

The EBRD, fail forward neoliberalism and the construction of the European periphery

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Abstract

The European Bank for Reconstruction and Development is an institution, a set of programmes and policies designed to mark a number of important reforms not just in the post-Soviet space but in the wider European political economy. It is committed to developing a competitive business environment, foreign investment and private sector activity in the post-communist space. The European Bank for Reconstruction and Development is considered to be a key inter-state mechanism enabling member states to negotiate post-communist reforms. The paper reorients analysis of the European Bank for Reconstruction and Development, claiming that existing framings of the role of the EBRD ignore its tangible neoliberalising pressures. It argues that the EBRD works to fundamentally restructure states in the post-communist space in three ways: (1) the configuration of an ‘appropriately’ neoliberal economic space, (2) the construction of subaltern subjectivities in the regional space, and (3) the persistent dominance of expert knowledge and policy practice external to the state. This restructuring is intended to further neoliberalism in the economic space of the region. By uncoupling the European Bank for Reconstruction and Development from a state centric analysis, the paper reveals how the technical aspects of the European Bank for Reconstruction and Development activities configure particular neoliberal rationalities and competencies not as a putative superstate, but as a key site for the ever-deeper encroachment of neoliberalisation in peripheral European states.

JEL Codes: P390, F550

Keywords

European Bank for Reconstruction and Development, fail forward, international financial institutions, neoliberalism, post-communist transition, regional development banks

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Introduction

The European Bank for Reconstruction and Development (EBRD) was formally established on 29 May 1990 and was operational in less than a year, on 15 April 1991. This is an institution, a set of programmes and policies, designed to mark a number of important changes not just in the post-Soviet space but in the wider European political economy and beyond. There is relatively little academic analysis of the EBRD yet it is an institution in the vanguard of development strategies both in and increasingly well beyond Eastern Central Europe (ECE). The EBRD is the largest single investor in the private sectors of ECE committed to developing a competitive business environment, foreign investment and private sector activity in the post-communist space. It is also open about working alongside the Organisation for Economic Co-operation and Development (OECD), the International Monetary Fund (IMF), and the World Bank and United Nations (UN) specialised agencies.

This article sets out to reorient analysis of the EBRD, claiming that the EBRD works to fundamentally restructure member states in the post-communist space.¹ This happens in three ways: the configuration of an ‘appropriately’ neoliberal regional economic space, the construction and disciplining of subaltern subjectivities in the regional space, and the persistent dominance of expert knowledge and policy practice external to the state. This restructuring is intended to further neoliberalism in the region. The paper shows how the technical aspects of the EBRD activities configure particular neoliberal rationalities and competencies not as a putative superstate, but as a key site for the ever-deeper encroachment of neoliberalisation. Rather than thinking of neoliberalism as just a clutch of market-oriented policies – neoliberalism as privatisation, deregulation and the withdrawal of the state – the paper establishes how neoliberalism is marked by a project to recalibrate the local (post-communist) state through the co-option of state managers and the appropriation of alternative political positions and critiques to ensure its seeming constant reinvigoration.

The article analyses how the EBRD is coordinating shifting formulations of neoliberal policy reforms over the last 30 years in ECE, and how certain backstage actors have mollified the impact of the ongoing crisis of the restoration of capitalist social relations in ECE (Mertens and Thiemann, 2019). It shows how the EBRD mitigates the effects of the application of neoliberal policies to secure further iterations of ‘fail forward neoliberalisation’. It draws on Peck’s (2010: 6) analysis that neoliberal experiments tend to “‘fail forward,” in that their manifest inadequacies have – so far anyway – repeatedly animated further rounds of neoliberal invention’. The EBRD make crucial interventions in the European political economy to prevent alternative policy options to the neoliberal mainstream.

The paper is structured as follows. First, it offers some context and detail on the mandate of the EBRD. Section two of the paper outlines how it might be fruitful to examine fail forwards neoliberalism as policy strategy. The remaining sections of the paper then connect the mandate and fail forward neoliberalisation as heuristics for analysing the social and intellectual context of four policy shifts in the EBRD at various critical historical junctures: (1) initial market construction, (2) institutional shock therapy, (3) the promotion of neoliberal competitiveness, and then (4) post-crisis reinvigoration, before offering some concluding reflections.

The origins and mandate of the EBRD

There is limited academic engagement with the policy role of EBRD after it was set up in the early stages of post-communist transition (Bronstone, 1999; Weber, 1994) and occasional notes of the EBRD as part of broader regionalisation in ECE (Smith, 2002). The limited current research on this institution has assessed reform strategies (Shields, 2015), appraised the gendered dimensions of EBRD policy formulations (Shields and Wallin, 2015), or scrutinised the indicators adopted to evaluate country progress in transition (Myant and Drahokoupil, 2012). The EBRD occasionally appears tangentially in analysis of other issues in ECE like banking regulation (Epstein, 2014), the social embeddedness of the region's capitalism (Ban, 2019) or challenges to how privatisation weakened state capacity to pursue alternative policy options in ECE (Piroska and Podvršič, 2018). For an institution that invested EUR 9.4 billion across post-Soviet Europe in 2015 alone (EBRD, 2015), this is a significant omission. The lack of sustained critical evaluation remains an odd gap in our discussions of contemporary political economy. Some context would be invaluable.

