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Sesión: LA FINANCIACIÓN DE LAS INFRAESTRUCTURAS EN ESPAÑA, SIGLOS XIX Y XX

Título de la comunicación: Explaining Infrastructure Investment Decisions at the European Investment Bank 1958-2004

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1. Introduction

From 1993, the European Investment Bank (EIB) emerged as the world's most important financier of projects in general and infrastructure projects in particular, even surpassing loans made by the World Bank (Lankowski, 2000). This marked quite a dramatic turn of events, since the origins of the EIB had been to help finance sorely needed infrastructure projects in Europe, particularly in those cases where governments otherwise had problems in attracting private international finance to particular projects. Reflecting the increased importance of the EIB as a financial source, in recent years, the literature on the bank has seen something of a blossoming. To the official publications on the bank published by the EIB itself, have been added an increased number of academic studies, including: Licari (1969); Pinder (1986); Honohan (1995); Pinder, Edwards and Wise (1995); Griffith-Jones, Steinherr and Fuzzo (2004); Pisaneschi (2004); Goldsmith and Turró (2005); Bussière, Dumoulin and Willaert (2008); Coppolaro (2009); Robinson, (2009); Tuijnman (2009); Turró (2010); Lesay (2010); Tricarico (2010); Griffith-Jones and Tyson (2011); and Griffith-Jones, Tyson and Calice (2011). In general, these studies have analyzed the evolution of the bank in general or of its educational, regional, development and other implications. Despite this augmented attention to the bank, following Robinson (2009) and, given the important role the EIB has assumed in financing Europe's infrastructure projects, we argue the trajectory of the bank is still under-researched. In particular, the logic of the EIB's finance over time has not been scrutinized, as it has in other major international financial institutions, such as the IMF and the World Bank (Bird and Rowlands, 2001; Morrison, 2011; Harrigan Wang and Said, 2006) or, in the case of the EU, the Cohesion Funds (Bachtler and Gorzelak, 2007) and regional policy (Bache, 1999).

In this light, the aim of this paper to analyse what logic or logics guided infrastructure loans by EIB with a view to shedding new light on this institution and its role in Europe and beyond. From its origins, as seen in the negotiations surrounding its establishment and its constitutive documents (EIB Statutes and Protocol), a tension existed as to whether the EIB would act as a development bank, prioritising investment in poorer regions, as Italy had insisted, or whether it would act more in line with market principles, financing viable projects, as the Germans desired. Given these initial tensions, we track the evolution of EIB finance with a view to interpreting to what extent its work more closely followed the logic of a development bank, or reflected more closely a bank following market principles. In order to do so, we analyse the loans made by the bank between 1958 and 2004 as extracted from official annual reports (EIB, various years). In so doing, we contribute to the literature on the EIB by homogenizing in constants terms monetary data of over 6,000 projects made to Europe, the vast majority of them, in the infrastructure sectors (about 56%).

Our findings show that the sectoral logic of EIB finance changed over time, particularly from the 1980s, when its patterns of finance reflected closely those same sectors being liberalized by the European Commission (and, often, being privatized by national governments). From this view point, the bank's loans became more closely associated with the project of integrating the market for services. At the country level, however, the bank prioritized loans to less developed regions, which had more difficulties in accessing adequate domestic or international financial markets. From this perspective, then, the EIB acted more faithfully as a development bank. Finally, a political logic behind EIB finance can be detected, in that it prioritized newly acceding member states during the first few years of their accession. In conclusion, the multiple logics of EIB finance explicitly reflect tensions between prioritising development and market across the decades, and its desire to please its members with different national priorities.

We organise the rest of the paper in the following way. Section two analyses the historical evolution and the general trends in loans by the EIB between 1959 and 2004. In the third and fourth we examine the sectoral and country logic of EIB finance. Finally, in the last section, we extract some conclusions.

2. Between the Social and the Market: the Roots of the EIB

After the Second World War, various key international economics institutions were created which still govern the world economy today. These institutions reflected a compromise reached between different nations to constitute an international order which would facilitate economic and political stability. Arriving at this consensus had not been easy due to distinct national interests and economic perspectives (Singer, 1995). The different positions expressed by Keynes from the UK and White from the US are well known in the establishment of the Bretton Woods institutions (Bordo and Eichengreen, 1993).

Compromises also needed striking when the EIB was established (Coppolaro, 2009). The roots of the EIB have been traced to a suggestion by Maurice Petsche, French Minister for Finance, in 1949, that a European institution be created to help finance infrastructure in conjunction with the Marshall Plan (Bussière, Dumoulin and Willaert, 2008). The Marshall Plan – otherwise known as the European Recovery Program (ERP) – was a four-year economic and political programme promoted by the US to financially support Europe in the immediate post-war period in its recovery. From the economic standpoint, the plan focused on rebuilding infrastructure and housing, and the promotion of economic growth, economic liberalization and open markets. Politically speaking, its main aim was to defend Europe from the encroaching Soviet threat (Eichengreen, 2010). The plan consisted of 13,000 million dollars[1] (about 2 percent of the US's GDP) between 1948 and 1951. The Organization for European Economic Cooperation (OEEC) was created to manage these funds, grouping together Austria, Belgium, Denmark, France, Greece, Holland, Ireland, Iceland, Italy, Luxembourg, Norway, Portugal, the UK, Federal Republic of Germany, Sweden, Switzerland and Turkey. The OEEC was the forum where members acted as peer reviewers, inspecting and coordinating the economic policy of their peers, before granting further aid, a process originally known as "confrontation" (Aubrey, 1967). Aid was dependent upon countries following policies including reducing public expenditure, liberalization of trade, factor and product markets (De Long and Eichengreen, 1991). However, by 1952, the plan ended, as European economic recovery was apparent. The European Payments Union (EPU) was created in 1950, to act as a multilateral mechanism to facilitate trade among countries that had received Marshall Plan aid (Carrasco-Gallego, 2012). In the short run, the plan increased investment and imports due to direct aid. In the medium to long term the plan had the effect of consolidating liberalizing reform in institutions and economic policy itself (Crafts, 2011). This included strengthening the dynamics towards European integration based on increased interdependence among European countries (Geremek, 2008). Meanwhile, from 1961, the transatlantic Organization for Economic Cooperation and Development was set up, replacing its predecessor, the OEEC (Clifton and Díaz-Fuentes, 2011).

[1] 108,300 million dollars of 2006 (Bossuat, 2008).

Now, the original proposal in 1949 to create the EIB was followed in 1950 by a Dutch proposal, backed by the Italians, to create a fund for European integration. These proposals were discussed in depth by European Member States in the ERP. With no consensus reached, negotiations continued among members of the ECSC during the 1955 Messina Conference, where the Spaak Committee examined the idea of setting up an investment fund. From the outset, the Federal Republic of Germany opposed the fund, opting instead for an investment bank with private capital financing investment. This proposal was at odds with other initiatives, led by Italy, to create an investment fund more closely aligned with social criteria of supporting less developed regions. During the negotiations, there were not only differences about the legal form of the institution: in addition, there were questions about the contribution each member should make, the kind of return on operations and in what time period, project characteristics, and the relationship the institution would have with other international financial institutions, such as the IBRD or the European Community itself. In the end, as reflected in the Protocol for the creation of the EIB annexed to the Treaty of Rome, the institution was labeled a bank, not a fund, as the Germans and Dutch had insisted. Beyond this Protocol, in the EIB 1957 Statutes reflect the German and Dutch position came out trumps: not only in the legal form of the EIB, but also in the decisions on the way loans would be made, which increased used international financial markets rather than members' own resources. This meant that if there was a high demand for project finance, the EIB would not use Member States' capital, again, reflecting the demands of the Germans (Bussière, Dumoulin and Willaert, 2008).

