

The European Investment Bank and Its Role in Fostering European Cohesiveness: The Case of Ireland and of the Italian Southern Regions¹

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1. Background

The European Investment Bank (EIB) was the first IFI (International Financial Institution) created with the purpose of promoting regional economic integration rather than simply alleviating capital constraints and promoting development, as it was the case for previously established IFIs like the World Bank.² However, it remains a neglected EU institution.

More research needs to be conducted on EIB, including the determinants of EIB lending from a market perspective and the impact of EIB loans nationally and regionally.³

This work aims at filling this gap by analysing the case of Italy and, in particular, of Southern Italy from 1958 to 1972 (an impor-

¹ This is an improved version of the paper that was presented at the 16th Biennial International Conference European Union Studies Association (9-11 May 2019, Denver (Colorado, USA) and Conference "A new organized and vital Europe". 70 years after the Schuman Declaration 24-25 May 2021 University of Rome Tor Vergata. I would like to thank Dr. Matteo Gomellini, economist at the Historical Research Office of the Bank of Italy, who prepared the counterfactual model and provided me with useful advice and prof. Paul S. Adams (University of Pittsburgh at Greensburg) for his suggestions.

² Alacevich (2008).

³ Baronchelli (2001); Cesari (2000); Lewenhak (1982); Marchegiani (2001); Mosconi (1976); Strangio (2011); Strangio and Tedeschi (2022); Bussière, Dumoulin and Willaert (2008).

tant period for Italy) and of Ireland from 1973 to 2019 (because, together with the United Kingdom, Ireland joined the European Economic Community in 1973, thus benefiting from the influx of Community subsidies, which have proven to be one of the most important factors in the country's economic growth) to determine the impact of EIB loans nationally and regionally. Why Italy and Ireland? The two case studies are interesting because the two countries have several historical similarities from an economic and social point of view. Centuries of foreign government have weakened natural energies with political and fiscal oppression.⁴ Historically migration played an important role and improved the conditions of those who left, as well as of those who remained. Both areas were mainly agricultural before WWII, and public intervention was key for industrialization and development. Both areas were the object of the development policy of the European Economic Community and of the European Investment Bank as reflected in this work.⁵

The significant monetary imbalances at the end of WWII were obviously largely due to the lack of cooperation among states in working to solve economic and financial problems.

This experience led to a new way of thinking the world economy and the problems of international economic relations and to the belief that the solution consisted in coordinating the economic policies of foreign governments. The result of this was the establishment of international organizations as supranational bodies, which in fact would influence both the reconstruction and the development of the economy in the following decades. This represented a historically significant step that indicated a growing governmental awareness of the need for international collaboration.

Institutions are important because the development of organizations that create an environment conducive to cooperative solutions in the complex context of trade is the basis of economic

⁴ Necco (1915), p. 269.

⁵ Necco (1915), p. 269.

growth⁶ (D.C. North 1990 wrote: *Institutions are the rules of the game*).

Two main approaches can be seen: market integration, which is related to infrastructure lending, and political integration, which supports enlargement.⁷ The quantitative findings are consistent with the qualitative analysis of the four periods: in 1958–73 there were two priorities, helping Italy (the least developed) and promoting the Common Market;⁸ in 1973–81 the focus was particularly on development and on rewarding newcomers; in 1981–86 and 1986–95 lesser emphasis was given to development but and the focus was on a greater integration through the Common Market and enlargement.⁹ Ireland joined the European Economic Community in 1973. However, in line with its policy of neutrality, Dublin negotiated an opt-out on future defence agreements, thus reserving the right to not participate. Furthermore, Ireland does not participate in the “European area of freedom, security and justice” and has therefore maintained its independence in the areas of border controls, immigration and judicial cooperation. In the 1960s, Irish economy was still lagging behind the economies of Western Europe. Since the mid-nineties, however, Ireland has been recording a very high rate of economic growth (which reached 10.7% in 1999), so much so that it earned the nickname of “Celtic tiger.”¹⁰ This growth was largely the result of policies designed to attract foreign investments; the country has in fact opted for an expansive fiscal policy based on very low corporate taxation. Thanks to this and to a policy of liberalization and privatization, Ireland has now reached the fifth place in the

⁶ About Institutions and development see: North (1990; 1991; 1994).

⁷ White (1983).

⁸ Crafts and Magnani (2011).

⁹ Clifton, Diaz-Fuentes, Lana Gomez (2018).

¹⁰ <https://atradius.it/publicazioni/rapporto-paese-irlanda-2019.html>; <https://www.eib.org/attachments/general/reports/ar1973it.pdf>; <https://www.eib.org/attachments/general/reports/ar2007it.pdf>; <https://www.eib.org/attachments/general/reports/ar2009it.pdf>; <https://www.eib.org/attachments/general/reports/ar2010it.pdf>; <https://www.eib.org/en/press/all/2000-111-eur-177-mio-for-irish-gas-supply-network>.

world rankings of the economic freedom index. The flows of foreign direct investments have mainly focused on the sectors of information technology, financial services, chemicals and pharmaceuticals.

