initiative (Mohamed Soliman & Zhao, 2019), to Russia's return to Africa through revitalized diplomatic and economic relations (Němečková et al., 2021), and Gulf countries' increased investment activity (Roccu 2018b). The delivery of SDGs should be seen as an attempt to economically stabilize Egypt and the region, following the unrest, armed conflicts, and refugee crises of the 2010s. At the same time, the EU's field logic of careful balancing between the EU's common interests and national governments' own developmental goals, also leaves considerable room for agency and autonomy for local political and economic actors.

6. The EBRD and the EU's development finance field enters Egypt: 2011–2015

Egypt has largely been neglected by European development banks in the past. However, following the 2011 Arab Spring and the turn of the EU's neighborhood policy around 2015, the country's significance rose considerably, and it became a flagship recipient of EU funds by 2017 with the largest share in cumulative terms (229.28 million EUR, 19%), of which two thirds derived from Germany and France (Table 1).

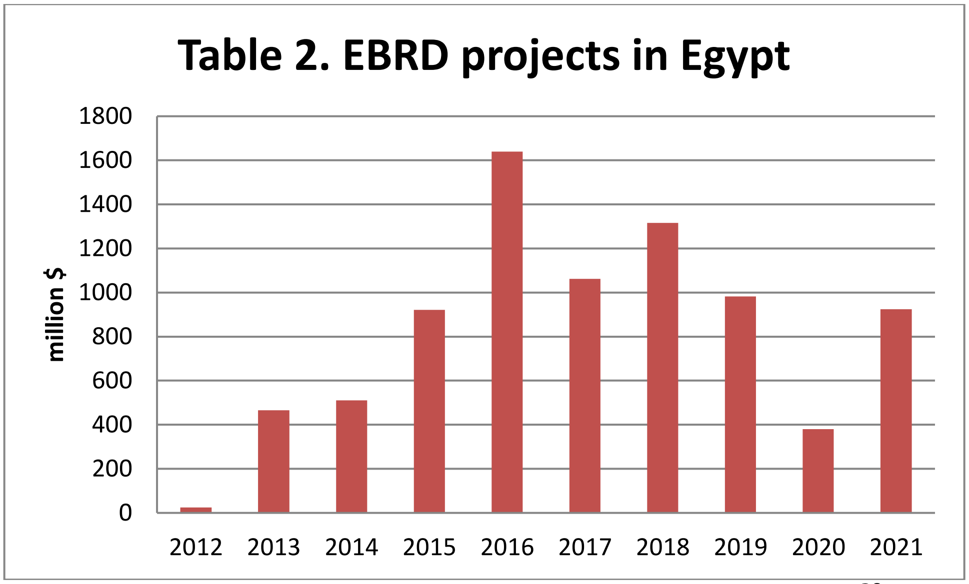
Table 1. NIF-financed projects in Egypt (incl. regional programs)



Source: EBRD, authors' own calculation[27]

[27] Note: Data from 2009 has not been reliably available, whereas the lack of 2016 data is more administrative and due to the multi-annual accounting of projects. Source: https://ec.europa.eu/neighbourhood-enlargement/european-neighbourhood-policy/eipnip_en, accessed on 3rd December 2021.

At the same time, the EBRD's portfolio in Egypt has developed into the second largest in its share in EBRD's total lending by 2020 (Table 2).



Source: EBRD contracted projects, authors' own calculation[28]

The unexpected departure of the Mubarak regime in Egypt opened a window of opportunity for the EBRD to escape from its legitimacy crisis and redefine itself as a transition expert on the basis of its earlier Eastern European experience and more recent self-proclaimed success in Turkey. While the board was keen in exploiting the crisis, the form of its deployment was far from univocal agreement among shareholders, with 'Anglo-Saxon' and some non-EU countries pushing for a more significant role initially opposed by Germany and the Eastern European countries with fewer vested interests in the Egyptian economy (Interviewee #1). However, by November 2011 the political support of the European Commission and the G8-initiated Deauville Partnership opened the way for the SEMED Multi-Donor Funds—to which most major European shareholders as donors—as an initial basis for EBRD's operation[29].