Finally, the EIB was founded in 1958, after its inclusion in the Treaty of Rome the previous year. Article 130 established the bank would co-finance in particular: projects for less developed regions; projects for modernizing or converting enterprises or creating new activities required by the Single Market which would not be entirely funded by individual Member States; projects of common interest to several Member States which would not be financed by Member States alone (EIB, 1957:26). Whilst most finance was destined to Member States, a portion could be used to finance non-Member States, on the request of the French, who had it mind their ex-colonies. The bank would have legal personality, financial autonomy and its own decision-making structure. From the beginning, though, this independence co-existed with potential interest of the governments of its Members. The bank would borrow from international capital markets through bond issues and other debt instruments, mostly publicly quoted on exchanges around the world (EIB, 1957, Article 22; Fedele et al., 2010). On this basis, the bank would co-finance, together with public or private agents, through loans to investment projects which, after subjection to appraisal, were deemed adequate. Borrowers faced lower interest rates than they normally would through alternative financial market mechanisms (initially set at 4 per cent, EIB, 1957: 7).

On the face of it, the German position had come out more satisfied than the Italian one. However, the EIB statutes included an Annex, which satisfied the Italian position, as it stressed the need to help poorer regions in Europe. In practice, financing projects in the south of Italy was one of the main priorities of the bank during the initial years. This apparent contradiction between the objectives of EIB finance, as explained above, and its actual practice in the initial years, reflects its internal contradictions and the need to satisfy the different interests of its Members.

Over time, the EIB gradually increased the volume of loans to members, though this did not always evolved in a lineal fashion, as loans experienced waves of accelerated expansion, particularly during the mid-1980s and at the end of the 2000s, and periods of stagnation and even decline. This evolution, expressed in the volume of real finance, reflects changes in the nature of the EIB itself, as in changes in the EU, since its creation. The three initial objectives of the EIB, as found in its Statutes, have been developed and adapted to an economic logic and institutional process of European integration, as we shall see.

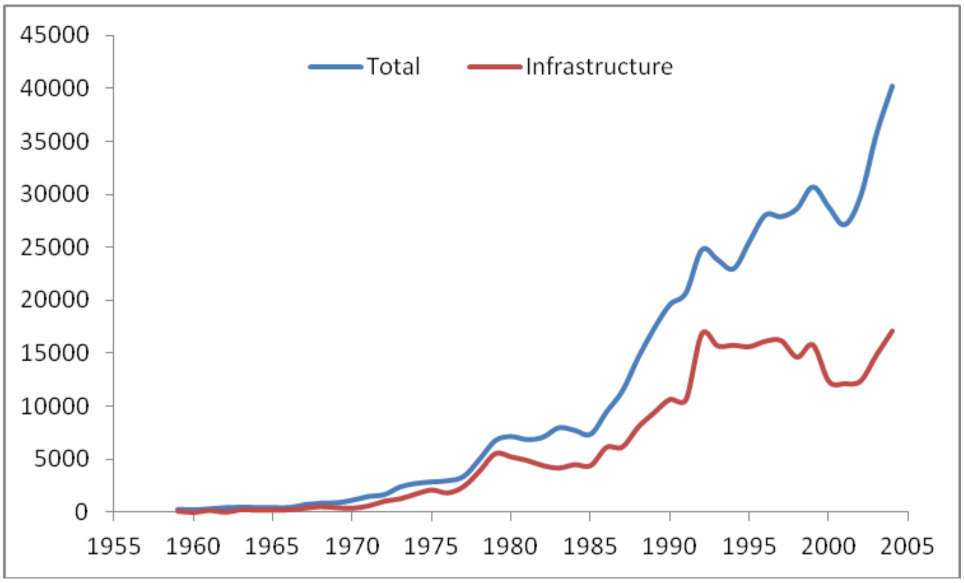
Together with the EIB, the European economic integration process had other instruments to finance the economic development of its members and projects linked to integration. These included structural funds (European Social Fund and European Agricultural Guidance and Guarantee Fund created in 1958 and, later on, the European Regional Development Fund, set up in 1975). In 1988, the Cohesion Funds were created (Griffith-Jones, Steinherr and Fuzzo, 2004). These funds financed projects through transfers and sometimes acted as a complement to EIB loans.

3. The EIB and Infrastructure Loans

Since its origins, the volume of loans issued for projects by the EIB has grown dramatically. In the first year the EIB made loans, in 1959, it co-financed seven investment projects worth a total of 222.4 million dollars (at 2000 dollars). Of these projects, four were destined for electric production and three for the industrial sector. Italy was the major borrower, accounting for two thirds of overall finance and four of the seven projects, whilst two were in France and one in Luxembourg. By 2004, the final year included in this study, the bank had lent some 40,184.3 million dollars (at 2000 dollars) to 234 investment projects in the EU, in addition to projects outside the EU. In the same year, nearly 53 percent of funds was destined for the service sector (particularly education, health and urban development) and small and mid-sized enterprises (SMEs); nearly 43 percent went to infrastructure (28.3 percent to transport, 7.5 percent to energy, 4.3 percent to water and waste management and 2.6 percent to telecommunications); and the remaining amount (less than 5 percent) to industry.

In general, EIB finance increased steadily over the years; however, there were moments where it appears policies related to the process of integration gave finance an extra impulse, as seen in Figure 1. In this regard, the EIB commenced in 1975 to promote regional finance in line with the objectives of the European Commission by co-financing projects with the European Regional Development Fund (ERDF) (Pinder, 1986). In 1988, it started to loan increasing volumes to SMEs (Griffith-Jones, Tyson and Calice, 2011). From 1989, it began to loan to Eastern European countries. By 1992-93, the volume of its financial investments overtook those of the World Bank as the world´s leading multilateral lending agency. During the 1990s, under Treaty of Maastricht criteria, the EIB started to finance infrastructure projects in Transport, Energy and Telecommunications (TENs) (Turró, 1999; Johnson and Turner, 2007). By 2000, following the Lisbon Agenda, it facilitated the finance of projects linked to the knowledge society (Bussière, Dumoulin and Willaert, 2008).

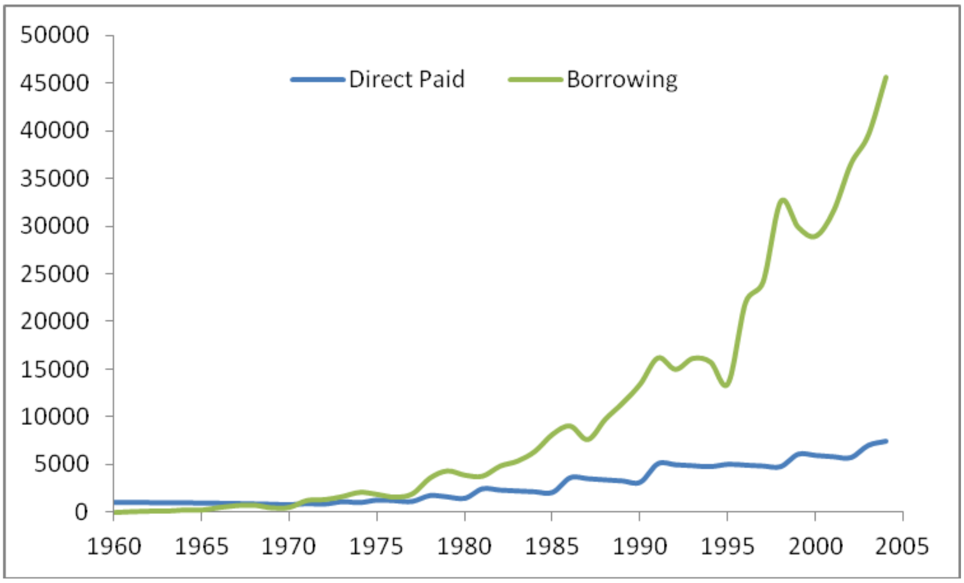
Figure 1. Project finance with EIB participation in the EU-15 (million 2000 US$)



Source: Elaborated by authors based on EIB (various years)

The EIB co-finances all projects conditionally: these projects are each inspected for technical, economic, efficiency and environmental grounds. To do so, projects are examined to test for their environmental impact, management, transparency of bid, risks and compensation (Goldsmith and Turró, 2005). Funds for loans are found principally through international capital markets, though the EIB also receives direct payment from its members as well as additional capital guarantees. Figure 2 shows that operations and capture of funds in capital markets follow the same growing logic as the finance of investment projects. In addition, the direct contribution of Members increases as the number of Members grows, but this is much less than the growth of funds in capital markets. Indeed, until 1973, when project finance was relatively small, most were financed by the institutions' own resources but, from 1973 onwards, accessing capital flows in international markets became the dominant form of finance. In doing so, the EIB could take out long term loans at favourable conditions due to its triple A rating, guaranteed by its members, particularly, the most solvent and developed members (Robinson, 2009: Turró, 2010). And it is precisely this privileged access to capital markets which allows the EIB to act as long term lender providing facilities in project financing linked to its own objectives (Tuijnman, 2009).