The priority areas for EBRD operations are laid out in Article 1 of the institution's founding constitution. They are developing the financial sector through technical assistance to governments and bank officials, supporting the creation of new financial actors; developing infrastructure in telecommunications, transport, energy and environment; conversion of the military industry; general privatisation and restructuring; and supporting small and medium-sized enterprises (EBRD, 2013b: 4). These overlap considerably with those of the IMF and World Bank. As Carroll (2012) shows, the EBRD has worked closely with the World Bank's International Finance Corporation (IFC). The shift in emphasis is away from the technocratic and institutionally oriented formulation of earlier manifestations of neoliberal development policies that, to borrow Carroll's terminology, work on and through the state. The new frontier of neoliberalism has shifted from market and institution building through the deepening of neoliberal competitiveness to the direct instantiation of the transformation of populations through innovative reforms of social reproduction (Shields and Wallin, 2015). The EBRD had three distinct tasks, an explicit commitment to democratic transformation, a clearly defined emphasis on private sector development, and a strategic role as the first pan-European institution linking the ECE states to the West. The EBRD is not diffident when it comes to its mandate that

poses a major challenge: to create a new economic framework, while simultaneously changing the political system, behaviour, and even the attitudes of the people involved, without creating intolerable social conditions which could seriously endanger their societies and threaten those nearby. (EBRD, 1991: 23)

In the discussions leading up to the establishment of the EBRD between the European and Atlantic powers, two potential models emerged: that Adrian Smith calls the 'maximalist' and 'minimalist' models. The former, supported largely by the French and German governments, envisaged integrating existing aid programmes into a new financial institution. The initial plan developed by the Franco-German governments had been to develop a consciously 'European' institution that would not involve the US. The 'minimalist' model, supported by many other Western European governments, but essentially

Anglo-American, preferred collaboration with other aid programmes, including US involvement. This essentially abrogated the Franco-German commitment to large infrastructural projects and replaced it with a neoliberal transition driven by private foreign capital as supported by US interests (Smith, 2002: 650; also Ivanova, 2007: 350).

Crucially for the argument developed here, the founding of the EBRD represents a consolidation of thinking about the appropriate routes for post-communist transition to take: a closure around what constitutes legitimate intervention in post-communist ECE. In practice, this means a neoliberal orientation and an ongoing tension between the development bank and merchant bank roles, evident in disputes over the amount of capital, the bank's location, decision-making and control, scope and objectives, and, not least, its personnel (Jakobeit, 1992).

The EBRD is not a straightforward regional development bank (RDB). It has no 'soft loan' option; it only lends at market rates. Indeed, the EBRD is extremely secretive about loan interest rates (Ben-Artzi, 2016: 89). EBRD investments need to be financially sound (Reisen, 2015). This stance has positioned the EBRD at the forefront of contemporary development thinking, namely that development can be left to the private sector without public investment (Carroll and Jarvis, 2015). The EBRD has focused on private sector investment, co-financing projects, making sure that these investments promote a neoliberal formulation of transition.

The EBRD aims at engaging policymakers and influencing policy debates. Alongside advocating its own macroeconomic forecasting and risk management, it offers economists and policy-makers in the region with macroeconomic analysis and economic forecasting. It provides self-styled 'thought leadership' inside and outside the EBRD on economic issues related to the Bank's work in its countries of operation (EBRD, 2015: 1). Governments in the region as well as other international financial institutions (IFI) have come to rely on the specialised knowledge it produces a canon of neoliberal 'transitology', has emerged, reaffirmed by the EBRD, narrowing the policy and intellectual space available and vitiating challenges to the neoliberal mainstream.

By the end of 2018, the EBRD had EUR 29.7 billion subscribed capital. In all, 57% of that shareholding is from the G7 and 84% is from the OECD. Rather than financing loans, the EBRD's capital is used to borrow relatively cheaply in the capital markets. It has a low-risk rating (Standard and Poor's AAA, Moody's Aaa). In comparison to the other RDBs, more than 20% of EBRD's capital is paid in, compared to an average of 5.8% for other global or regional triple A rated IFIs with callable capital (Dumała, 2018). Alongside its banking activities, the EBRD produces a number of reports, benchmarking criteria, rankings, law and regulation evaluations and indicators of regulatory progress. Three are significant: the *EBRD Annual Report*, the *Transition Report* and *Progress in Transition*. An annual Transition Indicators database introduced in 1994 'provide an understanding of how, why and by what means transition policies have related to economic growth and social development' (Dumała, 2018: 148). It is this database that has come to be so pivotal to analysts, academics and policy makers in constructing neoliberalism in the region (Myant and Drahekoupil, 2012).² Through these indicators 'the EBRD created a discursive standard as a benchmark of transition, which meant countries' progress could be compared with one another and over time' (Shields, 2019: 15). The analysis here relies heavily on these EBRD policy documents. Drawing on Mosse

(2005), I consider them as key products of wider policy processes and concomitant social and power relations. How issues are presented as problems affects the policy responses to those issues.