Nevertheless, the EBRD's first years were quantitatively and qualitatively restricted as a consequence of its inexperience in Egypt, the absence of a comprehensive EU-level development finance strategy, and the political instability and short-termism in Egypt. First, unlike in its regions of operation, the Egyptian economy was privatized and deregulated, while also being a rentier state (Adly, 2020). In the past, the Egyptian liberalization and deregulation reforms constituted a cyclical process driven by economic crises and subsequent pressures from the IMF and World Bank, creating an economy of coexisting privatized, military-controlled, foreign-owned, and state-owned actors with abundant cronyism (El-Tarouty, 2003). In order to overcome its inexperience in this new context and its relatively weak negotiation and conditionality setting power, the EBRD conducted a prior screening of the Egyptian private sector with the intention of identifying potential private partners

[28] Source: EBRD Project Summary Documents Note: Annual accounting of projects is registered according to the PSD on EBRD's website; some differences appear in the EBRD Investments 1991-2020 datasheet.
[29] https://www.ebrd.com/deauville-partnership.html, accessed on 6th December 2021.

and to signal those closely related to the former regime (Interviewee #3), an obvious manifestation of the bank's struggle to follow its original 'transition' agenda in spite of signs of economic elite survival.

Second, the EU's and member states' disorganized crisis responses arrived amid the fear of long-term destabilization and the further loss of potential influence on other global and regional powers. Although development finance elements have already appeared in the EU's neighborhood policy—such as the €5 billion package of the EU dedicated to the EBRD and the EIB in November 2012[30]—the realization of the new trends did not unfold until the adoption of the new neighborhood strategy, opening up of financial resources, and the crystallization of the Juncker Plan in 2014.

Third, the lack of longer-term strategic development engagement and organizational stability of the Egyptian government also heavily constrained the EBRD's opportunities. Following the gradual but extensive liberalization reforms and privatization of the public sector driven by both internal interest and external conditionality (IMF, World Bank), the once strong state capitalist role of the Egyptian government in defining the contours of development declined considerably amid the emergence of a crony (cleft) capitalist system with powerful state-linked businessmen and a semi-autonomous military-economic sector. Although EU-originated sectoral regulatory reforms (Roccu 2018), key legislative changes for accommodating PPPs as an alternative to vastly unpopular privatization, and some new planned public infrastructure projects (new cities, wastewater plants) have already appeared on the agenda in the 2000s, comprehensive planning and successful implementation fell short because of a lack of financial sources and expertise. Interim governments (together with President Mursi's short-lived tenure) proceeded with some of the planning, however, amid the economic and political turmoil, the capacities and priorities of the state were diverted from longer-term development strategies as they sought foreign assistance, mainly for short-term currency stabilization (Qatar, Turkey) or military aid (US, Russia).

Following the 2013 coup d'état and the stabilization of the new regime, the EBRD started to accelerate its efforts to pressure government agencies with reform commitments in exchange for the further provision of funds, as a kind of soft conditionality. Furthermore, some of its investments (such as the upgrade of electric transmission systems) targeted projects that would enable and prepare larger ones. However, we have noticed a turn in the EBRD's Egyptian mission in 2015, coinciding with the entry of development finance into the European Union's neighborhood policy. It was also at that time when the Egyptian government embarked upon a comprehensive state-led development strategy under the umbrella of 'Vision 2030', and its sub-projects focused on the Suez Canal.

7. EBRD and the consolidation of the European development finance field in Egypt: 2015–2020

Corresponding to increased European funding, between 2015 and 2020, a significant increase in the EBRD's commitments has occurred both in quantitative and qualitative terms. In 2015, the first EBRD country strategy for Egypt was formulated and an apparent scale-up occurred. By October

[30] 42.2% of the finance was allocated to the 'Egyptian economy' and another 46.7% to 'society and environmental policies'. https://www.files.ethz.ch/isn/162759/WP_EGYPT.pdf, accessed on 3rd December 2021.