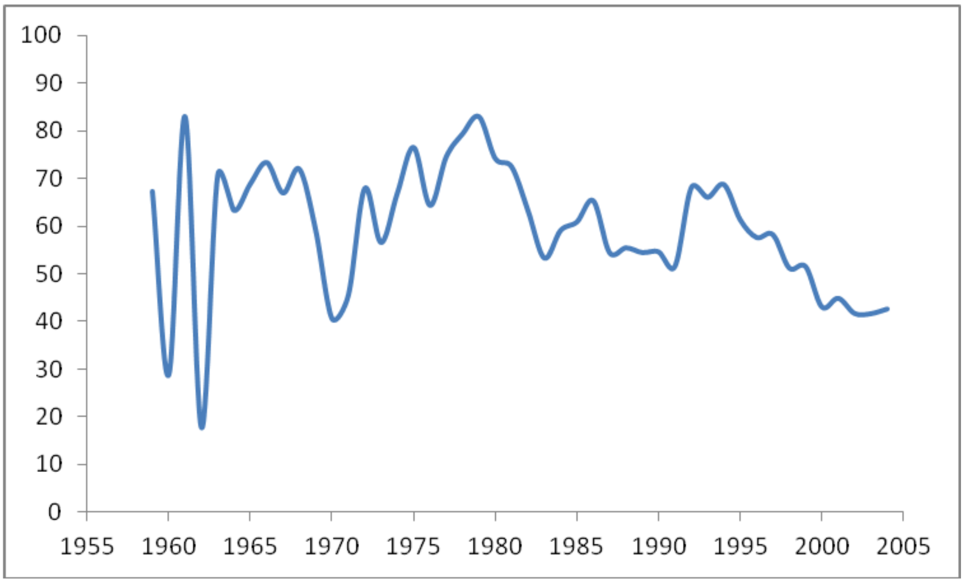
Figure 2. EIB finance (million 2000 US$)



Source: Elaborated by authors based on EIB (various years)

As seen in Figure 3, throughout the decades, the EIB has prioritized financing infrastructure projects. These investments generally required a long time for construction as well as high initial investment costs, in addition to a long period to recover costs. In addition, most infrastructure projects are subject to regulation, which may interfere with potential estimated profits. Given the inherent risks of a change in the regulatory framework, and the long periods required to build and exploit, a commercial bank may not be sufficiently interested to guarantee construction. This is one of the main reasons the EIB has intensively financed projects of this type (Griffith-Jones and Tyson, 2011). Indeed, after an initial volatile period, infrastructure projects generally received over 50 percent of the annual loans of the EIB until the end of the 1990s. Since then, the increase of finance to services and SMEs has rendered the proportion going to infrastructure less, at around 40 percent. And this despite the financial efforts by the EIB towards the Trans-European Networks (TENs), created after the Treaty of Maastricht to facilitate connections with the European periphery, and the deepening of the Single Market (Pisaneschi 2004).

Figure 3. Infrastructure project finance with EIB participation in the EU-15 (percent of the total).



Source: Elaborated by authors based on EIB (various years)

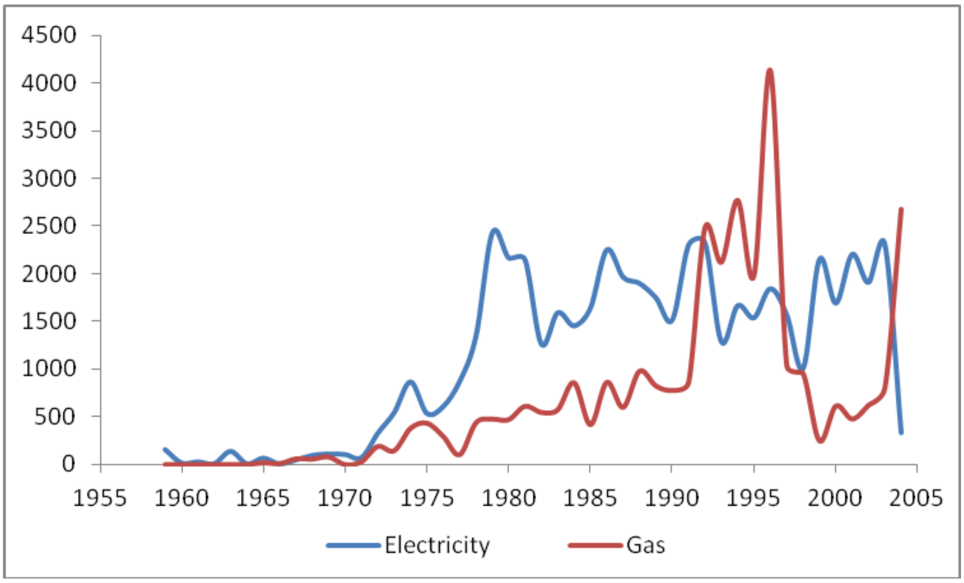
Finance loaned by the EIB since its origins to the first wave of enlargement of the European Economic Community was principally destined towards industry and transport. Energy and water and residual management also received an important part of the finance, though much less than the other sectors. Since then, and to the end of the 1980s, there is a clear domination of energy projects. In these years we can also see the progressive importance of service sectors in financial flows, in detriment to those towards industry. With the Single European Act, and particularly, the Treaty of Maastricht, services, SMEs, and transport become the most relevant targets for EIB loans, comprising 80 percent of the total destined for the EU.

Looking at infrastructure services financed by the EIB in particular, during the 1970s and 1980s, energy became the most important sector to receive co-finance by the EIB when multiple projects of electric generation were established, as seen in Figure 4. The main reason was the petroleum crises of the 1970s, in addition to the gradual change in policy towards liberalization and privatization in these sectors (Hausman, Hertner and Wilkins, 2008). The increase in the price of petrol provoked a change in the energy strategy of European governments. Efforts were made to be energy self-sufficient, whilst in particular France, the UK and Italy turned more towards nuclear energy (Bussière, Dumoulin and Willaert, 2008). During the 1970s, the EIB financed nuclear projects to the tune of more than 3,800 million US $ (2000 dollars) in these three countries plus Belgium, Germany and Denmark. Stagnation and cyclical oscillations in this investment stream over the years meant that in the 1980s energy would lose much of its relative importance. During the first half of the 1990s, finance increased to the gas sector, particularly in Italy and Germany, to create gas pipelines mainly to augment European gas networks across borders, but this dropped off quickly.

Across the period 1959 to 2004, as seen in Table 1, as regards energy finance in general, Italy overall led finance, followed by the UK, Germany, Spain, Denmark and France. But when considered per capita, however, Luxembourg dominated early energy finance between 1959 and 1972.

From 1973 to 1980, newcomers Ireland and Denmark led, followed by Belgium, Italy, the UK and Austria. From 1981 to 1985, Denmark led, followed by Ireland, with Greece considerably behind in third place. From 1985 to 1994, Denmark still led, followed by Ireland, Portugal, Luxembourg, Italy, Sweden and Spain.

