

Institution: University of Leeds
Unit of Assessment: UoA 21 Politics and International Studies
Title of case study: Case Study 2: Improvements to the European Union's co-financing arrangements through greater transparency, visibility and financial control.
<p>1. Summary of the impact (indicative maximum 100 words)</p> <p>The global financial crisis led the European Union (EU) to diversify its sources for the EU Budget, including co-financing instruments with multilateral development banks. Dr Robinson's research addressed key concerns about financial risk and the lack of transparency created through such partnerships. His research has been recognised as improving the understanding of these complex instruments within EU institutions and its impact may be measured through the implementation of several of its key recommendations. These include the creation of the 'EBRD Representative for EU affairs' within a participating bank, the acceleration of EU co-financing strategy, and the unprecedented action of the EU Court of Auditors including the banks in their auditing process.</p>
<p>2. Underpinning research (indicative maximum 500 words)</p> <p>The underpinning research for this case study has been undertaken by Nick Robinson (University of Leeds; Lecturer 2000-2012 Associate Professor 2013-present) at Leeds from 2004 onwards, and has resulted in a series of conference papers and articles published in SSCI ranked journals. This research sets out the case for a new understanding of European Union (EU) expenditure policy which takes into account the role of blended instruments and matched funding (where EU money works alongside money from the private sector, national governments, and loans from banks), and the important role played by the European Investment Bank (EIB).</p> <p>Robinson's research highlighted the inadequacy of existing accounts of EU expenditure policy, arguing that the focus of both policy makers and scholars on headline conflicts over the budget has led to fundamental flaws in the understanding of EU expenditure policy. Ignoring the importance of the additionality and matched funding principles, the pressures for increased spending caused by decisions on <i>inter alia</i> accession and foreign direct investment, and the impact of the EIB had resulted in a failure to account for over €150bn of additional spending per annum.</p> <p>These issues were first highlighted in the journal <i>Comparative European Politics</i> (2007) [1], where Robinson argued that despite the EIB's long history and its status as the largest multilateral development bank in the world (lending €61bn in 2011), its role in EU redistribution had been chronically under-emphasised. This argument for the importance of the EIB in any analysis of financial lending, transparency and accountability within the EU was developed more comprehensively in the <i>Journal of Common Market Studies</i> (2009) [2]. Specifically, this article identified (i) the need for systematic future research into the EIB's impact on EU strategic objectives and (ii) the importance of applying the EU lens of transparency, legitimacy and visibility to the workings of the EIB, a conclusion which is further underpinned by Robinson's study of informal power in the EU in the <i>Journal of Power</i> (2009) [3].</p> <p>Key findings of Robinson's research on the EIB highlighted concerns about financial risk, as well as the inevitable tension between a multilateral development bank making loans on a commercial basis that operates under terms of strict confidentiality and the need - and desire - of the EU to conduct activities in the spirit of transparency and visibility [1,2].</p> <p>With the European Parliament undergoing a wide-ranging and systematic review of the basis for future financing of the budget, in 2010 Robinson was commissioned by the EU Parliament's Committee on Budgets and funded with a grant of €56,000 to undertake a further research-led report to investigate the implications of co-financing for the EU budget, looking at transparency, visibility and financial control [4]. The report – co-authored with Bain, an independent researcher – focused on the EIB and another less well-known multilateral bank, the European Bank for Reconstruction and Development (EBRD) and was presented to the European Parliament in May</p>

2011. Building on the insights from [1, 2 and 3], the findings of the report can be summarised as follows:

Financial control of the EU budget:

- Co-financing presents few, if any, risks in terms of liability to the EU budget.
- The EIB's external lending poses little threat to the EU budget.
- There are adequate protection mechanisms in place in terms of loss provisioning.
- Co-financing presents the European Parliament with multiple challenges in terms of its ability to control programmes which are only part-funded by the EU budget.

Governance and transparency

- Co-financing makes it more difficult for EU institutions to track how the budget is spent and to evaluate effectiveness.
- There is a tension between the EU's desire of transparency and the EIB and EBRD's desire for commercial confidentiality.