Mobilising large amounts of capital becomes much easier once the EBRD imprimatur is in place. The EBRD uses its political legitimacy to counteract private sector concerns about risk to ‘constitute . . . an enabling environment’, imperative to attracting capital and expanding private sector activity (EBRD, 2012: 30). I return to this point in the next section but part of the failing forward of neoliberalism has been the efforts to secure what Stephen Gill terms the ‘new constitutionalism’ (e.g. Gill, 2008) whereby neoliberalism has been steadily able to institutionalise policies and frameworks into legal and quasi-legal arrangements, in order to gain further insulation against backlash, with each iteration of forward failure (Dierckx, 2013). This has transformed much social policy and [emphasised] ‘values such as market efficiency, discipline, business confidence, policy credibility and consistency, and competitiveness’ (Dierckx, 2013: 804). As with other similar institutions like the IFC, EBRD involvement validates certain projects by ensuring that not only are the relevant risk assessments in place but that the EBRD’s own finance is directly invested. EBRD expertise signals the reduction of risk to international capital from a given investment, unlocking the transformative potential of state and non-state actors to accelerate ever more neoliberalisation and ultimately provide new possibilities for accumulation (Mawdsley, 2018). Before returning to the evolution of EBRD neoliberalising activities since the early 1990s, the paper situates the specific claims about the EBRD in the social conditions of neoliberalism’s development.

How neoliberalism always ‘fails forward’

In this section, I explore how neoliberals have intervened to reinforce their policy interventions aimed at ‘resolving’ crisis, enabling strategies for neoliberalisation to ‘fail forward’, drawing on the recent intervention by Nunn whose work on fail forward neoliberalisation and the role of IFIs speaks directly to RDBs like the EBRD.

Neoliberalisation in ECE is premised upon a set of development practices seeking to alloy progress from the backwardness of the state socialist period with a better future achieved through reform. Beginning in 1994, the EBRD produced a set of nine ‘transition indicators’ designed to measure individual countries’ progress (EBRD, 1995: 11; Smith, 2002). The EBRD thereby created a discursive standard, ‘benchmark of transition’, which meant countries’ progress could be compared with one another and over time. Such benchmarking is far reaching (Broome et al., 2018; Fougner, 2008), despite,

[Sounding] like a fancy word for goal setting, . . . its meaning is rather different. Benchmarking refers to the practice of a firm or agency undertaking internal reforms on the basis of studying and then importing the practices of other, more successful firms or agencies. In other words, benchmarks are set by industry leaders, and benchmarking represents the process of non-leaders understanding, distilling, and then implementing the practices that make those leaders successful. (Brown, 2015: 136)

As Peck asserts, neoliberal reform is always failing, but failing forward and,

can only exist in messy hybrids. Its utopian vision of a free society and a free economy is ultimately unrealizable. Yet the pristine clarity of its ideological apparatus, the free market, coupled with the inevitable failure to arrive at this elusive destination, confer a significant degree of forward momentum on the neoliberal project. Ironically, neoliberalism possesses a progressive, forward-leaning dynamic by virtue of the very unattainability of its idealized destination. (Peck, 2010: 7)

There is an inherent tendency in neoliberalisation strategies to fail forward. Inadequacies are never the fault of neoliberal policies; instead generative failures are attributed to the absence of full participation in the reform process and the frequently unrealised transformation of neoliberalism. As Soederberg demonstrates,

the only viable solution advanced to the problems caused by neoliberalism is a neoliberal response . . . fail forward strategies have served to depoliticise the past neoliberal failures by repackaging their shortcomings in the neutral and technical terrain of the economy and its self-equilibrating market forces. (Soederberg, 2017: 344)

The irony is that there are always neoliberal solutions to neoliberal failures. Beckert (2016) indicates social orders are likely to fail if they are unsuccessful in resolving the problems they promise to answer, but neoliberalism thrives on the contingency and the regenerative failing forward turns criticism into robust, difficult to apprise alternative responses. For institutions like the EBRD, this permits a certain level of experimentation in policy.

Policies commonly associated with neoliberalism embolden the submission of policy mechanisms to audit and consultation. As Nunn argues

a system where competitiveness is a wired-in characteristic . . . must inevitably fail . . . the generalised characteristic of competitiveness mandates that the route out of failure is to further embed and internalise competitiveness. (Nunn, 2019: 4)

Neoliberalism is ‘always . . . on the move’ (Peck, 2010: 39), always hybrid, always maintaining state power, always detouring, creating the constitutions for its own failure. The logic is always one of amplification. Why is it that neoliberalism is largely resilient to challenges? Nunn continues,

management technologies have a key role to play in the coordination of economic, political and social agency. Performance management, benchmarking, quality standards and the like are central to efforts to maintain control between scales in large corporate structures. In neoliberalising policy reforms these technologies have also been put to use to coordinate policy reform efforts that run between scales. (Nunn, 2019: 3)

This is not merely convergence around any universal neoliberal policy, rather it is constant modulation, articulation and innovation between actors at a variety of scales from the global to the local, constantly conflicted with the messy reality of neoliberalisation ‘on the ground’ and either delivering or failing, but always enabling further implementation. Repeated crises in ECE have concentrated the benefits of neoliberalism, and diffused the losses before once again failing forward.