The range of instruments that the Bank uses to achieve its purposes has expanded over time. Currently, the Bank uses many tools (loans and guarantees, technical assistance, venture capital) and promotes a wide range of interventions.

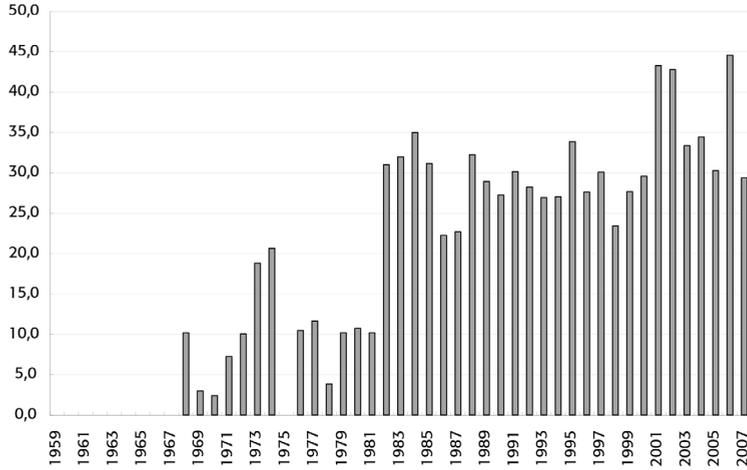
This paper focuses on the core instruments of the Bank, which are historically represented by the grant of loans to institutions and firms. As a rule, EIB can contribute up to a maximum of 50 percent of the total investment. Loans granted by EIB are of two types: direct and intermediated (or global) loans. The former are granted directly to the borrower to finance specific investment projects of sufficient size. Global loans (created in 1968) are credit lines to banks that use them to finance investments of small and medium enterprises (SMEs). The following will describe the results of a detailed analysis of direct and indirect loans that EIB has granted to Italy since its establishment and since Ireland's accession to EEC.

The data set consists of 3,620 loans granted between 1959 and 2007 (the beginning of the financial crisis), as shown in figure 1.

Additionally, through the help of archival documentation and annual reports from EIB, this study was able to classify the loans by size, nature, technical form and geographical area of the beneficiary's activity. With respect to the technical forms of financing, the use of credits for small and medium enterprises intermediated by the banking system, introduced in 1968, remained very limited for over a decade but has strengthened significantly since the early 1980s, when the weight of global loans reached 30 percent (see figure 2).

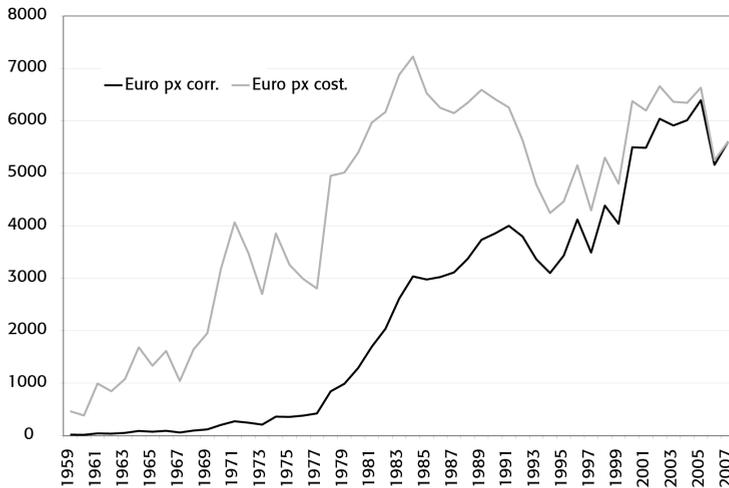
In general, EIB has provided Community countries with important resources to rely on during the troubled decade of 1970-1979, and that aid has also reached countries outside the Community in accordance with Article 18 of the Treaty establishing the Bank or in accordance with Association Agreements (which will not be the subject of this work). Over the years, and as considered in the analysis of the three main objectives of its action (the valorisation of less

FIGURE 1
Global loans (share over total loans)



Source: Reports EIB, various years.

FIGURE 2
EIB loans (million euros)



Source: Reports EIB, various years.

favoured regions, reconversion and modernization of enterprises, and financing of projects of common interest aiming at economic convergence and integration), the Bank has focused its energies on the first objective, aware of the fact that a balanced economic growth of the European Economic Community had to necessarily go hand in hand with an equally balanced and uniform process of economic growth and human development in those regions which, due to historical legacies, could not autonomously activate a self-propelling mechanism of growth.

Currently, EIB is a modern international institution financing investment projects in many countries, even outside European borders. However, at the time of its birth in 1958 and for many years after, its most important counterpart was undoubtedly Italy (see figures 3 and 4).