Figure 4. Finance of energy infrastructure with EIB participation in the EU-15 by activity (million 2000 US$)



Source: Elaborated by authors based on EIB (various years)

Table 1. Finance of energy infrastructure projects with EIB participation by country and period

	Millions 2000US$					
	1959-2004	**1959-1972**	**1973-1980**	**1981-1985**	**1986-1994**	**1995-2004**
Austria*	1087.9	0.0	330.8	0.0	166.6	590.5
Belgium	1901.8	97.5	694.2	545.3	375.0	189.9
Denmark	5352.0	0.0	597.5	1286.4	2302.3	1165.8
Finland	235.0	0.0	0.0	0.0	0.0	235.0
France	4683.7	673.2	1695.6	1585.5	462.6	266.7
Germany	8080.6	430.4	967.9	1049.0	2179.0	3454.2

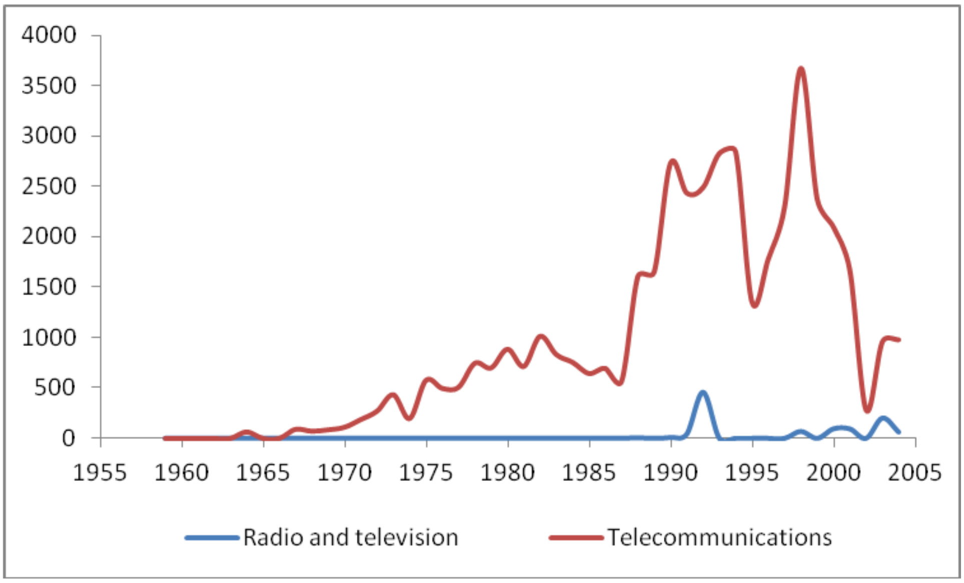
Greece*	2800.3	24.5	83.4	497.8	635.6	1559.0
Ireland	2675.2	0.0	469.8	539.3	881.8	784.2
Italy	27007.6	253.7	3472.1	3343.5	11260.1	8678.4
Luxembourg	92.9	17.1	0.0	0.0	0.0	75.8
Netherlands	812.5	47.0	177.9	0.0	248.1	339.5
Portugal*	4313.6	0.0	209.0	157.1	2042.6	1904.9
Spain*	7398.4	0.0	0.0	130.8	3139.1	4128.5
Sweden*	1076.1	0.0	0.0	0.0	20.1	1056.0
United Kingdom	16435.7	0.0	3365.6	1947.9	5488.4	5633.9
			% Total			
Austria*	1.3	0.0	2.7	0.0	0.6	2.0
Belgium	2.3	6.3	5.8	4.9	1.3	0.6
Denmark	6.4	0.0	5.0	11.6	7.9	3.9
Finland	0.3	0.0	0.0	0.0	0.0	0.8
France	5.6	43.6	14.1	14.3	1.6	0.9
Germany	9.6	27.9	8.0	9.5	7.5	11.5
Greece*	3.3	1.6	0.7	4.5	2.2	5.2
Ireland	3.2	0.0	3.9	4.9	3.0	2.6
Italy	32.2	16.4	28.8	30.2	38.6	28.9
Luxembourg	0.1	1.1	0.0	0.0	0.0	0.3
Netherlands	1.0	3.0	1.5	0.0	0.8	1.1
Portugal*	5.1	0.0	1.7	1.4	7.0	6.3
Spain*	8.8	0.0	0.0	1.2	10.8	13.7
Sweden*	1.3	0.0	0.0	0.0	0.1	3.5
United Kingdom	19.6	0.0	27.9	17.6	18.8	18.7

Source: Elaborated by authors based on EIB (various years).

* Countries marked with an asterisk received finance prior to their accession.

As regards telecommunications, loans to this sector did not increase significantly until the end of the 1980s (Bussière, Dumoulin and Willaert, 2008). Since then, a double wave of finance with maximum peaks at the beginning and end of the 1990s occurred, as seen in Figure 5. This coincides with market liberalization of telecommunications in the EU and the TENs project. During the period under consideration, as seen in Table 2, Italy and Spain attracted the majority of EIB funds for this sector. France also received loans, but until the end of the 1980s. Since this time, Italy started to receive less, whilst Spain and the UK more. Analyzing loans per capita, until 1973 Italy received most loans. Since then to 1986, Ireland receives more loans per capital, which is substituted by Luxembourg during 1986-1995. In the decade from 1995, Denmark, Spain, Portugal and Sweden respectively led loans per capita.

Figure 5. Finance of telecommunications infrastructure with EIB participation in the EU-15 by activity (million 2000 US$)



Source: Elaborated by authors based on EIB (various years)

Table 2. Finance of telecommunication infrastructure projects with EIB participation by country and period

	Millions 2000US$

	1959-2004	1959-1972	1973-1980	1981-1985	1986-1994	1995-2004
Austria*	547.3	0.0	0.0	0.0	97.3	450.0
Belgium	570.3	0.0	0.0	0.0	0.0	570.3
Denmark	1957.9	0.0	26.7	21.0	765.7	1144.4
Finland	300.4	0.0	0.0	0.0	0.0	300.4
France	2619.4	332.3	1415.8	441.7	237.3	192.3
Germany	2741.7	0.0	0.0	0.0	1740.0	1001.7
Greece*	1343.1	0.0	48.0	509.3	380.2	405.6
Ireland	1554.9	0.0	566.5	484.9	416.0	87.4
Italy	16030.8	548.3	1761.4	2273.0	7396.6	4051.6
Luxembourg	89.6	0.0	0.0	0.0	89.6	0.0
Netherlands	322.7	0.0	0.0	0.0	0.0	322.7
Portugal	2415.6	0.0	0.0	0.0	1212.6	1203.0
Spain	9333.6	0.0	0.0	0.0	4127.0	5206.6
Sweden	1026.7	0.0	0.0	0.0	0.0	1026.7
United Kingdom	4859.7	0.0	725.7	226.5	1890.0	2017.4
			% Total			
Austria*	1.2	0.0	0.0	0.0	0.5	2.5
Belgium	1.2	0.0	0.0	0.0	0.0	3.2
Denmark	4.3	0.0	0.6	0.5	4.2	6.4
Finland	0.7	0.0	0.0	0.0	0.0	1.7
France	5.7	37.7	31.2	11.2	1.3	1.1
Germany	6.0	0.0	0.0	0.0	9.5	5.6
Greece*	2.9	0.0	1.1	12.9	2.1	2.3
Ireland	3.4	0.0	12.5	12.3	2.3	0.5
Italy	35.1	62.3	38.8	57.4	40.3	22.5
Luxembourg	0.2	0.0	0.0	0.0	0.5	0.0
Netherlands	0.7	0.0	0.0	0.0	0.0	1.8
Portugal	5.3	0.0	0.0	0.0	6.6	6.7
Spain	20.4	0.0	0.0	0.0	22.5	29.0

Sweden	2.2	0.0	0.0	0.0	0.0	5.7
United Kingdom	10.6	0.0	16.0	5.7	10.3	11.2

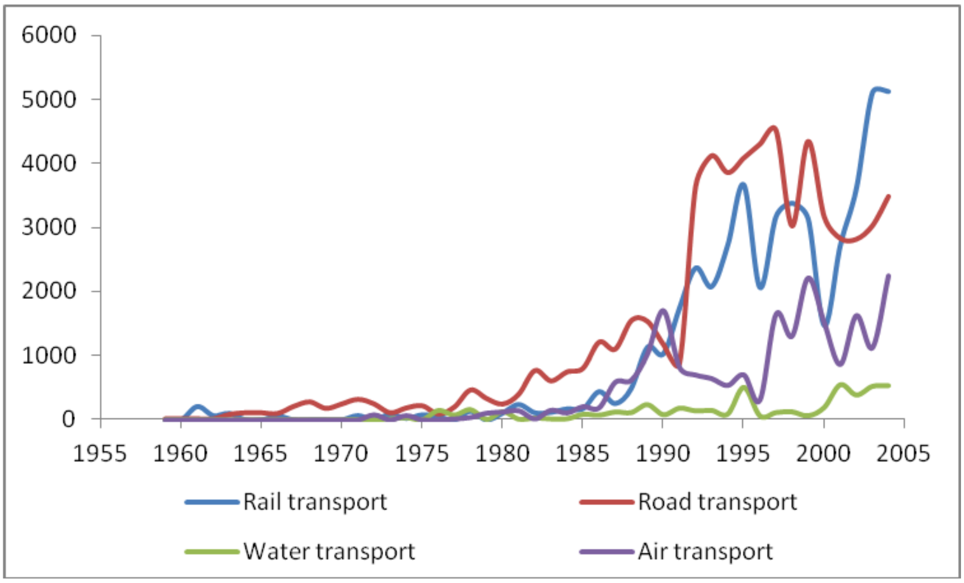
Source: Elaborated by authors based on EIB (various years).

