Dipartimento di Governo e Politiche

Corso di Laurea Magistrale in Public Policies

Cattedra di Policy of EU Structural Funds

European development banks: their working models and investments policies, inside and outside their borders. The cases of the European Investment Bank and Cassa Depositi e Prestiti

RELATORE

Prof. Raffaella Yvonne Nanetti

CORRELATORE

Prof. Mark Thatcher

CANDIDATO

Giacomo Maria Baravelli- Matricola 634552

Anno Accademico: 2018 – 2019

Table of contents

Introduction

Since the end of the Second World War, there has been the establishment of new financial institutions, the development banks: in different historical periods, almost all the countries and regions have provided themselves with financial institutions of this nature (Kellerman, 2019). In fact, they can be of two types, national or multilateral: as regards the former, some examples are the Kreditanstalt für Wiederaufbau, founded in 1949 in Germany to manage the reconstruction of the country, the Banco Nacional de Desenvolvimento Econômico e Social (BNEDES) founded in Brazil in 1952 and the China Development Bank, founded in 1994. Among the multilateral ones, which are usually owned by several states located in the same region, the following are worth mentioning: the World Bank, founded in Washington in 1944, the African Development Bank, founded in Côte d'Ivoire in 1964 and the Asian Development Bank, founded in the Philippines in 1966. Their flourishing, which certifies their importance, is due to the fact that these financial institutions, which can gather their resources in various ways, have the same objective: the long-term development of the country or region concerned by their intervention. In contrast with other financial institutions, therefore, their objective is to invest in a horizon of at least 5 years in order to guarantee the country's sustainable and permanent economic growth: these long horizons usually "scare" the private investor, which prefers to invest in sectors that guarantee gains in the short term and are less risky (Delikanli, Dimitrov & Agolli, 2018). As far as their favourite Investment sectors are concerned, they are linked to policy objectives: their work cannot be detached from social and inclusion policies and the sectors in which they invest are fundamental for economic development policies:

- Infrastructure: historically they are the first sector in which they had invested. After the war, indeed, it was necessary to repair or build the transport and communications system and ensure sustainable urban development: having an efficient infrastructure system is the first condition to ensure economic development in the long term and usually it is the public sector that has to take care of it, as it requires long-term investments that are therefore risky for the private sector. Although the priorities of the development banks have changed over time, the focus on infrastructure still remains very high, especially with regard to new communication systems.

- SMEs: following the chronological order, SMEs were the second sector in which development banks invested. The objective of investing in this sector is to increase social inclusion: SMEs are the basis of many economies, but often they are unable to compete with larger companies and do not have enough resources to invest in innovation, so they may be destined to fail (Lazonick, 2008). In this sense, development banks play a very important role, guaranteeing both funds for innovation and participation: in fact, even in this case, private investors invest less resources in staff training and innovation, preferring to buy the finished product later. Thanks to their investments in education and innovation, on the other hand, development banks guarantee greater social inclusion and participation in the labour market.
- Green: this was the most recent issue in which development banks have invested. They played a pioneering role in this case, financing the first investments in sectors that at the time were high risk and needed large investments in the long term to develop, such as renewable energy and the fight against pollution (Aghion, Veugelers & Serre, 2009). Again, the development banks responded to the political needs that began to emerge between the 1970s and 1980s: at a time when attention to environmental issues was growing, the development banks acted as venture capitalist, guaranteeing resources for research, the successful results of which led to the subsequent intervention of private investors.

A special feature of these financial institutions is that they can cooperate with each other, both nationally and multilaterally, to achieve their objectives. The ways in which they can operate together are by participating in mutual investment funds, by subscribing the same priorities, such as the fight against climate change, and by committing themselves to investing in accordance with the sustainable development criteria dictated by the United Nations. In addition, multilateral development banks can entrust their resources to national development banks, which are more territorially linked and able to monitor investment projects.

Despite this important role that they played and continue to play in economic development, development banks remained outside the political focus until the economic crisis that began in 2008 (Mazzucato, 2018): their role on this occasion was very important because they played a counter-cyclical function in the global economy. During a period in which private capital had withdrawn from the market, preferring not to invest their own resources, development banks injected great resources into the world economy, thus participating as protagonists in the economic development needed to get out of the crisis. The result is that in recent years the importance of these banks has been recognized by politics and all states have equipped themselves with financial institutions of this type: for example, in 2012 the British Green Investment Bank was born, while in 2014 the Instituição Financeira de Desenvolvimento in Portugal, the Strategic Banking Corporation of Ireland and the Asian Infrastructure Investment Bank were established.

The aim of this work is to understand how these financial institutions work, taking into consideration two examples from the European Union, one multilateral and the other national: the first is the European Investment Bank, while the second is Cassa Depositi e Prestiti, the Italian promotional institution. To understand how they work, the thesis will answer to three research questions:

1. **How does the EIB model work?**
2. **How does the CDP model work?**
3. **How do these two financial institutions operate outside their borders?**

The aim is to provide, through the answer to these questions, the guidelines to understand the characteristics that European development banks, both at national and multilateral level, should have in order to play a leading role in the economic development of their areas of competence.

The reason why the European Investment Bank has been chosen is twofold:

- On the one hand, its nature: the EIB is the financial institution of the EU and it is both an investment bank and a global development bank. Although 90% of its activities take place within the EU's borders, the remaining 10% of its resources are used in projects outside the European continent, making the EIB the bank operating in several countries around the world. Moreover, taking into account the volume of its borrowing and lending, the EIB is the largest multilateral development bank in the world.
- The second reason is that the EIB has participated in the most important European policies: it has collaborated since its establishment following the Treaties of Rome with the European Commission and has actively participated in both cohesion and environmental policy. Moreover, since the 2000s, it has been involved in the

European Union's long-term development programmes, such as the Lisbon Strategy and Europe 2020.

As far as CDP is concerned, it has also been chosen for two reasons:

- The first is that it represents the complexity of the national development banks: born in 1850, it has a long history behind it and this makes its nature more difficult to study, but at the same time it allows to deepen the relationship between this institution and the history of the country until today.
- The second reason is that its work is emblematic of national development banks: on the one hand it manages the Italian postal savings, while on the other it can conduct market and equity operations. This wide range of operations has made it a very important player in the Italian economy.

For what concerns the research method, the thesis was written using documentation coming from three sources:

1. Through interviews: an EIB official and two CDP officials have been interviewed:
   - **Romolo Isaia**: EIB Head of Unit - infrastructure, Energy & Public Sector Division- Adriatic Sea Department, Lending Operations in Italy and Malta.
   - **Fabio Di Cristina**: CDP Head of Regulatory Affairs and Special Projects, Corporate and Regulatory Affairs.
   - **Giuditta Di Nino**: CDP Legal, Support to Corporate Bodies.
2. Through papers and academic material, mostly for what regards Cassa Depositi e Prestiti, the material on the EIB was found mainly online. Furthermore, various articles coming from both Italian and international media have been analysed
3. Through the official websites of the two institutions:
   - For what concerns CDP: https://www.cdp.it/sitointernet/it/homepage.page
   - For what concerns EIB: https://www.eib.org/en/: In addition to numerous reports on the Bank's activities and history, this site contains a database with all the projects carried out by the Bank since its foundation, which is analysed in section 1.3.

1. Longitudinal Analysis of the European Investment Bank[1]

1.1. Creation and Historical Evolution

1.1.1. From the Treaty of Rome to 1972: Regional Development Bank

Belgium	France	West Germany
Italy	Luxembourg	Netherland

List 1 Member Countries between 1958 and 1972

The evolution of the European Investment Bank (EIB or Bank) is strictly linked to the European integration process (Bussière, Dumoulin and Willaert, 2008): the idea of a Bank for European development, indeed, took hold in parallel with the European Project after the Second World War, in order to manage the aids coming from the Marshall Plan. However, the crucial step for its creation was the Messina Conference of June 1955 (Manzella, 2017): Italy, worried about the development of the southern regions that were lagging far behind those of the others five countries[2] from an economic point of view, played the main role by asking for an instrument to promote regional development. Finally, the EIB became operational in 1958, following the ratification of the Treaty of Rome signed on 25 March 1957. The treaty in question, which established the birth of the European Economic Community (EEC), was signed by the six founding countries (ref. List 1) and included four articles regarding the EIB: the first one is Article 3(j), which established the foundation of the Bank with the aim of facilitating the economic expansion of the Community through the creation of new resources. Subsequently, article 180 stated that the Court of Justice had jurisdiction in disputes between Member States and the Bank, which could refer the matter to the Court if the States failed to fulfil their obligations. However, the most important Articles, specifically 129 and 130[3], are located in Title IV and enshrined the principles for the creation of the European Investment Bank:

- ❖ Article 129: EIB is endowed with a legal personality and its members are the States part of the EEC.
- ❖ Article 130: EIB's mission is defined as "contributing to the balanced and smooth development of the common market in the interest of the Community". In order to carry out its mission, resources will have to come from the capital market and the Bank's own resources, while the means will be the granting of loans and

[1] The chapter will not include the projects that EIB has carried out in countries outside the European Community, which will be dealt with in chapter three.
[2] Belgium, France, Luxembourg, Netherland and West Germany
[3] http://www.politicheeuropee.gov.it/media/3284/il-trattato-cee-di-roma.pdf

guarantees without profit purpose in projects within certain areas and sectors, such as:

- Less developed regions.
- Firms in need of modernisation or reconversion or the creation of new activities required by the gradual establishment of the common market.
- Projects that require large amounts of funding and are of common interest to several Member States.

The first thing to notice is, as stated in Article 129, the great independence that is given to this institution: the Bank is in fact granted, in addition to its own Statutes that was annexed to the Treaty[4], a legal entity status separate from that of the EEC Commission (Dillenbeck, 1962). Clearly this does not mean the Bank and the EEC Commission do not have relations: both institutions obviously depend on the Member States that finance them and therefore must maintain stable connections (Lewenhak, 1982). On the other hand, Article 130, which specifies the objectives of the Bank, is characterised by another peculiarity, namely attention to less developed regions. This makes the European Investment Bank the first International Financial Institution (IFI) whose purpose is to support regional integration (Licari, 1969). It is on this target that most of the EIB's efforts for the period 1958-1972 were concentrated: according to the official report, during these years, regional development and infrastructure projects related to it absorbed more than 70% of the available resources (EIB, 1978). As will be analysed more specifically in the third section of this chapter, which will study the different working models that the EIB has used over time, Italy has been the country that has received the most funding in this first phase: about 60% of total EIB loans[5], compared to 22% for France and 13% for West Germany, have been allocated to this country Furthermore, another feature that demonstrated how much the European Investment Bank was, during this first phase, focused on Italian development was the appointment of the Bank's Presidents: in the first thirteen years of the Bank's activity, two Italian presidents were put in charge. The first to be nominated was Pietro Campilli: he was an Italian politician who had been Minister for the "Cassa per il Mezzogiorno" in the previous five years. However, his mandate lasted only a year and as his successor another Italian, Paride Formentini who will be president until 1970, was chosen.

[4] The Statute set out functions, financial mechanisms, objectives of EIB and will be analysed in 1.2 Part

[5] 1243 million u.a. (unit of account, which is the currency measurement used before the ECU, with a value of €0.90) out of more than 2000 million u.a. available

The brief description of the EIB's first years of activity given in this paragraph wants to show that EIB was initially designed not as an institution of equal standing with the others (art.129), but, as previously written, as an instrument to compensate Italy, and in particular its southern regions (art.130), for the damage it would suffer from the introduction of the new competition rules resulting from the entering into the European Economic Community (Lankowski, 1996).

1.1.2. From 1973 to 1985: Sweetener for New Member States

Belgium	France	West Germany	Italy
Luxembourg	Netherland	Denmark (1973)	Ireland (1973)
United Kingdom (1973)	Greece (1981)		

List 2 Member Countries between 1973 and 1985

The period from 1973 to the mid-1980s represented a transitional phase for the European Investment Bank: as discussed in this paragraph, the economic and political conditions of those years influenced the EIB's operations, increasing its weight within the European project.

The beginning of the 70's were a difficult period for the European Economic Community: the economic crisis of those years, mainly due to the shock of high oil prices in 1973 (first oil boycott by OPEC) and the exit of the United States (U.S.) from the Bretton Woods international monetary system, divided the countries on the solutions to be adopted to face this complex situation. Furthermore, the first enlargement in 1973, with the entrance of United Kingdom, Denmark and Ireland, required EEC to change its initial structure and the way decisions were taken in order to include the new countries in its governance. The European Investment Bank also had to adapt to these changes: as seen, Article 129 stated that all the countries belonging to the EEC were also shareholders of the Bank. The accession of the new countries had three consequences: firstly, it changed the administrative structure and the way decisions were taken, as will be analysed in the section dealing with Governance. Secondly, the Bank's capital reserves dramatically increased: this led to a changed financial sphere of action and to an expansion of its areas of activity. Finally, a new lending policies was adopted (Grant, 2004): from 1974, EIB acquired a greater role in the European economy, more closely aligned with the strategic objectives of the EEC, and this allowed to reduce the budget allocated to less-developed regions and increase the budget for industrial development. These transformations led the Bank to be more policy-oriented and, compared to the previous period, changed the position of the EIB within the European Economic Community from at least two perspectives:

1. The European Investment Bank became an instrument to promote European integration, reducing the role of Italy[6] (Clifton, Díaz-Fuentes and Revuelta, 2014): although it remained the country that received the most loans, 42% of the total, the Bank had to deal with the newly-arrived United Kingdom, which absorbed 20% of total financial resources, and Ireland and Denmark, which in this period were the first two countries for per capita financing[7]. This reallocation of funds shows that EIB was one of the tools to promote European integration and bring countries closer to entry, a sort of "sweetener" for newly acceding Member States. This new role would be even more evident towards the end of the 70's and the beginning of the 80's, when EIB focused its attention on the Mediterranean countries, helping associated countries such as Greece, which would enter in 1981, Spain and Portugal, which instead would join in 1985, to meet the criteria to become part of the EEC (EIB, 1986).
2. Lending patterns moved closer to the economic strategies and objectives of the EEC: during this period, loans were granted for projects reflecting the Community's political interest. Firstly, as a result of the 1973 oil crisis, the Commission and the Member States called for investment in the energy sector in order to achieve independence: EIB thus reduced its investments in transport and, often in collaboration with state-controlled companies, such as ENEL in Italy, favoured investments in the energy sector[8] (EIB, 1983). Moreover, in 1975 the European Regional Development Fund was created: the EIB actively engaged in co-financing its projects, thus diversifying its portfolio and expanding its areas of expertise (Dunnett, 1994). Finally, the European Investment Bank, through its loans, has brought the Community closer to the use of the single currency (Bussière, Dumoulin and Willaert, 2008): this objective was launched during the Paris Summit held in October 1972. In 1973, the EIB made its first loan in

[6] Starting from 1970, year of the election of the French Yves Le Portz (replacing the Italian Formentini), who will remain in charge until 1984, there has not been another Italian at the head of the Bank

[7] Italy in the period between 1973 and 1985 received €26.24 billion, while the UK received €11.90 billion. With respect to the amount of euro lent per capita over the same period, Ireland received €644 per person, while Denmark received €270 per person.

[8] The Bank's preferred energy sector was nuclear power: EIB invested here 5 billion euros between 1974 and 1985. The most important project in which the EIB played a leading role was the construction of CERN, which was completed in 2002.

European Composite Unit (EURCO), a financial instrument that sought to provide stability after the U.S. exited Bretton Woods. The introduction of EURCO paved the way for the creation in 1978 of the European Monetary System, which provided for a new unit of account, the European Currency Unit (ECU), which was used by EIB since 1st January 1981.

In conclusion, we can say that in this period the EIB moved from being a regional development bank to a key player in responding to the political needs of the EEC: the increase in its investments, despite the economic crisis, shows both the maintenance of independence and the emergence of a new awareness of its means.

1.1.3. From 1986 to 2007: Policy Instrument

Belgium	Denmark	France	Germany
Greece	Ireland	Italy	Luxembourg
Netherland	United Kingdom	Portugal (1986)	Spain (1986)
Austria (1995)	Finland (1995)	Sweden (1995)	Cyprus (2004)
Czech Republic (2004)	Estonia (2004)	Hungary (2004)	Latvia (2004)
Lithuania (2004)	Malta (2004)	Poland (2004)	Slovakia (2004)
Slovenia (2004)	Bulgaria (2007)	Romania (2007)	

List 3 Member Countries between 1986 and 2007

These years have represented for the European Investment Bank a period of expansion and affirmation on the global economic scene: through treaties, enlargements of the European Community and development of new topics the bank has succeeded in increasing its sphere of activities and its budget, passing from €14.4 billion in 1986 to €164.8 billion in 2007.

The second half of the 1980's was a period of great transformation: from a macroeconomic point of view, the EIB had to face the wave of liberalization and privatization that would later take the name Washington Consensus: international financial institutions, including the World Bank, had to change their lending practices, favouring private over public investors (Honohan, 1995). Among the Member States the first to adopt this kind of measure was the United Kingdom led by Thatcher, while at Communitarian level the decisive step in this direction was the Single European Act (SEA) signed in 1986[9]: liberalisation was seen as the main instrument in order to complete the single market and build an economy that could compete on a global scale (Bussière,

[9] https://eur-lex.europa.eu/resource.html?uri=cellar:a519205f-924a-4978-96a2-b9af8a598b85.0004.02/DOC_1&format=PDF: Article 16 states that the Council may take decisions by qualified majority in order to increase the degree of liberalisation of the Community. To reduce it, on the other hand, unanimity is required.

Dumoulin and Willaert, 2008). Furthermore, the SEA contained the request, coming from the countries which were lagging behind in terms of development and would be disadvantaged by liberalisation[10], for "Greater economic and social cohesion" and it was in this sector that the EIB[11] made its greatest efforts (Clifton, Dìaz-Fuentes and Gòmez, 2018): in order to strengthen regional cohesion, the Structural Funds were in fact linked to EIB projects. In the period between 1989 and 1993, the Bank spent more than ECU 60 billion in regional development: it started to occupy a pivotal position from 1988 when cooperation between the Bank and the Commission began and the EIB was involved in the development and monitoring of the Community's regional development plan[12].

The Maastricht Treaty, signed in 1993, continued in this direction: regional development policy, through the institution of the Cohesion Fund, became even more important because its ultimate goal was monetary union[13]. As far as the EIB is concerned the Maastricht Treaty's Article 130b, contained in Title XIV[14], reaffirmed that the Bank should cooperate with the Community in order to implement the common market, while Articles 198d and 198e[15] (Chapter V) took over Articles 129 and 130 of the Treaty of Rome although a paragraph is added to the latter: to highlight the EIB's new and more integrated role in European policies. These articles stressed that "In carrying out its task, the Bank shall facilitate the financing of investment programmes in conjunction with assistance from the structural Funds and other Community financial instruments".

While the Amsterdam Treaty signed in 1997 did not bring any substantial changes for the EIB, the Treaty of Nice[16], which was signed in 2001 and entered into force in 2003, introduced a more structural modification to the Bank, integrating it more with the other European institutions (Onesti, 2015). As stated in Article 266 of the Treaty of Nice, in order to amend the Bank's Statute, the unanimous vote of the Council was required and was to act at the request of the EIB and after consulting both the European Parliament and the Commission. Finally, the 2007 Lisbon Treaty, even without changing the articles

---

[10] Namely Spain, Portugal, Greece and Ireland

[11] In 1985, the Bank's budget doubled passing from ECU 14.4 billion to ECU 28.8 billion due to the growth in its activities

[12] The cooperation between the Bank and the Commission further increased with Agenda 2000, the document containing the Community's policy programme for the period 2000-2006.

[13] EIB completed its first euro lending operations in 1997

[14] https://europa.eu/european-union/sites/europaeu/files/docs/body/treaty_on_european_union_en.pdf : pages 55 and 83.

[15] The Lisbon Treaty will change the numbering to Articles 308 and 309.

[16] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12001C/TXT&from=IT page 27

concerning the EIB (except for numbering, refer to note 15) and thus confirming the Bank's greater integration within the newly created European Union, modified the structure of the Union, replacing the previous “pillar structure” with a new architecture: it merged the two founding treaties, the TEU (which is the Treaty on European Union signed in Maastricht) and the TFEU[17] (Treaty on the Functioning of the European Union which initially was the Treaty of Rome then amended by the SEA, the Treaties of Maastricht, Amsterdam, Nice and finally Lisbon) and added to them various protocols which thus became an integral part of the EU. The first concerning EIB is Protocol No 5, the Statute of the EIB, that will be analysed in the next section. The second is Protocol No 28 on economic, social and territorial cohesion: it states that the EIB will continue to provide funds to benefit the poorest regions. Finally, Protocol No 7 guarantees the EIB immunity in respect of the performance of its functions.

With regard to enlargement, in 1995 three new countries joined the European Community (EC)[18], namely Austria, Sweden and Finland: it was the simplest expansion of the EC, as the new countries already had advanced economies. In the same period, however, following the collapse of the USSR in 1989, an aid programme started with the aim of integrating the countries of Eastern Europe into the European Community: in 1990, the EIB was a founding member of the European Bank for Reconstruction and Development (EBRD) and later it played a key role in the assistance programme formalised in 1998, when the pre-accession facilities helped the eastern candidate countries, in particular Poland and Hungary, to develop their economies (EIB, 1998). The part played by EIB for what concern pre-accession facilities was fundamental: in the three years preceding enlargement (2000-2003), the Bank lent approximately €9 billion of its own resources and also contributed, through its know-how, to the evaluation of Community projects in those countries (EIB, 2003). The final result was that in 2004 Slovenia, Slovakia, Poland, Malta, Lithuania, Latvia, Hungary, Estonia, Czech Republic and Cyprus joined the EC and finally in 2007, the enlargement was completed with the accession of Romania and Bulgaria[19].

---

[17] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:12012E/TXT&from=IT : the articles concerning the EIB are 15, 126, 175, 209, 271, 287, 289 and 343 and deal with transparency, functions also outside the EU, relations with the Member States, the European Institutions, the Court of Justice, the Court of Auditors and Immunity issues.

[18]With the Treaty of Maastricht, the European Economic Community became the European Union

[19] The last country to join the European Union will be Croatia in 2013.

Finally, in addition to regional development and the facilitation of eastward enlargement, EIB has also addressed new issues, primarily the environment (Robinson, 2009). The environmental theme definitively exploded in the 1980s and the European Community had laid the foundations for a policy on the matter in Article 130 of the Single European Act (Nugent, 2017). The European Investment Bank acted, also in this case, as an aid to the EC in order to implement the new policy: since 2001, following the European Council of Gothenburg, the Bank had worked with the Commission to implement the strategy of sustainable development, theorized in 1987 in the Brundtland report. The most important results in this field were on the one hand the creation in 2006, together with the EBRD, of the Carbon Fund, a way of encouraging both public and private economic players in Eastern Europe to use renewable energies; on the other hand, in 2007 EIB issued the world's first green bond, which raised funds for energy efficiency and renewable energy projects all over the continent (EIB, 2017). The second new area in which the EIB began to invest since the late 1990s was innovation: as part of the Lisbon Strategy, which guided the development of the Union in the decade between 2000 and 2010, the EIB, again in cooperation with the Commission, began to finance medium to long-term projects in the areas of education and training, research and development (R&D) and information and communication technologies (ICT) (Balenciaga, 2003).

In conclusion, this twenty-year period was decisive for the European Investment Bank: thanks to its pivotal role in the policies of the Union and its capital increase, it became the most important multilateral lending institution in the world. In 2000, by becoming a major shareholder of the European Investment Fund (EIF), it also created the EIB Group: the EIF, created as a tool to help with financial instruments small and medium sized enterprises (SME), has thus become the group's only vehicle for venture and risk capital, as well as continuing to support SMEs.

1.1.4. From 2008 to 2019: Playing a Leading Role in the Economic Crisis

Austria	Belgium	Bulgaria	Cyprus
Czech Republic	Denmark	Estonia	Finland
France	Germany	Greece	Hungary
Ireland	Italy	Latvia	Lithuania
Luxembourg	Malta	Netherland	Poland
Portugal	Romania	Slovakia	Slovenia
Spain	Sweden	United Kingdom	Croatia (2013)

List 4 Member Countries between 2008 and 2019

The last ten years have been characterized by a spread of development Banks in Europe[20]: the reason is that these Banks have played, since the beginning of the financial and economic crisis that started in 2008, a very important role in making counter-cyclical investments in order to try to raise the economy of the various countries (Mertens & Thiemann, 2019). The European Investment Bank paved the way, increasing its assets by almost 100% between 2007 and 2014 reaching a budget of more than € 243 billion[21]: the characteristics that it had developed up to that point have allowed the Bank to launch important investments and be at the centre of the European project for the reconstruction of the economy.

The economic crisis exposed the structural problems of the European Union both from a financial and a social point of view. Starting with the first issue, the flow of private capital was confirmed as highly pro-cyclical, drastically reducing the resources available for investment (Griffith-Jones, Tayson and Calice, 2011). In this case the EIB confirmed its anti-cyclical nature and in 2009 it increased its budget by €67 billion: its loans, which were projected to encourage investments in the medium to long term, were in fact increasingly in demand and were seen as a solution to stimulate the recovery of the capital market in times of crisis (Griffith-Jones, Tyson, 2013). The area in which the Bank was committed the most in this first period was that of SMEs: loans linked to this sector increased from €6.4 billion in 2007 to 10.1 billion in 2010 and were mainly linked to Research and Development, with the aim of creating a lasting change over time (Griffith-Jones, Tayson and Calice, 2011). For what concerns the social dimension, the economic crisis led to high unemployment, in particular due to an ageing population, high public debt and low growth rates. To address this problem, in 2009 the European Union launched the Europe 2020 strategy, which was planned to guide the economic development of the EU in the decade 2010-2020: this programme, that followed the guidelines of the previous Lisbon Strategy with the aim of improving them, proposed five objectives[22] to be achieved through three priorities:

---

[20] Some examples: Strategic Banking Corporation of Ireland founded in 2014, Instituição Financeira de Desenvolvimento established in Portugal in 2014 and the British Business Bank and Green Investment Bank active since 2012 in the UK.

[21] https://www.europarl.europa.eu/RegData/etudes/IDAN/2018/614497/IPOL_IDA(2018)614497_EN.pdf

[22] https://www.researchitaly.it/uploads/706/1_Europe%202020_2010_IT.pdf: the five objectives are increasing employment, investing in research, combating climate change, improving the quality of education and fighting poverty

1. Intelligent Growth: to challenge emerging economies, it is important to invest in education, research and innovation so as to increase the competitiveness of the whole economic system. As far as EIB is concerned, investments in academic research and education started in 2000 as part of the Lisbon Strategy: since 2005, the Bank has spent about 5% of its turnover in this sector (Tuijnman, 2009). In addition, the Bank has invested significant resources in company R&D: for example, to combat cyberterrorism and cybercrime, the EIB, starting in 2014, has lent many resources to high-tech companies (EIB, 2018).
2. Sustainable Growth: to overcome the economic crisis it was also necessary to build a more sustainable economy, paying attention to environmental policies and climate change, as well as trying to reduce dependence on fossil fuels. EIB, which has shown an interest in environmental topics since the 1980s (De Maria, 2015), has participated in this type of growth in various ways: in 2010, it adopted the Environmental and Social Handbook, which sets the guidelines to make development coexist with attention to the social aspect of projects, so as to encourage sustainable development practices. Moreover, in 2013 the Bank has set up an Emissions Performance Standard, thus limiting its funding to projects with high-carbon emissions[23].
3. Inclusive Growth: to achieve sustainable growth over time, it is necessary to promote social and territorial cohesion and make the labour market open to everyone. As we have seen, the EIB has always dealt with the most disadvantaged areas of the EU, first by financing infrastructure and then by working with the European Commission on Cohesion policy, providing both resources and know-how: these capabilities are also useful in Europe 2020, in which the Bank's tools are used in order to evaluate projects related to the "Smart Specialization" strategy. However, the Bank has not abandoned the projects of direct aid and for example in 2014 it signed its first Jobs for Youth loan in Poland in order to facilitate the integration of young people into the labour market.