2. Southern Italy and EIB

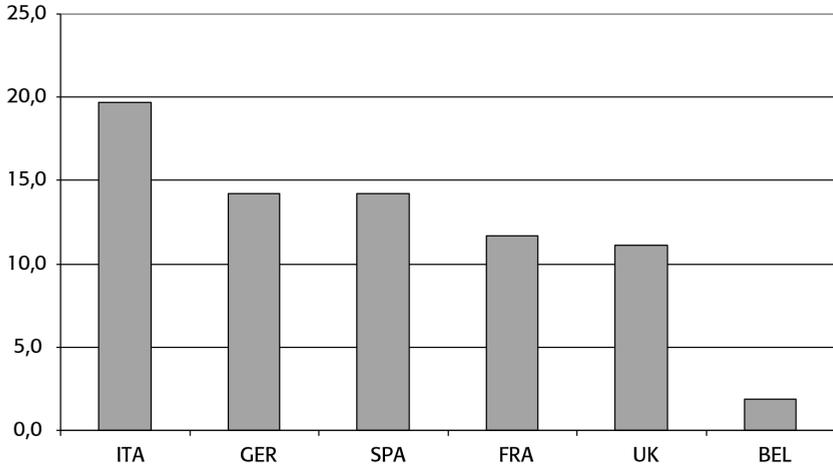
The Bank's activity in Italy was made a priority through a public law institution: the Cassa per il Mezzogiorno.¹¹ This was created in 1950 and operated amid positive opinions and very strong criticisms until 1986; its objective was not to participate in the management of the companies it financed but to grant credits to industrial companies and to ensure that the projects in question were carried out according to the ordinary rules of economic conduct.

As shown in Diagram 1, the financing of the economy of the Mezzogiorno primarily passed through the regional medium/long-term credit institutes (including Isveimer, which granted medium and long-term loans to small and medium-sized industrial companies located in the South, with the exception of Sicily and Sardinia, respectively, of Irfis and Cis).

Furthermore, the peculiarities of each region and the related spe-

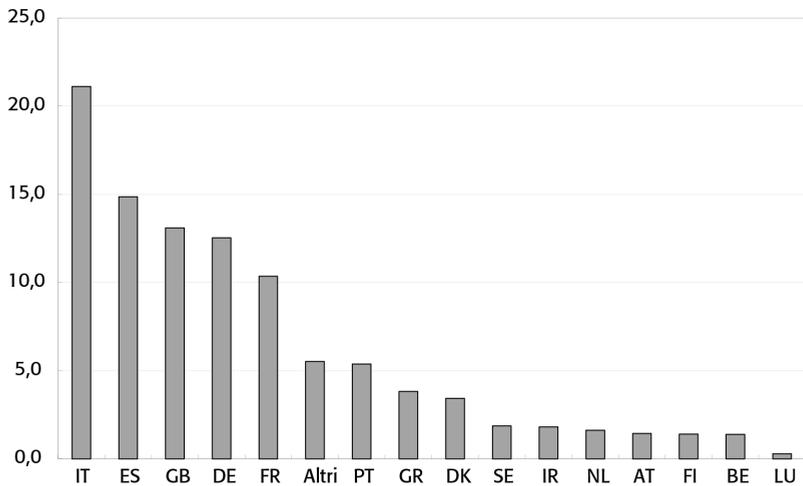
¹¹ Barca (1997); European Investment Bank (1972); Cassa per il Mezzogiorno (1962); Segretariato (2014).

FIGURE 3
EIB loans in selected Eu Countries (1959-2007) (shares, percentage)

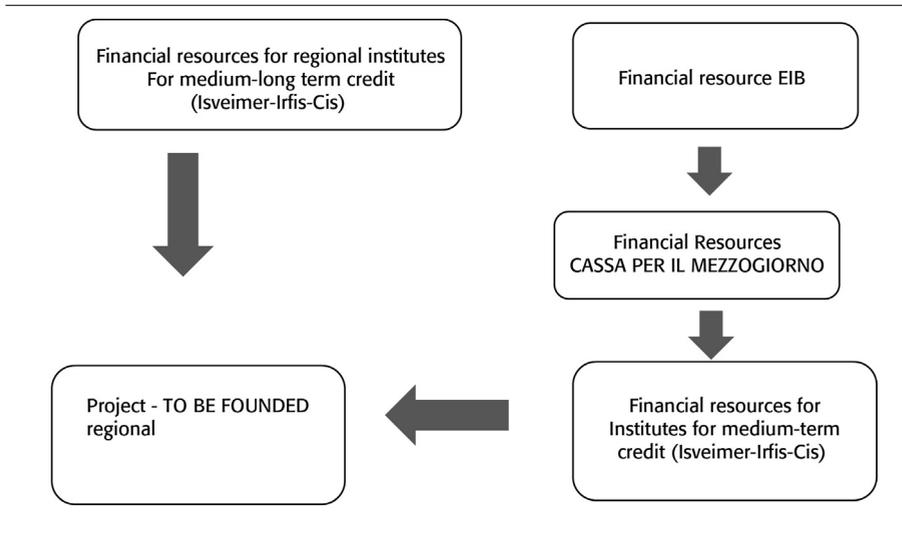


Source: Reports EIB, various years.