EBRD attempts to bring structure and coherence to the messiness have meant expansion of the rhetoric of *laissez-faire* alongside increased surveillance, audit and intervention. Neoliberalism always has a ready-made solution to the failures of the state: more out-sourcing, auditing, ‘competitiveness’ and less bureaucracy, ‘politics’ and legal ‘red tape’. As Davies argues,

the failure to ever achieve the idealized vision of a ‘competitive’, ‘free’ market economy, overseen by an apolitical rule-enforcer, means that the project of neoliberal reform is endlessly incomplete, and new targets for ‘modernisation’ and ‘marketisation’ can always be found. (Davies, 2018: 278)

And crucially, ‘even drastic market failures can be attributed to the state, from a staunchly neoliberal perspective’ (Davies, 2018: 278).

The construction of post-communist neoliberalism – From the market ...

Having sketched the emergence of the EBRD and outlined the main characteristics of forward neoliberalism, I turn now to the first of the four shifts in policy and discourse within the EBRD that offer ideological coherence, legitimacy and technical solutions to the ‘problems’ of post-communism. This section illustrates how the EBRD was instrumental in a first phase of transition based on the construction of the neoliberal market. ECE is a part of the world where ostensibly the market did not exist during the preceding Soviet type system and the necessity for western intervention was part of the capitalist triumphalism prevalent at the time.

The EBRD encouraged neoliberal development through the now well-worn shibboleths of privatisation, liberalisation, and deregulation. The EBRD is also mandated to facilitate *democratic political change*. Despite the double mandate the EBRD has almost exclusively directed investment in the economic sphere. There is an express link between lending and investment operations and political rights in the countries of operation. The EBRD plays a crucial role in mobilising private sector investment by leveraging its unique position as part RDB, part merchant bank. As then chief economist of the EBRD, John Flemming noted, the EBRD ‘is very much “a creature of its time,” in that its inception reflected the euphoria that greeted the downfall of the totalitarian regimes in Europe’ (Council of Europe, 1993: 118). From its inception, the EBRD concentrated on the private sector through technical assistance, supporting the creation of new financial actors, developing infrastructure, conversion of the military industry sector, general privatisation and restructuring, and supporting small- and medium-sized enterprises (Technical Aid to the Commonwealth of Independent States (TACIS), 1996).³

This was not another Marshall Plan (Ivanova, 2007). As Bronstone notes, the zeal of Anglo-American duress resulted in a transition driven by foreign capital, cuts in state spending, liberalisation of trade and privatisation to restore macroeconomic stability (Bronstone, 1999). It was an avenue for confirming the victory of neoliberalism over its sclerotic state socialist competitor. The EBRD both illustrated this victory and consolidated the appropriate policy route for ECE. It created closure around what constituted

legitimate policy intervention, not as spontaneous process but as a constant stream of ideological and material forces to synthesise a long-term framework for political and economic interests in the region. This first wave of neoliberalism mapped out the parameters of the reform debate for the first half of the 1990s, preconfiguring the neoliberal context as the only rational course of action (Shields, 2012). Since 1991 the EBRD has invested over EUR100 billion in thousands of projects across its countries of operation:

It has helped to narrow infrastructure gaps and improve the quality of services delivered by local authorities. It has promoted the development of environmentally-friendly energy to fuel expanding economies and worked to reduce energy waste and pollution. It has played a key role in supporting the growth of small- and medium-sized firms that are so crucial to job creation and helped ensure more equality of opportunity across societies. (Williams, 2016)

In an abstract sense, this initial positioning of EBRD market construction enabled a stylised, linear form of transition straight from the neoliberal archetype. Neoliberalism became the intellectual framework that endorsed the pragmatic one-dimensional Washington Consensus toolkit. Neoliberal shock therapy came to dominate policy advice. Change should be accomplished concurrently as the 'losers' in transition would experience the costs quicker than the 'winners' would experience success. The EBRD played a crucial role in articulating the permissive 'international' context for post-communist transition. Bohle asks us to imagine what policy prescription would have been confected should transition have occurred in the late 1950s rather than the late 1980s. She shows that 'apart from obvious crisis situations, market-oriented structural reforms or radical macroeconomic stabilisation were typically absent from the policy reform packages' of the embedded liberal period (Bohle, 2000: 242):

[A] major change has occurred in the organisation of private economic activities, the state and the global order. The shift from national development strategies to internationalising neoliberal reforms goes hand-in-hand with the internationalisation of private capital. (Bohle, 2000: 244)

The EBRD has defined effective reform as only a highly neoliberal market, rather than the varied forms of socio-economic arrangement in the west.⁴ What the EBRD offers for countries in transition is not just a clear set of definitions and strategic goals but crucially also the expertise to achieve this. The EBRD continues to offer this kind of ideational and material support in the contemporary period with its operations expanded to the Middle East and North Africa (EBRD, 2013a: 11). When it becomes clear that the neoliberal 'chasm' cannot be jumped in one leap, the EBRD shifts focus from the construction of the market to getting the 'right' institutions in place.