In addition to the Europe 2020 strategy, from 2014 the European Investment Bank is also involved in another project together with the European Commission, the so-called Juncker Plan[24]: this investment plan, named after the President of the European Commission Jean-Claude Juncker, was intended to mobilise, through the specially

[23] https://www.eib.org/en/about/key_figures/timeline/08-17.htm
[24] Also known as Investment Plan for Europe

created "European Fund for Strategic Investments", substantial amounts of money that could be invested in the economy without creating new public debt and help the economic recovery struggling to take off after the crisis[25]. The functioning of this "fund" (which in reality is a guarantee) is summarized in the image below:

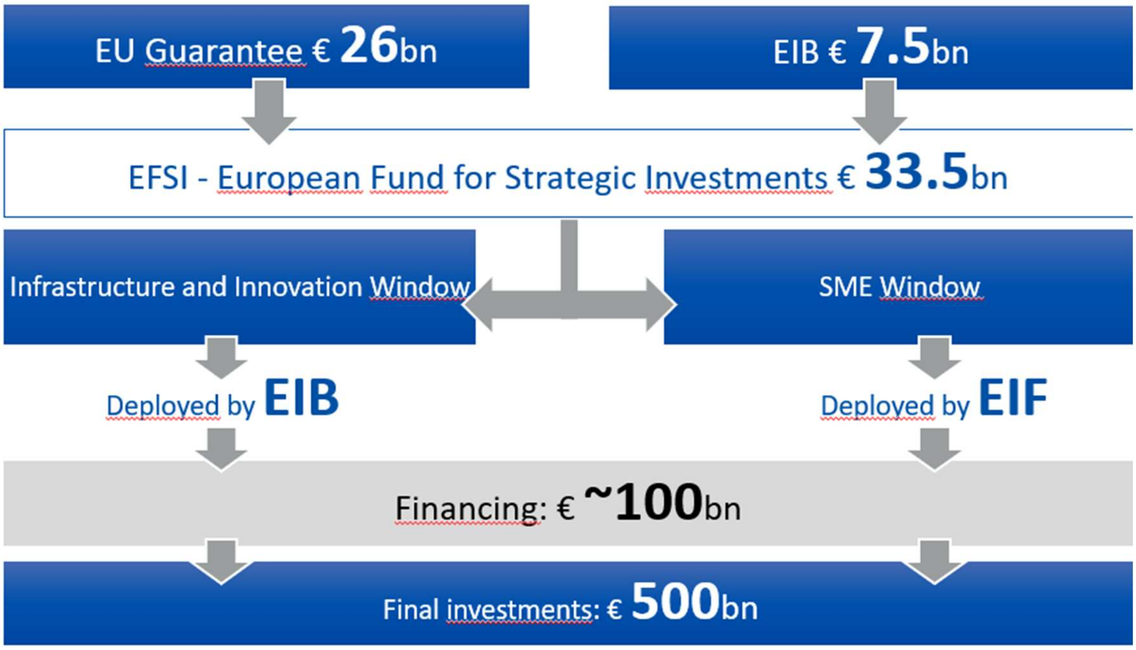

Figure 1 European Fund for Strategic Investments (EFSI)

The aim of the plan is to benefit both from the EIB's capacity to assess projects[26] and from its independence towards the Member States, which reduces bureaucratic obstacles to investment and attracts both public and private investors to get the economy back on track (Mertens & Thiemann, 2019). As can be noticed from the figure, the preferred sectors are innovation, infrastructure and small businesses and the fund/ guarantee initially had a budget of €33.5 billion. The results have been more than positive and the initial aim of generating investments for €315 billion over three years has been overcome and the new target has become to mobilise €500 billion by 2020. The advantage for EIB is that it can invest in more, sometimes riskier, projects faster than would be possible without a guarantee by the EC (EIB, 2019). To date (December 12th 2019), € 439 billion has been mobilised in more than 1200 operations involving more than one million SMEs[27].

[25] https://op.europa.eu/webpub/com/factsheets/investment/it/
[26] It uses its governance structures, procedures and evaluation method
[27] https://www.eib.org/en/efsi/index.htm

In conclusion, in this brief analysis of the history of the European Investment Bank, we have seen how the Bank has shifted from being a development tool for the most backward regions to an economic instrument for achieving the political objectives of the European Union. The means that EIB has developed over time, such as medium to long term loans in riskier sectors and less dependence from national states than other European institutions, while its governance model has been taken as a model in the two programmes created by the EU to tackle the economic crisis of recent years and drive the transition to a more sustainable and inclusive economy.

1.2. EIB: Its Governance

As we have analysed in the part concerning historical evolution, since 1957, various treaties have been signed with the aim of regulating the European Union and improving its integration process, most recently the Lisbon treaty, which entered into force in 2009: many articles of these treaties, as we have previously seen, also concern the European Investment Bank, dealing with both its principles and its mission. In this sense, the most important articles are 308 and 309 of the TFEU: the first takes over Article 129 of the Treaty of Rome and addresses the principles of the Bank, endowing it with legal personality and establishing that its members are the states that are part of the EU. On the other hand, the second, taking up Article 130 of the Treaty of Rome, is about the mission of the Bank, which is to grant finance in order to ensure the cohesive development of the single market. In order to complete the legal background of the Bank, besides other Articles present in the TFEU (see footnote 17), the Lisbon Treaty has integrated, as Protocol number 5, the EIB Statute[28]. The Statute, together with the EIB Rules of Procedure[29], describes the Bank's Governance, addressing the decision-making structure, what the Bank can do, the structure of the balance sheet and the controls on its operations.

This section, which aims to study the governance of the EIB, will therefore be based mainly on these two documents. It is important to notice that the Statute and the Rules of Procedure, originally written in 1957, have been continuously updated until the latest version of 2013 (Liebe & Howarth, 2019) and contain both public and corporate governance principles, thus reflecting the nature of the Bank which is both independent and linked to the European Union. The analysis will be organised as follows: firstly, it will focus on the decision-making structure, which will be divided into two parts, namely

[28] https://www.eib.org/attachments/general/statute/eib_statute_2013_07_01_en.pdf
[29] https://www.eib.org/attachments/general/rules_of_procedure_en.pdf

the composition of the governing bodies and the EIB's relationship with the other institutions. It will then move on to the budget structure and finally it will deal with the decision-making process leading to the financing of the projects.

1.2.1. The Governing Bodies

The EIB's Statute establishes that the Bank is managed by three decision-making bodies (Article 6 of the Statute), namely the Board of Governors, the Board of Directors and the Management Committee, which are joined by a control body (Article 12 of the Statute), the Audit Committee[30]. In this paragraph we will analyse their role, which decisions they can adopt, the articles that concern them both with regard to the Statute and the Rules of Procedure and finally how they are appointed.

1. Board of Governors[31]:
    - *Main role*:
        i. Guiding principles in accordance with the policies of the European Union
        ii. High-level policies
        iii. Approval of annual accounts
        iv. Appointment and remuneration of Members of the other governing bodies
    - *Functions*: representing the Member States, it is the body that takes the most important decisions for the Bank (Gilibert, Greppi, Marchegiani and Ratti, 1991): in particular, it decides on general directives for the Bank, such as credit policy guidelines, appointment of the members of the other bodies, approval of the annual report and financial statements, decision on operations outside the Union and capital increases. The meetings take place once a year and are chaired by a Chairmanship that is chosen in rotation among the Governors. The voting system can be either double majority, i.e. the majority of the Board members and the majority of the subscribed capital must be in favour, or qualified majority, when for the most delicate decisions 18 members and 68% of the subscribed capital must be in favour.
    - *How they are appointed*: its members are ministers of economic departments, usually the Ministry of Finance, of the 28 member countries. Their appointment is therefore independent from the functioning of the Bank and their mandate is linked to the duration of the national government.

[30] https://www.eib.org/attachments/general/governance_of_the_eib_en.pdf
[31] https://www.eib.org/en/about/governance-and-structure/statutory-bodies/board_of_governors/index.htm

- *Articles related to it*: articles 7 and 8 of the EIB Statute regard the Board of Governors, defining the composition of the board and its functions (art.7) and how it votes (art. 8). As far as the Rules of Procedure are concerned, the Board of Governors is dealt in Chapter II: here the frequency of meetings (art.2), the drafting of documents (art.3), how to vote (art. 4 to 6) and bureaucratic issues (art. 7 to 10) are regulated.

2. <u>Board of Directors</u>[32]:
    - *Main role*:
        i. Approval of financing operations
        ii. Approval of policies and the operational strategy
        iii. Approves the three-year Corporate Operational Plan and its budgetary implications
        iv. Control of the Management Committee
    - *Functions*: it is the body responsible for the Bank's operational activity: it has exclusive competence to take decisions regarding loans, guarantees, borrowings and volume of funding to be raised on the capital markets. It also supervises the management of the Bank and compliance with the Treaties and the Articles of Association, monitoring the activities of the Management Committee. Finally, it approves or endorses horizontal policies of the EIB, such as those on the environment, procurement, transparency, fraud and Non-Cooperative Jurisdictions. The Board meets between 6 and 10 times a year (but can also act by correspondence) and its meetings are chaired by the Chairman of the Management Committee, who is not allowed to vote. The voting system is the same as that of the Board of Governors, with the difference that the European Commission can reject its operations and, in this case, unanimity is required.
    - *How they are appointed*: The Board of Directors is composed of 29 directors, one from each Member State plus one appointed by the European Commission. In addition, there are 19 Alternate Directors and six experts on more specific issues, who do not have the right to vote. The members of the Board of Directors are appointed by the Board of Governors for a renewable period of five years, on the basis of nominations by the Member States or the

[32] https://www.eib.org/en/about/governance-and-structure/statutory-bodies/board_of_directors/index.htm

European Commission. Once appointed and when acting as members of the Board of Directors, they are responsible solely to the Bank.

- *Articles related to it*: articles 9 and 10 of the EIB Statute concerning the Board of Governors: Article 9 deals with the composition, appointments and functions of the Board, while Article 10 regulates voting. As far as the Rules of Procedure are concerned, Chapter III is dedicated to this Board: it regulates the frequency of meetings (art. 11), the necessary documents (art. 12), who can participate and who can vote (art. 13 to 16), the functions of the Board (art.18) and bureaucratic matters (art. 17 and 19).

3. <u>Management Committee</u>[33]:
    - *Main role*: Day-to-day management of the Bank under the authority of the EIB president
    - *Functions*: The Management Committee is the Bank's permanent collegiate executive body. Under the authority of the President and the supervision of the Board of Directors, it oversees the day-to-day running of the EIB, prepares decisions for Directors and ensures that these are implemented. The committee meets once a week and the President chairs the meetings. The vote is by majority and each of the nine members has one vote. Unlike the other two bodies, subscribed capital has no influence and there is no double majority rule.
    - *How they are appointed*: The Management Committee has one President[34] and eight Vice- Presidents. Traditionally, one member is nominated by each of the largest Member States in terms of their shareholding (France, Germany, Italy and the United Kingdom), with the remaining five being nominated by the other Member States, divided into five country groups ("constituencies"). They are appointed by the Board of Governors, on a proposal from the Board of Directors, for a renewable period of six years.
    - *Articles related to it*: article 11 of the EIB Statute concerns the Management Committee: it regulates the composition and appointments, the functions and how the Committee votes. As far as the Rules of Procedure are concerned, Chapter IV is dedicated to this Committee: it regulates the frequency and the

[33] https://www.eib.org/en/about/governance-and-structure/statutory-bodies/management_committee/index.htm
[34] Which is the EIB President

rules of the meetings (Art. 20 and 21), the necessary documents (Art. 22), the powers and functions of the Committee (Art. 23).

4. Audit Committee[35]:
   - *Main role*:
     i. Auditing of the annual accounts
     ii. Verifying that the Bank's activities conform to best banking practice
   - *Functions*: The Audit Committee is an independent body answerable directly to the Board of Governors and responsible for verifying that the Bank's activities conform to best banking practice applicable to it. It is also responsible for auditing the Bank's accounts. the committee usually meets every six weeks, ten times a year in total, plus the annual meeting of the Board of Governors in which it participates. the Chairman of the Audit Committee remains in office for one year and is chosen on a rotating basis from among the members who are in their last year of office. Its function is very important because it acts as an intermediary between the Bank and the external auditors.
   - *How they are appointed*: The Audit Committee is composed of six members appointed by the Board of Governors for a non-renewable period of six consecutive financial years. In addition, a maximum of three observers may be appointed to assist the Audit Committee.
   - *Articles related to it*: Article 12 of the EIB Statute concerns the Audit Committee: it regulates the composition, appointments and functions of the Committee. As far as the Rules of Procedure are concerned, Chapter V is dedicated to this Committee: it regulates its functions (art. 24), the frequency of meetings and the necessary documents (art. 25 and 26), the requirements for membership of the Committee (art. 27) and bureaucratic matters (art. 28 and 29).

In conclusion, as we can notice from the figure below, what has been analysed in this section is a vertical structure that recalls the decision-making structures of the various European institutions: at the base we find the Management Committee, which evaluates the initial proposals coming from the different departments (the function of which will be analysed in section 1.2.4, concerning the decision-making process). The results of this first evaluation will be examined by the Board of Directors, which has the power to

[35] https://www.eib.org/en/about/governance-and-structure/statutory-bodies/audit_committee/index.htm

approve the project. On the other hand, general guidelines are decided by the top of the pyramid, i.e. the Board of Governors, composed of the highest officials of the economic ministries of the various member countries. In addition, this Board is responsible for the main appointments and, through the work of the Audit Committee and the various departments and the General Secretariat, it also monitors the correctness of the work at the various operational levels.

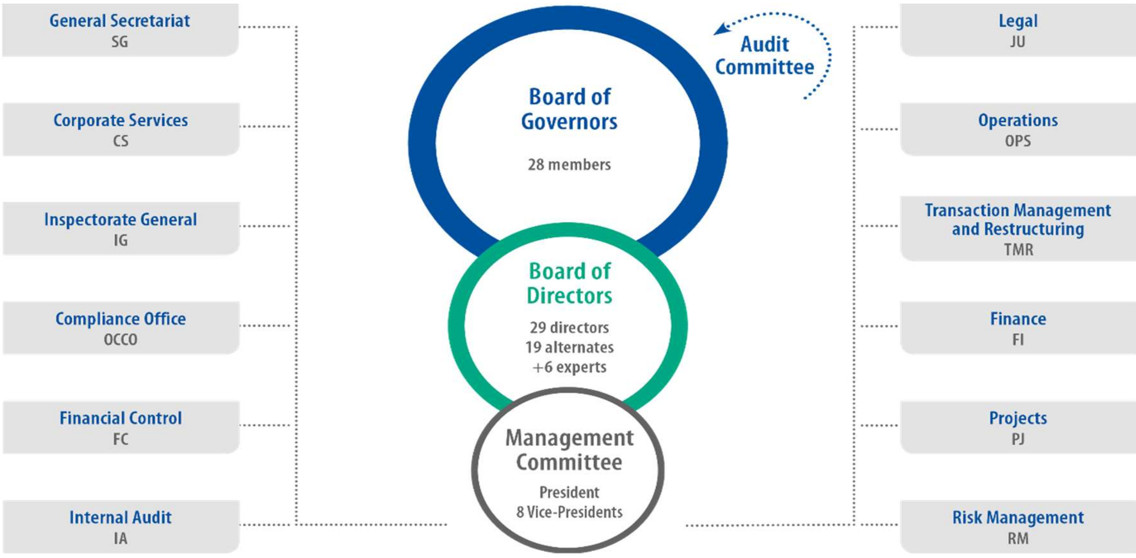

Figure 2 Organisation Structure

1.2.2. <u>The Interactions with Other Institutions and Bodies</u>

As we have seen in the first section, over time the European Investment Bank has become more and more integrated into the structure of the European institutions: through its collaboration with them, especially as regards Cohesion policy in collaboration with the European Commission, it has increased its role in the policies of the Union and has served as a model for the evaluation process. In this section we will analyse the procedures and the way in which the Bank interacts with the other institutions and bodies of the European Union[36]

- *Council of the European Union:* the relation with this institution is very close: as we have seen in the previous section in fact, the Bank's Board of Governors is composed by the Ministers of Finance of the various member countries, as well as the ECOFIN (Economic and Financial Affairs) Council. In addition, the President of the EIB participates at ECOFIN meetings and his staff, thanks to the

[36] https://www.eib.org/en/about/eu-family/index.htm

knowledge on economic and financial issues, is involved in the preparation of the meetings. This collaboration allows EIB financing to be in line with the Union's economic policy (EIB, 2015).

- *Court of Justice of the European Union:* as seen in the first paragraph of the historical section, the relationship between these two institutions begins with Article 180 of the Treaty of Rome (it will later become Article 271 of the TFEU): this article states that the Court may settle disputes between the EIB and the Member States and sanction the latter if they fail to comply with their obligations to the Bank. In addition, the Court may deal with disputes between the Bank and its borrowers or lenders, if specified in the contract. Finally, as far as the internal structure of the Bank is concerned, the Court may establish the legality of the choices made by both the Board of Governors and the Board of Directors.
- *European Central Bank:* the European Central Bank (ECB) is responsible for the monetary policy of the Union and represents the central Bank for the 19 countries that have adopted the euro. Its functions are to keep prices stable, manage the euro and, together with the EIB, promote economic growth and job creation. From the operational point of view, the EIB has access to the Eurosystem's liquidity mechanism, which requires the EIB to comply with the relevant requirements, including the requirement to hold minimum reserves with the Eurosystem.
- *European Commission:* as we have seen many times, the relationship between these two institutions is very close: it started in the 80's thanks to the cooperation in Cohesion policy, and has gradually expanded to the present day, when the Commission has used both the Bank's project evaluation tools and the financial ones to get out of the crisis[37]. As far as Governance is concerned, the European Commission appoints a member of the Board of Directors and makes an assessment of each project submitted to this Board: if the assessment is negative, the project will only be funded if the Board of Directors votes in unanimous vote (very difficult to achieve). Finally, the Commission is also one of the major shareholders of the European Investment Fund, which is part of the EIB group.
- *European Committee of the Regions:* as we will see in the next section, which will deal with the way in which EIB has operated, the Bank has always paid particular attention to the infrastructure and regional development sectors[38]. The expertise it

[37] These include joint programmes such as JASPERS and JESSICA with shared governance structure.
[38] Especially in its early years, as we have seen in the historical section

has acquired over time has enabled the Bank to get more and more in touch with the European Committee of the Regions (CoR), which is the EU's Assembly of Regional and Local Representatives and deals with regional development. Nowadays, Bank's officials take part in the meetings of the CoR with the aim of increasing the cooperation between these two institutions and help Europe's local and regional authorities to mobilise the EIB investments, ultimately delivering high-quality EU-backed projects that benefit citizens and local economy.

- *European Council:* The European Council maps out the main guidelines for the Union's internal and external policies. The Bank helps, when relevant, to prepare the work of the European Council and informs it of the EIB's contribution to EU objectives and policies. Over the past few years the EIB has also been contributing to economic and financial recovery efforts in the European Union and has growth and employment in Europe as a key objective (EIB, 2015).
- *European Parliament:* from a political point of view, the link between these two institutions has been strengthened since the 1980s: as we shall see in the third chapter, which will deal with environmental policy and the EIB's commitment to the green economy, the European Parliament has been committed to this issue since the 1980s, like the EIB. As far as governance is concerned, every year a committee of the European Parliament examines the EIB's activities and presents a report to a plenary session to which the EIB President is invited[39]. In addition, bilateral meetings between the two institutions take place regularly throughout the year. This allows the European Parliament to monitor the EIB's activities and its legislative, budgetary and political responsibilities.
- *European Economic and Social Committee:* the EIB has regular contacts with the European Economic and Social Committee (EESC) in order to take account of the Committee's opinions and benefit from the Committee's role as an interface between the EU institutions and civil society (EIB, 2015).
- *European External Action Service:* as we will see in the third chapter, the European Investment Bank also conducts many operations outside the territories of the European Union: in this sense, the relationship with the European External Action Service (EEAS), which is the diplomatic service of the European Union and deals with relations with non-EU countries, is very important, because both,

[39] https://www.europarl.europa.eu/factsheets/en/sheet/17/la-banca-europea-per-gli-investimenti

also through different representatives offices[40], want to increase the global influence of the European Union and carry out its policies worldwide.

In order to ensure the transparency of its operations, the Bank cooperates with other independent control bodies entrusted with such tasks under the Treaty or other regulations. These are:

- *European Court of Auditors:* in accordance with Article 287(3) of the Treaty on the Functioning of the EU (TFEU), the Court of Auditors can audit loan operations under the mandate conferred by the EU on the Bank as well as the operations managed by the Bank that are guaranteed by the general EU budget (EIB, 2015). To that end, a "Tripartite Agreement" has been adopted by the Commission, the Court of Auditors and the EIB[41].
- *European Ombudsman*: the function of this body is to conduct inquiries into instances of maladministration in respect of all activities and institutions of the European Union. Since 2008, when the Memorandum of Understanding between the EIB and the European Ombudsman was signed, its complaints process has been divided into two parts: the EIB's Complaints Mechanism handles in the first instance the complaints concerning an EIB project, policy or activity. If the outcome of this complaint is not satisfactory, the citizen can then escalate the concern to the European Ombudsman (EIB, 2015).
- *OLAF:* a ruling of 2003 from the Court of Justice of the EU provides the EIB with a legal framework for working in close cooperation with the European Anti-Fraud Office (OLAF) in the fight against fraud and corruption[42].

In conclusion, this section has shown how the EIB, is fully integrated into the complex context of the European institutions, working in partnership with them to achieve the objectives of Community policies.

1.2.3. The Composition of the Balance Sheet

The aim of this section is to provide an overview of the EIB's balance sheet: the capital of the Bank and its structure are extensively dealt within the Statute, and it is important to analyse them in order to understand how the Bank operates.

[40] https://www.eib.org/en/infocentre/contact/offices/index.htm
[41] https://www.eib.org/en/publications/tripartite-agreement.htm
[42] https://www.eib.org/en/publications/olaf-decision-on-measures-to-combat-fraud.htm

The starting point for the analysis is Article 4 of the Statute, which is the first article dealing with this issue. It begins by saying that the subscribed capital of the Bank is € 243 284 154 500 divided between the Member States as follows:

MEMBER STATES	SUBSCRIBED AMOUNT (€)	% ON TOTAL
GERMANY	39 195 022 000	16.11
FRANCE	39 195 022 000	16.11
ITALY	39 195 022 000	16.11
UNITED KINGDOM	39 195 022 000	16.11
SPAIN	23 517 013 500	9.666
BELGIUM	10 864 587 500	4.466
NETHERLANDS	10 864 587 500	4.466
SWEDEN	7 207 577 000	2.963
DENMARK	5 501 052 500	2.261
AUSTRIA	5 393 232 000	2.217
POLAND	5 017 144 500	2.062
FINLAND	3 098 617 500	1.274
GREECE	2 946 995 500	1.211
PORTUGAL	1 899 171 000	0.781
CZECH REPUBLIC	1 851 369 500	0.761
HUNGARY	1 751 480 000	0.72
IRELAND	1 375 262 000	0.565
ROMANIA	1 270 021 000	0.522
CROATIA	891 165 500	0.366
SLOVAKIA	630 206 000	0.259
SLOVENIA	585 089 500	0.240
BULGARIA	427 869 500	0.176
LITHUANIA	367 127 000	0.151
LUXEMBOURG	275 054 500	0.113
CYPRUS	269 710 500	0.111
LATVIA	224 048 000	0.092
ESTONIA	173 020 000	0.071
MALTA	102 665 000	0.042
TOTAL	**243 284 154 500**	**100**

Table 1 EIB Capital

As can be noticed, the only shareholders of the Bank are the 28 Member States of the European Union: this feature makes it the only development Bank in the world (both at international and regional level) to provide for an explicit exclusion of all third States from participation in the Bank (Manzella, 2017). Obviously not all States subscribe the same capital share: the shareholding is determined on the basis of the economic weight of the Member States within the EU[43] and this implies that the four largest economies, namely France, Germany, Italy and the United Kingdom have the highest percentage. As a result, the Bank's capital has increased every time there has been an enlargement; the decision to increase the capital can also be taken by the Board of Governors with an unanimous vote[44] and the last time this happened was in 2012 when, following the economic crisis, Member States decided to increase the paid-in capital by €10bn in order to reinforce the capital base of the EIB to support in particular economic growth and job creation.

On the other hand, Article 5 deals with the composition of the capital, which is divided into two parts:

1. The subscribed capital: this is the capital used to finance the loans and other activities of the Bank and therefore needs to be particularly significant in order to enable the EIB to act on the global financial markets. The EIB can lend a sum equal to two and a half times (250%) the total of subscribed capital[45], which as written above exceeds €243 billion. The function of this capital is double: on the one hand it guarantees[46] the Bank's creditors, who can rely on the fact that, should the EIB fail to meet its commitments, the EU Member States would have to pay up the full amount of their shares in the subscribed capital; on the other hand, it guarantees the Member States themselves, which are only responsible for the obligations assumed by the Bank in respect of their share (Manzella, 2017).
2. The paid-in capital: only a percentage of the subscribed capital is effectively paid by the states: article 5 (1) in fact specifies that the percentage of paid-in capital must be 8.9% (€21.6bn). This percentage has not always remained the same in

[43] in term of the relative size of its GDP
[44] Article 4 paragraph 3
[45] In Art. 16 (5) it is written that the aggregate amount outstanding at any time of loans and guarantees granted by the Bank shall not exceed 250% of its subscribed capital, reserves, non-allocated provisions and profit and loss account surplus. To raise these resources, it issues bonds on the international capital markets.
[46] Together with the amount of the reserves and credits owed to the EIB

history: indeed, the Treaty of Rome provided that the states had to pay 25% of the subscribed capital, which then fell to 20% in 1971, to 12,9% in 1978, to 10.2% in 1981 and to 7.5% in 1991, until it reached the current percentage. The EIB uses this paid-in part of the capital mainly to purchase interest-bearing shares, thereby generating income for itself. As stated in Article 22, this interest generated by the Bank constitutes a reserve fund which may be worth up to 10% of the subscribed capital,

In conclusion, the composition of the balance sheet also gives us a better understanding of the business model underpinning the EIB: the starting point is that, due to its high availability of resources (it can lend up to 250% of the subscribed capital) and the reliability of these funds (as they are linked to the credit strength of the related Member States), the Bank has obtained a AAA rating from all three main rating agencies: Moody's, Fitch and Standard & Poor's. Through this, it can emit bonds on the capital market benefiting from very low interest rates, in turn allowing the Bank to grant loans at advantageous rates, passing the financial advantage on to the final beneficiaries. Thanks to this operating model, it has become one of the leading supranational credit institutions in the world: moreover, it does not have an excessive weight on the Member States, which have to contribute only with the percentage of 8.9% on the amount of the subscribed capital (the paid-in capital). In the next section, we will see how the resources are used, which means, what the Bank can do and how it decides which projects to support.