FIGURE 4
EIB loans (direct form) in selected Ue Countries (1959-2007)
(shares, percentage)



Source: Reports EIB, various years.

DIAGRAM 1

cific development problems have meant that the EIB's financing activity was always varied, both in terms of the sectors that it helped and of its economic size. Physics projects provided an important contribution to overcome or at least reduce, the economic gap through a more far-sighted and even social vision promoting cooperation between the North and the South of our country that was happening even while the national regional development policies of Southern Italy underwent a process of containment by our government.

It is thanks to the interest of the Community, expressed through the institution of EIB, and to the initial commitment of the Italian government that, in the period between the end of the post-World War II reconstruction and the first oil shock, there was a substantial convergence between the two macro regions of Italy. Until the end of the 1950's, in fact, the South was still lagging behind the North, demonstrating that the initial pre-industrialisation policy did not have the characteristics suitable for southern development and identifying the industrial shortage in the South of Italy as the main economic disadvantage of the area. In the first ten years of the Bank's

activity, in fact, attention was exclusively focused on the implementation of infrastructural endowments for agriculture, given that this was the sector where employment was mostly concentrated in Southern Italy at that time. However, with the establishment of the European Investment Bank, efforts to fill the gap were redirected towards the problems of southern industry rather than infrastructure; thus, a second cycle of politics began, which, from the early 1960s, led to appreciable results in terms of economic growth and employment. The financing activities in the South were conducted entirely through the Cassa per il Mezzogiorno until the early seventies.¹²

Subsequently, the share of loans made through Cassa gradually decreased until it closed in 1984.¹³ The same trends are also evident at the level of individual regions. An analysis of the data relating to the whole period shows that seven regions of the South were among the top ten Italian beneficiaries with the highest share of total loans (see figure 5).

In particular, 8.3 percent of the total loans went to the region of Campania, 7.8 and 6.8 percent, respectively went to Apulia and Sicily. In the first fifteen years of operation of the EIB all regions of the South recorded a significantly higher share of loans (see figure 6).

Not all the loan applications forwarded by Cassa were subsequently financed. There is much evidence, although not a complete list, that EIB made selections. Therefore, from the evidence of the loans granted, it is possible to infer some things about policy choices.¹⁴

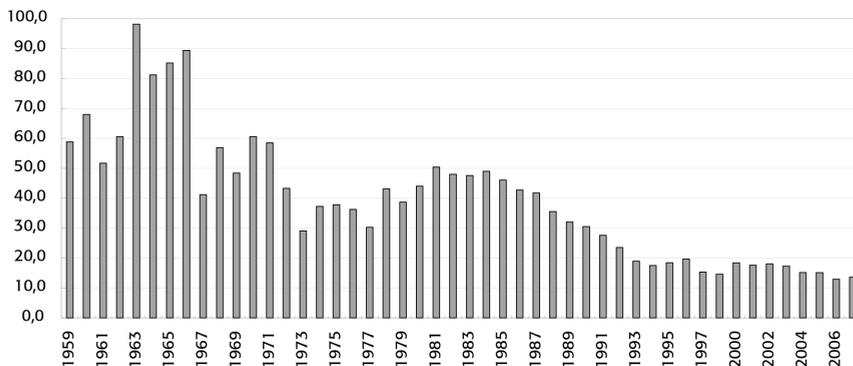
By means of a counterfactual analysis, this study attempted to evaluate the contribution of EIB to the growth of per capita GDP in

¹² Tedeschi (2008, pp. 73-90). See also Svimez (1968; 1978).

¹³ Bodo and Viesti (1998).