* Countries marked with an asterisk received finance prior to their accession.

The transportation sector received prime attention from the EIB in the 1960s. Until the end of the 1980s highways dominated EIB finance to transport, as seen in Figure 6. In the 1990s, highways became important again, but were soon overtaken by rail. Rail was particularly important from the mid-1980s to the beginning of the 1990s, and then again from the beginning of the 2000s, in this case, thanks to the construction of high speed railway lines between Spain and France. Finance to air transportation was also cyclical, with two peaks: the first at the end of the 1980s and the second at the end of the 1990s. One possible explanation is the intensification of interest by the Commission due to the introduction of the packages of air transport liberalization in 1987, 1990 and from 1993. Finally, maritime transportation has been by far the least relevant for EIB loans. At the country level, Italy accounted for nearly 70 percent of finance to the transport sector between 1959 and 1972, as seen in Table 3. It was from the 1980s onwards and, particularly from the TENs transportation policy from the 1990s (Turró, 1999), when infrastructure finance by the EIB really grew, in road, rail and air transportation. After Italy, between 1959 and 2004, Spain received most finance transportation networks (20 percent) for European integration, followed by France, the United Kingdom and Portugal. Indeed, with the exception of the United Kingdom, there is a "southern bias", which may be explained by the objective to develop regions with lower GDP. However, once finance to transportation is considered per capita, the role of the new comers once more stands out:

Ireland leads from accession in 1973 and to the mid-1980s. From 1986 to 1994, Denmark, followed by Portugal, Ireland and Spain received important inflows. In the final period, finance is dominated by Luxembourg, Denmark, Portugal, Greece, Spain and Sweden.

Figure 6. Finance of transportation infrastructure with EIB participation in the EU-15 by activity (million 2000 US$)



Source: Elaborated by authors based on EIB (various years)

Table 3. Finance of transportation infrastructure projects with EIB participation by country and period

	Millions 2000US$					
	1959-2004	**1959-1972**	**1973-1980**	**1981-1985**	**1986-1994**	**1995-2004**
Austria	778.6	0	0	0	0	778.6
Belgium	2928.5	95.8	0	0	529.5	2303.2
Denmark	9004	0	197	282.5	3198.1	5326.3
Finland*	1605.1	0	0	0	79.1	1526
France	20977.5	287.1	631.3	861.2	8128.6	11069.3
Germany	7128.1	257.8	0	0	1204	5666.3

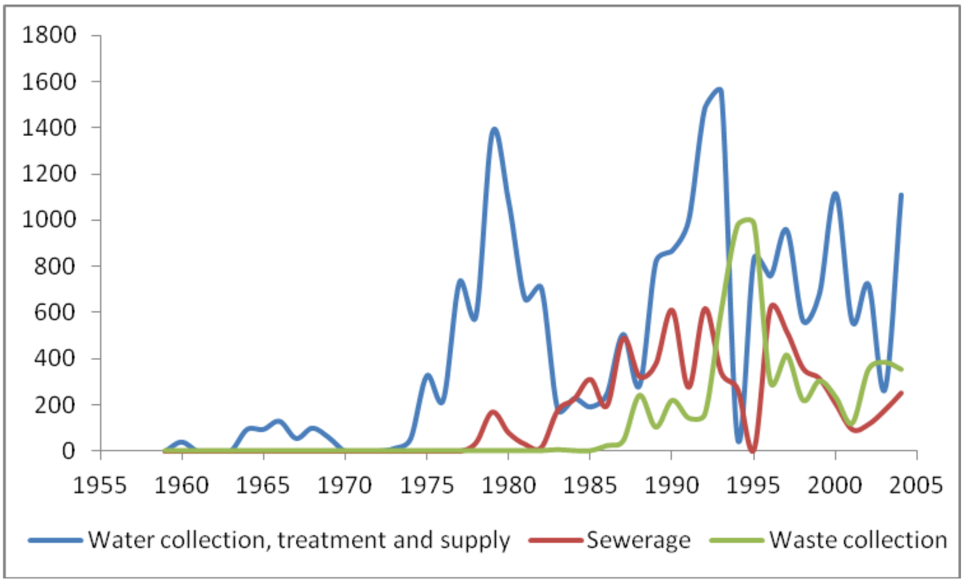
Greece*	7812.3	69.4	24.7	471.9	1311.6	5934.7
Ireland	2813.2	0	376.7	407.2	1157.8	871.5
Italy	18754.5	1593.5	1151.7	1576.5	3602.8	10830.1
Luxembourg	494.9	0	0	19.6	0	475.2
Netherlands	2101.3	28.3	0	61.8	651.9	1359.3
Portugal*	13889.7	0	152.2	269	3551.4	9917.1
Spain*	27280.6	0	0	188.6	10152.6	16939.3
Sweden	3514.9	0	0	0	0	3514.9
United Kingdom	16050.8	0	585.9	714.8	5681.6	9068.4
			% Total			
Austria	0.6	0	0	0	0	0.9
Belgium	2.2	4.1	0	0	1.3	2.7
Denmark	6.7	0	6.3	5.8	8.1	6.2
Finland*	1.2	0	0	0	0.2	1.8
France	15.5	12.3	20.2	17.7	20.7	12.9
Germany	5.3	11.1	0	0	3.1	6.6
Greece*	5.8	3	0.8	9.7	3.3	6.9
Ireland	2.1	0	12.1	8.4	2.9	1
Italy	13.9	68.3	36.9	32.5	9.2	12.7
Luxembourg	0.4	0	0	0.4	0	0.6
Netherlands	1.6	1.2	0	1.3	1.7	1.6
Portugal*	10.3	0	4.9	5.5	9	11.6
Spain*	20.2	0	0	3.9	25.9	19.8
Sweden	2.6	0	0	0	0	4.1
United Kingdom	11.9	0	18.8	14.7	14.5	10.6

Source: Elaborated by authors based on EIB (various years).

* Countries marked with an asterisk received finance prior to their accession.

Finally, as regards collection, treatment and supply of water, loans follow two cyclical processes. The first was pushed by projects in Italy, the UK and Ireland, peaking in 1980, the second was due to projects in Italy, Spain and the UK, at the beginning of the 1990s, as seen in Figure 7. Finance for sewerage and waste collection was much less relevant, receiving virtually no loans until the 1980s. In total for this sector, as seen in Table 4, between 1959 and 2004, the UK, Italy, Germany and Spain have been the main receptors of EIB loans. Since its integration to the EEC, the UK has always received about one third of the finance to this sector. By per capita, however, Luxembourg dominated until 1973, Ireland between 1973 and 1985, and the UK since then.