1.2.4. The Decision-Making Process[47]

In this part we will analyse what the Bank does and its decision-making process that, as stated at the beginning of the section, combines the best practices from both private and public management. The result of this combination is a model that, through the intervention of various bodies and institutions throughout the process, creates a checks and balances structure that ensures optimal use of available resources.

With regard to the possible actions that the Bank can take, the EIB, as mentioned above, was set up to invest in projects relating to the implementation of common policies,

[47] https://www.eib.org/attachments/general/governance_of_the_eib_en.pdf the main source of this paragraph has been section 3 (page 11) of this document.

both in the Member States and in countries outside the Union. The Bank can participate in these projects in three ways:

1. **Lending to project**: in this case, the Bank provides financing to projects. The advantage over other credit institutions is that interest rates are lower, and the investment period is longer. The EIB also takes risks in sectors that benefit from less private investment mainly innovation, small businesses, climate and infrastructure. There are two main types of financing from the EIB:
    a. Direct loans: the Bank lends money directly to the counterpart financing the project. The conditions are that the total investment must exceed €25 million and the loan may not finance more than 50% of the project.
    b. Intermediate loans: consist of lending to local banks or other financial intermediaries which, in turn, on-lend the funds to the final beneficiaries.
2. **Blending its loans**: the Bank combines its funding with other EU funds. This way of acting, which has been used by the Bank when collaborating with the Commission in the context of Cohesion policy, aims to create synergies with the EU budget, in order to increase the impact on projects applying for funding.
3. **Advising**: with this function, the Bank provides financial and technical advice to project's counterparts.

There is no need to say that among the three activities we have seen, the main one is Lending: the potential clients can apply either directly to the Bank, or through the European Commission or Member State on whose territory the investment is to be carried out; this first phase is called "Identification of a project opportunity". Following the request, the Bank will evaluate the project, check if it is in line with European policies, what impact will have, both in economic and social terms, its feasibility[48] and funding proposal[49] (project appraisal): this is the second step of the EIB decision-making cycle, which is can be seen in the Figure below:

[48] Understand if the project is sustainable from an economic, financial, environmental, social and technical point of view

[49] Understand if the project will benefit from EIB involvement and if the risk level of the operation is acceptable for the Bank

Figure 3 EIB's Project Cycle

This project appraisal is mainly carried out by the Bank's staff: its personnel is divided into directorates and departments and performs the following functions[50], to:

- evaluate, appraise and finance projects
- raise resources on the capital markets and manage the treasury
- assess and manage risks attached to EIB operations
- carry out necessary economic or financial background studies

The organisation of this staff is administered by the Management Committee[51]: its members are in fact under the authority of the President and are selected both on the basis of their abilities and to represent the Member States in an equitable manner. Article 23 of the Rules of Procedure also specifies that the Management Committee will manage the organisation of the Bank's departments, which is currently made up as follows:

- General Secretariat: as stated in Article 30 of the Rules of Procedure, the Secretary-General of the Bank shall provide secretarial services for all the governing bodies in the Bank. Furthermore, it is responsible for implementing and monitoring the decision-making process: it defines the institutional strategy, provides economic analysis on the employment and growth impact of EIB activities and potential new products and coordinates and develops relations with EU institutions, international and development financing agencies and non-governmental organisations (NGOs).
- Legal Directorate: its main duty is to advise on legal matters. It is responsible for drafting and negotiating project-related legal documentation and other contractual

[50] https://www.eib.org/en/about/governance-and-structure/organisation/index.htm
[51] Article 11 paragraphs 3 and 7

documentation. Moreover, it provides legal advice on the Bank's activity, its organisation, the interpretation of the Statute and other legal texts. Finally, it defends the Bank's interests in any litigation that concerns it.

- Corporate Services Directorate: its main responsibility concerns human resources. Furthermore, it works on central corporate services including information technology and data governance, facilities management and information management and procurement.
- Operations Directorate: it is responsible for investment operations within the European Union. Its area of competence also includes the Candidate and Potential Candidate Countries and the European Free Trade Association (EFTA) Countries as well as other partner countries that are not included in one of the previous lists.
- Transaction Management and Restructuring Directorate: its functions concern financial monitoring of counterparts and event resolutions, as well as distressed transactions, late payments, guarantee calls and Know-Your-Customer processes.
- Finance Directorate: it is accountable for all borrowing and treasury operations and back office support for all equity, lending, borrowing and funding operations.
- Projects Directorate: it appraises and monitors projects, assessing their economic, environmental, social and technical sustainability and their compliance with EU and EIB sector policies. It also provides advice to promoters during the preparation and implementation of projects, either directly or through external consultants.
- Risk Management Directorate: it is in charge of controlling, monitoring and reporting on credit, market and operational risks and risks relating to the equity, lending, funding, treasury and derivative operations that the Bank performs.
- Inspectorate General: it groups together three independent control and accountability functions, namely the evaluation of operations and related policies and strategies, investigation into prohibited conduct, and the complaints mechanism.
- Compliance Directorate: it oversees the process of identifying, assessing, advising on, monitoring and reporting on the compliance risk[52] of the EIB Group. In particular, it is responsible for compliance policies, ethics standards, codes of

[52] Compliance risk is defined as the risk of legal or regulatory sanctions, material financial loss, or damage to reputation that a member of the EIB Group may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice

conduct, anti-money laundering and combating the financing of terrorism standards and taxation-related controls through due diligence and on-going monitoring of EIB counterparts and operations. Furthermore, the Compliance Directorate is co-responsible for the identification, assessment, monitoring and reporting of non-financial risks.

- Financial Control Directorate: it is liable for informing internal and external stakeholders about the Bank's financial position, results and performance. It must ensure the integrity, completeness and accuracy of the Bank's financial statements and compliance with the applicable accounting standards and best practices. Furthermore, since 2016 it included the Internal Controls Framework Division, which aims at strengthening the Bank's second line of defence and has as per objective to provide a common platform to assess and report on the EIB's control risks.
- Internal Audit Department: It is responsible for examining and evaluating the relevance and effectiveness of the internal control systems and the procedures involved in managing risk within the EIB Group. To that end, Internal Audit reviews and tests controls in critical banking, information technology and administrative areas on a rotational basis using a risk-based approach.

Once the Bank's staff have completed the appraisal of the project and produced the related reports, the third step is the review and possible approval by the Management Committee. If this approval is successful, the Management Committee will submit the project to the Board of Directors for final authorization. At this stage, both the European Commission and the countries that should receive the funding can intervene: indeed, both can oppose the operation (rarely has it happened) making it more difficult to approve it. If no further complications arise the negotiation ends and the Board of Directors finally approves the operation, enabling the EIB to sign the loan agreement. After the disbursement, the Bank will continue monitoring the operation, not only for financial risk purposes but also to see whether the expected benefits of the project materialise. This phase is mainly carried out by the Operations Evaluation Division which regularly conducts ex post evaluations of completed projects, by the Project Directorate and by the Transaction Management and Restructuring Directorate. The result of their reports is submitted to the Management Committee and forwarded unchanged to the Board of Directors[53]. Furthermore, the Bank

[53] Evaluation reports are also available on the EIB website.

disposes of all the controls that are normally done in any commercial Bank: for example, the Risk Management Directorate controls the financial risks associated with the transaction, the Legal Directorate the legal risks and finally the Compliance Office reviews the integrity and reputation of the participants in the operation. Finally, the last phase of the cycle is the repayment of the funds: it takes place within a period of time (from a minimum of three years to for an instance 30 years) and in instalments or bullet as it is established by the related loan contract.

In conclusion, it can be said that every EIB operation is subject to a large number of implementations and controls: during the process we have just seen, in fact, the governing bodies can intervene by modifying the proposal; moreover, the various directorates can monitor its application and measure its impact; furthermore, the Member States can intervene either directly according to the relevance they have on the total budget or through the Board of Governors; finally, both the European Institutions, in particular the Commission and Parliament, and individuals through the Complaints Mechanism can make their arguments heard. The result of this process is a complex model of Governance that is ruled by the Statute and the Rules of Procedure and contains points in common with both the governance of commercial Banks (for example with regard to the entire monitoring phase) and with the governance of the European institutions, for example with regard to transparency and accountability that are guaranteed through both internal and external controls.

1.3. How it has operated[54]

After having examined the historical evolution and the governance, this last section of the chapter will take into account how the EIB has invested its resources to develop the EU's economy: as we know, investments have always been influenced by both the European integration process and global economy; in addition, the various enlargements have raised the Bank's budget and its activities, also increasing the staff members and making the decision-making process more complex. The purpose of this section is, by relying on EIB database and various examples, to understand the main characteristics with which the EIB has operated in each of the four historical phases.

[54] This chapter is mainly based on the database available at this url: https://www.eib.org/en/projects/loans/index.htm

1.3.1. 1958-1972: Regional Development Bank

Sector	amount of funds allocated[58]
Industry	€1,084,118,667
Transport	€695,360,846
Energy	€505,075,099
Telecom	€266,431,071
Water, Sewerage	€166,810,396
Credit Lines	€93,813,519
Urban development	€16,303,762
Services	€11,033,032
Agriculture, fisheries, forestry	€1,012,748
Total	€2,839,959,141

Table 3 1958-1972 investments per sector

Table 2 1958-1972 investments per region

Region	Amount of funds allocated
European Economic Community	€2,523,319,317
Enlargement Countries[55]	€175,000,000
Africa[56], Caribbean, Pacific countries + OCT[57]	€141,639,824
Total	€2,839,959,141

Table 4 1958-1972 investments per country

Countries/ Sectors	Infrastructure[59]	Industry[60]	Services[61]	Energy	Credit Lines[62]	Total
Italy	€662,333,333	€619,996,000	€6,830,601	€92,000,000	€63,600,000	€1,444,759,934
France	€230,802,988	€122,801,410	€15,303,762	€191,278,987	€10,982,700	€571,169,846
Germany	€70,857,924	€141,635,246	0	€91,533,958	€15,464,481	€319,491,608
Belgium	€26,000,000	€10,800,000	0	€30,000,000	0	€66,800,000
Luxembourg	€4,000,000	0	€1,000,000	€4,000,000	0	€9,000,000
Netherlands	€8,287,293	€18,011,050	€2,762,431	€13,812,155	0	€42,872,928
Total	€1,002,281,538	€913,243,706	€25,896,794	€422,625,099	€90,047,180	€2,523,319,317

55 It refers to countries close to accession
56 It refers to Sub-Saharan Africa country
57 It refers to special Member State territories of European Union
58 the currency used to measure these investments is the 2018 euro.
59 It includes also transport, solid waste, water and sewerage and telecom
60 It includes also agriculture, fisheries, forestry
61 It includes also health, urban development and education
62 It consists of credit lines dedicated to SMEs

The allocation of funds shows that in the first period EIB acted as a Regional Development Bank:

The first thing to notice, looking at Table 3, is that investments had been concentrated primarily in the territories of the EEC and few resources had been invested outside its borders: the first three external projects were signed in 1963 in a future Enlargement Country, namely Greece, and concerned the construction of new roads. On the other hand, the first loan in Africa was signed in 1965 in Ivory Coast, in favour of a factory that produced packaging (SONACO).

Considering Table 2, which divides investments by sector, we can see that in this first phase the favoured ones were Industry, Transport and Energy: these three sectors, to which corresponded 362 projects out of the total 408 (267 Industry only), collected €2.2 billion out of the total €2.8 about 80% of the available resources. In particular, among the ten highest loans (worth €28 million or more), five projects were in the Energy sector, two in Transport and Telecommunications and one in Industry.

Finally, as far as investments by country are concerned (Table 4), it is necessary to make a split: in the first period (1958-1966), out of 137 projects financed, 85 were Italian and Italy was also the country that attracted 60% of the resources (€437 million out of a total of €710 million). On the other hand, in the second period (1967-1972), only 40% of the projects financed were located in Italy (112 out of 271) and the amount of resources invested in this country also fell by 10%, reaching 50% (€1 billion out of €2 billion): the main reason of this change was the economic crisis of the early 1970s and the demand from other countries for more investment to face it. Among these, the two main beneficiaries were France, which increased from €79 million of investments in the first period to €491 million the second and Germany, which moved from €47 million of investments in the first to €272 million in the second period. However, more resources have been invested in Italy, particularly in the southern regions and islands: the most important projects include over €60 million lent to Italsider in Taranto, €25 million to Eurallumina in Sardinia, €28 million for the construction of the Ionian Highway (Puglia) and over €27 million for the construction of thermal and hydroelectric power stations in Sardinia.

In conclusion, the features of the first phase are investments within the EEC, especially in the Energy, Industry and Transport sectors and the favoured areas are Southern Italy and its islands.

1.3.2. 1973-1985: Sweetener for New Member States

Table 5 1973-1985 investments per sector

Sector	Amount of funds allocated
Energy	€13,965,366,670
Credit Lines	€8,641,138,915
Transport	€5,293,927,080
Telecom	€4,669,273,380
Industry	€4,615,401,615
Water, Sewerage	€3,853,924,919
Composite infrastructures	€1,119,160,558
Urban development	€469,937,860
Agriculture, fisheries, forestry	€228,090,375
Services	€105,852,017
Education	€67,001,947
Solid Waste	€3,963,336
Total	€43,033,038,671

Region	Amount of funds allocated
EEC	€39,915,116,224
Africa, Caribbean, Pacific+ OCT	€1,538,542,545
Mediterranean countries[63]	€818,830,015
Enlargement Countries	€692,062,898
EFTA[64] countries	€68,486,989
Total	€43,033,038,671

Table 6 1973-1985 investments per region

Countries/ Sectors	Infrastructure	Industry	Services	Energy	Credit Lines	Total
Italy	€6,380,086,914	€2,328,614,658	€485,276,412	€3,910,497,796	€4,106,961,922	€17,211,437,703
France	€1,894,466,404	€204,933,240	0	€1,665,451,905	€2,264,789,303	€6,509,010,220
Germany	0	€103,351,973	€802,676	€1,372,002,480	€97,158,708	€1,643,152,141
Benelux countries[65]	€73,689,494	€2,503,543	€30,050,086	€677,867,066	€48,095,759	€813,990,928
First Enl. Countries[66]	€4,267,220,923	€1,261,128,368	€104,589,977	€5,942,855,908	€849,799,173	€11,149,097,380
Second Enl. Countries[67]	€1,500,035,211	€198,189,970	€8,627,011	€772,669,109	€1,251,997,001	€3,392,980,711
Total	€14,115,498,945	€4,098,721,752	€585,719,449	€12,850,099,666	€8,054,724,309	€39,915,116,224

Table 7 1973-1985 investments per country

[63] It refers mainly to North Africa and Middle East countries
[64] It refers to European Free Trade Association countries
[65] It includes Belgium, Netherlands and Luxembourg
[66] It includes Ireland, United Kingdom and Denmark
[67] It Includes Greece, Spain and Portugal

In the second phase, the Bank gave a great importance to new Member States, without forgetting the old priorities:

As far as investments by region are concerned (Table 6), clearly the largest investments have been made in the EEC. Outside the Community, compared to the first phase, African countries collected more investments than the Enlargement countries (among which Turkey and Serbia stand out): while in Sub-Saharan Africa the main investments concern Industry, in the Enlargement Countries the investments are mainly linked to Energy sector. Furthermore, the first loans were made in the Mediterranean countries, mainly in Egypt, and in the EFTA countries, where three projects related to Energy were financed in Norway.

Considering Table 5, we can see a significant change from the previous period: the three most relevant sectors became Energy (the environmental issue was very relevant at the time), Credit Lines and Transports. In these, €28 billion were invested (65% of the resources): as can be seen, the resources were allocated in a more balanced way compared to the first part, where the first three sectors occupied 80% of the resources.

Finally, considering Table 7 (investments by country), we can see that even in this period Italy remains the state that receives the most investments: the largest loans are still allocated in the southern regions, where telecommunications network (thanks to projects with the SIP, Società Italiana per l'Esercizio Telefonico), energy network and industrial plants were improved. In addition, it is important to notice that the EIB began to invest large resources in Credit Lines, which are credit services for SMEs: the resources are entrusted to intermediaries (e.g. MCC, Mediocredito Centrale) with the aim of promoting economic development. The title of this paragraph, however, is due to the role played by the countries that joined in 1973: as the data show, they are the second in terms of resources received and the first with regard to the Energy sector. The great importance that these three countries have had since their entry, shows that the Bank has been an important instrument to convince them to enter the Community. The United Kingdom, being the largest country, was the one that received the most funds (€6,9 billion more than half): of its ten largest loans, nine concerned the energy sector.

In conclusion, the features of this phase are an expansion of the investment areas, a more balanced allocation of resources, with greater investments in Energy, Credit Lines and Transport and finally, a focus also on the newly entered countries, though Italy remained the main recipient of EIB funds.

1.3.3. 1986-2007: Policy Instrument

Table 8 1986-2007 investments per sector

Sector	Amount of funds allocated
Credit Lines	€158,502,501,689
Transport	€157,501,195,711
Energy	€71,551,165,186
Industry	€52,653,926,335
Telecom	€40,867,289,551
Water, Sewerage	€31,086,875,239
Urban development	€17,142,083,258
Services	€16,098,548,689
Composite infrastructures	€12,623,258,645
Health	€12,443,508,166
Education	€11,770,087,153
Solid Waste	€4,125,331,620
Agriculture, fisheries, forestry	€883,788,988
Total	€587,249,560,228

Region	Amount of funds allocated
EC	€540,967,449,068
Mediterranean countries	€16,400,632,133
Enlargement Countries	€10,949,120,795
Africa, Caribbean, Pacific+ OCT	€8,507,616,729
Asia and Latin America	€5,687,087,259
EFTA countries	€2,797,854,244
South Africa	€1,624,800,000
Eastern Europe, Southern Caucasus and Russia	€315,000,000
Total	€587,249,560,228

Table 9 1986-2007 investments per region

Countries/ Sectors	Infrastructure	Industry	Services	Energy	Credit Lines	Total
Italy	€34,011,257,174	€7,918,345,336	€5,576,971,284	€17,941,519,595	€30,284,618,163	€95,732,711,553
France	€20,858,958,768	€5,526,667,720	€4,219,591,136	€378,505,503	€30,298,210,588	€61,281,933,715
Germany	€14,933,146,664	€9,934,069,877	€17,422,737,198	€4,355,132,194	€35,308,220,970	€81,953,306,903
Benelux countries	€9,524,982,842	€1,540,574,161	€1,896,013,025	€1,423,223,699	€5,953,869,581	€20,338,663,309
First enl.	€38,992,124,488	€7,157,814,286	€7,189,292,460	€16,035,868,794	€9,513,314,425	€78,888,414,453
Second enl.	€71,480,822,916	€6,966,452,869	€8,742,145,581	€14,487,542,257	€24,781,821,041	€126,458,784,664
Third Enl. Countries[68]	€9,628,541,553	€5,051,674,791	€4,534,757,838	€1,966,542,963	€5,252,423,968	€26,433,941,114
Fourth Enl. Countries[69]	€28,703,702,861	€3,963,249,005	€5,586,877,544	€2,640,094,329	€7,604,738,787	€48,498,662,526
Total	€228,133,537,266	€48,058,848,045	€55,168,386,067	€59,228,429,335	€148,997,217,524	€540,967,449,068

Table 10 1986-2007 investments per country

[68] It includes Austria, Sweden and Finland

[69] It includes Poland, Slovakia, Hungary, Romania, Malta, Cyprus, Estonia, Latvia, Lithuania, Czech Republic, Bulgaria and Slovenia

In the third phase, the volume of the Bank's activities dramatically increased: the EIB was more involved in European policies:

Starting from Table 9, it can be seen that also in this phase EIB increased its investment areas: since 2001 in fact it started to invest in Asia and Latin America and since 2003 it invested in Russia and Ukraine. The most significant loans in these areas were granted to China: they consisted of two investments of €500 million each, the first linked to the expansion of Beijing airport, while the second involved a series of loans for projects aimed at reducing polluting emissions. For the Mediterranean countries, the preferred sector was Energy, especially in Egypt, Morocco and Algeria. Finally, among the Enlargement Countries, Turkey received loans for €8,262,347,705 used mainly to improve its infrastructure network.

Taking into consideration the sectors (Table 8), we can see that the first three positions are occupied by the same ones as the last phase, only in different order: credit lines are now in first place, almost together with transport and followed by energy. The distribution of resources also remains stable, as in the last phase, whereby the three main sectors continue to allocate 65% of resources.

Analysing Table 10, we can see some changes and some similarities with respect to the past: starting from the latter, Italy remained the country that obtained more loans even in the third phase. In particular, three loans of €1 billion each were agreed to build the high-speed railway line Milan-Naples. With regard to the differences, new areas began to emerge: loans to Greece, Spain and Portugal, which had started in the last period, significantly increased with the entry of Spain and Portugal in 1986 (Spain in this period will get €82,5 billion). The countries of the third enlargement, however, namely Austria, Finland and Sweden, did not receive the same attention, being already more advanced economies. Finally, with the dissolution of the USSR, both loans to Germany, which after reunification had to rebalance the eastern part of the country, and loans to the countries of the East increased: as a result also of these, the countries were able to meet the requirements to join the EU in 2004. In conclusion, in this period the Bank has heavily invested in the new member countries, thus becoming a key player in European integration policies.

In conclusion, the characteristics of this third phase are the beginning of investment in Asia, Latin America and Russia and participation in European policies, especially as regards the integration of the new countries.

1.3.4. 2008-2019[70]: Playing a Leading Role in the Economic Crisis

Table 11 2008-2019 investments per sector

Sector	Amount of funds allocated
Credit lines	€231,633,107,810
Transport	€158,242,532,965
Energy	€117,603,610,679
Industry	€83,014,113,426
Water, sewerage	€38,670,904,664
Services	€35,069,913,109
Education	€34,368,769,867
Urban development	€33,476,200,817
Telecom	€27,020,926,781
Health	€18,025,975,754
Composite infrastructure	€8,985,736,479
Agriculture, fisheries, forestry	€5,878,484,690
Solid waste	€4,285,259,101
Total	€796,325,536,141

Table 12 2008-2019 investments per region

Region	Amount of funds allocated
EU	€707,538,540,105
Enlargement Countries	€29,603,199,572
Mediterranean countries	€18,912,545,764
Asia and Latin America	€14,305,124,260
Eastern Europe, Southern Caucasus and Russia	€11,373,377,518
Africa, Caribbean, Pacific + OCT	€10,826,063,998
EFTA countries	€2,048,230,219
South Africa	€1,668,454,705
Total	€796,325,536,141

Table 13 2008-2019 investments per country

Countries/ Sectors	Infrastructure	Industry	Services	Energy	Credit Lines	Total
Italy	€27,382,760,277	€9,681,361,290	€11,615,738,819	€18,847,247,521	€42,635,067,131	€110,162,175,038
France	€25,832,961,780	€9,110,985,121	€16,649,622,450	€9,545,092,441	€15,318,402,000	€76,457,063,790
Germany	€18,674,500,988	€22,209,274,829	€13,956,794,500	€5,913,986,955	€18,594,773,000	€79,349,330,273
Benelux countries	€12,849,811,289	€3,036,565,368	€7,355,918,085	€7,367,069,032	€11,589,917,447	€42,099,281,220
First enl.	€23,149,438,020	€6,710,244,437	€13,792,301,466	€17,864,272,019	€6,508,629,009	€68,024,884,950
Second enl.	€38,968,651,881	€7,903,579,479	€16,356,426,014	€21,179,297,522	€69,353,894,066	€153,560,050,415
Third Enl.	€14,987,216,666	€13,363,187,751	€12,376,279,599	€5,581,474,967	€6,018,073,637	€52,326,232,620
Fourth Enl. + Croatia	€46,928,888,019	€9,555,408,354	€20,420,821,164	€10,279,423,071	€33,837,423,879	€121,776,964,487
Total	€209,809,228,919	€81,510,606,629	€112,523,902,096	€96,577,863,526	€203,856,180,169	€707,538,540,105

[70] data updated on 12 December 2019

In this period the Bank has increased its budget and has played a pivotal role in responding to the economic crisis:

As far as investments by regions are concerned (Table 12), most of them are directed to candidate Countries, in particular Turkey, which receives loans for €21.5 billion. Among the projects dedicated to Enlargements countries, only six have received funding for at least €500 million: Turkey has the largest loan (€700 million for urban transport in Istanbul), while Egypt, Algeria and Brazil have received large amounts of funding to invest in their Energy sector and in Credit Lines for SMEs.

With regards to the sectors (Table 11) the first thing that can be noticed is the large increase of funds, due to the role that the Bank has played in supporting anti-cyclical investments in times of economic crisis and the related budget increase approved in 2009. Although the first three sectors are the same as in the previous period, the gap between Credit Lines and the other two has significantly increased: this is due to the fact that the Bank, from 2014, collaborates with the Commission on the Juncker Plan, which has promoted large investments, especially for SMEs, innovation and infrastructure in order to relaunch the economy.

Finally, taking Table 13 into account, the first thing to highlight is that Italy is no longer the country that receives the most funds: in this last phase Spain has in fact received €114 billion, slightly above the €110 billion of Italy. For what concerns the states that joined the EU most recently, the fourth enlargement countries are the ones that receive the most resources in terms of Infrastructure and Services: among them Poland in both these sectors is the one that gets the most loans, €27,4 billion for infrastructure and €11.2 billion for services. As far as Credit Lines is concerned, EIB continues to distribute resources through intermediaries, so that it does not have to carry out the monitoring work directly: in Italy, for example, the favoured banks are Unicredit and Intesa San Paolo. However, Italy remains the country that receives the most funds for energy: this is due to the consolidation of collaboration between state-owned companies (e.g. Enel) and the Bank.

In conclusion, in this last phase, in response to the economic crisis, we have seen an increase in the role of the EIB: its investments have risen in all areas thanks to the increase in its budget and in particular the Credit Lines Sector, has benefited from the Juncker plan and the increasing cooperation with the Commission.

1.4. Conclusions

The purpose of this chapter was to outline the main features of the European Investment Bank model. As we have seen in the first part, the role, activities and scope of the EIB have changed over time, both because of the historical conditions (economic and political) and because of the different processes that have marked the construction of the European Union (treaties and enlargements). Taking into consideration the third part of the chapter, the operating model of the Bank and its evolution over time can be summarised as follows:

Table 14 overview of main features

Phases/Features	Definition	New Areas of Investment Outside the Community	Relevant Sectors	Most Recipient Countries
First phase	Regional Development Bank	• Enlargements Countries • Africa and Pacific	1) Industry 2) Transport 3) Energy	I. Italy II. France III. Germany
Second phase	Sweetener for New Member States	• Mediterranean Countries • EFTA	1) Energy 2) Credit Lines 3) Transport	I. Italy II. United Kingdom III. France
Third phase	Policy instrument	• Asia and Latin America • Eastern Europe and Russia	1) Credit Lines 2) Transport 3) Energy	I. Italy II. Spain III. Germany
Fourth phase	Playing a leading Role	• Global Action	1) Credit Lines 2) Transport 3) Energy	I. Spain II. Italy III. Germany

To these characteristics it must be added another no less important one, namely that the EIB has been a catalyst for investment throughout its history (Isaia, 2019): when it decides to participate in a programme, in fact, the Bank is never the sole lender and it never finances the entire project, but through its intervention is able to attract new private investments. The reason is that its Governance structure and decision-making process when it comes to projects to be financed, that we have analysed in the second part, is efficient and thorough, and therefore when the Bank decides to invest in a project it is synonymous of a stamp of approval for other actors: the results of this have been seen both at the European level, with the great resources mobilized by the Juncker Plan thanks to the collaboration with the Bank (which has provided its know-how in addition to the funds) and at the international level, where EIB, as we will see in the third chapter, is the financial institution that operates in more parts of the world, often in collaboration with other financial players.