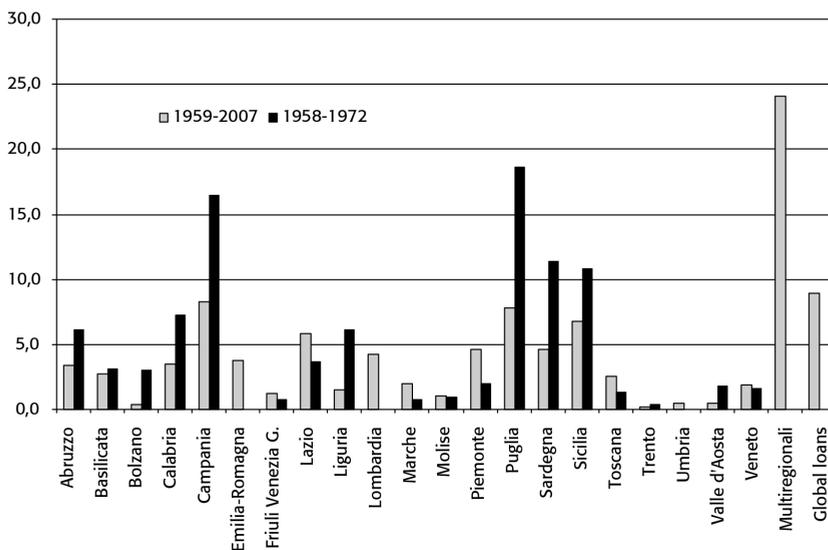
¹⁴ EIB Annual Report, 1967; Historical Archive of Bank of Italy, Studi, Pratt., n. 777, fasc. 1, p. 463; Historical Archive of Bank of Italy, Banca d'Italia, Direttorio-Carli, cart. 5, fasc. 8, sfasc. 5; Historical Archive of Bank of Italy, Banca d'Italia, Direttorio-Formentini, cart. 15, fasc. 1, sfasc. 1.; cart. 28, fasc. 1; Historical Archive of Bank of Italy, Banca d'Italia, Rapporti con l'estero, pratt., n. 641, docc. 1, 2, 3; Historical Archive of Bank of Italy, Banca d'Italia, Studi, pratt., n. 283, fasc. 1; pratt., n. 713, fasc. 1; pratt., n. 776, fascc. 1, 2; pratt., n. 777, fasc. 1, p. 463; Historical Archive of Bank of Italy, Banca d'Italia, Vigilanza, pratt., n. 8733, fasc. 1; Vigilanza, pratt., n. 9274, fascc. 7, 8, 13, 14.

FIGURE 5
EIB loans: Italian share (1959-2007) (shares, percentage)



Source: Reports EIB, various years.

FIGURE 6
Regional distribution (shares)



Source: Reports EIB, various years.

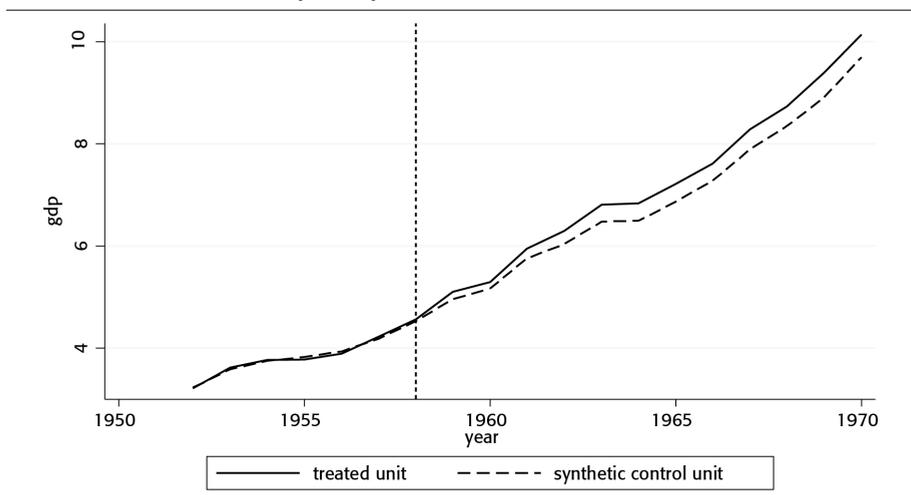
the provinces where EIB granted loans. This replicated the method of Abadie and Gardeazabal (2003).

This method aims at comparing the dynamics of per capita GDP of the regions that received loans from EIB with a counterfactual per capita GDP as if those regions did not have any loan from EIB.

A “cheated” GDP was constructed. The cheated GDP is obtained using per capita GDPs of other provinces in the South that, although included in the *Intervento straordinario* policy (Cassa Mezzogiorno), did not receive any loans from EIB (“untreated” sample). A weighted combination of those provinces’ per capita GDP was used to estimate the cheated per capita GDP for those provinces that had received loans from EIB (treated sample) This gives a counterfactual per capita GDP as if, after 1958, treated provinces had zero loans from EIB. What was obtained is summarized in figure 7.

The dashed line represents the evolution of per capita GDP for the treated sample (provinces that received loans from EIB) as if they had no EIB loans. This path is estimated using the GDPs of untreated provinces, i.e., the provinces that did not receive any EIB loans. The continuous line is the actual path of per capita GDPs of the treated provinces. As we can see, the two lines (cheated and actual) separate

FIGURE 7
The effect of EIB loans on per capita GDP of selected provinces
(per capita GDP, million liras)



Source: Reports EIB, various years by Matteo Gomellini.

after 1958, with the actual line growing faster. According to this result, if the treated provinces had not received EIB loans, in 1970 their per capita GDP would have been 4.7 percent lower than it actually was. From 1952 to 1970, their per capita GDP tripled, which means that EIB intervention supposedly contributed to a share of 6.4 percent of their total growth (14 percentage points of growth over a total growth of 215 percentage points).¹⁵

The question then arises: why hasn't the South been able to recover the gap that has always existed with the economic and social condition of Northern Italy despite this "union"? In the opinion of the writer, at least two factors previously affected the success of the intervention in the South. The first is the evolution of Italian economy starting from 1960 and the role of the incentives, and the second is the enlargement of the European Economic Community starting from 1973.