. . . to getting the right institutions in place

The EBRD helped to develop and apply a market framework in the first phase of neoliberalism in ECE. One outcome was a sharp fall in output as the 'new' private sector failed to compensate and close the gap on the declining state-owned sector. The initial transition shock and the subsequent recession affected the entire population of the region. This

shock has come to be known as the ‘transition recession’, and was exacerbated by the collapse of intra-Comecon trade and state-led economic planning and activities. If one key aim of the EBRD had been to reorient the geopolitics of the European periphery by replacing Comecon then its impact was considerable, as the original coordinating mechanisms of Soviet planning disappeared almost overnight. The frenetic socio-economic impact of neoliberal reforms marked the early transition process. This period was often framed as a debate between rival approaches to policy change: a radical shock therapy approach to fully and quickly open their economies, contrasted with slower reforms delayed by domestic political impediments (Murrell, 1994). The debates also reflect the broader shift in development strategy to institution-building agenda of the post Washington Consensus.

Having witnessed the ‘failure’ of initial moves towards the construction of the market economy in ECE, the EBRD diagnosed the necessity to complement the first phase of reforms with institutions and behaviours that supported the functioning of markets and private enterprise. These second wave reforms addressed deeper institutional reforms such as corporate governance, competition policy and reform of financial institutions. Or as the EBRD put it,

the functioning of the state and the behaviour of its officials, including the issues of corruption and personal safety: the regulatory and legal framework and its effectiveness; the structure and functioning of enterprises in particular their market orientation; financial institutions; and political and social institutions including the democratic process, the freedom of the press and a social safety net. (EBRD, 1998: 2)

This second phase aimed to complete the transition and repair the wrong turns taken in the initial construction of the market economy. Whereas the first phase of market construction had presented a set of misguided signposts for the region,

the next period of the transition [following market construction] must be led by high-quality investment . . . with the right kind of institutions, leadership and partnership, the private markets in these countries can deliver the quality investment which is necessary for successful economic growth. (EBRD, 1995: 8)

The policy shift aimed to open up oligarchic and exclusive political-economic institutional frameworks and practices to a competitive environment. As an EBRD review of the late 1990s business environment asserted,

[V]ested interests had ‘captured’ the state. Using the payments made available to them as a result of partial liberalisation, insider privatisation and the wealth acquired from poorly protected property rights, these vested interests used their economic power to prevent improvements in governance that would have threatened their privileged position. (EBRD, 2002: 30)

Hellmann (1998) argued corruption thrives where states are too weak to control their own bureaucrats, to protect property and contract rights, and to provide the institutions that underpin an effective rule of law.

In discussions in EBRD Transition Reports, Annual Reports and benchmarking reviews, what eventually came to be known as the 'lessons' of the first decade of transition were that economic crime, corruption and disregard for the rule of law remained powerful threats to the success of the whole transition. The threat of weak state institutions meant the EBRD needed to be more involved in setting up regulatory frameworks. The shift occurred at the EBRD in the mid 1990s with some appreciation for possible different transition paths (Havrylyshyn, 2006). Poor levels of growth came from weak state institutions, flawed investment climates and individual behaviours (EBRD, 1999: 6). With the second policy shift, the EBRD pointed to the harm done by vested interests and rent-seeking. It now affirmed that 'building institutions that support markets and private enterprise remains a fundamental challenge of transition, but establishing the appropriate laws and regulations is not sufficient' (EBRD, 1999: 9). Vested interests were blamed for corrupting the social institutions that facilitate markets and private enterprise. The remedy was to open up key sectors of the economy to competition (coal, ship building and steel), as well as to promote entrepreneurship and remove existing distortions in the labour market impeded the supply and development of quality human capital.

This shift establishes the EBRD as the key source for 'transitological knowledge' in ECE, in pace with the specific institutional mechanisms needed to entrench and legitimate neoliberal formulations of the market economy in the region. Or as Cammack (2004) puts it in reference to the wider transformative project, this is the shift from shallow neoliberalism to deep interventionism with three components. First are interventions that affect the dynamics of the political process; second, are irreversibilities distinguished from shallow reform interventions; and third, a deep disturbance aimed at the fundamental transformation of society and institutions. This is the

uncompromising commitment to embedding the social and institutional relations that enforce capitalist competition, thereby seeking to ensure that the systemic imperatives of capitalism work . . . [reflecting] less a shallow neoliberalism of deregulation and more a deep neoliberalism of fundamental social transformation. (Cammack, 2004: 209)

Despite the shift in strategy, 'progress' continued to be protracted and when this institutional turn also 'failed' the EBRD eventually moved to reinvigorate transition policy paradigms, again with a renewed commitment to competitiveness.