2. Cassa Depositi e Prestiti: Analysis and Comparison of BEI'S Italian Counterpart

The purpose of this second chapter is to analyse the Italian financial institution dedicated to the development of the national economy, Cassa Depositi e Prestiti (CDP[71]) and to highlight similarities and differences with EIB. As written earlier, many European countries have created for themselves, in times of economic crisis, an institution similar to the EIB in order to promote countercyclical investments, but the Italian case is peculiar, at least historically, since the bank was founded in 1850[72]. Thus, this chapter addresses the second research question informing this thesis.

In 170 years since its foundation, CDP has accrued both significant numbers and important shareholdings in the Italian economy[73]:

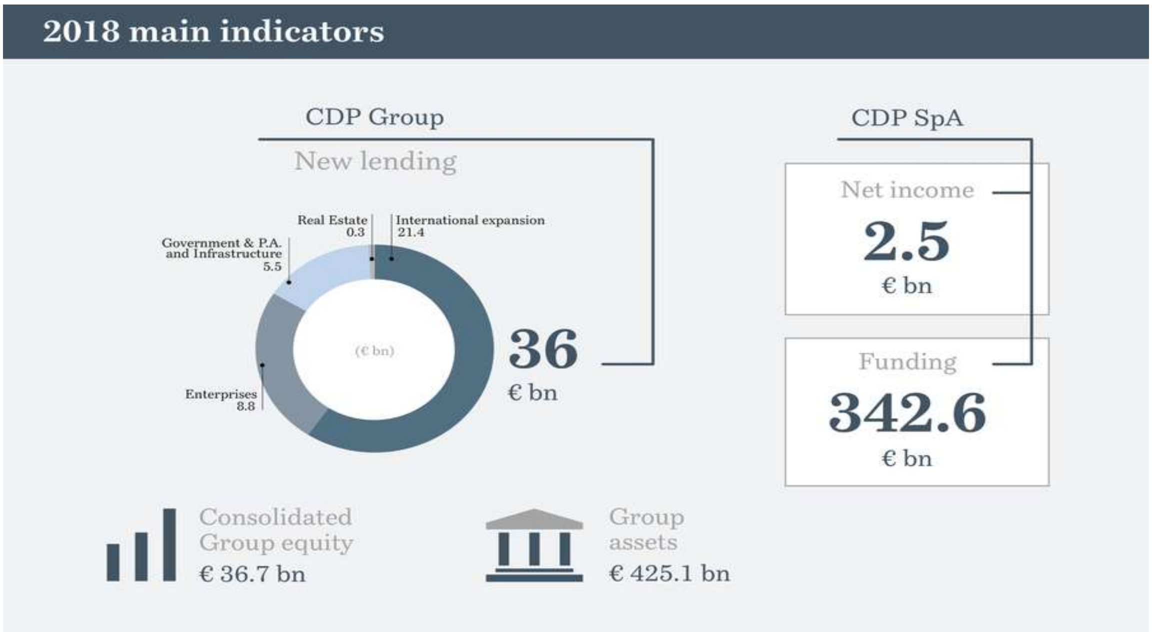

Figure 4 CDP's 2018 main indicators. Source : https://www.cdp.it/sitointernet/en/dati_societari.page

Figure 4, while it does not take into account investment in human capital (CDP has over 30,000 employees), certifies CDP's commitment as recently as 2018 to invest in Italy's economy and development. CDP enjoys a significant degree of financial autonomy in conducting these operations because the resources it uses come mainly come from postal funding (it manages over €260 billion, corresponding to 82.7% of postal

[71] In the text it will also be abbreviated to FI (Financial Institution) or Cassa.
[72] It is the second oldest among those in Europe after the French Caisse des dépôts et consignations, founded in 1816.
[73] https://www.cdp.it/sitointernet/en/dati_societari.page

funding[74]). The role of CDP as Financial Institution (FI), however, has always been linked to Italian politics and its choices, as we will see in the first section of the chapter dealing with its history and how it has operated. While this topic has been extensively covered in theses and publications, the aim of the first section is to provide guidelines for placing CDP within the Italian economic and political landscape, thus better understanding its *modus operandi*. Thus, the second section analyses CDP governance model and the way it takes decisions. Information for this analysis derives mainly from the official website of the Institution and there is also a paragraph focusing on the Code of Ethics. Finally, the third section of this chapter dwells on a comparison, through the analysis of similarities and differences, between CDP and EIB: as it will be seen, these financial institutions have points in common but also differences in the pursuit of their aims, both substantial and perceived.

2.1. The Role of Cassa Depositi e Prestiti in the Italian Economy

2.1.1. From Its Foundation to 1945: Unification and Consolidation

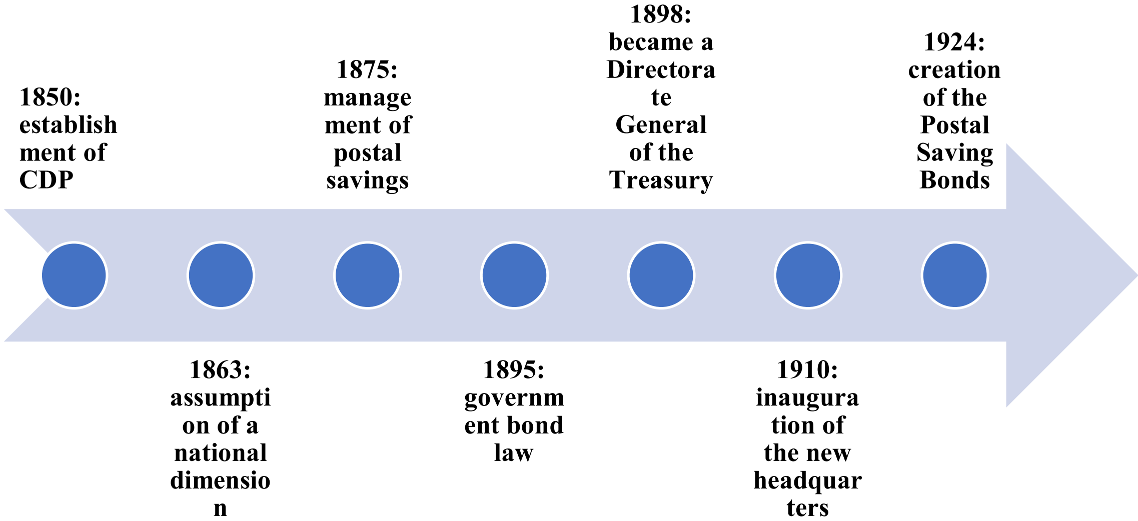

Figure 5 CDP timeline between 1850 and 1945

As shown in Figure 5, Cassa Depositi e Prestiti was established by the Parliament of the Kingdom of Piedmont and Sardinia on **18 November 1850** by Law No. 1097: its objective was to collect part of citizens' savings in order to finance local public bodies and support public expenditure, following the model of the homonymous French Caisse

[74] https://www.cdp.it/sitointernet/en/bilancio_2019.page

des dépôts et consignations, which had been founded in 1816[75]. The idea of the politicians of the time[76] was to create a financial institution capable of managing the flows deriving both from administrative and judicial deposits that were required to start a business and from the cash surpluses of the provincial treasuries. The resources so collected were then used to provide credit to local authorities that had to finance public works as well as to dispose of onerous debts (Conte, 2013). After the unification of Italy in 1861, the role of CDP began to increase through the investment of more resources in the formation of social fixed capital[77]. This was due to the fact that, by means of Law No. 1270 of **1863**, the other institutions that had carried out similar tasks in the rest of the peninsula before unification were incorporated into CDP: in this way, the available funds doubled, contributing to the unification of the internal market and increasing the productivity of the whole economic system.

However, the first substantial revolution in its role occurred in May 25th of **1875**, when the Cassa was entrusted with the management of postal savings: this was done through law number 2779 (presented by Minister Minghetti) which also allowed these savings to be guaranteed by the state and in this way attracted the interest of a huge number of savers, at that time not very confident in the banking system which was still struggling with the difficulties of unification (De Cecco & Toniolo, 2013). The effects of this law were significant from both a qualitative and quantitative point of view: starting with the latter, the resources available to the Financial Institution grew considerably and made it possible to grant credit to local municipalities at a lower cost than market's, thus generating substantial investment in infrastructure[78]. On the other hand, from a qualitative point of view, the Cassa played an important role throughout the territory, because post offices acted as a connection network for the entire Country: the offices were the main means of circulating money and were also used by emigrants to send remittances to their families (Mulazzani & Pozzoli , 2005).

Until 1895, the activities of CDP continued to be mainly investments in local authorities and public works, as well as the amortization of past debts: the only novelty

[75] CDP also takes its cue from "Cassa di depositi e di anticipazioni di fondi per i lavori pubblici", active from 1840 to 1850 with the aim of investing in public works.
[76] Among them we must remember Cavour, who was one of the first to understand the importance that CDP could have in the economy.
[77] In this first phase the biggest investments were made in infrastructure, especially in the north of the country.
[78] The priorities of the government of the time, the "Historical Right", were to unify the market through infrastructure: the road system, the sewerage system and the school system were improved.

was the expenditure for the renewal of the army, which continued until the Second World War. In **1895** a new law obliged the Cassa to use no less than half of the funds from voluntary or postal deposits in government bonds, or guaranteed by it: the effects of this law would continue throughout CDP's history and will be evident from the end of the First World War (Zamagni, 1998). In addition, in **1898** there was a major reform that transformed the Cassa into a Directorate General of the Treasury: thus the Cassa became an instrument of the economic policy of the Treasury and lost both some of the autonomy it had enjoyed until that date and its original *modus operandi*, which had to conform to that of a public institution.

The years on the eve of the First World War represented a period of great development for the FI: savings grew exponentially and so did its role in the Italian economy and this led CDP, on the eve of the war, to control 30% of the total deposits of the Italian banking system, corresponding to 12% of the Gross Domestic Product (Della Torre, 2001). The enormous amount of funds managed led to great consequences: the first was the increase both of its staff and of its competencies and this allowed CDP[79] to provide itself with a new autonomous headquarters, in Via Goito in Rome, which became operational from **1910** and is still in use nowadays. In addition, the Cassa would also make itself known abroad, thanks to the space that the government reserved for it in the Universal Exhibitions, including that of Paris in 1900, that of London in 1909 and that of San Francisco in 1910. The years of the First World War were very difficult and its traditional roles of supporting the Italian financial system and financing local authorities to build infrastructure were replaced by military efforts to support the conflict (Cassa depositi e prestiti, 2020).

The period between the two wars, however, would lead to a major enhancement of the role of the Cassa: the key date was **1924**, the year in which the Postal Saving Bonds were born. They were an instrument that attracted many small investors also from outside the country (thanks to the possibility of extinction at any time) and allowed to increase the capital[80]. During Fascism, CDP supported the birth of IMI (Istituto Mobiliare Italiano) and IRI (Istituto per la Ricostruzione Industriale), subscribing to their constituent capital: the Cassa underwent, like all institutions in the totalitarian period, the centralization of its decision-making and organizational process and was bent to the political needs of the

[79] Through the law number 74 of March 17 of 1907

[80] In the period between 1922 and 1940 there was a 243% increase in postal deposits: this led the Cassa to control in the second half of the 1930s, more than 50% of the deposits collected by the banking system.

period (Asso, 2013). In addition, another task entrusted to it concerned the management of public debt, especially foreign debt, which had become very substantial after the First World War: the Cassa became an instrument for monetary policy (mainly as a consequence of the law of 1895) and for financing the State deficit (Asso, 2013). It is therefore difficult to draw up a balance sheet of the Cassa's activities during the Fascist period: on the one hand, as seen, the Cassa collected large resources and also played a leading role compared to other credit institutions in a period of instability in the financial markets. On the other hand, however, as well as taking part in major public works[81], the Cassa was also a protagonist of state interventionism in the economy and industry, thanks to the granting of subsidies that did not favour the productivity of the economy but political objectives and was finally a leading player in raising funds for Italy’s participation in the Second World War (De Cecco & Toniolo, 2013).

In conclusion, in this first period Cassa Depositi e Prestiti carved out an important role for itself, which would also be recognised in the post-war reconstruction process: indeed, it showed a great capacity to adapt to the economic and political conditions of the entire period, participating in the economic life of the country, especially by improving its infrastructures at local level, both during the unification process and in the first half of the new century.

2.1.2. From Reconstruction to 2002: Acquiring Greater Autonomy

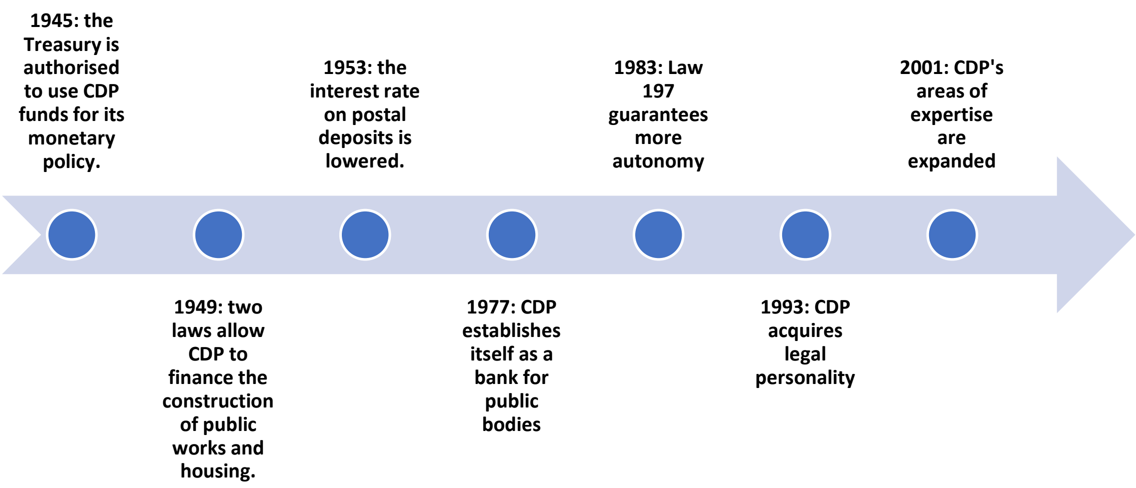

Figure 6 CDP timeline between 1944 and 2002

[81] Such as the reclamation of the Pontine marshes (1926-1935) and the creation of five new cities: Latina, Sabaudia, Pontinia, Aprilia, Pomezia.

With the collapse of the fascist regime in 1943 the Italian administrative structure was reformed: on 22 June 1944 the Ministry of the Treasury was reconstituted[82] and was entrusted with the task of chairing the Board of Directors of Cassa Depositi e Prestiti. Despite this, CDP's functions remained unchanged: it continued to deal with both the monetary policy functions in favour of the Treasury Ministry and the financing of local authorities for the construction of infrastructure, thus creating a sort of uncertainty about its legal status[83] and economic functions (Battilossi, 2013). As Figure 6 shows that as far as monetary policy functions are concerned, in **1945** the Treasury was granted the possibility of using the Cassa's current account for its policy and for the monetary financing of the State deficit: this represented an element of continuity with the past, as CDP continued to enjoy little autonomy from monetary policy and finance ministries. In addition, another element of continuity was the financial institution's dependence on postal savings bonds: even in this period they continued to be the main way through which CDP raised its funds. However, their flow was less constant than before, due to pressure from local banks against the preferential treatment[84] of postal deposits over ordinary deposits: this led, in **1953**, to a reduction from 4.5% to 3.75% of interest rates on postal deposits, thus reducing the number of people willing to invest in CDP (Farese, 2019). Finally, with regard to infrastructures, after the Second World War Italy used its public spending to rebuild its electricity, telephone and road networks: the Cassa was involved in this process through two laws of **1949**. The first, Law no. 408 of 2 July, allowed the Cassa to intervene in residential construction, while the second, Law no. 589 of 3 August, allowed it to finance public works (Donato, 2015). The result of these laws was that in the 50s and 60s the Cassa played an important role in the boom experienced by the Italian economy[85].

The beginning of the turning point from the past began in the 1970s: the shock of high oil prices slowed down the whole economy and public administrations were forced into debt. To get out of this spiral of indebtedness in **1977**, Minister Stammati, by means of two decree-laws[86] began to reorganise the financial management of local authorities: he proposed a global consolidation of their liabilities towards credit institutions and

---

[82] it was definitively separated from the Ministry of Finance
[83] Divided between an administrative body of the State, an autonomous company and a public body.
[84] Started with fascism, when CDP was favoured over local banks.
[85] In addition, the Cassa also contributes to the reconstruction after major emergencies such as the Vajont disaster in 1963 and the Florence flood of 1966.
[86] No. 2 of 17 January 1977 and No. 946 of 29 December 1977

towards the Cassa with ten-year Treasury bonds. With this measure, despite the fact that the Cassa remained formally subordinate to the State, it established itself as an independent institution separate from the State, a bank of public bodies (Bersani, 2018).

At the beginning of the 1980s the Cassa’s process for acquiring independence reached a turning point, thanks to Law No. 197 of **1983** which granted it more autonomy, both in terms of assets and accounts. The initial aim of this reform, proposed by Minister Pandolfi, was to transform CDP into an autonomous company with its own Statutes: the project was supported by the Cassa's management itself, but was opposed by the banking system[87], which feared the Cassa's competitive strength on the credit market and the possibility that it might manage substantial financial flows outside the Bank of Italy's control and outside the Treasury (Cardi, 2012). The final content of the law, which underwent various amendments as a result of the continuous negotiations between the different authorities, was therefore quite uncertain and the interpretation that emerged was that of the Corte dei Conti[88], which defined CDP as a Public Economic Body: with this definition, the Fund was hierarchically subordinate to the State and did not enjoy legal personality (Salvemini, 2013). Despite the lack of legal personality, the reform gave CDP more autonomy, which in those years allowed it to play a monopoly role in the management of the granting of credit to local authorities[89]. Through Law No 887 of 1984 it was established that local authorities wishing to access credit had first to apply for a loan to the Cassa and only later could they apply for a loan from another authorised credit institution. This legislation led CDP to control 85% of local credit: the monopoly was terminated by Minister Carli who, in 1990, by means of Decree Law 310 removed the obstacles to free competition even in the financial markets (Bartoletto, Chiarini,Marzano, Piselli, 2019).

Finally, in **1993**, Law No. 68[90] explicitly granted legal personality to CDP: in addition to this, the same law increased its independence, granting the right to freely acquire and dispose of shares in private credit institutions. Its legal personality was confirmed by Decree Law 248 of 1999[91], which defined the Cassa as: "administration of

---

[87] In particular by ABI, the Italian Banking Association and Bank of Italy, at that time responsible for monetary policy

[88] The Italian Court of Auditors

[89] In that period, the Cassa's most important participation was in the reconstruction following the earthquake of 23 November 1980 in Campania and Basilicata.

[90] Presented by Minister Barucci

[91] The historical moment is the changeover from Lira to Euro: the Cassa, together with the other credit institutions within the EU, must have a budget drawn up in accordance with Community rules.

the State endowed with its own legal personality and autonomy as regards regulations, organisation, assets and balance sheet". As regards its areas of competence, the Decree stipulated that CDP could invest only in areas related to its institutional tasks, thus excluding the possibility of expanding its sphere of interest. This restriction was removed in **2001** by Law No 448, which provided that the Fund could invest, including through holdings, in new public and private entities, acting as a "public financial holding company" (Dalla Torre, 2013).

In conclusion, the development of Cassa Depositi e Prestiti after the Second World War can be divided into two parts: the first thirty years represented a continuity with the past, while from the end of the 1970s there was a turning point in its role in the Italian economy. As regards the first period, the main activities were monetary policy and infrastructure: the Cassa had always been guided by the instructions of the Treasury and, as before the war, had not enjoyed particular autonomy. On the other hand, the second period was characterised by more freedom of action granted to the Cassa, which in 1983 was definitively separated from the Treasury. With this change, it also began to perform different functions from the past: alongside traditional investments in infrastructure, it opened the way to a new course and new holdings in various sectors. This had led, as it will be seen in the next section, to more direct participation in the economy and to the development of new instruments and priorities.

2.1.3. From 2003 to 2019: Joint-stock Company and the Economic Crisis

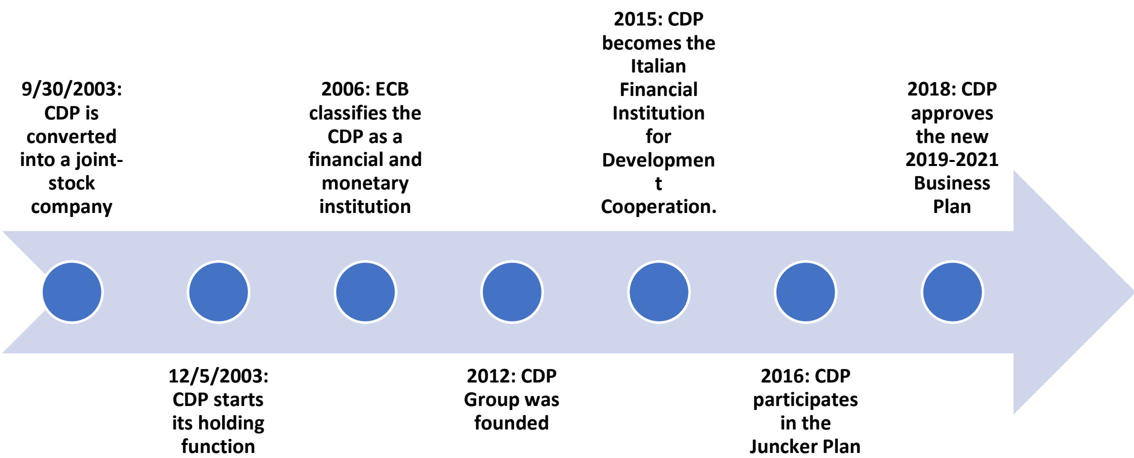

Figure 7 CDP timeline between 2003 and 2019

The beginning of the 21st century was not an easy period for the Italian economy: the country did not enjoy the positive growth that was at world level and as a result, in 2002 income per inhabitant slightly fell. The two main reasons for this slowdown were the collapse of public investment that occurred in 2002 and the infrastructure endowment, which remained below the European average. These were areas that concerned the Cassa, which therefore found itself at the centre of the political debate. In addition, a new European constraint had intervened to limit its activities, stipulating that the public deficit should not exceed 3% of gross domestic product. As it was still a public institution, the Cassa could not increase its activities without increasing the public deficit. In order to get out of this situation and relaunch the national economy, it was necessary to increase private investment in support of public works: the Minister of Economy and Finance of the time, Giulio Tremonti[92], studied a way to ensure that CDP's work was not accounted for in the State budget, as was the case for its French and German counterparts[93] (Toniolo & De Cecco, 2013). The result was that on **30 September 2003**, Article 5 of Legislative Decree No. 269[94] transformed the Cassa into a joint-stock company, 70% controlled by the Ministry of Economy and Finance (MEF) and the remaining 30% by 66 foundations of banking origin[95]: the same article also provided that public or private entities other than the State could only hold a minority share in the capital. CDP thus left the public administration and became a "market unit", required to operate in the market like a private investor, bearing the risks and benefits of each operation (Cassa depositi e prestiti, 2020). From an organisational point of view, the law stipulated that the Cassa's operations were to be divided into two parts (Donato, 2015):

1. **Separate Management**: it concerns the traditional activities of the Cassa, in continuity with the financing of public sector investment entities and the construction of public works and infrastructure. The resources for these operations still come from the collection of postal savings and therefore continue to be guaranteed by the State. The Minister of Economy and Finance plays a very

[92] During the second government led by Silvio Berlusconi
[93] Caisse des dépôts et consignations and Kreditanstalt für Wiederaufbau
[94] Later converted into Law No. 326 of 30 November 2003: https://www.camera.it/parlam/leggi/03326l.htm
[95] Foundations of banking origin are non-profit entities with private and autonomous legal personality and were chosen because they share their mission with CDP, i.e. both have the exclusive purpose of social utility and the promotion of economic development in the long term

important role in this management: his role is to dictate the course of action for the use of postal savings[96].

2. **Ordinary Management**: its purpose is to finance joint stock companies, both private and public, which operate public services. Investments may concern both research and development and facilities for the provision of services: the only selection criterion is the presence of public utility. This system is financed on the market through the issuance of financial instruments without the guarantee of the State: in this way works are carried out without burdening public debt and involving private investors.

The period immediately following the transformation into a joint-stock company was characterised by a great imbalance between separate management and ordinary management in favour of the former. This represented an element of continuity with the past and was due to the fact that the ordinary management was still to be built, while the separate one, also due to the expansion of postal savings[97], was already well structured. Alongside this, however, there were some innovations compared to the past (Macchiati, 2013):

- First, there was a great growth: CDP's assets rose from €107.6 billion to €196.1 billion in the period from 2004 to 2007.
- Secondly, CDP's classification was changed: following the 2003 law, it was classified as a "Non-bank financial intermediary". In **2006**, the European Central Bank reclassified it as a "Monetary financial institution", on a par with its French and German counterparts: in this way, CDP would enjoy more credibility in the future, allowing it to lend at an interest rate similar to that of others International Financial Institutions, including the EIB.
- Finally, the biggest innovation was the fact that CDP began to perform its holding functions: on 5 December 2003, in fact, it acquired from the MEF shares in ENEL, ENI and Poste Italiane for a value of approximately €11 billion. In this way, the Cassa received dividends that guaranteed remuneration, while the State received liquidity in order to finance its public dept. This activity was consolidated over

[96] As set out in Article 6 (paragraph 2) of the CDP Statutes, which will be analysed in the next section concerning Governance.

[97] Between 2004 and 2007 postal savings grew from €99.8 billion to €157.2 billion

time and as a result, at the end of 2007 CDP also had interests in other companies and mutual funds[98].

Between the end of 2007 and the beginning of 2008, the economic crisis began: it was a very difficult period for Italy which, between 2008 and 2014, saw its industrial production fall by 9.8%, with a consequent doubling of unemployment and a substantial loss of GDP[99] (Gruber, 2016). The Cassa, due to its separation from the State, was seen as an instrument to support domestic demand: although its resources were not sufficient to counter such a massive phenomenon[100], it developed new tools and increased its role in response to the crisis. From 2008, this new role allowed CDP to play the role of a National Development Bank, with the following investment priorities (Bassanini F. , 2015):

- Support for public bodies: this remained the traditional function, but new projects were added alongside infrastructure investments. First, the Cassa was entrusted with the development and subsequent disposal of the public real estate assets: in 2013, the Treasury, with this purpose, sold properties worth a total of half a billion euros to CDP. In addition, starting from 2014, CDP was involved in social housing: the aim was to help the weaker sections of the population with housing costs[101].
- Internationalization: starting in 2008, CDP started its activities outside the national borders. This part will be dealt separately in the third chapter: CDP's role has been very important, both in supporting the internationalisation of SMEs and in achieving common EU objectives
- New participations: in the period from 2008 to 2013, both CDP's shareholdings in other companies[102] and the resources employed in investment funds increased.