2020, a cumulative portfolio of 6,817 million EUR and current portfolio of 4,599 EUR[31] constituted the second largest among the borrowing countries of EBRD. Funding provided by EU development projects enabled the EBRD to enlarge its scope of activities in Egypt in two key domains: technical assistance provision and project lending. The EU-preferred legal infrastructure (e.g. MED 5P funding for PPPs) and the EU-defined sectoral targets (green energy, transport infrastructure, and trade facilitation) shaped and directed the EBRD's Egyptian investment capacities. Embracing these project fundings and goals, the EBRD *mimicked* the operation of other European actors in the field while also defining the exact content of technical assistance and conditions of project lending by its own organizational identity. In the end, we found that, although at the micro-project level the EBRD retained its neoliberal commitments[32], through which it created bankable options for global investors, in the context of the Sisi-led mega-large developmental projects the EBRD became an active financier of an autocrat.

The NIF and sub-projects of the EU's neighborhood funds became key incentives in shaping and directing the EBRD's practice. These European funding opportunities primarily enabled development banks to deliver on state capacity building, technical assistance provision or other forms of knowledge dissemination rather than direct and full project lending. Similarly, the SEMED Donor Fund[33], which was established by EU member states to finance the EBRD's engagement in the region, also primarily targeted state building and legal-institutional upgrading. The EBRD's self-established mission of state building and reshaping, as well as other forms of knowledge transfer in Egypt, show remarkable similarities with earlier experiences in Eastern Europe, however, in Egypt we can find more direct top-down EU financial and policy incentives together with a higher density of connected actors, projects and mission overlaps. Technical assistance and capacity building also appeared at the level of public corporations. The EBRD engaged also in the securitization of public corporations and infrastructure (El Tamir securitization[34]), corporate reform-linked loan restructuring schemes (NEPCO restructuring[35]), or sub-contracting and efficiency-enhancing knowledge diffusion. Financing the Egyptian National Railways' new rolling stock purchase also incorporated the sub-contracting of services, energy efficiency upgrading, and hiring managers from Italian Railways for long-term reform implementation,[36] the involvement of EU investors, as well as European advisors in almost each project.

We argue that despite their relatively smaller weight in terms of costs, technical assistance provisions are no less necessary in understanding how the EBRD especially taking into consideration the longer-term impacts of institutional reforms that have been extremely effective tools of the EBRD to build state capacity with limited resources in the past. They are not only vital for ongoing projects but also impact and transform local public policy agendas, state capacities, and the organizational and normative structure of bureaucratic and political power. In some cases, the EBRD explicitly tried to

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[32] https://dailynewsegypt.com/2016/06/01/ebrd-announce-new-cooperation-strategy-egypt/, accessed on 27th November 2021.
[33] https://www.ebrd.com/ebrd-donors-and-the-SEMED-region.html, accessed on 3rd December 2021.
[34] https://www.ebrd.com/news/2019/ebrd-backs-local-currency-bonds-issued-by-el-taamir-in-egypt.html, accessed on 3rd December 2021.
[35] https://www.ebrd.com/work-with-us/projects/psd/nepco-restructuring-loan.html, accessed on 3December 2021.
[36] https://www.ebrd.com/work-with-us/projects/psd/egyptian-national-railways-restructuring.html, accessed on 3rd December 2021.

set precedence[37] with pilot projects or even intervened—with the consent of the government—in organizational changes in bureaucratic procedures.[38] For the latter, we can point out criticism appearing in EBRD reports and the evolution of the PPP regulation and the establishment of PPP units initiated by the EBRD according to its Vice President.[39] Taken together, EBRD's various technical assistance provision increase the Egyptian state's capacity to embrace global financial investment.