3. Ireland

In May 1967, Ireland submitted its application for membership, which was then accepted on January 1, 1973 with the Accession Treaty, which sealed its entry into the European Community.

EIB started working with Ireland in 1973, which, despite having just over 1% of the Community population, has benefited from approximately 9% of the total loans granted by EIB to the Community since its entry (1973). The totality of granted funds certainly favoured regional development. When Ireland joined EEC, it had two main disadvantages: a narrow internal market and a high per capita cost of infrastructure; a protocol was therefore annexed to the Accession Treaty expressing the commitment by the Irish government to carry out a policy of industrialization and economic development to bring the standard of living in Ireland closer to that of other European nations. In 1973, as soon as it became part of the

¹⁵ Gomellini and Tosoni (2009).

Community, which then expanded to nine member states, Ireland underwent a rapid expansion due to an increase in agricultural incomes from investments and exports, which was quite different from the previous year where growth and development proved to be rather slow. This led to a slight improvement in employment but also to an increase in prices and in the trade deficit.¹⁶

Some important numbers summarizing the results of EIB in Ireland are briefly reported here. Since EIB became part of the community (1973), 334 projects have been financed and 18.55 billion euros invested, mainly through the use of two local partners: Allied Irish Banks plc and the DLL Group.

Table 1 below shows the loans granted from 1959 to 1990 (for Ireland from 1973) to Ireland and to other countries, such as Italy, France, and the United Kingdom, as these are the countries that have been helped the most by EIB (for comparison) (see table 2). In summary, EIB's loans in the European Union – from the first core of founding countries up to the sixth enlargement, which took place on January 1, 2007 – were directed mainly to Germany, France, Italy and Great Britain, for a total of 26,650 million euros followed by Spain with 15,990 and then Holland and Belgium with 7,387; while Ireland is in the thirteenth position with 864 million euros.¹⁷

It is possible to see which sectors have been affected by the projects carried out with the support of EIB and what percentage has been invested in each of these sectors, in order to provide a quick comparison: they mainly concerned energy with 23.02%, transport with 21.13% and credit with 18.55% followed by education with 9.06%.¹⁸

The financed sectors range from agriculture to wastewater collection. The first project to be financed in 1973 concerned the production of sugar. To date, 471 projects have been financed, and 27 are awaiting approval. So far, the most expensive project concerns

¹⁶ <https://www.eib.org/attachments/general/reports/ar1973it.pdf>.

¹⁷ Bussière, Dumoulin, Williaert (2008 pp. 351-352).

¹⁸ <https://www.eib.org/en/projects/regions/european-union/ireland/index.htm>

TABLE 1
Amounts of loans signed between 1959 and 1990

1959-1990	Total	Own Resources	Others resources
Ireland	3,461.1	3,037.1	424.0
Italy	35,588.2	32,480.2	3,108.0
France	12,432.2	11,182.1	1,250.0
Great Britain	14,080.6	13,604.8	475.8

Source: <https://www.eib.org/en/projects/regions/european-union/ireland/index.htm>.

TABLE 2
Projects carried out from 1973 to 2020

Sector	Total Amount (€)	Total projects	More expensive Project (€)
Agriculture	461,992,353	21	90,000,000
Infrastructure	406,071,206	15	71,900,218
Credit	3,613,945,298	75	12,993,999
Education	1,644,009,768	32	87,897,590
Energy	4,328,315,153	69	24,681,053
Health	795,000,000	5	490,000,000
Industry	501,962,169	37	15,000,000
Service	143,481,501	6	40,000,000
Solid Waste	203,481,501	1	60,000,000
Telecom	1,060,614,218	34	30,626,183
Transports	3,835,747,752	116	6,983,601
Urban growth	867,317,535	17	9,688,596
Waste Water	836,364,894	43	7,655,619

Source: www.bei.org/en/projects.

the health sector; this is the first EIB loan allocated to the construction of a hospital in Ireland (in addition to the 14 for health care centres granted in 2016). In December 2017, € 490 million were used to carry out this project, the most expensive long-term project ever financed by EIB in Ireland. This is an example of how EIB engages in projects that improve the life and the economic opportunities in the countries in which it invests; in this case, the construction of the hos-

pital creates job opportunities for local contractors, and it is estimated that when the hospital opens, it will employ 3700 people, bringing income and employment to the area.

The funding will take place through the National Treasury Management Agency and is part of the 16.5 billion euros allocated in the last decade by EIB to hospital and healthcare investments in the 27 EU countries.

In 2018, another major project in this sector involved the digitization of the Irish healthcare sector and was a part of the National Electronic Health Record Program. To carry out this project, which will increase the quality, safety and variety of health care services, the funding of 225 million euros was provided, and the total estimated cost was approximately 455 million euros. Furthermore, the residual risks of the project were considered to be very low.