[98] These include Terna (operating in electricity networks), STM Microelectronics Holding and Istituto per il Credito Sportivo. The mutual funds, on the other hand, were mainly related to social housing and infrastructure.
[99] Unemployment rose from 6.7% to 12.7% and domestic demand fell by 11.1% causing a loss of 9 points of GDP.
[100] Between 2008 and 2012, postal savings grew from €175 billion to €234 billion, but resources remained insufficient despite the increase.
[101] https://www.cdp.it/sitointernet/en/st_social_housing.page
[102] In 2013, CDP's holdings will have a total value of €33 billion

The new shares, the most important in SACE, SIMEST[103] and FINTECA[104] will lead to the birth of the CDP Group in **2012**.

The results of this change were very positive: from 2008 to 2015, CDP's total assets reached a value of around €400 billion, almost double that at the end of 2008 (Bassanini F. , 2016). In addition, thanks to its new role and international credibility, from **2015** Cassa Depositi e Prestiti would become the Italian Financial Institution for International Cooperation, with the aim of bringing Italian and European companies to compete for the development of emerging countries and markets (Cassa depositi e prestiti, 2020).

Finally, in the period from 2015 to the present (14 January 2020), two business plans have been implemented to regulate CDP's activities: the first, approved at the end of 2015, was valid until 2018, while the second, approved in December 2018, will be valid until 2021. With regard to the first, the main introduction was to be through the 2016 Stability Law, by which CDP assumed the role of National Promotion Institute: as a result, it would be able to support SMEs, tourism and infrastructure, attracting new funds in line with the Juncker plan analysed above (Il Sole 24 ore, 2015). The second plan, on the other hand, aims to achieve investment of €200 billion[105] in four areas: support for small and medium-sized enterprises, infrastructure, international cooperation and strategic partnerships[106]. The novelty, however, lies in the importance given to sustainable development: CDP intends to contribute to the achievement of the objectives set by the United Nations Agenda 2030, also signed by Italy. In order to do it, the projects that CDP decides to support must be in line with environmental and social standards (Lamboglia, 2018).

In conclusion, in this last part of its history, CDP has once again demonstrated its ability to change and adapt to the macroeconomic situation of the country. Due to the autonomy achieved in 2003, it was able to expand its activities[107], during a period in which the state was in crisis and could not spend, becoming a reference tool for the

[103] Companies supporting export and internationalization that will be analysed in the third chapter
[104] It controls Fincantieri, one of the world's leading shipbuilding groups
[105] Including €110 billion of own resources and the remainder from private and supranational investors.
[106] Resources will be distributed as follows: €83 billion for SMEs, €25 billion for infrastructure, €3 billion for International development and the remaining resources in shares.
[107] Especially as regards support to SMEs and acquisition of shares.

development of Italy: in doing so, it acted both alone and in collaboration with the European Union through the Juncker Plan and other programmes.

2.2. CDP: Its Governance

2.2.1. The Statute

The purpose of this paragraph is to analyse the Statute of Cassa Depositi e Prestiti[108]: its articles set out the *modus operandi* and the areas in which CDP invests, its governance model and the main rules establishing the functioning of its governing bodies[109]:

1. **Article 3**: this article sets out CDP's operating model and can be summarised as follows in Figure 8:

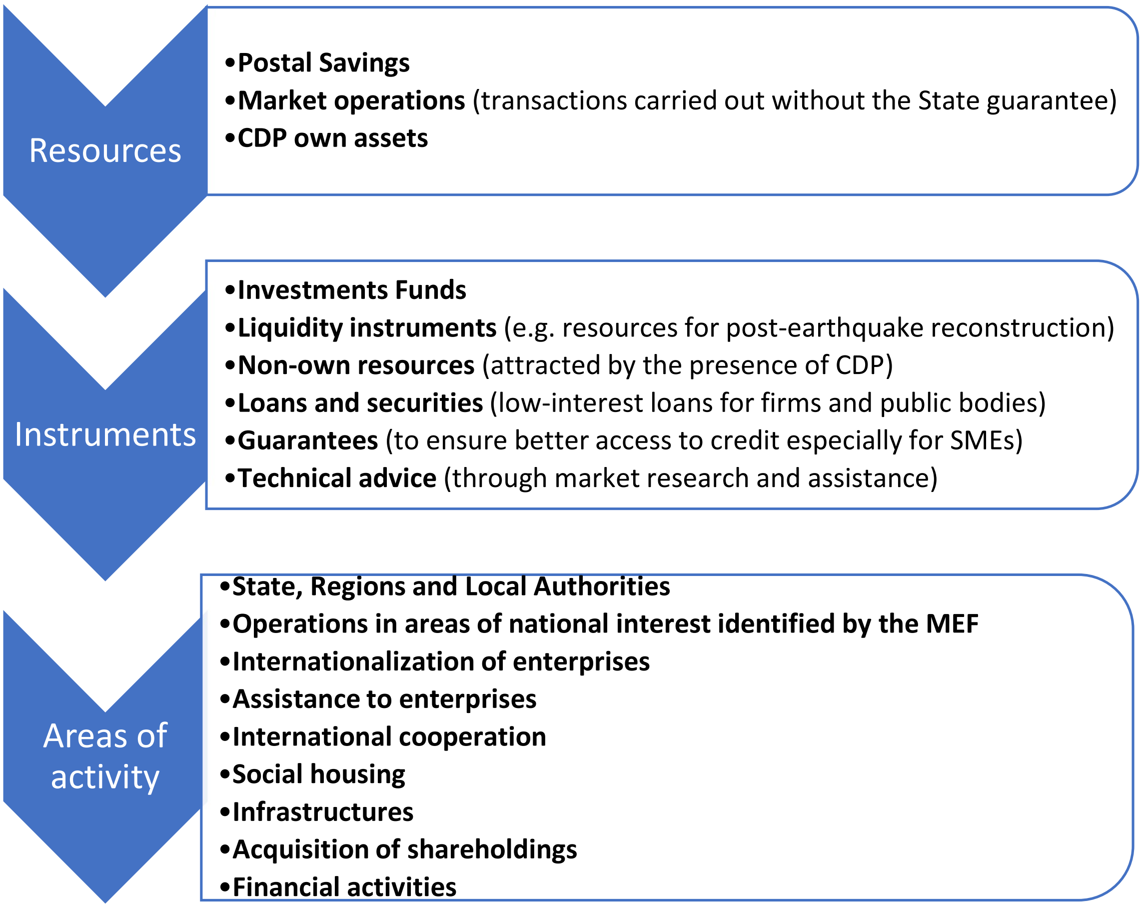

Figure 8 CDP business model

[108] reference will be made to the version of 19 March 2019: https://www.cdp.it/resources/cms/documents/Statuto_CDP_Marzo_2019.pdf

[109] The Statute is composed of 33 articles: in this section only certain of them will be taken into account, avoiding deepening the aspects related to accounting and legal details.

In summary, this article describes the resources used by CDP, its instruments and the areas in which it operates. As seen in the first section regarding historical analysis, postal savings remains the most important source for CDP and is part of Separate Management, while Market Operations is part of Ordinary Management. As far as instruments are concerned, it should be noted that they are similar to those used by the EIB, with the exception of Liquidity Instruments: this part is discussed in greater detail in the third section of this chapter, which compares these two financial institutions. Finally, the areas of activity, as seen, have undergone a considerable increase after the transformation of 2003: alongside traditional loans to public bodies and the construction of infrastructures, new areas such as export support, the acquisition of shareholdings[110] in other companies and social housing have become established[111].

2. Governance model: these articles are those concerning the reform of 2003 and its adjustment:
    i. **Article 1** establishes the structure of CDP as a joint-stock company: it refers to the law no. 326 of 2003, which is analysed in the previous section.
    ii. **Article 6** lays down the rules for Separate Management: as seen, it is under the control of the Minister of Economy and Finance who dictates its guidelines. Paragraph 3 of the same article, however, specifies that these powers may not be exercised in the management of CDP's holdings: this means that CDP is independent as regards its shareholdings in companies managing network infrastructure of national interest in the energy sector and other subsidiaries.
    iii. **Article 7** relates to the share capital, which is € 4,051,143,264.00, divided into 342,430,912 shares. The article also specifies that the majority of the shares belong to the Italian State, which exercises its rights through the MEF. As specified in **Article 8**, the minority of the shares is transferable only to the Banking Foundations, while **Article 9** establishes the right of recession.

[110] Shareholdings is analysed in the third paragraph of this section, which goes into the composition of the CDP group.

[111] It is important to notice paragraph D of the Article, which specifies that CDP can only invest in companies that enjoy good financial health and have growth margins: this is important when dealing with the political relevance of the Cassa.

3. Finally, Articles 11 to 28 concern the governing bodies, their composition and functions:
    i. **Articles 11 to 14** relate to the shareholders' meeting, namely the union of all legal entities holding CDP shares. The shareholders' meeting can be organised in two ways: in an ordinary manner, at least once a year, and in an extraordinary manner, when convened by the Board of Directors (CDA)[112]. Its main functions are to dictate CDP's policy guidelines, mostly for what concerns the separate management (Camera dei Deputati, 2016), to appoint the CDA and it is also the only body that can amend the Articles of Association: in order to do it, 85% of the share capital must vote in favour. the Shareholders' Meeting is chaired by a President who is responsible for directing the deliberations and establishing their regularity.
    ii. **Articles 15 to 22** regulate the CDA[113], the body that governs CDP and takes the most important decisions to be voted at the Shareholders' Meeting. The CDA is composed of 9 members, whose term of office lasts 3 years and is renewable: the appointment process takes place through lists presented by shareholders, from which the members are voted. The list that receives the most votes obtains 6 members including the General Manager, while the second list gets the other three: from the latter list, however, the Chairman of the CDA is chosen. The main task of the Chairman is to convene the CDA at least once a month: decisions taken during meetings must be voted by the majority of members in order to be valid. The CDA has broad powers both for the ordinary management, for which it decides the guidelines, and for the separate management. It can also decide on the general organisational aspects of CDP, the granting of loans or the application for loans worth more than €500 million and the risks to be taken: in order to take these decisions, it is supported by four Internal Committees:
        a. Strategic Committee: it performs functions in support of the CDA's organisational and coordination activities and in support of the strategic supervision of the Company's activities

[112] The Italian nomenclature " Consiglio D'Amministrazione" will be used, so as not to be confused with the Board of Directors of the EIB.
[113] https://www.cdp.it/sitointernet/it/governance.page

b. Risk Committee: it has functions of control and formulation of proposals for guidelines on risk management and evaluation of the adoption of new products. The Committee provides a risk assessment for transactions that pass through the CDA, providing a mandatory but non-binding opinion

c. Remuneration Committee: it deals with the formulating of proposals to the CDA regarding the remuneration of the Chairman and the General Manager and, where the conditions are met, of the other bodies provided for by the Statute.

d. Related Parties Committee - expresses prior and reasoned opinions on CDP's interest in carrying out transactions with related parties, as well as on the appropriateness and substantive and procedural fairness of the related conditions.

iii. **Article 23** concerns the General Manager who, as noted above, is elected from the list that obtains the most votes: his main task is to report to the CDA and the Board of Statutory Auditors about the general operating performance and outlook, as well as on the most significant operations carried out by the Company and its subsidiaries.

iv. **Article 27** deals with the composition of the Board of Statutory Auditors: it is composed of 7 members and performs control functions. In carrying out its duties, it is supported by the Parliamentary Supervisory Committee, the Minority Shareholders' Support Committee and a magistrate of the Court of Auditors.

v. Finally, even though it is not provided for in the Statute, there is a Management Team[114] that defines and implements the operational plans, using the incentives that emerge from daily work to implement projects and long-term visions: it consists of 16 members who have specific functions with regard to CDP's areas of activity.

In conclusion, the analysis of the Statute has provided guidelines for understanding the CDP model: since its transformation into a joint-stock company in 2003, it has considerably expanded its resources, instruments and areas of activity, coming ever closer and finally becoming a development bank. This similarity created

[114] https://www.cdp.it/sitointernet/it/management_team.page

with the EIB, which is analysed in the next section, is made even more evident by the governing bodies, which recall those of the European financial institution for what concerns their functions and their composition.

2.2.2. The Code of Ethics

In the previous paragraph, CDP's Statute has been analysed: this document, as seen, regulates the way in which the company is organized and administered and how it could invest; however, it does not take into account the priorities, which are values that are accepted and applied in everyday work. This task of priority setting of values is performed by another document, namely the Code of Ethics[115]: its functions are to define the principles that CDP[116] recognises and to set out all the responsibilities that it assumes both at the internal and the external levels. Approved on **27 February 2017**, the Code of Ethics is divided into five sections[117] that outline the company's mission: the principles and provisions contained in the Code of Ethics are binding for anyone working at CDP or simply having a work relationship with the Fund. The reason why the Code of Ethics was drawn up is that CDP performs an important economic function for Italy: as seen, the company operates in the national interest by performing public service tasks[118]. Nevertheless, the Code of Ethics is not limited to separate management, but is also applied to ordinary management, that is composed by operations carried out without the guarantee of the State: the rules of the document are also to be complied with in market activities, so as not to violate the European rules for what concerns competition and transparency. The principles established by the Code of Ethics are:

1. Valorisation and satisfaction of the staff and integrity of the person[119]: one of CDP's core values is attention to its employees[120]. The tools to achieve this goal are a remuneration policy capable of retaining and motivating people and the creation of a dynamic working environment. The results achieved in this area have allowed, in February 2019, to be awarded with the certification of "Top Employers Italia": this award certifies the excellence of the working environment and staff satisfaction.

[115] https://www.cdp.it/resources/cms/documents/CDP-Codice%20Etico.pdf
[116] And the companies in which it is involved
[117] Namely: Purpose and scope, Mission and Values, Principles of conduct in business management, Relations with employees and other stakeholders and Implementation and control
[118] Such as collection of postal savings, investments in sectors of national importance such as infrastructure and public bodies
[119] https://www.cdp.it/sitointernet/en/gestione_del_personale.page
[120] to date there are 2121 employees, 97% with an open-ended contract

2. Legality[121]: in this area, CDP follows Law no. 190 of 6 November 2012, which was designed to prevent cases of illegality in the public administration. Moreover, in carrying out its activities, CDP acts in compliance with the legislation and all the rules in force in the territories in which it operates.
3. Confidentiality: Because CDP operates in the national interest, it must often act confidentially in order to safeguard the sensitive information with which it works.
4. Honesty[122]: relations with CDP stakeholders, its suppliers and the companies subject to management and coordination are based on fairness, cooperation, loyalty and mutual respect. CDP invests in environmentally aware companies and, as far as suppliers are concerned, ensures that they follow the rules of the Code of Ethics.7
5. Responsibility[123]: CDP's objective is to create social value through investments that aim, among other things, to combat poverty and promote schooling. Investments are made in the long term with the objective of having an economic, social and environmental impact: as we have seen, CDP has also intervened in the reconstruction of areas affected by earthquakes and floods, as well as in the development of depressed areas and developing countries: the purpose is to grow the economy in a sustainable and forward-looking manner.
6. Competences: More than 70% of CDP employees have a university degree (Cassa depositi e prestiti, 2018). The wealth of knowledge and experience of CDP and the companies subject to management and coordination is a distinctive factor in promoting initiatives in the various areas in which it operates.
7. Collaboration: CDP collaborates continuously with various bodies of Italian society, such as think tanks, institutions and companies. In addition, as will be shown in the third chapter, CDP plays also the role of external partners for its stakeholders.
8. Courage[124]: CDP and the companies subject to management and coordination are determined in their choices, even the most difficult ones, and work responsibly to achieve the best result for the community. CDP also operates in risk situations, through specific processes designed to control and monitor the risks associated with its activities.
9. Transparency and completeness of information: this criterion is important to be in line with other European financial institutions. Stakeholders are informed in a transparent

[121] https://www.cdp.it/sitointernet/it/pubbl_dati_legge_n_190_2012.page
[122] https://www.cdp.it/sitointernet/en/crescere_con_i_fornitori.page
[123] https://www.cdp.it/sitointernet/en/iniziative_ad_impatto_sociale.page
[124] https://www.cdp.it/sitointernet/en/presidio_dei_rischi.page

and complete manner about the situation and economic and management performance, without favouring any interest group or individual.

10. Quality[125]: CDP is committed to being attentive to the changing needs of the market and to constantly improve the quality of products and services offered to all customers. In this area, CDP aligns itself with international best practices and measures its performance using international criteria, such as the Global Reporting Initiative (GRI) Sustainability Reporting Standards.
11. Correctness: CDP is committed to avoiding conduct aimed at taking advantage of contractual gaps or sudden situations that could put the interlocutor in a weak position with respect to CDP and the companies subject to management and coordination.
12. Impartiality towards stakeholders: CDP avoids all forms of discrimination in its stakeholder relations. Management and daily operations are inspired by the application of the principle of equal opportunities.
13. Environmental focus[126]: this part will be pivotal in the next section regarding the comparison, since both CDP and EIB are strongly committed to the environmental protection. CDP has developed in the last few years a focus on this issue, becoming an important player both nationally and internationally: this role, as seen, is due to the fact that in 2015 it became the Italian Financial Institution for Development Cooperation and this has changed its strategic approach by aligning it with international standards and best practices, so that it can contribute to the achievement of the 17 UN Sustainable Development Objectives. The changes were also seen at the financial level, with the introduction of three new types of bonds[127]:
    - Social Bonds: to finance or refinance, in whole or in part, new or existing social initiatives.
    - Green Bond: to finance or refinance, in whole or in part, new or already started green initiatives.
    - Sustainability Bond: to finance or refinance, in whole or in part, new or already started social and green initiatives.

The resources raised through these bonds[128], which were developed between the end of 2017 and 2019, will be used to finance investments in projects that are

[125] https://www.cdp.it/sitointernet/it/gov_reporting_performance.page
[126] https://www.cdp.it/sitointernet/page/it/iniziative_per_l_ambiente
[127] https://www.cdp.it/sitointernet/en/green_social_sust_bonds.page
[128] They are important also because they pave the way for investments by new groups, such as Socially Responsible Investors.

included between the 4 categories present in the United Nations Sustainable Development Goals[129].

In conclusion, the analysis of the Code of Ethics made in this paragraph, although it may seem abstract in certain points, is complementary to that of the Statute made in the previous paragraph: in fact, it shows that, since its transformation in 2003, CDP has also adapted to international credit institutions with regard to investment values and priorities. As seen in the following section, this has paved the way for collaborations with the EIB, which will increase further in the near future through the Green New Deal, in which both will play a leading role.

2.2.3. CDP Group[130]

In order to complete the analysis of CDP's Governance, it is necessary to analyse its holdings in both quoted and unquoted companies, in addition to the leading role it plays in some investment funds. These holdings, which, as seen in the introduction, are worth more than €425 billion, are held in companies and sectors that are key to Italian economic development and represent one of the largest components of CDP's assets together with the management of the postal savings (Agenzia Giornalistica Italia, 2019). The holdings began in 2003 and have continued to evolve over time: to date, they can be made either directly by the Cassa or through companies belonging to the CDP Group, which was founded in 2012. The Group is divided into 8 companies that pursue different objectives, from real estate to industry: Figure 9 below, in addition to CDP's direct holdings, shows the companies belonging to the Group and the percentage of their share capital held by the Cassa. Subsequently, in the descriptive part, the shareholdings that each company manages will be added:

[129] Namely Infrastructure and City Development, Education, Financing for Small and Medium Enterprises and Energy and Environmental Sustainability.

[130] The paragraph is based on the data available at this url: https://www.cdp.it/sitointernet/it/partecipazioni.page

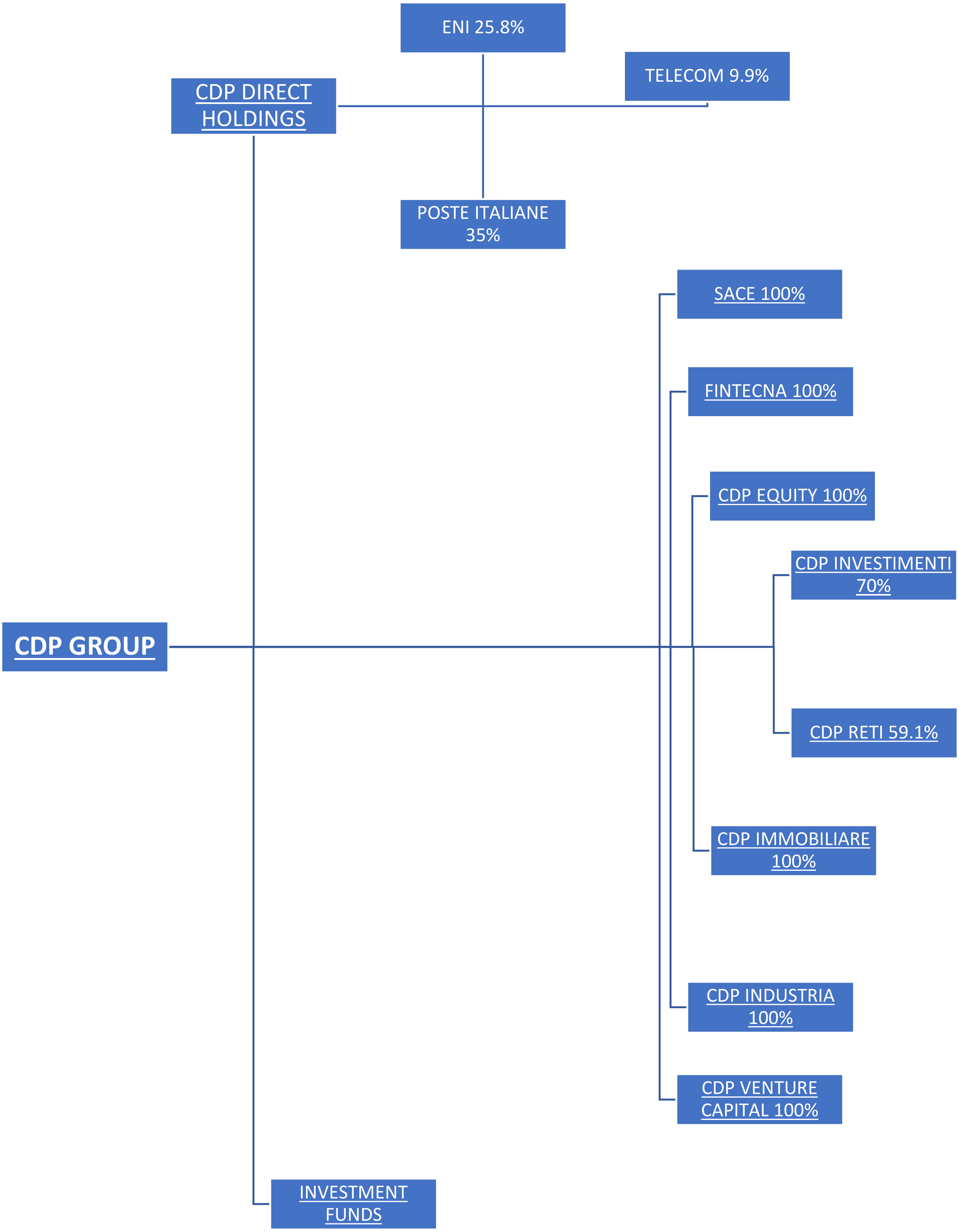

Figure 9 CDP group

1) SACE[131]:
   - Shareholding:
     i) SIMEST- 76% of the share capital
   - Functions: its tasks will be analysed in chapter three. SACE in fact, together with SIMEST, works for the internationalization of Italian companies, supporting them mainly in the export sector.
2) FINTECNA[132]:
   - Functions: it is mainly engaged in the acquisition, management and disposal of both real estate assets and shareholdings in companies operating in the real estate, industrial and services sectors[133]. Its area of expertise is mainly that of liquidations, with the aim of optimizing resources and ensuring support in the management of employment issues.
3) CDP EQUITY[134]:
   - Shareholdings:
     i) ANSALDO ENERGIA- 59.9%
     ii) OPEN FIBER- 50%
     iii) TH RESORTS- 45.9%
     iv) BF- 21.5%
     v) SALINI IMPREGILO- 18.7%
     vi) FSI INVESTIMENTI[135] – 77.1%
   - Functions: CDP Equity is a holding company that invests, with a long-term horizon, in Italian firms of considerable national relevance. Its work consists in acquiring minority shares in companies[136] and investing in them so that they can grow and increase their functions. It operates either alone or through FSI investments, which it controls at 77.1%: to date it participates in companies in various sectors, including agri-food, defence, research, energy, transport, communications, infrastructure, transports, public services, insurance, artist heritage and tourism.

---

131 https://www.sacesimest.it/

132 http://www.fintecna.it/

133 The condition for the company to participate is that the companies are in a stable financial situation and have adequate prospects of income

134 https://www.cdpequity.it/

135 It also owns shares in companies: to consult them, please refer to this url: https://www.cdpequity.it/portafoglio/portafoglio.kl

136 The companies can be both listed or ready for listing: the criterion always remains financial stability and the companies' return prospects

4) CDP INVESTIMENTI[137]:
    - Functions: this company manages 4 funds[138] and deals mainly with the real estate sector. The projects it supports range from social housing, to the enhancement and development of public real property, to tourism and finally, to smart housing.
5) CDP RETI[139]:
    - Shareholdings:
        i) SNAM- 31%
        ii) TERNA- 29.9%
        iii) ITALGAS- 26%
    - Functions: this company has the task of supporting the development of national infrastructures in the electricity and gas sectors. In order to do it, it manages the CDP shareholdings in Snam, the company that runs the national gas transmission network, Italgas, the main distributor of natural gas at national level, and Terna, which deals with electricity. In these three companies it acts as a long-term investor with the aim of supporting infrastructure development.
6) CDP IMMOBILIARE[140]:
    - Functions: this company is active in the valorisation of publicly owned real estate assets through urban redevelopment operations and subsequently privatisation. In synergy with the competent administrations, it develops property development projects and also deals with the development of the territory.
7) CDP INDUSTRIA[141]:
    - Shareholdings:
        i) SAIPEM- 12.6%
        ii) FINCANTIERI- 71.6%
    - Functions: It deals with the management of shareholdings in major companies operating in the industrial sector. The objective is to ensure their long-term growth. Currently, it controls shareholdings in two companies: the first, Saipem, is a company that operates globally in engineering, drilling and construction of large projects in the energy and infrastructure sectors; the second, Fincantieri, is

[137] https://www.cdpisgr.it/
[138] Fondo Investimenti per l'Abitare (FIA), FIA2, Fondo Investimenti per la Valorizzazione and Fondo Investimenti per il Turismo
[139] https://www.cdp.it/sitointernet/it/cdp_reti.page
[140] http://www.cdpimmobiliare.it/
[141] https://www.cdp.it/sitointernet/it/cdp_industria.page

a company that also operates globally in the construction of freight, passenger and military ships.

8) CDP VENTURE CAPITAL[142]:
    - Functions: as the name implies, it is in charge of venture capital nationwide. The aim is to improve the Italian system by connecting it, thanks to CDP's expertise, with foreign investors. In this way, Italy will be able to compete with other European countries: it is a sector that is very much linked to innovation, which needs both direct instruments, such as investments in start-ups, and indirect instruments, such as a better link between companies and the educational sector.
9) As regards investment funds, CDP plays an important role in around 30 of them. These funds can operate both at international level, often together with the EIB as will be examined in the next section, and at national level, dealing with various areas: among the latter the most important is the Italian Investment Fund, 68% owned by CDP. It is mainly involved in two tasks: through the Innovation and Development sector it invests in SMEs, while through the Tech Growth sector it acquires direct holdings in Italian technology SMEs, with the aim of supporting growth processes.