The EBRD not only used EU funding for EU defined purposes, but also mimicked the field's logic in its own operation in the are of technical assitane provision. Take the example of the EBRD's 2015 launch of a new Infrastructure Project Preparation Facility (IPPF)[40] with a pledged budget of €40 million. The EBRD launched this facility with the aim of upgrading infrastructure preparation activity and 'high-quality, client-oriented project preparation, policy support, and institutional strengthening.' The facility also positioned the EBRD to be 'a leading provider of comprehensive, sustainable and inclusive infrastructure solutions'[41], both in terms of public investments and PPPs. In its eagerness to assimilate to the European field, the EBRD also aimed at being the leader in the area of technical assistance.

In addition to technical assistance provision, the European field impacted the EBRD's lending practice as well. To recall, the EBRD is mandated to use at least 60% of its portfolio to support private enterprises. Indeed, the EBRD did lend to private firms in Egypt. However, we also observe a turn towards public projects that, taken together, question the EBRD's commitment to the private market. Taken in the context of Sisi-led mega projects, they question the EBRD's commitment to democracy as well.

To be sure, the EBRD provided direct or syndicated loans to both local and foreign-owned private companies (e.g., Ades International in oil and gas drilling, MAFAlmaza in real estate development) and to SMEs targeting funds (e.g. AAIB-SME loan, Lorax Capital Fundloan) in Egypt. However, it also importantly increased its lending to public entities through two channels: (1) a growing share of entirely or partly public beneficiaries (often disguised as private actors); and (2) its increased engagement with actors from the Egyptian military and well-connected businesses.

First, EBRD's lending in Egypt includes a large infrastructure component (45% of both private and public projects) and an extensive engagement with state-owned enterprises in tourism[42] and public utilities (e.g. Kitchener solid waste[43], Damiette West power plants[44]). Second, some of the EBRD's

[37] It happened in Egypt with the desalination, wastewater or dry port investments (Interviewee #3)

[38] https://menafn.com/1099253745/EBRD-ready-to-support-Egypts-plans-for-opening-up-SOEs-MOCs, accessed on 3rd December 2021.

[39] https://menafn.com/1099253745/EBRD-ready-to-support-Egypts-plans-for-opening-up-SOEs-MOCs, accessed on 3rd December 2021.

[40] https://www.ebrd.com/work-with-us/procurement/pn-46447.html, accessed on 3rd December 2021.

[41] https://www.ebrd.com/infrastructure/infrastructure-IPPF.com, accessed on 3rd December 2021.

[42] https://dailynewsegypt.com/2020/02/16/ebrd-prepares-a-e200m-tourism-framework-in-egypt/, accessed on 23rd November 2021.

[43] https://www.ebrd.com/work-with-us/projects/psd/kitchener-drain-depollution-project-solid-waste.html, accessed on 23rd November 2021.

[44] https://www.ebrd.com/work-with-us/projects/psd/power-sector-energy-efficiency-project.html, accessed on 23rd November 2021.

'private' classified projects benefit public actors either as partners in PPPs or in less institutionalized public-private schemes, or target private actors through public intermediaries (e.g. National Bank of Egypt or Banque Misr SME funds) (interviewee #3). Third, even in cases of direct loan disbursement to private companies, sometimes the aim is to support other interrelated projects where the public sector participates, as with the comprehensive upgrade of Egypt's electricity transmission infrastructure that preceded the Benban solar plant. Finally, the EBRD in some cases classified its own involvement as a private subcontractor in Egyptian PPPs, for instance in the case when its partly-owned subsidiary Aqualia acted in EBRD-financed wastewater management projects (New Cairo Wastewater)[45] or in the acquisition of Infinity Energy in the Benban solar park.[46] The EBRD also took part in equity investment as part of a consortium (e.g. acquisition of Adwia Pharma along with a private equity fund and UK' CDC)[47].