The promotion of neoliberal competitiveness

Each previous shift in the EBRD policy discourse was both an internal realignment as well as one motivated by change in the external environment. The third is no different. The promotion of neoliberal competitiveness is best understood as involving claims that escalating reforms will restore stable patterns of accumulation that subordinate and intensify ever more aspects of life to the disciplines of neoliberalism. In institutions like the EBRD, competitiveness remains of primary concern, a constitutive foundation of the market as a socio-economic system (Cammack, 2006).

At the EBRD, the 1999 Transition Report review of a decade of transition is a pivotal publication identifying the failure of the first two waves of policy. It prefigures an imminent third shift in the EBRD discourse, foreshadowing how competitiveness must become,

embodied in the social norms, practices and behaviours of both government and the private sector – institutions need social capital and social foundations. The experiences of the first ten years of transition point to the ways in which both formal institutions can be built on firm foundations and social capital accumulated. Of particular importance are: (i) the experiences of liberalisation and privatisation, (ii) the demands for good governance from entrepreneurs and civil society, and (iii) the forces of competition. (EBRD, 1999: 9)

If construction of the market and positioning of the correct institutions were insufficient for efficacious transition, then alternative sources must be uncovered. Competitiveness became the undergirding of economic and of social policy. The EBRD's solution was to sharpen its focus on the population of ECE. If privatisation and liberalisation and the redrawing of institutions are insufficient, then more is required than property rights, corporate governance and labour market regulation. The forward failure strategy identified was a set of policies and ideas guided by a commitment to competitiveness. Labour market reform was an essential component of this strategy, and its principal objective, the creation of a 'flexible' labour force.

Once market construction and the right institutions were in place, it was the capabilities of a population that needed to be addressed: 'in a system where competitiveness [becomes] a wired-in characteristic, many efforts to adapt to the system . . . must inevitably fail (Nunn, 2019: 4). The competitiveness agenda aimed to build better entrepreneurs, extended the importance of labour market reforms to configure the flexible labour force, or what Carroll has called 'deep marketisation' (Carroll, 2012). Households and individuals become the ultimate recipients of coping with competition and the risks associated with failure so that labour markets a key area of the EBRD's interventions, especially in terms of their role in promoting competitiveness. While there was continued commitment to technocratic and institutionally oriented reforms, new modalities of reform emerged,

fostering, expanding and deepening competitive social relations and, concomitantly, patterns of accumulation in a manner that relies less on working through the state as a site of reform and more on the cultivation of market activity. In this, rather as an aside, market activity is used to promote state transformation. (Carroll, 2012: 379)

This further form of neoliberal social engineering takes the state-led initiatives of the first policy discourse, that is, shock therapy, the second, the installation of the correct institutions, and recalibrates them to be internalised in the social reproduction of the population of ECE.

From the late 1990s the EBRD urged governments to adopt and maintain a commitment to sound fiscal policy, good governance and a disciplined workforce to attract foreign investment. The 1999 medium term strategy plan affirmed:

Political and economic competition is vital to pressure government to provide essential public goods and to encourage firms to restructure and innovate rather than to rely primarily on state support. The process of competition is therefore central to the development of institutions that are able to support markets and private enterprise. (EBRD, 1999: v)

In the period commensurate with the first shift of market construction, the EBRD argued for welfare that enabled individuals to participate in markets. With the turn to the promotion of competitiveness, Wallin (2018) underscores how the EBRD sought restraints on public expenditure but enthusiastically supported the construction of markets within informal welfare provision. For the EBRD, limiting state welfare contributions and raising the pension age serve to discipline workers and promote economic growth (Shields and Wallin, 2015: 107). The externalisation of social reproductive activities onto workers, families, and communities represents a direct subsidy to capitalist production through the imposition on the former of ‘unpaid, wageless work and life’ (Mezzadri, 2019: 38).

These policy injunctions centre on how to catalyse capital investment in ECE. Ultimately, the EBRD achieves this in a twofold manner; first as an investor, and second as an advisor. Or indeed the even better option of both, so as to develop skills training, encourage entrepreneurship, enable access to finance and the services that enhance economic development. It is worth noting that the EBRD has extended its reach to include gender equality policy as a means to achieve other objectives of economic growth and competitiveness (Shields and Wallin, 2015).

These three shifts in the EBRD policy discourse around transition have configured a specific type of post-communist transition since 1989, ‘policy experts, consultants, “policy pedlars” and international organizations take on a key role in the transfer of policy models’ (Nunn, 2019: 5) and each shift has attempted to consolidate earlier phases of reform. In the EBRD’s case, first the state’s withdrawal from the economy was emphasised, then second, the role of the state as regulatory overseer for the economy was key, and third, the competitiveness imperative eventually mandated that the only route out of previous policy failures is to further embed and internalise competitiveness. This is not convergence around a one-dimensional set of universal policies but rather endless adaptation at the national and local levels. The next section of the paper begins to think about how the global financial crisis and the Eurozone crisis have pushed further neoliberal policy formulations at the EBRD.