In conclusion, we have seen how important these shareholdings are for CDP: they are held in companies and sectors that are key to the Italian economy and can be both direct[143] and indirect, managed through CDP Group companies. Their objective is to participate in capital, providing resources and know-how to encourage growth, internationalization and innovation: this mode of intervention, as will be seen in the next section, represents a substantial difference with the EIB, which only finances direct projects without holding shares in the companies. CDP's shareholdings are also important from a communicative point of view: in fact, the media (and sometimes even politicians) often talk about CDP's shareholdings in companies that are in crisis but still important for the Italian economy, such as Alitalia[144] and Ex Ilva[145], a steel manufacturer based in Taranto. Although these speculations are unfounded because CDP by statute can only invest in companies in a good financial situation and with prospects for returns[146], they often fuel the political debate around the Cassa and its role in the Italian economy.

[142] https://www.cdp.it/sitointernet/it/cdp_venture_capital.page

[143]In this case, CDP intervenes in governance processes by applying its values and in growth processes through its resources.

[144] Among many articles: https://www.ilfoglio.it/economia/2019/05/10/news/ce-lidea-di-spingere-cdp-in-atlantia-per-risolvere-il-pasticcio-alitalia-254017/

[145] The article contains the statements of the current minister:https://www.ilsole24ore.com/art/ilva-il-vertice-conte-mittal-ACKIb7x

[146] Article 3 paragraph D of the statute.

2.3. Similarities and Differences between EIB and CDP: A Comparison of Two Institutions

The purpose of the work so far has been to answer the first two research questions, namely how the EIB model works and how its counterpart at the national level, in this case the Italian CDP, has developed and worked: to this end, the history of these two financial institutions, the way in which they have operated and their governance models have been analysed. While the third chapter will explore how these two financial actors operate outside their borders, this third section of the second chapter provides a comparison between them through the analysis of similarities and differences: the objective is to understand how the two financial institutions[147] respond to common challenges, such as the compelling environmental and social issues, and conversely how they adopt different priorities because of their respective nature and statute. Therefore, in comparison with the technical modality of the discussion of the previous chapter and of the first two sections of this second chapter, this analysis adopts a more "political" connotation, as it looks at the interplay between politics and economics. Thus, it necessarily draws also from different media's perception of the two financial institutions and their relationship with the government actors.

Additionally, information for this section has been obtained from knowledgeable observers, thanks to the interviews conducted with:

- Romolo Isaia: EIB Head of Unit - infrastructure, Energy & Public Sector Division- Adriatic Sea Department, Lending Operations in Italy and Malta.
- Fabio Di Cristina: CDP Head of Regulatory Affairs and Special Projects, Corporate and Regulatory Affairs.
- Giuditta Di Nino: CDP Legal, Support to Corporate Bodies[148].

2.3.1. General Aspects

From a general point of view, the first thing to consider is that the operational focus of these two financial institutions is different: while CDP's action has always been concentrated on the Italian economy and its territorial development, the EIB, despite having invested considerable resources in Italy especially in the initial phase, has a communitarian focus and has allocated its investments across all the Member States of

[147] One of which is a supra-national European Union institution while the other is a key national player in the Italian economy

[148] All three interviewees gave me permission to use their names and offices

the European Union as well as those determined to join it, the so-called "candidates". In this regard, it immediately emerges a first key difference concerning their autonomy: it is necessary, indeed, to consider what the constraints on their work are and what priorities they have to consider when responding to solicitation about the investment of their resources. This is due to the fact that these two institutions, although both have legal status even if achieved at different times[149], are not totally independent and their work, as seen in the historical sections, has always responded to political and economic priorities and needs:

- In the first phase, both institutions worked for the economic unification of the territory they related to: thus, the EIB participated in the process of building the European Economic Community by investing resources in the most backward areas, mainly southern Italy, in order to help the different economies on a path of convergence. CDP, on the other hand, worked in the aftermath of the Italian unification to create the conditions for national economic development.
- Subsequently, both experienced a phase of consolidation of their role, gaining even greater economic importance and increasing their relevance. Between the 1970s and 1980s, the EIB became increasingly involved in Communitarian policies, first as an instrument to facilitate enlargement processes and then, in cooperation with the European Commission, by participating in Cohesion policy. On the other hand, CDP began its process for achieving autonomy in the 1970s and completed it in 2003 with its transformation into a joint-stock company: as seen, this conversion enabled CDP to perform new functions and operate in the free market.
- Finally, on the heels of the financial and economic crisis both have taken on a leading role. Thanks to the 2009 budget increase, the EIB played a counter-cyclical role by contrasting the EU's economic problems through its investments. In order to do so, it embraced first the Europe 2020 strategy and then the Juncker Plan, investing mainly in innovation, green economy and SMEs. Even CDP, although with more limited resources due to the low growth of postal savings during the economic crisis, increased its role and played a countercyclical function: since 2008, its holdings have considerably grown and investments for

[149] EIB has received it since its creation in 1958 while CDP has obtained it in 1993.

the internationalization of national companies have begun[150]. In addition, in 2015 CDP began to participate in supranational programmes, such as the Juncker Plan or the United Nations Development Programme, thus acquiring international relevance.

As shown in this brief comparative overview of their history, a common characteristic of the two financial institutions is that both have demonstrated over time a remarkable capacity to adapt to the political and macroeconomic conditions of the areas in which they operated.

Another general aspect for a comparative assessment concerns the nature of their investments: both institutions share the choice to make long-term investments, but they do so in a different way. While the EIB in most cases lends resources directly to the project, CDP usually uses local authorities as intermediaries and only in recent years (precisely from 2008) it has started to lend directly to projects. Moreover, as seen above, the way in which resources are raised is different: while the Cassa depends on both its shares in the market and on postal savings, the EIB, thanks to the reliability of its funds coming from sovereign states, can lend a great amount of capital[151] and issue bonds with very low interest rates. This is due to the fact that the EIB, as seen, has its resources guaranteed by the 28 (now 27 after the Brexit) EU Member States which are its shareholders. On the other hand, CDP is owned by only 3 shareholders:

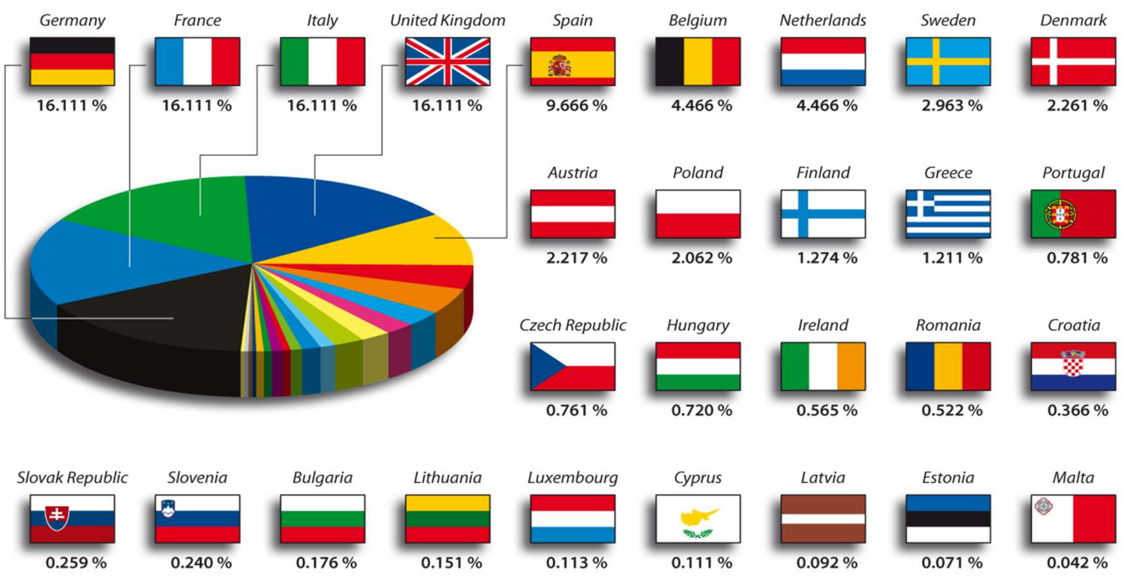

Figure 10 EIB shareholders

[150] As shown in Figure 4, this is now the sector in which Cassa spends the most of its resources.
[151] Up to 250% of the subscribed capital

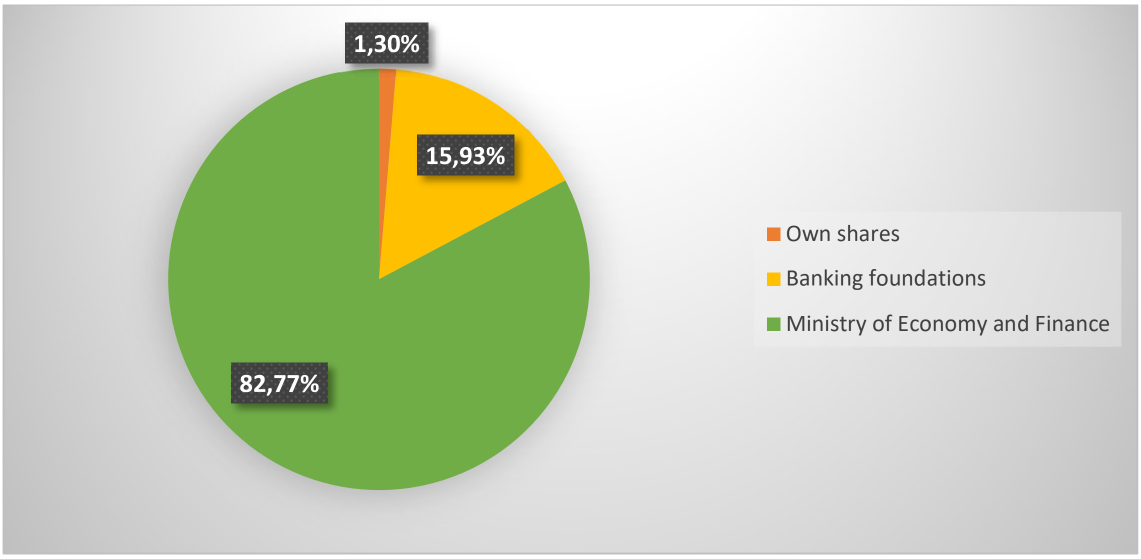

Figure 11 CDP shareholders: https://www.cdp.it/sitointernet/it/dati_societari.page

Figures 10 and 11 are very important to begin to understand the relationship between these two financial institutions and politics: the role of the MEF in CDP, which comes from the legacy of the past, can influence the perception that political actors and media have about Cassa's autonomy, while, on the other hand, the EIB nowadays is less affected by interference from individual players, thanks to a more balanced distribution of shares between the Member States.

In conclusion, the purpose of this paragraph has been to draw key element of contents discussed in the previous sections that influence the analysis which follows. In particular, there are both similarities, namely their ability to adapt over the course of history and their investment horizon, as well as differences. The latter are mainly related to the issue of autonomy which has been analysed from various points of view: firstly, taking into consideration the different geographical areas in which the two financial institutions have invested, then summarizing how they receive the funds and finally studying the composition of their shareholders. This topic is the central point of the section on differences, while the next paragraph focuses on the similarities between the two financial institutions: they have often invested in contingent areas and the analysis concerns this feature.

2.3.2. Similarities

The general purpose of the EIB and CDP has always been the same, namely to ensure the economic and social development of their respective territories: in order to achieve this objective, the two financial institutions have made investments in similar sectors, albeit in different ways and at different times. This paragraph underlines these sectors, from which it is possible to understand the evolution of the priorities of the two development banks over time:

1. Infrastructure and social cohesion: investments in these two areas have been a regular feature in the history of the two financial institutions. This is due to the fact that investment in infrastructure through the improvement of the road, transport and communication systems is aimed at attracting private investment and the consequent creation of jobs and economic growth, thus lowering unemployment levels. Moreover, at the urban level, infrastructure investments are linked to social issues, such as the possibility of ensuring affordable housing and access to basic services for the whole population. As far as the EIB is concerned, investment in infrastructure has been the sector where most funding has been concentrated since its foundation: while at the beginning the objective was to ensure the re-construction of war-damaged roads and telecommunications systems, the priorities have changed over time. Today, alongside the classic objectives, the new priorities are to invest in cleaner transport, digital networks[152], energy efficiency and sustainable urban development[153].

    Also CDP has followed this path: investment in infrastructure has always been very substantial, especially until its transformation into a joint-stock company in 2003[154]. Subsequently, as in the case of the EIB, investment took on other objectives, such as improving digital infrastructure[155] and energy efficiency. A peculiarity of CDP compared to other national development banks[156] has been to invest, besides stimulating economic growth, with the aim of having a social return: The Cassa has always invested in school building, support for the redevelopment of urban suburbs, social housing (Massacesi, 2013) and reconstruction after natural disasters. Its role has been increased since 2015 when CDP became the Italian Financial Institution for Development and Cooperation:

---

152 https://www.telecomitalia.com/tit/it/archivio/media/comunicati-stampa/telecom-italia/corporate/istituzionale/2019/CS-TIM-BEI.html: one example is the €350 million loan granted by the EIB to TIM (Italian mobile company) for the development of the 4G and 5G ultra-broadband network. Of these resources, 30% will be allocated in southern Italy.

153 https://www.eib.org/en/about/priorities/infrastructure/index.htm

154 Unlike the EIB, which invests directly in projects, CDP entrusted resources to the local authorities that carried out the project until 2008.

155 https://www.adnkronos.com/2019/11/18/forte-impegno-cdp-nelle-infrastrutture-fibra-importante-per-sviluppo_VxNQoWehljp96BIIRqvXjJ.html?refresh_ce: interview with the current CEO of Cassa Depositi e Prestiti, Fabrizio Palermo, who explains the importance of investing in digital infrastructures.

156 https://www.cdp.it/sitointernet/page/it/infrastrutture_sociali_cdp_leader_in_europa?contentId=PRG20786

this character led to the issuing of the first Social Bonds in 2017, with the aim of financing social initiatives. This focus on the social sphere is shared with the EIB which, as seen, has participated in the EU Cohesion policy since the 1980s[157] and has invested resources both in education, following the Lisbon and Europe 2020 strategies, and in social housing[158].

2. SMEs: starting from the Lisbon Strategy, which was designed for the economic development of the Union in the first decade of the 2000s, the aim of the EU has been to create an economy based on innovation and technology. The EIB has participated in this project, investing considerable resources in SMEs: credit line services, as seen, have been the sector in which the Bank has invested the most resources since the 2000s. On the other hand, as far as CDP is concerned, investments in SMEs, which in Italy have an important specific weight, began after its transformation into joint stock companies: since then, a large amount of funds has been invested[159], especially in technological SMEs, both to ensure their internationalisation and to provide the resources needed for their innovation and growth. This commitment has been confirmed by the latest industrial plan, which regulates the activity of CDP for the period 2019 to 2021: it aims to invest €83 billion to foster growth, innovation and internationalisation of technological SMEs[160].

   The two financial institutions have cooperated in this area as well, particularly in recent years thanks to the Juncker plan: the functioning of the plan is already known: to summarise, its purpose is to attract new investments thanks to the EIB's guarantees and know-how. As far as CDP is concerned, it started participating in the plan in 2016, mainly in 3 ways (Zapponini, 2016):

   - by managing the resources coming from Europe instead of public administrations,

[157] https://www.eib.org/en/about/priorities/cohesion/index.htm

[158] https://www.eib.org/attachments/thematic/social_and_affordable_housing_en.pdf

[159] Including through equity operations, unlike the EIB

[160] https://www.cdp.it/sitointernet/en/imprese.page. at this link it is possible to find information on the latest investment, worth €40 million, that CDP has made in favour of SMEs: https://www.cdp.it/sitointernet/page/it/cdp_investe_40_milioni_di_euro_nel_fondo_anthilia_bit_iii_per_supportare_la_crescita_delle_pmi?contentId=CSA26646

- ❖ through a system of guarantees: CDP lends resources to the company when they are guaranteed by the European Community through the plan and
- ❖ by participating in the European Investment Fund (EIF): this fund was created thanks to the Juncker Plan and aims to implement it. The resources come from both the EIB and CDP and are invested in SMEs and infrastructure: in Italy, investments in infrastructure prevail[161].

The results of this plan, as seen, have been positively surprising and have certified the importance of cooperation between the two financial institutions.

3. Environment: the environmental issue became relevant for the European Community between the 1970s and the 1980s. The first formal recognition, that came after the excellent results achieved by the Green parties in the 1984 European elections, was with Article 130 of the Single European Act, which laid the foundations for environmental policy. The policy was then definitively adopted with the Maastricht Treaty on the European Union (TEU 1992) and the Amsterdam Treaty (1997): the latter in particular introduced the Brundtland report's concept of sustainable development, which said that the sustainable development must meet the needs of the present without compromising the ability of future generations to meet their own. As far as the EIB is concerned, it began its commitment to environmental issues in 2002, adopting the principles of the EU Sixth Environmental Action Program[162]: among these, in addition to the guidelines established by the Maastricht Treaty, there are also the principles that should guide decisions on the projects to be financed, namely the preference and focus on sustainable projects. The sustainability aspect of the project will increase in importance, becoming part of the EIB eligibility criteria[163]: within the Project Directorate, a unit would be established to monitor compliance with environmental standards throughout the project. Other important documents regarding the environmental issue are the European Principles for Environment of 2006[164], the EIB Statement of Environmental and Social Principles of 2009[165]

[161] https://www.cdp.it/sitointernet/page/it/piattaforma_grandi_infrastrutture?contentId=PRD9908
[162] https://ec.europa.eu/environment/archives/action-programme/intro.htm
[163] https://www.eib.org/en/projects/cycle/appraisal/project-appraisal-eligibility.htm
[164] https://www.nefco.org/wp-content/uploads/2019/04/European-Principles-for-the-Environment_2006.pdf
[165] https://www.eib.org/attachments/strategies/eib_statement_esps_en.pdf

and the Environmental and Social Practice Handbook[166]: the first in particular is of great importance, because it was made in cooperation with other financial institutions and allowed the EIB, to launch the world's first Green Bond in 2007, labelled a Climate Awareness Bond (CAB). In recent years, the European Union has established itself as an international player on the environmental issue: with the Paris agreement signed in 2015 and the most recent conference in Madrid held in December 2019, the EU, together with the United Nations, has made a strong commitment to the fight against climate change. The EIB has thus taken on the role of Climate Bank, adopting in November 2019 a new climate strategy and a new financing policy in the energy sector[167]. Its key features are:

- ✓ Starting from the end of 2021, the EIB will no longer finance projects related to fossil fuel power generation: it is the first time that any major multilateral lender has curbed lending to natural gas projects because of climate change concerns.
- ✓ Over the decade 2021-2030, EIB Group financing will mobilise € 1000 billion of sustainable investment in the fields of environment and climate action.
- ✓ From the end of 2020, all EIB Group financing activities will be fully in line with the objectives of the Paris Agreement: the objective is to increase the amount of financing directed towards climate action and environmental sustainability so that it reaches 50% of its operations in 2025.

As far as CDP is concerned, its commitment to climate and sustainability began in 2015, when it became the Italian Financial Institution for Development and Cooperation: that appointment changed its approach, bringing it closer to the priority of sustainability and international best practices with the aim of contributing to the achievement of the 17 United Nations Sustainable Development Objectives. In this perspective, Green, Social and Sustainability Bonds have been issued[168] on the market with the aim of financing green and social initiatives. In addition, attention to environmental issues has been included

[166] https://www.eib.org/attachments/strategies/environmental_and_social_practices_handbook_en.pdf: here the updated version of 2018

[167] https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy

[168] https://www.cdp.it/sitointernet/it/green_social_sust_bonds.page

in the Statute[169], the Code of Ethics and the Corporate Governance and Responsible Investment Principles[170]. Finally, in the new business plan, attention to the environmental theme has taken on great importance: projects to be financed over the period 2019-2021 will have to comply, as in the case of the EIB, with the criteria of sustainability and environmental feasibility, thus making sustainable development one of the most important issues for the Cassa (Zaccaria, 2019). From an operative point of view, CDP works for the environment in various ways:

- By giving resources to public offices to carry out energy efficiency work: in this case as well, the resources arrive through local authorities that will invest them in both school buildings[171] and public offices[172].
- Through joint ventures: as seen, CDP carries out many investments in technology companies that are strategic for Italy's economic development. These shareholdings also involve other entities that have the know-how to carry out works with a high technological content: one example is the participation with Fincantieri, ENI and Terna in order to create a company for the construction of wave energy production plants on an industrial scale[173]. This project, which began in April 2019, aims to create, through the collaboration of the partners, a technology useful for the energy efficiency of the economy.
- Through cooperation with EIB: this can be done in two ways. The first is by participating together with investment funds, as will be shown in the next point. The second is by conducting joint initiatives, together with other financial institutions, to stimulate a sector: one example is the EUR 10 billion investment to support the circular economy in the EU announced in July 2019[174].

4. Investment Funds: they do not represent a specific sector, but they can be of different nature and operate in different areas. The EIB, differently from CDP,

[169] Art. 3 paragraph B refers to the granting of funding for projects related to the environment, energy efficiency, sustainable development and green economy

[170] https://www.cdp.it/sitointernet/it/principi_di_corporate.page

[171] https://www.cdp.it/sitointernet/page/it/fondo_kyoto__efficientamento_energetico_degli_edifici_scolastici?contentId=PRD9946

[172] https://www.cdp.it/sitointernet/page/it/cdp_al_via_da_oggi_il_prestito_investimenti_conto_termico_un_nuovo_strumento_per_supportare_le_iniziative_di_efficienza_energetica?contentId=CSA23940

[173] https://www.cdp.it/sitointernet/page/it/da_eni_cdp_fincantieri_e_terna_nascera_la_societa_per_la_realizzazione_di_impianti_di_produzione_di_energia_da_moto_ondoso_su_scala_industriale?contentId=CSA25975

[174] https://www.cdp.it/sitointernet/page/it/cdp_bei_e_altri_primari_istituti_nazionali_di_promozione_10_miliardi_di_euro_a_sostegno_delleconomia_circolare_nellue?contentId=CSA24788

does not acquire shares in companies, but can carry out equity operations by investing in investment funds: they often involve also CDP and represent an instrument to invest in the objectives of the two financial institutions. Some funds involving both CDP and EIB are:

- The European Investment Fund[175]: this fund is owned by the EIB, which holds 59.2% of the shares, European Commission, with 29.7% of the shares and other Financial institutions from European Union Member States (including CDP), United Kingdom and Turkey, holding 11.1% of the shares. Its objective is to support Europe's SMEs by helping them to access finance.
- The European Energy Efficiency Fund (EEEF)[176]: this fund was set up by the European Commission in collaboration with the European Investment Bank and also involves CDP and Deutsche Bank as main investors. Its objectives are to ensure a more sustainable energy system for Europe by improving energy efficiency and increasing the use of renewable energy and attracting private and public capital to the financing of the fight against climate change
- Marguerite I and II[177]: the EIB is also working with CDP in these funds[178]. Marguerite I was established in 2010 to finance renewable energy and infrastructure projects. After reaching its objective, thanks to the 710 million euro of commitments which were invested in 13 Member States thus creating an added value of over EUR 10 billion, it was replaced by Marguerite II: also this fund continues with the same objective, with a focus on transport and digital infrastructure, thus implementing key EU policies in the areas of climate change, energy security, digital agenda and trans-European networks.

In conclusion, this paragraph has shown how CDP and the EIB have often had the same priorities, investing in infrastructure, SMEs and the environment. Although they have frequently used different instruments, they have frequently cooperated, both through investment funds and through joint projects: it is my personal belief that this represents

[175] https://www.eif.org/index.htm

[176] https://www.eeef.eu/home-it.html

[177] http://www.marguerite.com/

[178] The other sponsors are Caisse des dépôts et consignations France, the German development bank KfW, Instituto de Crédito Oficial for Spain and Bank Gospodarstwa Krajowego for Poland

the greatest similarity between the two financial institutions which, despite the different timeframes, have always followed a common political agenda, aimed at long-term development.

2.3.3. Differences

The two financial institutions, although they collaborate on a policy level, have a different relationship with the political actors: on the one hand, the Cassa is constantly mentioned by politicians and the media. Politicians, as seen, often try to involve it in initiatives in favour of Italian companies in crisis. On the other hand, the EIB suffers from the opposite problem: as its president said, there is little awareness among European politicians of the role that the EIB could play in a financial environment where growth is difficult to accrue and the economy is increasingly technology-based (Toplensky & Barker, 2019). This paragraph analyses the reasons that led to the emergence of these two different perceptions and singles out the relationship between the CDP, EIB and their respective stakeholders.

Taking into account the Cassa, the most obvious difference from the EIB is the equity activities: CDP is a shareholder, both on its own or through the CDP Group, of a large number of companies that are strategic for the Italian economy. In addition, it can participate, through the Investment Funds linked to it, in technology companies with the aim of increasing their growth and boosting their export. However, the holdings are a double-edged sword: while they help the companies to grow thanks to CDP's financial and management know-how, they also open the door to views about its role in the Italian economy, by both the media and politicians. Such views are of a dual nature: on the one hand, according to its critics, the Cassa operates as a *longa manus* of the Italian government, a sort of nationalizer of enterprises[179]. On the other hand, but without appropriate knowledge of its statute, other views call upon its intervention often claiming to save Italian companies in crisis[180]. Both these points of view have as a consequence the undermining of the independence that CDP has achieved and are due to various factors:

[179] https://www.ilsole24ore.com/art/tutti-scenari-mini-ilva-nazionalizzazione-cdp-e-fantasma-bagnoli-AC6tdRx: an example is this article, which talks about the hypothesis of a CDP intervention in the ILVA of Taranto as an attempt at nationalisation.

[180] https://www.eunews.it/2016/01/15/il-governo-e-la-cassa-depositi-e-prestiti-devono-intervenire-per-salvare-il-risparmio-e-le-banche-italiane/48236: this article, on the contrary, calls for CDP intervention in favour of Italian credit institutions in crisis

- The first reason is the legacy of the past: as analysed in the historical section, CDP from its foundation in 1850 until its acquisition of legal personality in 1993 was a public administration body. Moreover, within this period, from 1898 until the beginning of the debate on its autonomy in the 1970s, it was directly a directorate-general of the MEF. This historical legacy still renders it, in the eyes of part of public opinion, a subject without independence.
- Secondly, CDP is the most important holding company that the state owns: as seen, CDP's most significant shareholder is the Italian Ministry of Economy and Finance, which owns about 80% of its shares. Taking into account the other equity investments available to the government[181], considering both the share held by the Ministry and the revenues, none of the other equity investments achieves the earnings that CDP guarantees: for example, considering 2018, CDP has guaranteed to the Ministry profits of €1.3 billion, to which have been added €794.5 million from the distribution of retained earnings reserves on the remaining 2018 profits (Dominelli, 2019). This transfer of resources leads CDP to be seen as a part of the MEF, thereby reducing the perception of CDP's ability to operate autonomously: this point of view does not take into account all the changes that CDP has made since 2003, such as ordinary management operations not guaranteed by the State.
- Finally, the nature of CDP: as can be seen from the historical part, it is difficult to unanimously define the nature of CDP. Its role in the economy is in fact variable and can be defined differently depending on the observer:
    - As far as company law is concerned, it is a joint stock company.
    - As far as finance is concerned, it is a financial institution.
    - From an international perspective it is the National Institute for Development and Cooperation.