More interestingly, despite distancing itself from Mubarak-linked businesses and its emphasis on competitive and transparent bidding processes (interviewee #3), the EBRD increasingly cooperated with actors in the military economy or politically linked local businesses. The military, having substantial (an estimated 5-40% of GDP) economic power and a political embeddedness through Sisi's past as chief general, was able to reinforce its position following the return of autocracy and assumed key roles in the "Vision 2030" plan as subcontractors, planners, constructors, and supervisors (Roll, 2019). Regarding politically linked businesses, the EBRD provided loans to the construction company Orascom[48] and El Sewedy Electric.

The 18-gigawatt Benban solar plant[49] project illustrates powerfully the EBRD combines technical assistance provision and project lending in Egypt. In the Benban solar plant, the EBRD plays the role of an advisor/planner, investor anchor, private partner equity investor, and financer of a consortia within the cooperation of multiple European and non-European actors in line with an energy infrastructure project of indirect (state stability, energy supply for economy) and direct (planned Greece-Egypt energy interconnector route) strategic EU interests. For the Benban solar plant, the EBRD organized trainings for public service members, as well as international conferences and roadshows in the MENA region (in 2017 in Cairo) and beyond[50] for high-ranking political and administrative decision makers, potential local and international advisors, and other International Financial Institutions to promote particular PPPs.
Most importantly, the EBRD's various engagements with public and private actors in Egypt must be understood within the context of the Sisi presidency's launch of the grandiose and comprehensive developmental plan "Vision 2030", mainly focusing on transportation infrastructure, energy, industrialisation and urban development. In 2014, the Egyptian government launched the

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[45] https://www.ebrd.com/work-with-us/projects/psd/aqualia-investment-venture.html, accessed on 23rd November 2021.
[46] https://www.ebrd.com/news/2020/ebrd-becomes-shareholder-in-egypts-infinity-energy.html, accessed on 23rd November 2021.
[47] https://enterprise.press/stories/2020/11/10/ebrd-cdc-consortium-acquire-99-6-of-egypts-adwia-pharma-24482/, accessed on 23rd November 2021.
[48] https://www.ebrd.com/work-with-us/projects/psd/52163.html, accessed on 3rd December 2021.
[49] https://www.ebrd.com/news/2017/ebrd-and-partners-sign-new-solar-power-investment-in-egypt.html, accessed 23rd November 2021.
[50] The EBRD organized a roadshow in London for potential investors of the October 6th Dry Port with Egyptian officials present. https://www.ebrd.com/news/2017/ebrd-and-egypt-join-forces-in-dry-port-ppp-development.html, accessed on 3rd December 2021.

interconnected development of new ports, logistical centers, roads, railways, industrial zones, and cities under the Suez Canal Corridor Project (SCCP) with the aim of transforming the canal from a mere generator of revenue through transit rent into a higher value-added industrial and service hub. This was accompanied by the design and establishment of a New Administrative Capital (NAC) along with a significant transformation of Cairo's urban landscape, serving both economic development ambitions and regime stabilization goals.[51] To bridge the ambitions of the 'Vision 2030' mega-projects with increasingly deteriorating internal and external balance deficits, the Sisi government mobilized various forms of financial sources, including local and international private investors, internal and external public institutions, and organizations as well as, development banks.[52] As evidence of competing geoeconomic interests, both the NAC and the SCCP involved clustered Chinese (the business district of NAC, the special economic zone, and the railway connected to Suez[53]) and Russian (the nuclear plant, the industrial zone[54]) public investments, as well as European states' firms (Germany and France) on an individual basis. The EBRD's involvement is most visible in its prominent, largest-in-Africa role in the "October 6th" Dry Port logistical and urban development project, which preceded the similarly planned 10th Ramadan project. Similaly and connected to technical assistance, the EBRD also supported the 1 billion USD worth securitization/bond issuance of the El Tamir company, a special vehicle of the public entity in charge of urbanization and city development, the National Urban Communities Authorities (NUCA).