Social innovation, crisis . . . and beyond

Each of these temporal shifts in policy discourse at the EBRD has ultimately served to intensify the neoliberal restructuring of European social relations. The most recent manifestation has emerged since the so-called global financial crisis and the Eurozone crisis. The EBRD itself intervened extensively, and the subsequent policy response to crisis was vigorously mobilised by the EBRD in the shape of the Vienna Initiative (Berglof, 2015). In this final section, the paper reflects on the materialisation of the latest policy discourse at the EBRD: a commitment to social innovation and how this was systematised in the form of the Vienna Initiative.

The Vienna Initiative was coordinated by the EBRD, EIB and other IFIs to prevent the ECE financial crisis escalating. Across the region, foreign banks had come to dominate total banking assets with foreign subsidiaries owning over 80%, even more in some cases (Epstein, 2014: 848). With the imminent threat of financial disaster and foreign banks removing their funds to their parent states, the Vienna Initiative coordinated bank home and host states so that the major banks limited their withdrawals from ECE. The EBRD made crucial interventions to prevent the escalation of the global financial crisis. In doing so, they helped prevent the contagion of the banking crisis spreading through what Epstein notes was the expected response of 'cut and run' (Epstein, 2014). Rather than being an example of an alternative policy option to the existing neoliberal mainstream, as the then EBRD Chief Economist suggested, this was also an opportunity to prevent reform backsliding, an opportunity for further neoliberalisation.

The EBRD began by accentuating the *external origins of the crisis* arguing that the region's financial integration into the European banking system acted as a buffer by reducing the reversal of capital flows associated with previous crises. The global financial and eurozone crises offered a number of opportunities for the renewal of neoliberalism. As then Chief Economist Erik Berglof forewarned,

finding and financing worthwhile projects will be more difficult in a region affected by the crisis and a reduction of FDI flows. At the same time, the crisis brings opportunities to accelerate change and to support the structural reforms required to foster transition and take advantage. (EBRD, 2008: 21)

The EBRD was to be closely involved in the process, in their own terminology as 'catalyst' (EBRD, 2008: 21). The new policies of post-crisis neoliberal development necessitated continued commitment to active market construction. By 2010, Berglof was bracing the region and policy makers to not lose their nerve as 'complacency would threaten not only recovery, but also long-term economic growth. There can be no return to the region's pre-crisis dynamism without new reform' (EBRD, 2010: iv). Neoliberalism would fail forward again.

The new reforms have taken the shape of social innovation associated with New Public Management. Narrowly framed in neoliberal terms, this pragmatic set of solutions to post-crisis problems focuses on 'driving a new type of society in which the provision of social welfare is less the responsibility of the state and more a matter of enterprising individuals and organizations' (Fougère et al., 2017: 821). Social policy responses to the crisis enthusiastically promoted by the EBRD became more focused on the individual and non-state institutions rather than the more traditional responsibility of the state to intervene. The EBRD steered discussions along with other IFIs to identify the hindrances to a return to growth and entrepreneurial vitality in ECE recommending reforms focused on innovation systems fostering regional business clusters, small to medium enterprises (SME) and entrepreneurship.

One way to promote this enabling environment has been the EBRD's role in facilitating parallelism across other institutions. In the wake of the crisis, this is embodied in the Vienna Initiatives, the outcome of institutional attempts at 'coordinated crisis management' by the EBRD, private sector actors (mainly banks), other IFIs and EU institutions.

The Vienna Initiative of 2009 implemented a set of measures to minimise systemic risk in ECE and in bank home countries. Its 2011 iteration, Vienna 2.0, attempted to revitalise sustainable growth with a shift towards domestic funding for finance in ECE, and establish an ongoing emergency response to crisis in the region: ‘what can be done to design institutions and procedures to facilitate coordination where existing formal frameworks fail’ (Berglof, 2012: 227). The EBRD organised workshops, and brainstorming sessions, devoted to stakeholders and ensured cooperation with the EIB to provide resources to pan-European bank groups to prevent a major capital retrenchment in ECE. The plan signalled IFI commitment to address the regional components of the crisis, not just distinct national ones (EBRD et al., 2011). The wider strategic promise to reinforce neoliberal policy was clear and the immediate outcomes of the Vienna Initiative included host country commitments to provide liquidity and deposit insurance to subsidiaries of foreign bank groups, no ring-fencing of assets and restricted use of bailout funds. The initiative included funding for European bank groups to remain involved in specific regional countries. The EBRD and EIB would monitor regional developments while the banks agreed not to disengage from ECE and make public such commitments. This indicates an emergent next iteration of fail forwards neoliberalism at the EBRD.