Figure 7. Finance of water, sewerage and waste infrastructure with EIB participation in the EU-15 by activity (million 2000 US$)



Source: Elaborated by authors based on EIB (various years)

Table 4. Finance of water, sewerage and waste infrastructure projects with EIB participation by country and period

	Millions 2000US$

	1959-2004	1959-1972	1973-1980	1981-1985	1986-1994	1995-2004
Austria	465.5	0.0	0.0	0.0	0.0	465.5
Belgium	831.5	0.0	0.0	0.0	215.3	616.1
Denmark	395.1	0.0	0.0	32.0	222.5	140.5
Finland	43.7	0.0	0.0	0.0	0.0	43.7
France	933.0	171.0	135.7	4.7	133.8	487.7
Germany	4073.8	0.0	53.2	0.0	755.7	3264.9
Greece*	828.5	116.9	287.1	266.3	158.2	0.0
Ireland	867.9	0.0	522.9	214.1	130.9	0.0
Italy	7233.8	273.7	1874.7	1435.3	3227.6	422.6
Luxembourg	14.4	14.4	0.0	0.0	0.0	0.0
Netherlands	1602.1	0.0	0.0	0.0	620.3	981.8
Portugal*	885.9	0.0	63.4	0.0	211.3	611.1
Spain	3673.8	0.0	0.0	0.0	2329.9	1343.9
Sweden	289.3	0.0	0.0	0.0	0.0	289.3
United Kingdom	12588.5	0.0	1748.8	784.7	4823.9	5231.1
			% Total			
Austria	1.3	0.0	0.0	0.0	0.0	3.3
Belgium	2.4	0.0	0.0	0.0	1.7	4.4
Denmark	1.1	0.0	0.0	1.2	1.7	1.0
Finland	0.1	0.0	0.0	0.0	0.0	0.3
France	2.7	29.7	2.9	0.2	1.0	3.5
Germany	11.7	0.0	1.1	0.0	5.9	23.5
Greece*	2.4	20.3	6.1	9.7	1.2	0.0
Ireland	2.5	0.0	11.2	7.8	1.0	0.0
Italy	20.8	47.5	40.0	52.4	25.2	3.0
Luxembourg	0.0	2.5	0.0	0.0	0.0	0.0
Netherlands	4.6	0.0	0.0	0.0	4.8	7.1
Portugal*	2.6	0.0	1.4	0.0	1.6	4.4
Spain	10.6	0.0	0.0	0.0	18.2	9.7

Sweden	0.8	0.0	0.0	0.0	0.0	2.1
United Kingdom	36.3	0.0	37.3	28.7	37.6	37.6

Source: Elaborated by authors based on EIB (various years).

* Countries marked with an asterisk received finance prior to their accession.

In order to establish if there is a logic explaining EIB finance, it is interesting to recall Pelkman's (2006) approach to the process of European integration. Often, sectors will be included in the EU treaties, so competence has been granted to the Commission and, by extension, to the bank. Other sectors will not be included, so the Commission augments its competence by degree or does not develop competences in those sectors. In addition, even though a sector may be included in the treaties, the Commission sometimes turned a blind eye to implementing policy in that area until a later date. Indeed, Pinder, Edwards and Wise (1995) and Bussière, Dumoulin and Willaert (2008) argue that EIB finance gradually became more tightly associated with Community ones. EIB's three initial objectives (developing less developed regions for convergence, sectoral modernization and the finance of projects of common interest for the Single Market), new objectives were added as the EU expanded and the European institutions evolved (Turró, 2010). From 1975, the European Commission promoted Regional Policy strongly and, given this pre-existed in EIB objectives, this led to a greater prioritization of targeting infrastructure projects in less developed regions. Moreover, from the 1990s, under the Treaty of Maastricht, the EIB collaborated in developing TENs. In sum, despite the fact the EIB stated it was independent, it has clearly modified its lending patterns in line with a logic increasingly following the economic policy agenda of the European Commission. From this sectoral perspective, then, it appears the EIB has increasingly become approximated to the economic logic of market integration. Beyond this sectoral pattern, we can see how finance has particularly been directed to infrastructure in less developed regions. We now turn to examine country patterns of EIB finance.

4. EIB Infrastructure Loans: Country Logic

It is interesting to analyze finance by country in search of a political logic guiding finance. Between 1959 and 2004, as seen in Table 5, the five largest EU Member States - France, Germany, Italy, Spain and the United Kingdom - received over three quarters (77.2 percent) of EIB total finance. From 1959 to 1972, Italy by far dominated EIB finance at around 57 percent, whilst France and Germany received nearly 22 and 13 percent respectively. The other three small Members received between 0.4 and 2.8 percent. Greece was the only non-EU Member to receive finance. To avoid large country bias, finance per capita should also be considered, Table 6. From this perspective, both Italy and Luxembourg dominated by far; followed at a significant distance by France, Belgium, Germany and the Netherlands.

During the 1973 to 1980 period, Italy remained the major receptor, receiving over 36 percent, whilst the three Members - the UK, Ireland and Denmark attracted over 36, 8 and 3 percent respectively. France was overtaken by the UK, as she received nearly 14 percent of finance. In this period, the bank extended finance to more non-EU Members including Portugal and Greece again, both of which were to accede in the 1980s, and also, to Austria. Seen from the lens of per capita finance, however, we see a different story: Ireland received nearly four times that received by Italy, which was followed closely by Denmark and the UK. With the exception of

Italy, finance seemed to follow the logic of prioritising newly acceded countries.

In the period 1981 to 1985, with Greece now onboard, loans once more increased to Italy (over 46 percent) whilst France followed in second place with over 14 percent and the UK third with 12.5 percent. Non-EU members to receive funding included Portugal and Spain, which would join in 1986. Per capita, however, the pattern changes: Ireland led once more financial inflows, followed by Denmark, and Italy, with Greece in fourth place. Between 1986 and 1994, Italy remained the largest receptor, followed by Spain, the UK, France, Germany and Portugal. Per capita, however, Denmark attracted most inflows, followed by Portugal, Ireland, Italy, Spain and Luxembourg.

In the final period, 1995 to 2004, after enlargement to Austria, Finland and Sweden, and the consolidation of Germany's reunification, Italy finally lost its leading position in attracting EIB finance. In addition, the distribution of loans became more spread out. Germany became the leader borrower between 1995 and 2004 with over 18 percent, followed by Italy (17%), Spain (15%), France (12%), and the UK (11%). As regards per capita, however, Luxembourg led the way, followed by Denmark, Portugal, Finland, Spain, Greece and Ireland.

In sum, across the whole period, we can see various trends. In general, in the first instance, we can observe that after hard negotiations in the setting up of the EIB, Italy becomes its major receptor. Analyzing projects by type and region it is clear how a great part of loans are destined to lesser developed regions, fulfilling the social function so desired by the Italians. Nevertheless, despite the fact that new members entered acceded, Italy continued to receive the largest share of capital flows, showing probably the bank´s inertia. Secondly, the fact that when lesser developed countries joined the bank, they also receive large shares of finance shows that the social objective of the EIB went beyond financing needs in Italy. Thirdly, when we examine finance per capita, this trend is not quite so clear.

Table 5. Project finance with EIB participation by country and period (million 2000 US$ and % total)

	Million 2000US$					
	1959-2004	**1959-1972**	**1973-1980**	**1981-1985**	**1986-1994**	**1995-2004**
Austria*	7714.0	0.0	330.8	0.0	284.2	7099.1
Belgium	11403.3	253.1	774.3	578.3	2691.8	7105.7
Denmark	20290.7	0.0	1037.9	2025.0	7482.0	9745.8
Finland*	6157.8	0.0	0.0	0.0	79.1	6078.6
France	70288.2	1994.4	4568.4	5295.7	21435.8	36993.9
Germany	74211.9	1208.4	1323.6	1081.1	15097.8	55500.9
Greece*	19569.4	272.6	698.8	2542.4	4089.6	11965.9
Ireland	11856.6	0.0	2651.3	2146.6	3219.9	3838.8
Italy	133248.5	5219.9	11963.9	17091.3	46277.2	52696.2
Luxembourg	1212.7	34.7	0.0	19.6	160.3	998.1
Netherlands	8819.2	144.8	177.9	74.5	2974.1	5447.9
Portugal*	29394.0	0.0	724.1	605.4	10969.0	17095.4
Spain*	72838.3	0.0	0.0	733.0	26097.8	46007.5
Sweden*	7941.8	0.0	0.0	0.0	20.1	7921.7
United Kingdom	70394.0	0.0	8581.1	4581.4	23540.4	33691.0
	% Total					
Austria*	1.4	0.0	1.0	0.0	0.2	2.3
Belgium	2.1	2.8	2.4	1.6	1.6	2.4
Denmark	3.7	0.0	3.2	5.5	4.6	3.2
Finland*	1.1	0.0	0.0	0.0	0.0	2.0
France	12.9	21.8	13.9	14.4	13.0	12.2

Germany	13.6	13.2	4.0	2.9	9.2	18.4
Greece*	3.6	3.0	2.1	6.9	2.5	4.0
Ireland	2.2	0.0	8.1	5.8	2.0	1.3
Italy	24.4	57.2	36.4	46.5	28.1	17.4
Luxembourg	0.2	0.4	0.0	0.1	0.1	0.3
Netherlands	1.6	1.6	0.5	0.2	1.8	1.8
Portugal*	5.4	0.0	2.2	1.6	6.7	5.7
Spain*	13.4	0.0	0.0	2.0	15.9	15.2
Sweden*	1.5	0.0	0.0	0.0	0.0	2.6
United Kingdom	12.9	0.0	26.1	12.5	14.3	11.1

Source: Elaborated by authors based on EIB (various years).