In sum, the EU development finance field shaped the activities of the EBRD (technical assistance provision and project lending) in the context of Egypt's megalomanic 'Vision 2030' development plans. There, we saw the EBRD abandon its mandate to promote (neo)liberal markets and democratization at the macro level even if it retained neoliberal practice at the micro level. The essence of the EBRD's involvement in Egypt seems to be the formation of a critical link between an autocrat's developmentalist plans and the channeling of EU designed public and private investment.

8. Lessons from EBRD's move to Egypt for understanding the global development agenda

In IPE, recently, macrofinancial scholars exposed RDBs as the preferred means by which Wall Street investors and Western governments de-risk investments in order to deliver SDGs and fight the climate crisis in the Global South (Gabor, 2019, 2021). In concrete terms, advocates of this view argue that the World Bank's and RDBs' 'support for securitization of (global) commercial and shadow bank portfolios would use development resources to subsidise systemic financial institutions, whose overall activities have a doubtful developmental impact' (Gabor, 2019: 1). However, not all IPE scholarship shares this view. Scholars from diverse historical materialist traditions, while acknowledging the changes that financial interest and techniques bring into development finance, reason that these changes should be understood within a broader geopolitical context of North-South

[51] The new capital and the subsequent change of population in areas affected might also help the government to assert greater control over popular unrests.
[52] The kick-off project of the Suez Canal extension was entirely financed by public bonds issued exclusively to Egyptian individuals and firms.
[53] https://www.aljazeera.com/news/2021/3/15/the-competition-for-egypt-china-the-west-and-mega-projects, accessed on 3rd December 2021.
[54] https://www.middleeastmonitor.com/20210730-egypt-to-expand-russia-industrial-zone-in-suez-canal/, accessed on 3rd December 2021.

development promotions. Within this context, they point to the new activism of states and argue that is the driving force behind the new agenda. Western state activism explains the World Bank and RDBs' new activism in supporting Western financial interests to counterbalance BRICS' increased engagement in the Global South (Dixon et al., 2020). China and Russia are not the only ones who have became active, however. Smaller, middle-income states' neo-development agendas also condition private actors' involvement. States like Israel or Hungary now actively condition public assistance and discipline private investors to share the spill-over effects of hybrid public-private investment more broadly in society (Maggor, 2020; Piroska, 2021).

The EBRD's involvement in Egypt is evaluated against these propositions here. In particular, (1) to what extent has global finance—and have Western shareholders in particular—played a role in motivating the EBRD to move into Egypt? (2) Is the desire to deliver SDGs the dominant logic, or do other concerns matter for the EBRD as well? (3) To what extent does the EBRD's provision of technical assistance and PPP investment conform to the de-risking practices of the new global development agenda? (4) To what extent does state capitalism define the EBRD's conduct in Egypt? Each question is briefly assessed in the following.

First, the EBRD's arrival to Egypt in 2011 was primarily the result of the US' motivation to repurpose US taxpayers' resources dedicated to the EBRD from Eastern Europe to the Arab Spring countries (Interviewee #1). Since the EU accession of Eastern European states, the US regarded them as part of the economic bloc of its most important competitor, the EU, and thus found the spending of US development resources there to be against the interests of US taxpayers. The resource-rich MENA region, located at the geographical gate of Africa, on the other hand, seemed like a much more worthy target. Thus, the EBRD's entry to the MENA region preceded the turn in the global development agenda of 2015. Although this move was motivated by economic interest, it was the US government's and not Wall Street's interest. However, as we saw above, over time and especially since 2015, European shareholders' interests in managing security threats (migration), fighting climate crisis, and retaining a key geoeconomic position in the face of growing Chinese and Russian regional investment defined the EBRD's further engagement in Egypt. As such, western shareholders were motivated by a number of issues, and creating bankable investments for global finance was only one of many. Moreover, instead of shrinking the scope of investment policy through de-risking and securitization, the diversity of shareholders' motivations both for development actors and the Egyptian authorities *enlarged the policy scope*, resulting in a diversity of lending targets (from infrastructure upgrading to SME finance) and financial instruments.