Visibility

- Co-financing presents acute problems in terms of visibility, both at the level of stakeholder and beneficiary and between EU institutions themselves.

3. References to the research (indicative maximum of five references)

1. **Robinson, N.** (2007), 'More than a Regulatory State: Bringing Expenditure (Back) into EU Research', *Comparative European Politics*, vol. 5, no. 2, pp. 179-204. Article in leading peer-reviewed SSCI ranked journal.
2. **Robinson, N.** (2009), 'The European Investment Bank: the EU's Neglected Institution', *Journal of Common Market Studies*, vol. 47, no. 3, pp. 651-73. Article in leading peer-reviewed SSCI ranked journal in fields of both politics and international relations.
3. **Robinson, N.** (2009), 'Informal Power in Regional Organisations: The Case of the EU', *Journal of Power*, vol. 2, no. 1, pp. 111-135.
4. **Robinson, N.** and **Bain, R.** (2011), 'The Implications of EIB and EBRD co-financing for the EU Budget', Brussels: European Union. 128pp. ISBN 13 978-92-823-3366-2. Available at: <http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=37031>. ISBN: 978-92-823-3366-2. Funding for the production of this research-led report was provided by **Robinson, N.** (2010) 'The Implications of EIB and EBRD co-financing for the EU budget'. Tender No: IP/D/BUDG/IC/2010-153. Grant size: €56K. November 2010 to May 2011.

4. Details of the impact (indicative maximum 750 words)

The research has had significant policy impact in terms of enhancing the visibility and policy role of the European Bank for Reconstruction and Development (EBRD); legitimating the financial viability of co-financing, and changing the operational practice of the European Court of Auditors. This impact can be attributed to the fact that Robinson's research was the first to explore in a systematic way the implications for the EU budget of working with the European Investment Bank (EIB) and the EBRD for the delivery of EU policy objectives.

Enhanced policy role of European Bank for Reconstruction and Development (EBRD)

The impact of **Robinson's** research can be clearly demonstrated through specific changes implemented by the EBRD - which lends €10bn per year to transition economies - to improve its visibility within the EU. As his research concluded that although many EU actors were familiar with the EIB, much less was known about the EBRD in terms of its capacity and capabilities, **Robinson** advocated the creation of a specific post to raise the EBRD's profile and liaise between the EU and the EBRD. As a direct result of his research, EBRD's vice president, Jan Fischer, announced they

would be employing an EBRD Representative for EU Affairs, who has been in the post since May 2011:

“as requested in the **[Robinson]** report, we are taking steps to enhance our visibility in Brussels, including through the appointment of the new special representative of the EBRD in Brussels, that is Madame Mandeep Bains who is sitting on my left-hand side here in this meeting” (speech to the European Parliament’s Committee on Budgets, 2nd May 2011). [A. See also B; F]

Members of the European Parliament Secretariat have corroborated Robinson’s impact in terms of this policy recommendation as follows:

“From the perspective of the European Parliament secretariat, we would argue that this appointment has significantly increased the visibility of the EBRD. In policy terms, this has resulted in a significant number of visits and policy exchanges between members of the EBRD and the European Parliament, with MEPs now more aware of the possibilities that exist from working with the EBRD. The implications of this have been extremely significant, with the EBRD now increasingly seen as a crucial policy partner for the EU, particularly in its lending operations outside the EU” [B].

Following the success of the appointment of the EBRD Representative for EU Affairs, the EBRD is now establishing a permanent office in Brussels [F]. Directorial level staff from DG Development and Co-operation (DEVCO) described the legacy of the research’s recommendations as having brought ‘significant added value’ [C]:

“The impact of the increase in visibility of the EBRD has been important in policy terms, serving to enhance the status of the EBRD in lending operations outside the EU [the EBRD lends approx. €10bn per annum] and increasing their role in policy discussions” [C].