Additionally, in 2015, a project for the development of fourteen primary care centres with related accommodations for the medical team was financed with 70 million euros, for a maximum estimated cost of 142 million euros; the aim of the project is to provide better access to primary health care and social services. It was designed to introduce new ways of providing services in specially built structures and to provide additional services that are not yet available to increase the efficiency and effectiveness of hospital services and costs.

To complete the list of funding in the health sector, funds have also been distributed to Vivasure Medical, a company at the forefront of the development of methodologies for vascular surgery. The project aims at developing research in the sector of vascular surgery devices and has requested € 10,000,000 divided into two tranches of € 5,000,000 each; both were approved on 29/3/2019.

In the financial sector, 5 projects were approved for a total amount of approximately 795,000,000 euros over a three-year period, from 2016 to 2019, and among these, the construction of the national paediatric hospital stands out for its importance and size, (cited above), which requires a commitment of 490,000,000 euros.

Let us now analyse another very important sector for each com-

pany, that is education, where the funding of the Irish school program consisted of three steps: the first in 2012 with 100,000,000 euros, the second and third, in 2013 and 2016, respectively, both for an amount equal to 100,000,000 euros. The program involves the construction, refurbishment and extension of several school facilities located throughout Ireland. The ultimate goal of this three-phase project is to modernize buildings and to improve the quality and efficiency of services. EIB financed also other projects in the university sector, an example of which is the National University of Ireland Maynooth, which involves the construction of a new university library, new teaching facilities, new housing for students and new service buildings; the ultimate goal is to improve teaching, learning and academic research within the university by updating facilities. This project will see students and university staff as the ultimate beneficiaries, with a subsequent positive impact both on their future employers and on the Irish society as a whole. The loan was approved in 2014 for an amount of 77 million euros and an estimated total cost of 160 million euros.

The same project was started for the University of Limerick, which in 2013 received 100,000,000 euros for an estimated total cost of 224 million euros, with the same ultimate goal of improving and enlarging the university environment to accommodate a greater number of students.

Trinity College also benefited from € 75,000,000 to modernize its internal and external facilities to meet the needs of students and staff.

For the education sector, so far EIB has thus financed thirty-two projects for an amount of approximately 1,644,009,768 euros. These projects will not only benefit society by making young graduates more prepared and professional but they will also have a positive impact on the environment since both the new buildings and the refurbished ones will be designed according to high standards of energy efficiency.¹⁹

¹⁹ www.bei.org/en/projects.

In the industrial sector, EIB has invested in 37 projects for a total amount of 501,962,169 euros; among these, we focused on a loan that concerns the development, research and innovation of the company promoting the project (Ericsson) for the development of the fifth generation of communication (5G) and involves the construction of RAN, that is an advanced data networks to develop autonomous 5G networks. The aim of the project is to develop mobile broadband services to make communication services faster with higher data transmission and wider coverage, all of which will lead to new services and new business opportunities in more sectors in Europe and in the world. The amount financed in 2018 was 500 million euros for a total of approximately 1451 million euros.

For transport, 116 projects are financed and implemented for a total of 3,835,747,752 euros; the most important ones concern the airports, in particular, the one approved in December 2017, with 350 million euros allocated to the improvement of the infrastructure of the Dublin airport to improve its commercial and operational resilience and to raise the safety and security levels of the area and passengers thus guaranteeing a better travel experience through the improvement of facilities. In 2007, Dublin Airport had already benefited from 200 million euros to expand the existing terminal and the parking area and to update the road network leading to the airport.

In the sector of services, on the other hand, six projects were approved and financed for a total of 143,481,501 euros. An example is the 40-million euro project approved in 2019, which concerns the updating and modernization of An Post, the Irish national postal operator which manages a network of post offices with over 1000 branches; this project is very important for the country's medium-long term future. The key points of the project are the automation and modernization of the parcel business, the replacement of delivery diesel cars with electric ones (which will reduce CO₂ emissions), the development of new products for the retail market and the renewal of post offices.²⁰ The digitization of the infrastructure will en-

²⁰ www.bei.org/en/projects.

sure better services to customers and facilitate access to new government and e-commerce services.

Another sector that is closely connected with that of services is urban development: 867,317,535 euros spread over 17 projects were used for this sector. One of the projects in which the most of resources were committed was approved in 2019 and concerns the Housing Finance Agency, an Irish financial intermediary that finances local authorities. The goal is to build and upgrade low-budget and social housing for the next four years to come, so there will be an increase in new constructions at affordable prices and a modernization of the building stock. It is estimated that 1,600 new social housing units will be built.²¹