* Countries marked with an asterisk received finance prior to their accession.

Table 6. Project finance with EIB participation per capita by country and period (2000 US$)

	1959-1972	**1973-1980**	**1981-1985**	**1986-1994**	**1995-2004**
Austria*	0.0	43.7	0.0	36.8	884.4
Belgium	26.7	78.9	58.7	269.8	692.8
Denmark	0.0	204.3	395.8	1452.2	1829.3
Finland*	0.0	0.0	0.0	15.8	1175.8
France	39.9	84.2	94.6	368.7	608.7
Germany	15.9	16.9	13.8	190.0	675.3
Greece*	31.6	75.5	258.4	400.5	1100.0
Ireland	0.0	814.2	612.6	908.7	1008.7
Italy	99.6	214.7	302.2	815.9	922.4
Luxembourg	104.7	0.0	53.7	418.1	2304.4
Netherlands	11.7	12.9	5.2	198.7	343.2
Portugal*	0.0	78.0	60.9	1097.0	1670.9
Spain*	0.0	0.0	19.2	671.1	1135.7
Sweden*	0.0	0.0	0.0	2.3	891.4
United Kingdom	0.0	152.6	81.2	411.1	572.6

Source: Elaborated by authors based on EIB (various years).

* Countries marked with an asterisk received finance prior to their accession.

Focusing on some of the principal national macroeconomic conditions, as seen in Annex 1, shows how the average volume of funds lent by the EIB to countries since their accession to the EU seems to be directly related to the aggregate investment and economic growth, though in this case the interdependence is virtually null; and inverse to PIB per capita, surplus in the public sector and the relative reception of FDI. At the same time, Table 7 shows that Mediterranean countries have been more dependent on EIB finance since acceding to joining the EU. From this perspective, it appears the EIB has behaved more like a development bank by favoring finance to less developed economies, such as the Mediterranean ones, which experienced problems with accessing finance for infrastructure due to a lack of fiscal resources and difficulties in attracting foreign finance through FDI. So it seems logically that they sought in the EIB a mechanism to help them finance investment.

Table 7. Average finance of the EIB (percentage of gross fixed capital formation) by country since EU accession until 2004

Austria	1.6
Belgium	0.7
Denmark	3.0
Finland	2.7
France	0.8
Germany	0.5
Greece	3.6
Ireland	2.9
Italy	1.8
Luxembourg	1.2

Netherlands	0.3
Portugal	6.2
Spain	3.2
Sweden	1.9
United Kingdom	1.3

Source: Elaborated by authors based on EIB (various years) and World Bank (2012)

Another pattern is the existing of a "political" logic which could guide EIB finance could be related to the process of EU accession. From this perspective, the institution could act by privileging countries which are next in line to accede, or, those that have recently joined. The objective of this policy would be to soften the integration prior to joining, or in the first few years, in order to normalize the weight of new members in the finance conceded by the EIB relative to that of other countries. Table 8 shows the relative weight of funds loaned by the EIB to EU members of the 9 member states from the first enlargement in 1973 to 2004. It also shows the relative weight of finance in the year of accession, as well as the five years previous and the five years after accession. In general terms, the bank prioritized access to finance for the new members in the years immediately following accession. This was a clear trend in six of the nine countries, particularly for the UK, though not for Austria, Finland and Spain. This trend is also visible in the Mediterranean countries, Greece, Portugal and Spain, where the bank facilitated their integration with finance in the years leading up to accession, and greater financial flows after accession.

Table 8. Participation in EIB financed projects (percentage of the total of loans)

Country	**5 years before accession**	**Year of accession**	**5 years after accession**	**Since accession**

Austria	0.11	1.35	2.17	2.35
Denmark	0.00	0.98	4.50	3.78
Finland	0.07	1.00	1.86	2.01
Greece	2.25	4.61	7.15	3.69
Ireland	0.00	3.24	5.25	2.21
Portugal	1.65	2.72	6.39	6.01
Spain	1.99	5.85	13.78	15.45
Sweden	0.02	1.53	2.95	2.62
United Kingdom	0.00	9.63	28.16	13.13
Average of New Members	0.68	3.43	8.02	5.69

Source: Elaborated by authors based on EIB (various years)

5. Conclusions

Despite the fact the EIB is the world´s most important financial institution in terms of its loans, it has been subjected to much less analysis by scholars than the World Bank, or regional banks (Robinson, 2009). In order to try to shed more light on the EIB's activities, we have compiled, homogenized and analyzed data on its investment projects made between 1958 and 2004 in Europe, paying particular attention to infrastructure loans, which made up for the lion's share of EIB loans throughout the period.

As regards our findings, we can see first the changing sectoral prioritization of EIB finance. If, in the initial years, most finance went to the industrial and transport sectors, from 1973, energy projects were targeted. But, most importantly, from the 1980s onwards, finance increased and was concentrate in developing integrated service markets in telecoms, electricity, gas and transport, coinciding with liberalizing directives. Secondly, we see a trend whereby countries and regions with lower economic development received more finance than their peers. Part of the infrastructure projects included here were to connect these zones to the dynamics of the EU via TENs. In any case, these financial flows were partially destined to countries with bigger problems in accessing finance or foreign capital. From this stance, EIB finance seems to have had a strong social function. Third, EIB finance seems to have prioritized the political logic of accession. We have seen how the EIB loaned more to a number of countries in the years surrounding their accession.

These diverse trends are the result of the internal tensions which characterized the EIB from the outset. Whilst some of its original members, particularly Italy, pushed for a social fund, others, led by Germany, opted for an investment bank guided by criteria of financing viable projects on a not-for-loss basis. These tensions between development and market priorities were continually reflected across the evolution of EIB finance, though it could be argued that, from the 1980s, market-oriented projects tended to get the upper hand, albeit particularly in the less developed countries.

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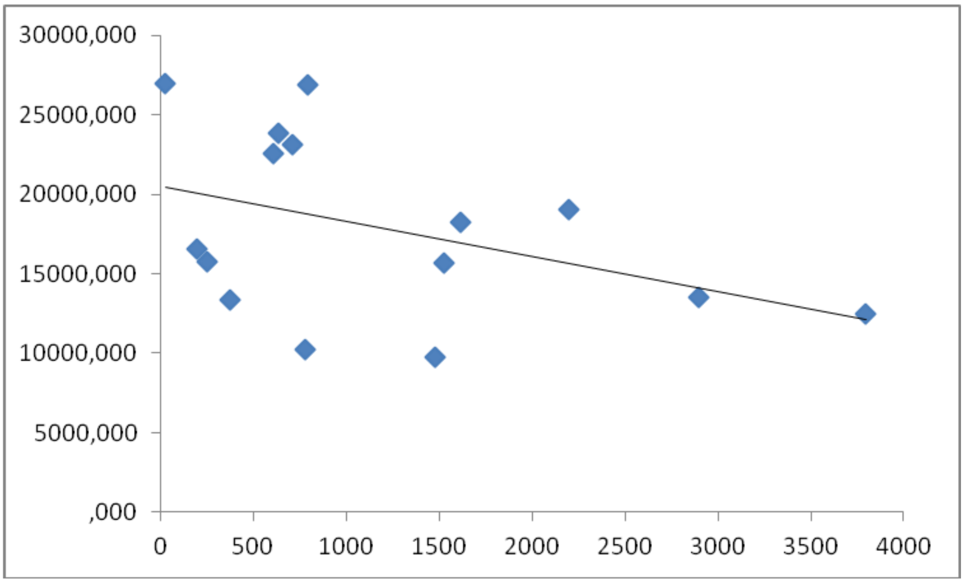
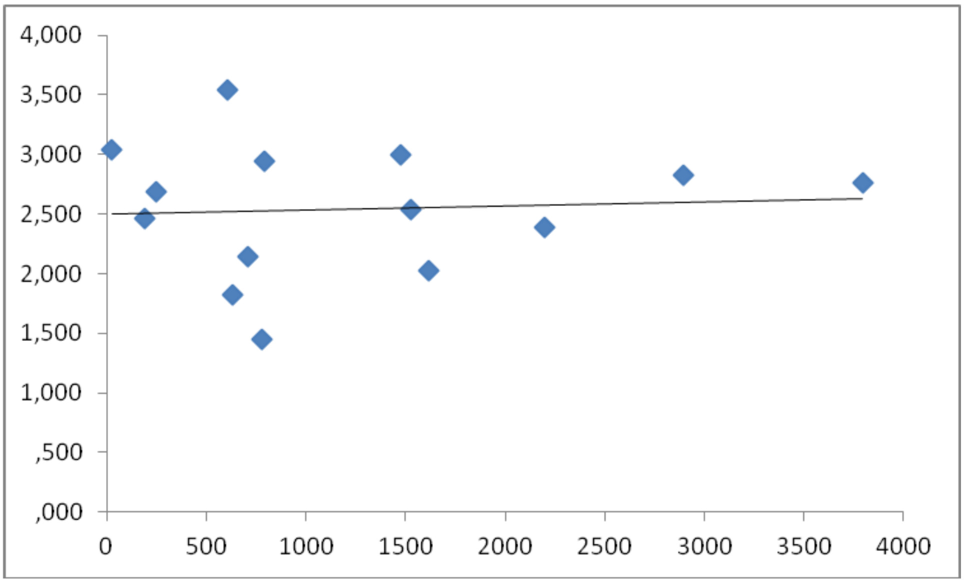
Annex 1. Macreconomic conditions and EIB finance