  All these different points of view make it difficult to define the Cassa and may lead to forgetting its primary function, that of market operator. This is also due to the fact that politics, given the nature of the democratic process, turns to various actors to make its decisions: it is therefore normal that it also turns to CDP, but the proof of the Cassa's independence lies in the fact that, until today, all its operations have always respected the Statute.

[181] http://www.dt.mef.gov.it/it/attivita_istituzionali/partecipazioni/elenco_partecipazioni/

As these points suggest, CDP's relationship with public opinion and the government (which is its shareholder) is complex: my assessment is that, the reason is that the transformation into a joint-stock company has not yet been fully metabolized, and this leaves some doubts about both the nature of CDP and its functions. In this tangle, politics often finds itself asking more of the Cassa than it is entitled to, but until now CDP has never violated its Statute, thus showing a certain autonomy that over time should be able to change the perception of public opinion.

As far as the EIB is concerned, its relationship with its stakeholders is different. The Bank has some structural characteristics that distinguish it from CDP on the points analysed above:

- The first difference is that, as seen, the EIB conducts equity operations only by sponsoring investment funds and not companies: its loans are granted directly to the project, the Bank never joins the capital of the company. Its way of promoting the company's growth is either through consultancy or through blending: the EIB is not always the only lender, but through its intervention it tries to attract other private investors to the project. By doing so, in my view, it finds itself playing a seemingly less central role than CDP and is therefore less considered by public opinion.
- Secondly, the historical tradition of the two financial institutions is different: the EIB has a shorter history and has always performed different functions than CDP. While CDP, in managing postal savings, has carried out a task of national interest, the EIB has always had as its objective the financial autonomy to be achieved through market operations: for this reason, since its foundation, it has been given legal personality. This autonomy, that is also due to the fact that the EIB is less locally rooted than CDP, has two consequences. On the one hand, it is easier to define the EIB: it is a multilateral financial institution operating in the market, on a par with the World Bank, albeit with higher volumes. On the other hand, it has kept it further away from the political world of the Member States: the EIB is seen as a European institution, responding to long-term European priorities and not those of the Member States.
- Finally, the third difference is the allocation of its profits: unlike CDP, which may decide to distribute all or part of them to its shareholders, EIB, which has a net

profit of around €2 billion a year[182], has so far accumulated them in reserves. In this way, it manages to maintain its AAA rating and its autonomy from stakeholders: In addition, the reserves ensure that the EIB will not weigh on the finances of individual countries, thereby reducing their financial burden.

These points taken into consideration may lead to the impression that the EIB does not relate to national policy but only follows European guidelines, but this does not totally correspond to reality: the reason is that the Bank invests the majority of its funds inside the countries of the Union and this may generate a conflict over investment priorities, due to the different composition of the Member State’s economies. This risk will be verified in the near future: the United Kingdom's exit from the European Union will in fact lead to its exclusion from the EIB, which by Statute can only be participated by the Member States[183]. The gap that Brexit will cause[184] will have to be filled: in order to do so, it has been decided that Romania and Poland will increase their shares and their role in the Bank[185]: the new EIB budget will exceed the previous Brexit one, in order to not affect the financial activity or have any impact on the EIB's business model. The effects of this increase will determine the Bank's real autonomy: the economies of these two countries are based on the use of fossil fuels and their political weight could slow down the EIB's green turn.

[182] https://www.eib.org/en/about/key_figures/data.htm
[183] as far as the current situation is concerned, the Green New Deal has not been taken into account because it has not yet been ratified, unlike the Brexit made official on 31 January 2020
[184] the UK was one of the four largest shareholders of the EIB
[185] https://www.eib.org/en/press/news/eib-president-regrets-brexit-welcomes-eu27-united-support-for-eib-group.htm

2.4. Conclusions

The first two sections of this chapter have focused on the definition of the CDP model: this company, which still plays a central role in the development of the economy[186] as it, has had a long history intertwined with the Italian one. In the 170 years since its foundation, it has always been able to adapt to the reality of the country's conditions: it has gone from being a subsidiary of the MEF to being autonomous, from managing postal savings to operating in the market and from following political trends to playing an anti-cyclical role in times of economic crisis. In doing so, it has respected its line of governance, consisting of its Statute and the more recent Code of Ethics: while the latter defines the principles that CDP follows, the Statute outlines the lines of a very complex and varied business model. The Cassa has in fact at its disposal various tools that it can use in different areas of activity, which always reflect the national interest, both economic and social and, more recently, environmental.

The third section has presented a comparison between the EIB and CDP: the two institutions operate in similar fields but do it in different ways. This different *modus operandi*, combined with historical differences, leads to a different conception the public has of the two financial institutions: on the one hand, the Cassa, because of its legacy from the past, is seen as not very autonomous from the MEF. On the other hand, the EIB is seen as an entity totally separate from the policy of the Member States. The aim of this part of the work has been to give a fair perception of the two financial institutions: as seen, both are very large and complex entities, interacting with various actors including politics, but always in accordance with their Statutes. In summary, my assessment is that they have not yet fully defined their role: on the one hand, CDP became a joint-stock company only in 2003, while on the other hand, the EIB is a recent institution, born on the basis of the Treaties of Rome and always subject to continuous changes, due to EU enlargements and the more recent Brexit. Thus, it will be the challenges of the next decade that likely and ultimately will define their role.

[186] https://www.repubblica.it/economia/2019/02/12/news/cdp_corte_conti_ribadito_ruolo_centrale_per_sviluppo_economia-218941809/

3. <u>How the EIB and CDP work outside their borders</u>

The purpose of the first and the second chapters was to answer the first two research questions, namely how the EIB model functions and how its counterpart at national level, in this case the Italian CDP, works. In order to do it, the history, the governance and the way in which the two financial institutions have operated in different historical phases have been analysed: furthermore, in the third section of the second chapter a comparison between the two has been made, examining the similarities, from the point of view of the sectors in which they operate, and the differences between them in terms of perception by the media and their relationship with politics. However, in order to complete the analysis and fully understand the two different models, it is necessary to answer the third research question, relating to how the two financial institutions operate outside their borders: this is due to the fact that, despite the fact that most of their resources are used in the European Union in the case of the EIB and in Italy in the case of CDP, increasing attention is being paid to operations carried out outside their borders.

The third chapter, which is shorter than the previous two, analyses therefore the foreign policy of the two financial institutions: they are considered separately, and only in the conclusions the similarities and differences between the two operating models are addressed. The reason for this choice is that CDP and the EIB operate in a totally different manner:

- As far as EIB is concerned, a brief historical introduction is made in the paragraph: it started to invest outside the European Community in the 1960s and this has allowed it to accumulate an important tradition in this type of investment. This heritage, combined with the importance of the sectors in which it operates, has led it to be the only multilateral lending institution operating worldwide: the sectors and areas in which it invests will follow the analysis.
- On the other hand, taking CDP into account, it started investing outside Italy in 2007, becoming the shareholder of SACE. The way in which it operates, however, is different from that of the EIB: as shown in the relevant section, the Italian financial institution does not operate directly to foreign countries, but in favour of foreign countries. The significance of this is that most investments are not made directly in favour of foreign companies, institutions or banks, but mainly in favour of Italian companies that decide to operate outside their national borders.

The methodology used is different between the two financial institutions: as far as the EIB is concerned, it includes the use of the project database[187], while with regard to CDP, the investment map for internationalisation[188] and the international cooperation map[189] are used.

3.1. Foreign investments of the European Investment Bank

Over the years, the areas outside the European Community in which EIB has invested have increased: this trend follows the historical evolution analysed in the first chapter

- In the first period (1958-1972), EIB foreign investments were linked to two historical dynamics: The Cold War and decolonization
    - As for the former, the two countries involved were Greece and Turkey: the aim was to remove them from the sphere of influence of the USSR and in order to do it, an association treaty was signed (Castells-Quintana & Royuela, 2016). This strategy would seek to develop the two economies and bring them closer to the Western world: for what concerns Greece, the Association Treaty was signed in 1961 and since 1963 the EIB started to invest in its territory. The Association Treaty with Turkey, on the other hand, was signed in 1963 and EIB operations began in 1965: in both countries, industry was the preferred sector, followed by infrastructure in Greece and energy in Turkey.
    - As for decolonisation, the territories in which investments were concentrated were the former colonies of Belgium and France that were gaining independence. In 1963, 18 of these new-born states signed an Association Treaty with the EEC, the First Yaoundé Convention: it came into force in 1964 and was renewed 5 years later, in 1969. Its aim was to develop the economies of these countries and the EIB played a central role: firstly, thanks to its know-how, it managed the resources of the European Development Fund created by the Commission and secondly, it invested its resources directly. As far as own resources are concerned, in this first phase projects for €141 million were financed in ten African states: the

[187] https://www.eib.org/en/projects/map.htm
[188] https://www.cdp.it/sitointernet/it/mappa_explora.page
[189] https://www.cdp.it/sitointernet/it/cooperazione_internazionale.page

states that received the most funds were Côte d'Ivoire, Cameroon and Democratic Republic of Zaire which received a total of €94 million, applied mainly in the industrial sector, followed by infrastructure and energy.

- In the second phase (1973-1985) relations were established with new states, particularly in Africa and the Neighbouring Countries.
    - Regarding Africa, the event that marked relations with the new states was the entry of the United Kingdom into the European Community, which allowed the former British colonies to join the Community (Langan, 2014). In 1975, the First Lomé Convention came into force, which was subsequently renewed in 1981: thanks to this, the independent states of the Commonwealth became associated with the European Community. Again, the EIB played an important role alongside the European Community: Africa was by far the main recipient of the Bank's resources during this period. The countries that received the most resources were two former French colonies, Cameroon and Côte d'Ivoire and two former British colonies, namely Kenya and Nigeria: about €500 million, a third of the funds for Africa, were allocated to projects mainly in the energy and industry sectors.
    - As far as the Neighbouring Countries were concerned, the attention was mainly focused on the Mediterranean area: through association treaties, which included financial protocols involving the EIB, Europe began to cooperate with different countries located in the northern part of the African continent, in the Middle East and in Europe. For the latter, namely Greece, Spain and Portugal, the objective was to reach the economic conditions to join the EEC: the EIB, which allocated about €2 billion to facilitate their entry, focused mainly on SMEs (Credit Lines sector) and the energy sector[190]. Investment in the remaining Mediterranean countries started in 1978: the countries receiving the most EIB resources were Morocco, Egypt, Tunisia and Algeria, which received €600 million mainly for energy projects[191].

[190] Smaller investments were also made in Yugoslavia, thanks to an Association Treaty that came into force in 1972

[191] Projects in Middle East countries such as Israel, Lebanon and Syria were also financed, albeit with very limited resources

- With the fall of the USSR, the third period (1986-2019) began[192]: The Bank started to invest its resources globally and this process over time has made the EIB the **only multilateral lending institution operating worldwide**. Today, the percentage of resources invested outside the European Union is around 10%, in line with the previous historical phases: the areas in which the Bank invests are
    - Enlargement countries[193]: these countries are divided into two categories, Candidate countries[194] and Potential candidate countries[195]. Among the former, there are Albania, North Macedonia, Montenegro, Serbia and Turkey: as seen, the country that cooperated most with the EIB was Turkey, which received around €30bn in the third phase, mainly in support of small businesses[196]. Bosnia-Herzegovina and Kosovo are among the latter: in this case, cooperation with the Bank began in the 2000s and some €3 billion of projects were financed, mainly in the infrastructure sector.
    - European Free Trade Association (EFTA)[197]: 4 states fall into this category, namely Iceland, Liechtenstein, Norway and Switzerland. Cooperation with them began in the 1990s and investment has now reached a value of almost €5 billion, almost half of which goes to Norway, the first country to start cooperating with the EIB. In the case of Norway and Iceland, the preferred sector is energy: both countries are pioneers in the use of renewable energies and both have abundant reserves of natural resources. In the case of Switzerland and Liechtenstein, investments are made in innovation research centres.
    - EU Southern Neighbourhood[198]: as seen, the countries that are part of this area are Egypt, Israel, Jordan, Lebanon, Morocco, Tunisia and Algeria. In the third phase, around €40 billion were invested in this area: alongside projects in more traditional sectors such as Credit Lines, Infrastructure and Energy, in this case the EIB also invested with a social purpose. In fact,

[192] Unlike the historical part which is divided into 4 phases, here the phases are 3: the reason is that the third and fourth phases are contingent from external relations' point of view: the Bank in fact reaches its maximum expansion in the third phase, and in the fourth phase it consolidates it
[193] https://www.eib.org/en/projects/regions/enlargement/index.htm
[194] An applicant country for European Union membership
[195] Western Balkans countries involved in the Stabilisation and Association process, which are not yet recognised as candidates, but are considered potential candidates for EU membership
[196] The other countries together received just over €8bn, mainly for infrastructure projects
[197] https://www.eib.org/en/projects/regions/efta/index.htm
[198] https://www.eib.org/en/projects/regions/med/index.htm

many resources have been allocated to improving the health and education system: the region is also the target of the Economic Resilience Initiative, which is analysed later.

- EU Eastern Neighbourhood[199]: Since 2003, funding has also started for projects in Russia, Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The resources deployed in this region are €12 billion, more than half of which has been spent in Ukraine.
- Sub-Saharan Africa, Caribbean and Pacific[200]: in the third phase this area attracts €19 billion of investment. Despite the number of states in which the EIB invests is still increasing, compared to the first phase, the Sub-Saharan region loses its centrality: the resources invested are in fact less than those invested in the other regions. On the other hand, it should be pointed out that at this stage investments are beginning in Pacific countries, such as Indonesia, Papua New Guinea and the Philippines, and in Caribbean countries, such as Haiti and the Dominican Republic.
- Asia and Latin America[201]: the novelty of this third phase is that the EIB is starting to invest in these two regions[202]. The first projects date back to 1993 and involve investments in the energy sector in Costa Rica and India: to date the resources invested are €21 billion, mainly to support the energy sector, smaller businesses and sustainable transport, with a particular focus on climate change adaptation and mitigation.
- Central Asia[203]: 4 countries are part of this region, namely Tajikistan, Kazakhstan, Kyrgyzstan and Uzbekistan. While Uzbekistan was the last country to receive EIB financing (from 2018), the other three countries have been working with the Bank since 2011: the resources invested here have not yet reached €1 billion and have been used mainly in the Credit Lines sector.

[199] https://www.eib.org/en/projects/regions/eastern-neighbours/index.htm
[200] https://www.eib.org/en/projects/regions/acp/index.htm
[201] https://www.eib.org/en/projects/regions/ala/index.htm
[202]The countries in which EIB has invested are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela for what concerns Latin American. On the other hand, regarding Asia, the countries are: Bangladesh, Bhutan, Brunei, Cambodia, China, India, Indonesia, Iraq, Laos, Malaysia, Maldives, Mongolia, Myanmar/Burma, Nepal, Pakistan, the Philippines, Singapore, South Korea, Sri Lanka, Thailand, Vietnam and Yemen
[203] https://www.eib.org/en/projects/regions/central-asia/index.htm

As seen, the EIB over time has come to operate worldwide: its function is that of a financial arm of the European Union, a tool to support relations with non-EU countries. Through its technical expertise and financial resources, the EIB operates in policies relevant to the European External Action Service (EEAS), such as enlargement policy, neighbourhood policy and international development and cooperation: even when it operates outside its borders, the Bank respects the priorities of the European Union and therefore seeks to invest in sectors that can enable the sustainable development of the partner countries, such as infrastructures, energy, SMEs and industry. It is therefore important to point out that EIB has a social commitment in the sectors in which it invests (Hachez & Janwouters, 2012):

- First of all, it is committed to improving the conditions of migration[204]: to do so, it acts through long-term investments, trying to create economic resilience in both host and origin countries. The objective is to deliver an effective response to the global forced displacement crisis and further strengthen economic development contributions: the Economic Resiliance Initiative, which was launched in 2016, is based on the principle of helping the Southern Neighbourhood and Western Balkans regions, which are those from which migrants transit. Many of the projects in this region, with a total value of more than €5 billion of investment, therefore aim to lighten the burden of migration

Figure 12 EIB Economic Resilience Initiative. Source: https://www.eib.org/en/about/initiatives/resilience-initiative/index.htm

[204] https://www.eib.org/en/about/global-cooperation/migration/index.htm

- ❖ The second objective is to ensure lasting economic growth for developing countries: investment in infrastructure[205] can be read from this perspective. In fact, as seen, the infrastructure system is fundamental to promote economic growth and has other important features: the first is that of social inclusion, making access to health and education infrastructure easier, while the second is environmental, since an efficient system reduces transport costs.
- ❖ Finally, the third objective is the enhancement of human capital: through its investments, the EIB seeks to include more people in the working world and seeks to train them. The investments in SMEs can be read in this sense: through these they try to develop a dynamic private sector that is of critical importance for achieving more inclusive growth. It can therefore be said that these investments have a double value: on the one hand, they help innovation and therefore the economic growth of the country. On the other hand, they support inclusion: in particular, the EIB supports gender equality[206], protecting the role and work of women in the countries in which it invests.

Taking into account the *modus operandi*, there is a difference, compared to the first chapter, in the way EIB works abroad (Isaia, 2019): while within the European Union it invests most of the times directly in the project, abroad EIB relies mainly on Blending. This practice consists in cooperating with other financial institutions (e.g. the African Development Bank when it invests in African countries) and acting as a catalyst: EIB is never the only investor in the project, but its presence makes other investors decide to participate. Moreover, cooperation with other financial institutions also concerns the use of EIB own resources: The Bank is not based in all countries[207] and most of the time it cannot directly control the projects. To solve this problem, in non-EU countries it prefers to lend its resources through financial intermediaries and not directly to the project: in this way the intermediaries, through the delivery of reports both before, during and after the financing, will carry out the monitoring activity.

In conclusion, over time, the EIB has increased its activity, becoming a global financial operator: at a historical level, the turning point was the end of the Cold War, which allowed the Bank to invest globally. The other features that have allowed the Bank

---

205 https://www.eib.org/en/about/global-cooperation/infrastructure/index.htm
206 https://www.eib.org/en/about/initiatives/gender/index.htm
207 The only operational headquarters are based in Luxembourg and Rome, while the others are representative offices.

to invest all over the world are its priorities and expertise: as far as the former are concerned, the EIB has always followed European principles, investing both inside and outside its borders with attention to the social sphere, thus being a reliable operator for other countries. As far as its expertise is concerned, the Bank has developed a different model of working abroad: outside of its borders, the EIB cooperates more closely with other international financial actors, thus strengthening international cooperation.

3.2. Foreign investments of Cassa Depositi e Prestiti

CDP began to operate outside Italy at the end of 2009 (Bassanini F. , 2015): that year it became one of the four creators, together with Caisse des Dépots et de Consignations, European Investment Bank and Kreditanstalt für Wiederaufbau of the Long Term Investor Club[208]. The aim of the Club, which today brings together the world's largest National Promotional Banks and is chaired by EIB President Werner Hoyer[209], is to promote a political, cultural and regulatory environment favourable to long-term investment as a determining factor for economic growth in line with UN definition of sustainable development and to improve relations between the various financial institutions. Collaboration with other development banks led to the creation in 2010 of two investment funds active in infrastructure:

- The first fund is the Marguerite I, which has been mentioned above.
- The second is the INFRAMED fund[210]: this fund, created to support the development of infrastructure in the Mediterranean countries, involves, in addition to CDP, Caisse de Dépôts et de Gestion (Morocco), Caisse des Dépôts et de Consignations (France), EFG Hermes (Egypt) and the EIB.

Alongside these cooperation activities, which were carried out both at multilateral and bilateral level, in 2012 began the activity that still characterizes the way CDP operates today outside Italy: the internationalization of Italian firms (Di Cristina, 2020). That year both SACE, together with its subsidiaries, and SIMEST became part of the CDP group: these two companies had considerable experience[211] in supporting the export of Italian companies and guaranteeing many services for this purpose. The current structure of the company is due to the fact that since 2016 SACE controls 76% of SIMEST's capital:

[208] http://www.d20-ltic.org/
[209] https://www.eib.org/en/press/news/ltic-tokyo-2019
[210] https://inframed.com/genesis/
[211] SACE was founded in 1977, while SIMEST in 1990

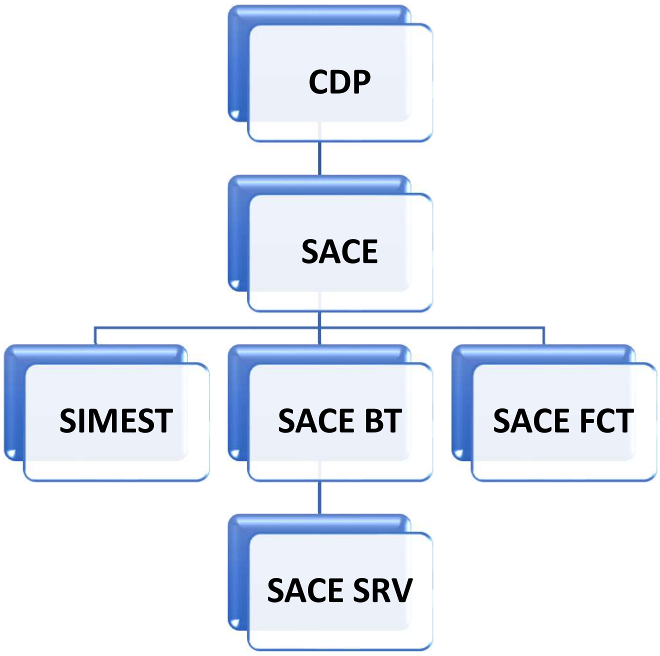

Figure 13 SACE's structure https://www.sacesimest.it/chi-siamo/il-gruppo

Every company has a different purpose:

- SIMEST, like SACE, have a more general function and coordinate the whole export project.
- SACE BT is specialized in short-term credit insurance, bonds and construction risk protection.
- SACE FCT responds to the need to support liquidity and strengthen the cash flow management of Italian exporting companies.
- SACE SRV is specialised in debt collection and management of corporate information assets.

The objective is therefore to support the company throughout the entire cycle of expansion abroad, starting from the evaluation of opening to a new market and ending up with expansion through direct investment[212]. In order to do support export activities and guarantee the competitiveness of Italian companies, a wide range of products and strategies can be used: in addition to the "classical instrument", such as funding for internationalization, export credit support and equity participation of companies, SACE is committed to[213]:

- ✓ Involve the supply chains and develop group strategies also for SMEs

[212] https://www.sacesimest.it/docs/default-source/e2e/eventi-partner-e2e/confindustria-piccola-industria_gli-strumenti-sace-simest-a-supporto-dell-export-e-dell-internazionalizzazione_delgrosso.pdf?sfvrsn=374af3be_2

[213] https://www.cdp.it/sitointernet/page/it/finanziamento_acquirente_estero?contentId=PRD22447

- ✓ Carry out a Push Strategy: the objective of this strategy is to guarantee resources to foreign counterparties in order for them to purchase Italian products and services.
- ✓ Digitize its services
- ✓ Building an export culture, trying to involve more and more companies explaining the advantages of exporting.

The results of this process have been positive [214]: SACE mobilized in the period from 2016 to 2018 €72 billion for Italian companies and in 2018, as shown in Figure 4, internationalization was the sector in which the CDP group invested more resources.

The projects supported by SACE aim to invest mainly in developing or already developed countries: the company, through market studies, calculates the Export Opportunity Index, the Investment Opportunity Index and the Italian Export Performance by country, in order to propose the best solutions to its customers. In the 2019-2021 Financial Plan, however, in addition to these resources €3 billion have been introduced: these funds, which comes from the Development Fund managed by CDP, are to be used for international cooperation, namely for investment in the so-called "Least Developed Countries"[215]. The allocation of these resources is due to the fact that, as seen, in 2016 CDP became the Financial Institution for Development Cooperation and acquired the faculty to operate in all developing countries. When operating in these countries, CDP collaborates with other national institutions responsible for cooperation at various level:

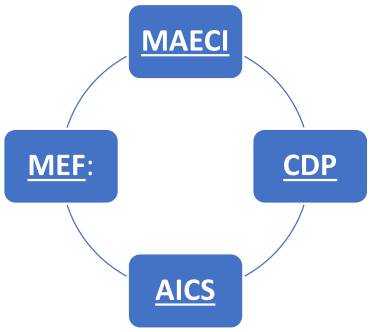

Figure 14 main actors for Italian Cooperation. Source: https://www.cdp.it/sitointernet/it/cooperazione_internazionale.page

Each institution has a different task:

- MAECI, which is the Italian Ministry of Foreign Affairs and International Cooperation, has the political responsibility.

[214] https://www.sacesimest.it/chi-siamo/la-strategia
[215] Identified by the UN as countries with the lowest levels of socio-economic development in the world

- CDP has the financial responsibility
- AICS, which is the Italian Agency for Development Cooperation, has the technical-operational responsibility
- MEF, which is the Ministry of Economy and Finance, has economic responsibility

Italy does not always manage the Development Fund: it is in fact a rotating fund and is used by CDP and other international partners, such as: African Development Bank (AfDB), World Bank (WB), Corporacion Andina de Fomento (CAF), Caribbean Development Bank (CDB), International Fund for Agricultural Development (IFAD), Green Climate Fund (GCF), International Finance Corporation (IFC), Inter-American Development Bank Group (IDB) and International Development Financial Club (IDFC)[216]. The cooperation with other institutions is in fact the peculiarity of this project and also European Institutions are involved[217]. The objective of the projects financed with these resources is to achieve the 17 sustainable development objectives determined by the United Nations General Assembly in September 2015 and to achieve growth and improvement in the following sectors: employment, infrastructure, agriculture, environment and renewable energy, immigration, health and education. Support to public actors. The projects are aimed at both the public and private sectors: for the former, loans can be made to public bodies and governments. As far as the private sector is concerned, mainly SMEs are financed.

In conclusion, CDP operates outside its borders in three ways: the first in chronological order is its participation in international investment funds, which began in 2009, through the foundation of the Long Term Investors Club and the participation in international investment fund, such as Marguerite I and INFRAMED. The second field is its main activity, namely the internationalization of Italian companies, which began in 2012: it took up most of the new investments made in 2018 (Figure 4) and is done through its subsidiary SACE, which follows the firms throughout the process to get to the export. Finally, in recent years, CDP has begun to operate in international cooperation, working both with Italian and European institutions and worldwide: the aim is to bring its know-how to projects aimed at less developed countries.