In the energy sector, 69 projects were completed for a total of € 4,328,315,153.²² The most expensive project in this field was “The East West Interconnector”, which consisted of a high voltage direct current cable link between Ireland and Great Britain; the projected capacity is between 450 and 650 MW, and the expected length of the cable is approximately 260 km, 185 km of which are submarine. The goal of the project is to improve safety in the use and supply of electricity and support the development of electricity generation from renewable sources. Out of the total assigned amount, 200 million euros were directed to the further development of the capacity to produce renewable energy, installing 248 MW of wind capacity. This very important project bodes well for achieving an increasingly “green” future, and the same idea was expressed by the Minister of Communications, Energy and Natural Resources: “I warmly welcome this EIB investment in Ireland’s energy future. We are transforming the energy policy in Ireland, and today’s investments will promote this transformation. I congratulate both EirGrid and ESB and know that they are ambitious semi-state companies that deliver on their commitments. I look forward to the completion of these pro-

²¹ *Ibidem.*

²² *Ibidem.*

jects. We are on track to become a world leader in green energy and in the fight against climate change.”²³

Of course, it is also worth noting the commitment shown by EIB in providing support to the Electricity Supply Board with 235 million euros to finance an ambitious investment program for the development of smarter and consequently more sustainable electricity infrastructures.

This is a long-term loan. The program is aimed at improving connections among the wind energy sectors and at improving the efficiency and capacity of the electricity grids, which will make it easier to integrate renewable energy sources. The program also includes the installation of columns for fast charging of electric vehicles throughout Ireland. The program will be supported by the provision of 270 km of new high voltage lines, which will reinforce existing connections throughout Ireland, as the capacity of over 8,000 km of rural networks will be doubled and 140 km of new distribution lines will be installed in the Galway region. Smart metres will be installed throughout the country, and the use of electric cars will be encouraged by the installation of 1,500 charging points on the road and 2,000 household chargers.²⁴

The project aims at strengthening and modernizing the electricity transmission and distribution networks in Ireland.

The investments made for the transport of natural gas to expand the capacity of the plants in Ireland and the United Kingdom are no less important. The amount is approximately 177 million euros, awarded on 1 December 2000, and has enabled the development of a new gas distribution system that mainly serves 35 Irish cities. The work involved the replacement of 400 km of distribution pipes between Dublin and Cork and the extension of the existing gas transport lines. The project made it possible to connect 93,000 homes and 4,000 industrial and commercial services, and the gas import capacity was strengthened through the construction of two compressor

²³ *Ibidem.*

²⁴ *Ibidem.*

stations in southern China. The project is of fundamental importance, as it will make it possible to move from the use of oil and solid fuels to a more environmental-friendly energy source; incentivizing the use of gas by the Irish government is very important for the achievement of its obligations and, above all, for following the indications of the Kyoto protocol for the reduction of carbon dioxide emissions. This is an example of how the EIB, with long-term financing, promotes EU integration, particularly through regional development, in the sectors of transport, telecommunications, energy, and industry (especially SMEs).²⁵

To complete the overview, we look at a € 90,000,000 environmental project. The project covers the supply and treatment of water, including solid waste disposal; the improvement and protection of the urban sector, including the refurbishment and upgrading of buildings of interest to the community as part of the urban global renovation strategies; and the development of tourist infrastructures. Many of these investments are driven by an obligation to comply with EU directives. Those relating to urban environment, on the other hand, are part of the EU strategies that integrate employment programs and local economic development.²⁶

EIB provides aid to SMEs mainly through EIF (European Investment Fund), which together with the Bank forms the EIB group. Throughout 2010, EIF played a key role in supporting European SMEs, investing record amounts in venture capital, and promoting innovation, growth, entrepreneurship and job creation.²⁷

4. Some remarks

This paper identifies the extent to which development, integration and investment explain the pattern of EIB lending. It provided a first analysis of the Bank's performance based on the destination of its

²⁵ *Ibidem.*

²⁶ <https://www.eib.org/en/projects/pipelines/all/20040331>.

²⁷ <https://www.eib.org/attachments/general/reports/ar2010it.pdf>.

lending, which is used to understand its performance over time. After assembling and processing all data on EIB lending, all funds destined for projects in Ireland (1973-2019) and southern Italy over the period 1958-72 were selected. The empirical results are revealing. The variable indicating that EIB lending is related to development is statistically significant, meaning that loans were particularly channelled towards the least developed countries. Therefore, despite the Bank's founders opted to call it an 'Investment Bank', it was more active in promoting development, at least until the mid-1990s, as demonstrated by Clifton, Fluentes Gomez (2018). It seems that the effectiveness of EIB as an intermediary in financial markets was quite limited. Importantly, integration was a key factor for EIB lending.

This shows that EIB lending was destined to development and integration and, to a lesser extent, investment. EIB helped to build the Common Market as envisioned by the fathers of the Treaty of Rome (EEC Treaty, 1957), which involved building a strong infrastructure network at the national level as well as among States. Projects were used as instruments to promote economic development while providing financial markets with a risk-free investment environment, following the example of the World Bank. However, they also served as an instrument to encourage the Common Market and the enlargement, as shown by the southern Italian regions from 1958 to 1972 and by the case of Ireland.

This is a useful testimony about the importance of institutions and a policy of cooperation among European countries. This example should encourage European countries to pursue an increasingly strong policy of cooperation and to strengthen the idea of a European Union.

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