The joint IFIs brought EUR 25 billion of investment to the financial sectors of ECE from 2010, shifting focus to domestic production and finance in the region. It is a permanent emergency response to crisis in ECE. The focus of crisis-related reform offered a potential mechanism to enable neoliberal policy responses to again fail forward, beyond crisis management to a broader fulfilment of the neoliberal project: ‘the legacy of the crisis so far looks like being a move towards a smaller state and more unequal society’ (Myant et al., 2013: 408). The 2013 EBRD Transition Report, in discussing policy responses to ensure future sustainable growth, indicated that opportunities for reform have opened up despite the difficulties of the recent period.

ECE has been the most affected of all emerging markets by the long downturn since the global financial crisis then exacerbated by the Eurozone crisis. The region’s historical integration into existing European political and economic structures after Soviet collapse contributed a certain vulnerability to the crises. The emerging financial markets in ECE were unique opportunities for finance capital with credit markets and opportunities for portfolio and foreign direct investment in a region largely devoid of such (Gabor, 2012). These events have been a crucial point of neoliberal intervention for the EBRD.

Conclusion

This article has examined the role played by the EBRD in ECE’s post-communist transition. It explored how the EBRD contributes to the privileging of certain interests over those of the broader public of ECE, by uncovering the implications of the Bank’s technocratic blueprints for the failing forward of neoliberal hegemony. Hegemony occurs where one approach comes to be considered the only common sense alternative. The EBRD has been adept at recalibrating what is considered neoliberal common sense in ECE. The article locates more immediate developments in ECE, in light of longer-term historical processes of global neoliberal restructuring, and in the context of concerns about failing democratic legitimacy which is resulting, not least in ECE, in significant social unrest.

The EBRD has an explicitly democratic political mandate not just economic. As well, it has a dual role as both RDB, but also crucially as merchant bank. The result is a very specific type of engagement with what are defined as appropriate forms of development. This definition shapes both the financial contribution it makes to ECE, and also the knowledge produced in its reports.

The paper periodised EBRD advice, focusing along four broad policy discourse shifts: the initial construction of the market, the configuration of the correct institutions, the promotion of competitiveness and then finally the post-crisis turn to social innovation. Each shift has been an attempt at reinvigorating neoliberalism. As the previous shift failed, it failed forward. The last three decades have been a frenetic period in ECE and the EBRD has contributed much to financial development and policy dialogue in the region. It will continue to remain significant because neoliberalism needs an institution that has a specific position on the incoherent responses of policy makers to allay challenges and to partially coordinate fail forwards neoliberalism.

The EBRD occupies an interesting position at a number of crucial interstices in these new patterns of ongoing neoliberal transformation. Since its inception the EBRD has been cast as a response to the vulnerabilities of the post-communist states in the new competitive environment of neoliberalism as the old political economy arrangements made way. The collapse of Comecon, the end of one regional arrangement and the emergence and reformulation of another, EU enlargement, the impact of competitiveness, foreign investors, and the redrawing of economic patterns westwards rather than east has created anxiety and uncertainty. The EBRD has formulated a catalogue of responses to that. In each case, as neoliberalism has failed, rather than presenting alternative opportunities, the EBRD has helped configure another forward failure.

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Notes

1. The EBRD membership includes countries from North America, Africa, Asia and Australia (see (EBRD, n.d.)). The United States is the biggest shareholder. India joined as a member in July 2018, making 69 countries and the two European institutions, the EIB and the EU. The shareholders made a capital contribution which forms the EBRD's core funding. The member states are also countries of operation, mostly across the traditional regional focus of the EBRD in Central Europe, Southern Europe and the Mediterranean, Central Asia but most recently the Middle East and North Africa.
2. The Transition Indicators are an important disciplining tool. They collect a number of indicators and variables and score between 1 and 4+ in two main areas: institutional reforms and infrastructure reforms. A score of 1 implies the absence of appropriate institutional change and indicates the country is some considerable distance from the criteria that encompass

- the market economy. A score of 4+ would match an advanced, industrialised economy. The EBRD indicators have been subject to criticism and alternatives exist. Campos and Horváth, (2012) address a number of potential problems about the indicators including the lack of information on which variables are included in the indices, how they are aggregated, unclear mixes of policy inputs and outcomes, and ultimately the deeply problematic reference point of what constitutes a market economy, functioning or otherwise. Nevertheless, the Transition Indicators dominate most analysis of the region. As we might expect, non-economic and qualitative assessments of the indicators find much to criticise (Hamm et al., 2012).
3. At least 60% of EBRD loans and investments are directed towards the private sector. The Annual Report gives details of the proportion between public and private sectors. The commercial branch of the bank lending at market interest rates, controls this part of the business. The remaining 40% to the state sector is intended for infrastructure projects and is carried out by the development bank component of the EBRD at concessionary rates as set out in the constitution.
 4. This continued until the mid 2000s when the Life in Transition survey revealed that the impact of policy ignored their repercussions on the ground (EBRD, 2007). The EBRD has moved to a more inclusive understanding of transition closer aligned with the sustainable development goals (SDG), ensuring that ‘anyone regardless of their gender, place of birth, socio-economic environment, age or other circumstances has full and fair access to labour markets, finance and entrepreneurship and, more generally, economic opportunity’ (EBRD, 2017).

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