From the EBRD’s point of view, the implications of this have been to ‘significantly raise the status of the EBRD ... making us a formal policy partner’ [F]. For example, in the ongoing review of the Existing Blending Mechanism, the EBRD is now working alongside the EIB in the Technical Group of the EU Platform for Blending in External Co-operations ‘which are working on improving the quality and efficiency of EU blending mechanisms’ [C]. Furthermore, Key EBRD staff have been seconded to DEVCO. This is unprecedented.

Acceleration of co-financing strategy

The impact of **Robinson’s** work has been to vindicate and legitimise DG Economic and Financial Affairs’ (ECFIN’s) strategy in terms of co-financing, through his assessment of the extremely low risks presented by the instruments. **Robinson’s** research - located outside the inter-institutional relationship between the European Parliament and the European Commission - demonstrated to the European Parliament the limited liability posed by the use of these financial instruments in an unequivocal fashion. This had significant policy implications:

“Dr **Robinson’s** research has had a considerable impact on the subject at stake...The confirmation through Dr. **Robinson’s** research that these financial instruments did not pose any threats to the EU budget in terms of financial liability had significant policy implications. Had his study reached the opposite conclusion this would have been very problematic for us and would have affected the implementation of the Commission’s proposals for financial instruments” [D].

Changes to audit culture

Robinson’s research concluded that co-financing posed problems for the EU in terms of transparency – a key concern of the European Parliament. Ivailo Kalfin (MEP appointed to follow the study) publicly identified that the study clearly raised critical issues which would need further investigation and explicitly states that the study had and would inform the nature of policy debate.

[E]

To this end, **Robinson's** research 'prescribed a different type of evaluation for co-financing, strongly advocating an emphasis on asking difficult questions of instruments, rather than the existing pattern of audit that was focused on EU 'success stories.'" [B] The impact of **Robinson's** work can be clearly illustrated by the European Parliament's decision to commission four subsequent studies (total cost approx. €250,000). MEPs have also responded directly to **Robinson's** research, authoring numerous reports on co-financing [B].

Given that a central theme of **Robinson's** research was transparency, the report made an explicit recommendation for a more robust form of audit by the European Court of Auditors, which included a review of the contribution made by the EIB and EBRD:

"Dr **Robinson's** research made specific recommendations in relation to the way in which the European Court of Auditors undertakes to audit co-financing. As officials from the European Parliament, we have seen a significant change in ECA audit culture following the publication of Dr. Robinson's research. The ECA now undertakes a much more wide-ranging form of audit, auditing all of the funds spent as part of the co-financed instrument rather than just the contribution from the EU budget, which was historically the pattern. This change reflects the recommendations made in Dr. Robinson's research" [B].

5. Sources to corroborate the impact (indicative maximum of 10 references)

Please note that file copies of the corroboratory letters/testimonials are held for auditing purposes

- A. Speech by the EBRD Executive Vice President, Jan Fischer to the European Parliament's Committee on Budgets, 2nd May 2011 announcing the creation of the post of EBRD Representative for EU Affairs. Available at: <http://www.polis.leeds.ac.uk/impact>
- B. Letter from Senior Official, Policy Department D – Budgetary Affairs, European Parliament, in relation to the importance of the EBRD's enhanced profile, how the research has shaped policy within the European Parliament and the role of the research in terms of changing the audit culture of the European Court of Auditors. Letter dated 8th May 2013.
- C. Letter from Senior Official, European Commission DG Development Cooperation – EuropeAid, in relation to the importance of the research for policy in relation to the EBRD and international development. Letter dated 20th June 2013.
- D. Letter from Senior Official, Co-ordination with the EIB Group, EBRD and IFIs, European Commission DG Economic and Financial Affairs, in relation to the policy impact of the research on co-financing. Letter dated 13th May 2013.
- E. Speech by Ivailo Kalfin (MEP; then Vice Chair Committee on Budgets) to the European Parliament's Committee on Budgets, 2nd May 2011 stating the policy significance of the research for the European Parliament. Available at: <http://www.polis.leeds.ac.uk/impact>
- F. Letter from Senior Official, Donor Co-Financing Unit, European Bank for Reconstruction and Development in relation to the importance of the research in shaping policy in the EBRD. Letter dated 28th June 2013.