Second, as we argued above, the EBRD, as it embraced the European development field's combined priorities of the delivery of SDGs, security threat mitigation, and containing geoeconomic rivalry, defined its technical assistance and lending targets to be responsive to all. The central actor of the European field, the EIB, developed cooperative relations with the EBRD as they shared goals, resources, and eagerness to be leaders in green financing initiatives. Thus, the logic of development finance was defined by a number of competing or complementary financial targets where SDGs played an important but not a key role. The European Union's development finance logic and especially its embrace of SDGs, however, contributed to *two key changes in the EBRD's conduct in Egypt*. The EBRD's individual effort to deal with uncertainty led it to mimic other European development actors, especially the EIB. Embracing the field's logic, the EBRD largely abandoned its mandate of democracy promotion and private sector development. This is due, firstly, to the

European Union's development finance field's acceptance of the legitimacy of public infrastructural and industrial policy formation by local authorities (Mertens & Thiemann, 2018). This helped the EBRD's staff to legitimate its own collaboration with the Egyptian authorities, especially when financially contributing to its public investment goals.[55] Second, acceptance of Western actors' emphasis on delivering SDGs proved to be instrumental for the EBRD to re-work its own identity from a bank that promoted democratic transition towards market economy in Eastern Europe to a green bank that may promote autocracies if this promotes the greater goal of fighting climate change. As EBRD President Chakrabarti stated: "There is also a huge geographic opportunity for the EBRD beyond our current region of operations for all the right reasons: not because of the capital available, but to make a real difference to the creation of modern market economies to deliver the SDGs."[56]

Through these two ideational frameworks, the European development finance field effectively enabled the EBRD to largely abandon both of its core mandates and instead financially support an autocratic government's public infrastructure upgrading projects. While the EBRD has been known to work with autocracies in Central Asia on their public projects, it did so by retaining its key mandates while creatively diluting the notion of democracy and emphasising the transition to a market economy. The difference we observe in Egypt is the reworking of its legitimacy with the help of European actors' disinterest in Egyptian authorities' political commitments.

Third, the EBRD has a long tradition of state institution building that largely conforms to neoliberal policy scripts (Shields, 2020) to which securitization belongs. In Egypt, the same emphasis may be found. It is also the case that certain qualities of neoliberal solutions, when applied in an authoritarian context, have the propensity to weaken autocrats, curb corruption, and halt the economic advances of well-connected businesses (An example from Eastern Europe for democracy promotion of liberal economic measures see Khakee, 2018). In the case of the EBRD, we found a keen attitude among the staff to uphold liberal economic values, inviting competitors to bid on projects, and define a legal environment that values competition in general (interviewee #3). In Egypt, the EBRD financed the PPP law (that was written by a global consultancy firm, financed through donor funds) and developed the contractual framework for the Benban solar park, which in turn helped the Egyptian government adopt a bankable power purchase agreement adapted to the Egyptian context. Moreover, the EBRD, as a new RDB in Egypt, was praised by the World Bank for its ability to set conditionality for its project financing that the World Bank had long given up on in Egypt (interviewee #3). The EBRD's project-level conditionality (e.g., Egyptian Railway) also supported increased private investment. Thus, the EBRD's technical assistance transformed certain key aspects of the Egyptian legal market framework, supporting macrofinancial scholars' views. However, in the particular Egyptian context, it remains the case that almost all of the EBRD's PPPs and other securitized investments necessarily supported the authoritarian government's public investment program. They all formed a part of or contributed to the infrastructural mega-projects that were designed and partly carried out by Egyptian authorities and investors.

[55] EBRD President Chakrabarti negotiated personally with President Sisi in Cairo on expanding the bank's operation in Egypt. https://dailynewsegypt.com/2016/06/01/ebrd-announce-new-cooperation-strategy-egypt/, accessed on 3rd December 2021.