Figure A1. Average finance by EIB (million 2000 US$) and GDP per capita (2000 US$) by country after accession to EU (1959-2004)



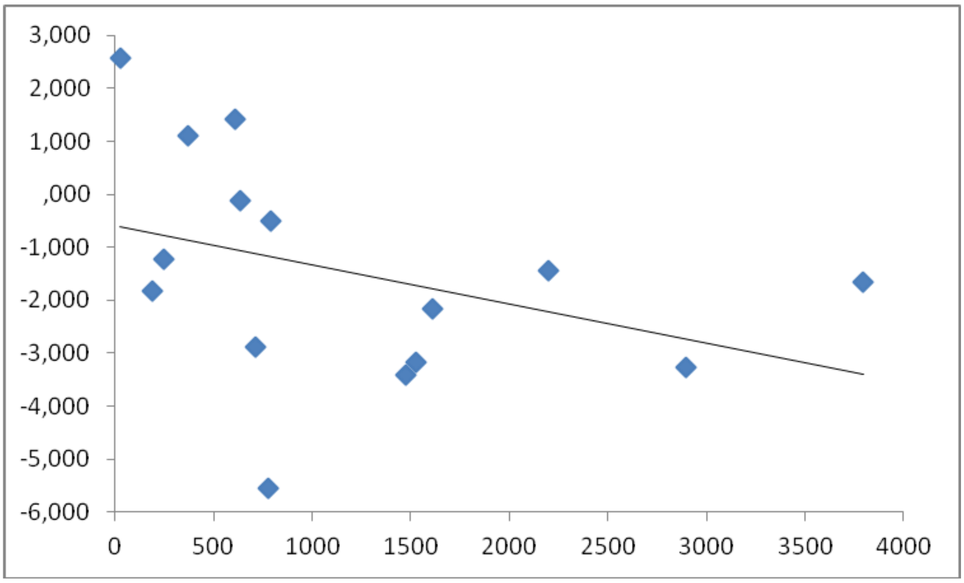
Source: Elaborated by authors based on EIB (various years) and World Bank (2012)

Figure A2. Average Finance by the EIB (million 2000 US$) and GDP per capita annual growth by country since EU accession (1959-2004).



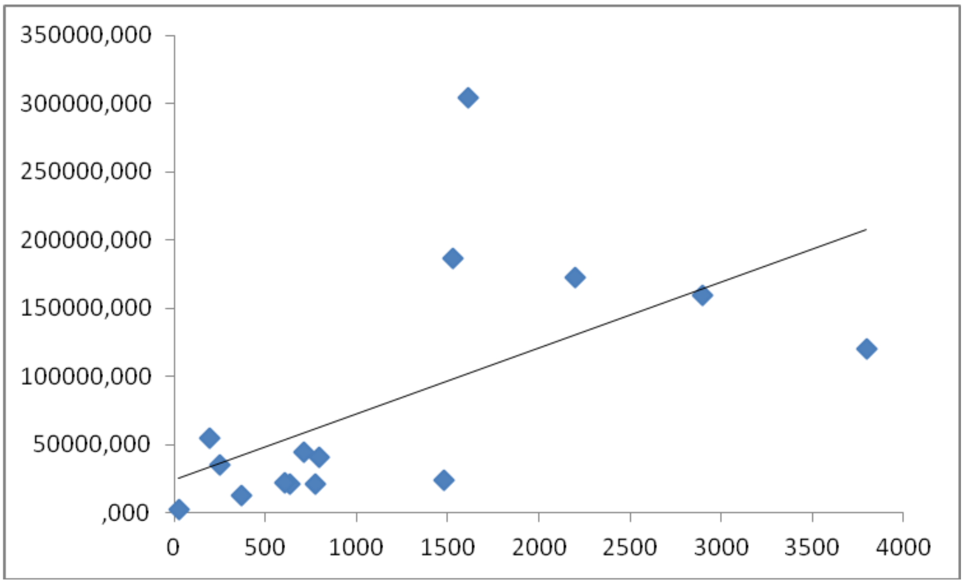
Source: Elaborated by authors based on EIB (various years) and World Bank (2012)

Figure A3. Average EIB finance (million 2000 US$) and public surplus/deficit (% GDP) by country since EU accession (1959-2004).



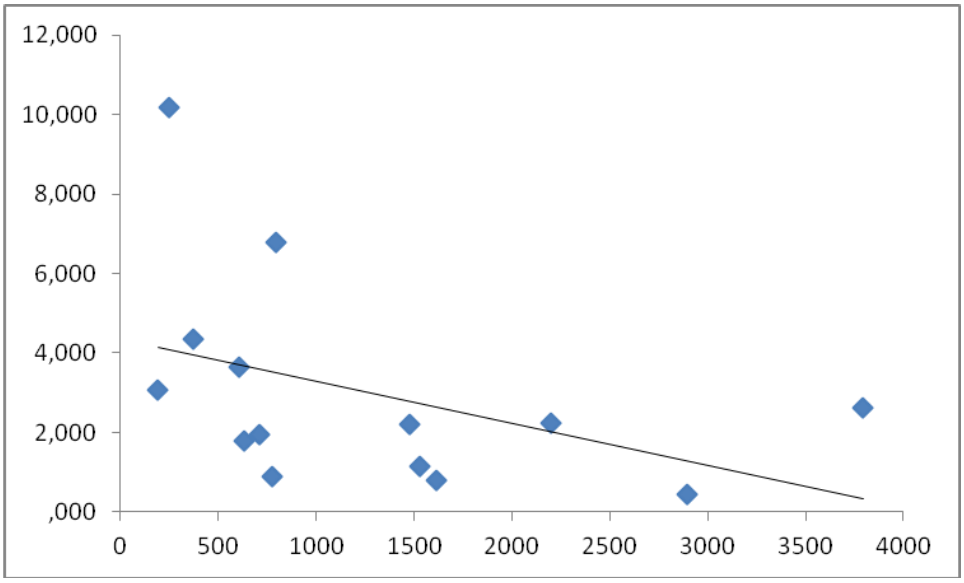
Source: Elaborated by authors based on EIB (various years) and World Bank (2012)

Figure A4. Average EIB finance (million 2000 US$) and gross fixed capital formation (million 2000 US$) by country since EU accession (1959-2004).



Source: Elaborated by authors based on EIB (various years) and World Bank (2012)

Figure A5. Average EIB finance (million 2000 US$) and FDI (net inflows, % GDP) by country since EU accession (1959-2004).



Source: Elaborated by authors based on EIB (various years) and World Bank (2012)