Fourth, in Egypt, state capitalism manifests itself in the developmental mega-projects, planned and implemented by the state administration. Global development banks are invited to contribute to these projects. The Egyptian administration's control and direction of European development finance through bilateral negotiations makes it a necessity for all EU, Chinese, and Russian actors, and the EBRD, to first negotiate with Egyptian authorities. This is how China was contracted to build the Central Business District of the new Capital city[57]; Russia, an industrial zone[58]; and European actors, large infrastructure projects. The EBRD also negotiates on a bilateral basis with Egyptian ministries. The neoliberal scripts that define competitive implementation may only began after that. Moreover, the EBRD in Egypt, unlike in the capital-poor Eastern Europe, is a creator of market options which Western investors can then use to contract loans to large local businesses (not only Western ones). EBRD's lending to Orascom[59] Sawarisfamily is a case in point. However, due to the considerable contribution of Western, Chinese, Russian, and other sources of capital to these projects, state capitalism in Egypt is much more internationalized than acknowledged in the literature.

9. Conclusions

In sum, our study explained the changing practice of EBRD in Egypt, an RDB in a new uncertain environment, with the help of the dialectic of EBRD's active search for an escape route from its legitimacy crisis and the entering of the European development finance field into the MENA region. The European field's defining logic of public investment promotion, balancing European and national interest, capital market reliance and the new emphasis on SDG delivery, security mitigation and geoeconomics presented a desirable organizational blueprint that helped the EBRD to redefine its operational legitimacy. In the course of this process, the EBRD gave up its commitment to democracy promotion even if it still retains some elements of its liberal practice in project lending.

Our study revealed that while both macrofinancial and historical materialist accounts have merits in depicting global changes, they also both miss accounting for the translation of global changes to state-level developments. RDBs form critical links between the global and the local and thus play a defining role in translating the new development finance agenda while doing so they also empower local actors to shape their economies. Thus, this paper found proof for the emergence of state capitalism in conditioning the global development agenda; however, renewed state activism in Egypt, a middle-income country, is far more conditioned by international actors and especially by RDBs and the World Bank than usually acknowledged in the state capitalism literature. The role of RDBs in the development of state capitalism is to create institutional solutions which are able to both satisfy the financial interests of global finance and, at the same time, extend the political/economic power and control of increasingly authoritarian states. In this process, the EBRD, as well as the whole European development finance field, becomes a natural element not only of the European development efforts, but more explicitly of the EU's neighborhood policy, without questioning their contribution and mandate to it.

[57] https://www.globalconstructionreview.com/china-state-construction-puts-roof-first-tower-egy/, accessed on 6th December 2021.
[58] https://www.egypttoday.com/Article/3/64142/Establishing-Russian-Industrial-Zone-in-Egypt-comes-into-force, accessed on 6th December 2021.
[59] https://www.ebrd.com/work-with-us/projects/psd/52163.html, accessed on 6th December 2021.

The transformation of EBRD into a European green, public development bank, however, seems to be region-specific and largely explained by its involvement in the European development finance field. In other regions of its operation, the EBRD remains a contested bank, with an anachronistic mandate that propels it into operations that remain questionable given its transition mandate. Therefore, we expect the EBRD to seek various ways out of its legitimacy crisis, and its experience in the MENA region will certainly serve as a blueprint.

However, this new blueprint of change, namely the sweeping ease with which a development actor exchanges its imperative to uphold values of democratic conduct for those of fighting climate change, greening the economy, and supporting renewable energy transition, seems worrying. Therefore, our case study is a warning to the development finance policy community to maintain the functioning of accountability regimes (Park, 2021) that ensure democratic oversight which is capable of guaranteeing more just distributional consequences from the climate transition.

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Acknowledgments

We thank Daniel Mertens, Matthias Thiemann, Susan Park, Lama Tawakkol, Julia Langbein, Eric Brown, Stuart Shields, David Karas, Adam Dixon, Jens Christensen, Alexis Montambault Trudelle, and Robert Lieli, who provided comments that greatly enriched this paper. All errors are ours.