[216] These funds, as in the case of the EIB, perform the function of monitoring projects at local level
[217] Namely: European Commission, Spanish Agency for International Development Cooperation (AECID), Agence Francaise de Developpement (AFD), European Bank for Development and Reconstruction (EBRD), EIB and Kreditanstalt für Wiederaufbau (KFW)

3.3. Conclusions

In conclusion, in this short chapter it has been analysed how the two financial institutions work abroad: although it is difficult to make a comparison between the activities of two institutions with a different nature and orientation, some points that have in common and other differences can be considered. The first point in common is that their activity, although started at different times, has peaked in recent years, allowing both the EIB and CDP to operate globally. The first difference between the two institutions, apart from the different moment when they started operating outside their borders, is the way in which they operate: CDP employs very few resources, only those for international cooperation directly abroad. The remaining resources are in fact used in internationalisation, which means helping Italian companies to export their services and products: it can therefore be said that the Italian financial institution does not operate abroad but in favour of foreign countries. EIB, on the contrary, directly finances non-European institutions and companies: its work is mainly linked to international cooperation and its objective is to ensure that the countries in which it invests achieve sustainable development and lasting economic growth. In order to carry out its projects, the EIB relies on international financial institutions, which carry out monitoring operations: this is a common point, since CDP does the same when it invests in international cooperation, whereas in the case of internationalisation, the Cassa may lend resources to external institutions, but with the aim of enabling them to purchase Italian products and services. This focus on sustainable development, combined with the relationship created with other financial institutions, has led the EIB to be the only multilateral lending institution operating globally: CDP, taking into account its different nature, prefers to invest in countries where Italian exports can perform well. Finally, as far as common ground is concerned, both financial institutions have cooperated in investment funds and are members of the Long Term Investors Club: in times of globalisation, both have cooperated outside their borders, demonstrating the adaptability that they have already shown throughout their history. Therefore, it can be expected that the role that both the EIB and CDP play internationally will increase over time: while today the EIB uses only 10% of its resources outside its borders and CDP has allocated very few funds to international cooperation (€3 billion out of the €100 billion planned by the Industrial Plan 2019-2021), the strategy of increasing the resources invested abroad could bear its fruits in the future, especially to address complex and global problems such as migration and fight against poverty.

Conclusions

The aim of the research has been to understand how development banks work at European level: their relevance is linked to the fact that they are one of the most important instruments that the state has to intervene in the economy and represent one of the main actors in terms of long-term investments. In order to do it, a multilateral development bank, the EIB, and a national development bank, the Italian Cassa Depositi e Prestiti, have been taken into account. The analysis followed three research questions, namely:

1. **How does the EIB model work?** The information to answer this question is contained partly in the first chapter, where the history of the financial institution, its governance and the way it has operated are analysed, and partly in the second chapter, where through the analysis of similarities and differences with CDP its relationship with politics is examined.
2. **How does the CDP model work?** The answer to this question is dealt in the second chapter, which studies the history of CDP, its governance and analyses the different functions that the Italian financial institution has had over its history. Finally, in the comparison with the EIB, its relationship with politics and public opinion is treated.
3. **How do these two financial institutions operate outside their borders?** The issue is addressed in the third chapter: although the resources invested abroad are significantly less than those used within the borders, the way in which they are used is important to understand how the two institutions have become relevant players also at international level.

The purpose of the conclusion is to show the results of this work, summarizing the main features of the two financial institutions: in this way it will be possible to answer the research questions and outline the guidelines of the two models

- As far as the EIB is concerned, 5 characteristics define its model:
    1. The first characteristic is its ability to adapt to the needs of the European Union: as it has shown in its history, the EIB has acted as the financial arm of the EU in various circumstances. Initially, in fact, it helped Italy, in particular the poorest southern regions to integrate into the common market, investing most of its resources in that area. Subsequently, it participated in the most important EU policies such as Enlargement policy, Cohesion policy and Environmental policy: in the first case it helped the

countries that wanted to join the Community to meet the necessary economic requirements, in the second case it managed the cohesion funds and projects, and finally, as far as environmental policy is concerned, it invested its resources in renewable energy projects.

2. The second characteristic is its ability to adapt and react to economic crisis situations: this was seen especially during the economic crisis that started in 2008. Its countercyclical investments have enabled the European Union to launch new plans for sustainable development, such as Europe 2020 and the Juncker Plan: in all these strategies, the EIB's know-how and resources have made a fundamental contribution.
3. The third feature is its risk-free operating model: through its AAA rating, it can issue bonds with a very low interest rate. Then, by lending the resources obtained from the bonds directly to the projects, it is able to pass on the advantage of its rating to them, without burdening the budgets of the shareholder states: the bank is therefore independent from the Member States, which only provide the guarantees to operate in the market.
4. The fourth characteristic is to be a central player in long-term economic development: as seen in the analysis of its project database made in section 1.3, the EIB has invested in those sectors necessary to create the conditions for sustainable economic development, such as infrastructure, SMEs and the environment.
5. Finally, the fifth characteristic is its autonomy: this feature is the most difficult to analyse. On the one hand, the EIB has had legal personality since the Treaties of Rome, on the other hand it is a part of the EU institutions and can therefore be influenced by the different Member States. The work does not fully clarify this relationship, which will be defined in the future by analysing the consequences of Brexit.

- As far as CDP is concerned, the main features of its model are:
  1. Its ability to adapt throughout Italian history: founded in 1850, CDP has operated at national level since the unification of the country in 1861. Its work has gone through the different phases of Italian history: the unification of the country, the First World War, Fascism, the Second World War and reconstruction. In all these phases, CDP has mainly invested in infrastructure to create the conditions for economic

development. Subsequently, after a long process to achieve autonomy, which ended in 2003 when it became a joint-stock company, CDP invested in new sectors: in addition to infrastructure, it also invested in SMEs, the environment and social inclusion.

2. Its ability to adapt to economic conditions: once again, its ability to make countercyclical investments was shown by the 2008 economic crisis. In fact, during that period CDP had the strength to renew itself completely, starting to buy shares in other companies, moving closer to European promotional institutions and supporting the export of Italian companies.
3. Its multiple nature, which is linked to the way CDP operates: since 1875, CDP has managed Italian postal savings. Although this has always been the primary source of CDP's resources, since 2003 it has also begun to invest in market operations. Moreover, in the same year CDP started its holding function, buying shares in important Italian companies such as ENEL, ENI and Poste Italiane. Finally, in 2012, the CDP group was formed: through this, CDP performs various functions, including equity and export support operations.
4. its focus on values: The Code of Ethics was approved in February 2017. Its importance lies in the fact that it sets out the values that CDP must follow when investing, such as attention to the environment, transparency and social inclusion: these values have given a global dimension to CDP, which by following them can participate in various European and UN policies.
5. Its autonomy: CDP, despite the fact that it is often called upon by politics to save Italian companies in crisis, has always remained faithful to its Statute. It allows it to invest only in companies with future earnings prospects: in this way, CDP has until now operated independently from political influences, despite the fact that part of public opinion still sees this institution as part of the public administration.

- Finally, as regards the way they operate abroad, each has its own characteristics:
  1. The EIB works for the development of other countries: The Bank invests about 10% of its resources outside the European Union. Here it operates by lending its resources to other credit institutions, which will lend the

resources to local projects: in this way, the EIB does not have to carry out monitoring operations, which will be carried out by local operators.

2. CDP, on the other hand, invests a small part of its resources in international cooperation. Most of the resources invested abroad are in fact to support the export of Italian products: CDP, through its subsidiary SACE SIMEST, helps Italian companies to internationalise, thus operating not directly abroad but in favour of foreign countries.

In conclusion, by analysing the models of these two financial institutions, it is possible to understand how successful long-term development works: it requires flexibility, a certain degree of independence, significant investment in strategic sectors and foresight. These characteristics have been amply demonstrated both by the EIB, which today is the largest multilateral development bank in the world, and by CDP, which in 170 years of history has been able to evolve, carrying out a series of very complex and varied activities, thus becoming one of the most important national financial institutions at European level.

References

Agenzia Giornalistica Italia. (2019, November 21). *Il portafoglio da 425 miliardi di euro di Cassa depositi e prestiti.* Tratto da agi.it: https://www.agi.it/economia/portafoglio_cdp_investimenti-6588756/news/2019-11-21/

Aghion, Veugelers & Serre. (2009). COLD START FOR THE GREEN INNOVATION MACHINE. *Bruegel Policy Contribution, Issue 2009/12*, 1-13.

Asso, P. F. (2013). Gli anni fra le due guerre. In M. D. Toniolo, *Storia della Cassa depositi e prestiti dalle origini alla fine del Novecento* (p. 179-280). Bari: Laterza.

Balenciaga, J. M. (2003). *EIB-Information 2002-2003 n.114.* Luxembourg: Information and Communications Department of the European Investment Bank.

Bartoletto, Chiarini,Marzano, Piselli. (2019). Business cycles, credit cycles, and asymmetric effects of credit fluctuations: Evidence from Italy for the period of 1861–2013. *Journal of Macroeconomics 61* , 1-22.

Bassanini, F. (2015). La "mutazione" della Cassa Depositi e Prestiti: bilancio di un quinquiennio (2009-2015). *ASTRID RASSEGNA - N. 14*, 1-13.

Bassanini, F. (2016). La politica industriale dopo la crisi: il ruolo della Cassa Depositi e Prestiti. *L'industria Fascicolo 3, luglio-settembre. Il Mulino Rivisteweb*, 435-454.

Battilossi, S. (2013). Dalla Ricostruzione agli Anni Novanta. In M. d. Toniolo, *Storia della Cassa depositi e prestiti: dalle origini alla fine del Novecento* (p. 237-433). Bari: Laterza.

Bersani, M. (2018, August 11). *Storia ed Evoluzione di Cassa depositi e prestiti*. Tratto da www.dimensionidiverse.it: http://www.dimensionidiverse.it/storia-ed-evoluzione-di-cassa-depositi-e-prestiti/

Bussière, Dumoulin and Willaert. (2008). *The Bank of the European Union: the EIB from 1958 to 2008.* Luxembourg: Imprimerie Centrale, European Investment Bank.

Camera dei Deputati. (2016). *Cassa depositi e prestiti: principali linee di intervento n. 204/2.* Roma: SERVIZIO STUDI – Dipartimento Finanze.

Cardi, M. (2012). *Dottorato di Ricerca in Diritto degli Affari, XXIV Ciclo: BANCOPOSTA E CASSA DEPOSITI E PRESTITI Il circuito storico del risparmio postale e prospettive evolutive.* Roma: Relatore Prof. Francesco Capriglione, LUISS Guido Carli.

Cassa depositi e prestiti. (2018). *Dichiarazione consolidata di carattere non finanziario del Gruppo CDP* . Roma: CDP.

Cassa depositi e prestiti. (2020, January 3). *Storia di Cassa depositi e prestiti, 1850-2020*. Tratto da cdp.it: https://www.cdp.it/sitointernet/it/170_timeline_storia.page

Castells-Quintana & Royuela. (2016). Spatially blind policies? Analysing agglomeration economies and European Investment Bank funding in European neighbouring countries. *SPECIAL ISSUE PAPER Springer-Verlag Berlin Heidelberg*, 570-589.

Clifton, Dìaz-Fuentes and Gòmez. (2018). The European Investment Bank: Development, Integration, Investment? *Journal of Common Market Studies vol.56 n.4*, 733-750.

Clifton, Díaz-Fuentes and Revuelta. (2014). Financing utilities: How the role of the European Investment Bank shifted from regional development to making markets. *Utilities Policy vol. 29*, 63-71.

Conte, L. (2013). Amministrare il risparmio: la Cassa depositi e prestiti da azienda a impresa-organo del ministero del Tesoro, 1850-1913. In M. d. Toniolo, *Storia della Cassa depositi e prestiti dalle origini alla fine del Novecento* (p. 37-90). Bari: Laterza.

Dalla Torre, G. (2013). Verso e dopo la privatizzazione: alcune note dai rendiconti annuali. In M. d. Toniolo, *storia della Cassa depositi e prestiti. Un nuovo corso: la società per azioni* (p. 223-260). Bari: Laterza.

De Cecco & Toniolo. (2013). La Cassa Depositi e Prestiti nell'Economia Italiana, 1850-2000. In M. D. Toniolo, *Storia della Cassa Depositi e Prestiti dalle Origini alla Fine del Novecento* (p. XV-LIV). Bari: Laterza.

De Maria, S. (2015). Going Green at the European Investment Bank: an Environmental Policy for Non EU Lending. In F. S. Tullio Treves, *foreign investment, international law and common concerns* (p. 154-169). London: Routledge.

Delikanli, Dimitrov & Agolli. (2018). *Multilateral Development Bank: Governance and Finance.* London: Palgrave Macmillan.

Della Torre, G. (2001). La finanza di guerra e il "circuito dei capitali" in Italia, 1935-1943: una valutazione quantitativa. *edited by Mulino Rivista di storia economica Fascicolo 2, agosto*, 173-198.

Di Cristina, F. (2020, January 24). Responsabile Affari Normativi e Progetti Speciali. (G. M. Baravelli, Intervistatore)

Dillenbeck, R. R. (1962). THE EUROPEAN INVESTMENT BANK 6th ed. *Business Lawyer (ABA), vo. 17(3),*, 568-583.

Dominelli, C. (2019, June 20). *Cdp, il Tesoro batte cassa: in arrivo extra-cedola da 800 milioni (oltre agli 1,3 miliardi già staccati).* Tratto da Il sole 24 ore: https://www.ilsole24ore.com/art/cdp-si-prepara-staccare-cedola-extra-800-milioni-il-mef-ACULiBT

Donato, A. (2015). Il ruolo di holding di Cassa depositi e prestiti S.p.A.: profili giuridici attuali della gestione dipartecipazioni come strumento di politica industriale. *Il Mulino rivsta online: Analisi Giuridica dell'Economia Fascicolo 2, dicembre*, 367-392.

Dunnett, D. R. (1994). THE EUROPEAN INVESTMENT BANK: AUTONOMOUS INSTRUMENT OF COMMON POLICY? . *Common Market Law Review vol. 31 Kluwer Academic Publishers, Netherlands*, 721-763.

EIB. (1978). *Relazione Annuale 1978.* Luxembourg: European Investment Bank.

EIB. (1983). *25 years: 1958-1983.* Luxembourg: European Investment Bank.

EIB. (1986). *Relazione annuale 1985.* Luxembourg: European Investment Bank.

EIB. (1998). *Annual Report 1998.* Luxembourg: European Investment Bank.

EIB. (2003). *Annual Report 2003.* Luxembourg: European Investment Bank.

EIB. (2015). *The Governance of European Investment Bank.* Luxembourg: European Investment Bank.

EIB. (2017, June 12). *A bond for the planet: 10 years of EIB's Climate Awareness Bonds*. Tratto da eib.org: https://www.eib.org/en/videos/green-bonds-10th-anniv-video.htm

EIB. (2018). *Impatto nel futuro: Relazione sull'attività del 2017 della Banca europea per gli investimenti.* Luxembourg: European Investment Bank.

EIB. (2019). *Relazione sugli Investimenti 2018/2019: Nuovi strumenti per l'economia dell'Europa.* Luxembourg: European Investment Bank.

Farese, G. (2019, November 23). Podcast, A conti fatti: la storia e la memoria. Puntata 23/11: CDP, un impegno lungo 170 anni . (D. Pesole, Intervistatore)

Gilibert, Greppi, Marchegiani and Ratti. (1991). *La Banca Europea per gli Investimenti.* Milan: Europa anni '90, directed by Dario Velo, Pirola Editore.

Grant, T. (2004). *European Investment Bank History*. Tratto da International Directory of Company Histories, Vol. 66. St. James Press, 2004: http://www.fundinguniverse.com/company-histories/european-investment-bank-history/

Griffith-Jones, Tayson and Calice. (2011). *The European Investment Bank and SMEs: Key Lesson for Latin America and the Carribean.* Santiago, Chile: United Nations Publication.

Griffith-Jones, Tyson. (2013). *WIDER Working Paper, No. 2013/019: The European Investment Bank: Lessons for developing countries.* Helsinki: The United Nations University World Institute for Development Economics Research (UNU-WIDER).

Gruber, H. (2016). Industrial policy options for sustaining growth in Italy. *Econ Polit Ind vol. 43 Springer*, 281-289.

Hachez & Janwouters. (2012). A RESPONSIBLE LENDER? THE EUROPEAN INVESTMENT BANK'S ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS ACCOUNTABILITY. *Common Market Law Review Vol. 49, ed. Kluwer Law International*, 47-96.

Honohan, P. (1995). The Public Policy Role of the European Investment Bank within the EU. *Journal of Common Market Studies Vol. 33, No. 3*, 315-330.

Il Sole 24 ore. (2015, December 17). *Cdp: in piano industriale 160 miliardi in cinque anni per la crescita. Padoan: trasformare ripresa ciclica in strutturale.* Tratto da Il Sole 24 ore: https://st.ilsole24ore.com/art/notizie/2015-12-17/cdp-piano-industriale-160-miliardi-cinque-anni-la-crescita-paese-144923.shtml?uuid=ACup0RvB

Isaia, R. (2019, December 12). Head of Unit EIB - Infrastructure, Energy & Public Sector Divion Adriatic Sea Department, Lending operations in Italy and Malta. (G. M. Baravelli, Intervistatore)

Kellerman, M. (2019). The proliferation of multilateral development banks. *Review International Organizations Vol 14, ed. Springer*, 107–145.

Lamboglia, A. (2018, December 5). *Piano industriale CDP 2019-2021: investimenti per 200 miliardi in tre anni* . Tratto da fazi.biz: https://www.fasi.biz/it/notizie/in-evidenza/19544-piano-industriale-cdp-2019-2021.html

Langan, M. (2014). A moral economy approach to Africa-EU ties: the case of the European Investment Bank. *Review of International Studies, ed. British International Studies Association*, 465-485.

Lankowski, C. (1996). FINANCING INTEGRATION: THE EUROPEAN INVESTMENT BANK IN TRANSITION. *HeinOnline Law and Policy in International Business, vo., 27(4)*, 999-1026.

Lazonick, W. (2008). Entrepreneurial Ventures and the Developmental State. *United Nations University, Helsinki Discussion Paper No. 2008/01*, 1-44.

Lewenhak, S. (1982). THE ROLE OF THE EUROPEAN INVESTMENT BANK. *ROUTLEDGE LIBRARY EDITIONS: BANKING & FINANCE vol. 20*, 1-14.

Licari, J. (1969). The european investment bank. *Journal of Common Market Studies, vol.8 (3)*, 192-215.

Liebe & Howarth. (2019). The European Investment Bank as Policy Entrepreneur and the Promotion of Public-Private Partnerships. *New Political Economy, Routledge (Taylor & Francis Group)*, 1-19.

Macchiati, A. (2013). La Cassa Depositi e Prestiti dopo la trasformazione: ovvero ai posteri l'ardua sentenza. *Mercato Concorrenza Regole: Fascicolo 2, agosto. Il Mulino rivisteweb*, 287-298.

Manzella, G. P. (2017). Alle origini della Banca europea per gli investimenti: tra Mezzogiorno ed Europa. *Rivista giuridica del Mezzogiorno vol. XXI n.2* , 279-306.

Massacesi, C. (2013). *Abitare short stay: innovazione della residenza collettiva ad uso temporaneo.* Firenze: Corso di dottorato di ricerca in tecnologia dell'architettura e del design, università degli studi di Firenze.

Mazzucato, M. (2018). *The Entrepreneurial State: Debunking Public vs. Private Sector Myths.* London: Penguin.

Mertens & Thiemann. (2019). Building a hidden investment state? The European Investment Bank, national development banks and European economic governance. *Journal of European Public Policy, vol.26:1*, 23-43.

Mulazzani & Pozzoli . (2005). Storia ed evoluzione della Cassa Depositi e Prestiti . *27-28 January: International workshop "Accounting history in Italy"* (p. 1-16). Pisa: Università di Pisa.

Nugent, N. (2017). *The Government and Politics of the European Union (8th Edition).* Red Globe Press: Manchester.

Onesti, N. E. (2015). *IL RUOLO DELLA BANCA EUROPEA PER GLI INVESTIMENTI, QUALE BANCA DI SVILUPPO DELL'UNIONE EUROPEA, NEL CONTESTO DELLA CRISI ECONOMICA.* Milano: Scuola di Dottorato in Scienze giuridiche, Università Bicocca.

Robinson, N. (2009). The European Investment Bank: The EU's Neglected Institution. *Journal of Common Market Studies Volume 47. Number 3.*, 651–673.

Salvemini, M. T. (2013). La Cassa depositi e prestiti tra il 1996 e il 2002. Memoria di un'esperienza di gestione. In M. D. Toniolo, *Storia della Cassa depositi e prestiti. Un nuovo corso: la società per azioni* (p. 261-290). Bari: Laterza.

Toniolo & De Cecco. (2013). la Cassa depositi e prestiti SpA: novità e continuità. In M. D. Toniolo, *Storia della Cassa depositi e prestiti. Un nuovo corso: la società per azioni* (p. 3-40). Bari: Laterza.

Toplensky & Barker. (2019, July 15). *European Investment Bank: the EU's hidden giant.* Tratto da Financial Times: https://www.ft.com/content/940b71f2-a3c2-11e9-a282-2df48f366f7d

Tuijnman, A. (2009). The Education Lending Policy of the European Investment Bank. *European Journal of Education,Vol. 44, No. 1 Blackwell Publishing Ltd., Oxford*, 111-125.

Zaccaria, D. (2019, July 2). *Cassa depositi e prestiti, ecco 200 miliardi per lo sviluppo sostenibile dell'Italia.* Tratto da La Stampa: https://www.lastampa.it/tuttogreen/2019/06/03/news/cassa-depositi-e-prestiti-ecco-200-miliardi-per-lo-sviluppo-sostenibile-dell-italia-1.36537682

Zamagni, V. (1998). Il debito pubblico italiano 1861-1946: ricostruzione della serie storica. *Editor Mulino, Rivista di Storia Economica Fascicolo 3, December* , 207-242.

Zapponini, G. (2016, December 17). *Ecco come Cdp e Bei mettono il turbo al Piano Juncker.* Tratto da formiche.net: https://formiche.net/2016/12/ecco-come-cdp-e-bei-mettono-il-turbo-al-piano-juncker/

Ringraziamenti

In primis, voglio ringraziare la mia famiglia: grazie per avermi supportato per tutto il corso dei miei studi e per il vostro affetto incondizionato. Grazie a mia sorella Virginia, che con i suoi sacrifici, la sua dolcezza e il suo impegno mi ha spronato a fare sempre meglio. Per quanto riguarda invece i miei genitori, grazie per come mi avete educato, per i valori che mi avete trasmesso e per la libertà che mi avete lasciato, anche quella di commettere errori: nel mio percorso futuro avrò sempre a cuore i vostri insegnamenti.

In secondo luogo, ci tengo a ringraziare tutti i miei professori, sia quelli della laurea triennale che quelli della laurea magistrale: grazie per aver acceso in me la passione per lo studio e l'approfondimento che non pensavo di avere e per avermi insegnato l'importanza di impegnarsi. In particolare, un grazie a chi mi ha seguito per la tesi, la relatrice Raffaella Nanetti, Romolo Isaia, Giuditta Di Nino e Fabio Di Cristina: grazie per la vostra disponibilità, i vostri consigli e il vostro tempo. Tra i professori, ovviamente, rientra anche Corinne: grazie prof. per la pazienza che ogni settimana dimostra nel sentirmi parlare nel mio francese sgrammaticato!

In terza posizione, non certo per importanza, un grazie di cuore a tutti i miei amici: quelli storici, quelli del liceo Maestre Pie, quelli di Forlì, quelli di Roma e quelli che ho conosciuto nelle esperienze all'estero. Ho scelto di non mettere nomi, sareste troppi e sicuramente non darei a ciascuno il rilevo che merita. Grazie perché da voi ho imparato che, nonostante le differenze (e spesso anche la distanza geografica), la vera amicizia dura nel tempo e rifiorisce ad ogni incontro.

Infine, questo si in ordine di importanza, voglio ringraziare me stesso: in questo percorso universitario ho imparato tante cose su di me e spero di avere anche in futuro la voglia di mettermi in gioco che ho dimostrato in questa parentesi della mia vita.

Adesso per me inizia la sfida più difficile, ovvero definire il mio futuro: mi ritengo fortunato di poterla affrontare con voi al mio fianco. Tutti voi infatti avete contribuito, insieme ai libri che ho letto, a quello che sono oggi e spero di avervi restituito almeno in parte quello che avete fatto per me.

Summary

The purpose of the thesis is to study the functioning of development banks at European level: the reason for the interest is that after the end of the Second World War they were an important economic player to ensure territorial development and invest in the long term. To understand their functioning and outline their operating model, two cases are considered: a multilateral development bank, namely the European Investment Bank, and a national example, the Italian Cassa Depositi e Prestiti. A longitudinal analysis of the two financial institutions provides answers to three questions:

1. **How does the EIB model work?**

   This question is answered partly in the first chapter, where the history of the financial institution, its governance and the way it has operated are analysed, and partly in the second chapter: in the third section of this chapter a comparison is made between CDP and the EIB in order to understand, through the analysis of similarities and differences, their relationship with politics.

2. **How does the CDP model work?**

   This question is answered in the second chapter: the first part of it deals with the history of the institute since its foundation, the second one analyses its governance and the third one its relationship with politics and public opinion.

3. **How do these two financial institutions operate outside their borders?**

   This question is answered in the third chapter: it is deliberately shorter than the other two because CDP and EIB invest a small percentage of their available resources directly abroad. However, it remains interesting to understand how these two institutions operate outside their borders, as they have different objectives and priorities.

The research method is mainly based on four sources:

1. The first is the academic material, which is mainly used for the historical reconstruction in the first section of chapters one and two.
2. The second is the material found online on the official websites of the two financial institutions: this material is mainly used for the analysis of EIB and CDP governance which is made in the second part of chapters one and two. In addition, as far as the EIB is concerned, there is also online the database of all the projects

financed by the institution since its foundation in 1958: the analysis of this database can be found in the third section of the first chapter

3. The third is the media: various articles are cited in the third section of the second chapter, in order to understand the different relationship between the two financial institutions and the public opinion.
4. Finally, the fourth method of research consists in the interviews I have done with three people: the information received from them was used throughout the work
    a. **Romolo Isaia**: EIB Head of Unit - infrastructure, Energy & Public Sector Division- Adriatic Sea Department, Lending Operations in Italy and Malta.
    b. **Fabio Di Cristina**: CDP Head of Regulatory Affairs and Special Projects, Corporate and Regulatory Affairs.
    c. **Giuditta Di Nino**: CDP Legal, Support to Corporate Bodies.

Chapter one: Longitudinal Analysis of the European Investment Bank

The first chapter, which focuses on the EIB, is divided into three sections: the history of the financial institution, its governance and the way it has operated.

Its history is divided into four phases, following the historical and political events that have involved the European Community since the Treaties of Rome:

1. The first period runs from 1958 to 1972: this phase is characterised by two peculiarities: the first is the Treaty of Rome, signed by the six founding states of Italy, France, West Germany, Belgium, Luxembourg and the Netherlands, which concerns, among other things, the EIB. The second is the activity carried out by the Bank in the early years: in this first phase it concentrated its activities mainly in southern Italy, the poorest area of the European Community.
2. The second period runs from 1973 to 1985: this period as well is characterised by two events. The first is the economic crisis of the 1970s: the EIB is beginning to show its counter-cyclical function here by investing in research projects in renewable energies. The second event is the first enlargement: in 1973, United Kingdom, Ireland and Denmark entered into the European Community. These countries, in particular the United Kingdom, would immediately play an important role in EIB investment.
3. The third period runs from 1986 to 2007: it is an important period for the European Community, which, through various treaties, such as the Maastricht Treaty of

1993, the Amsterdam Treaty of 1997 and the Nice Treaty of 2001, sees its importance increase. the EIB is present in various articles of these treaties. Moreover, with the fall of the USSR, the Bank began to invest in Eastern European countries, thus becoming an important player to facilitate their entry in 2004. Finally, as far as European policies are concerned, the EIB in this period starts to work together with the European Commission in the cohesion policy, by managing funds and projects and with the European Parliament in the environmental policy.

4. Finally, with regard to the fourth period, which runs from 2008 to 2019, the EIB plays a central role in fighting the economic crisis: its function is countercyclical and during this phase it invests its resources by participating in both long-term European strategies, such as the Europe 2020 programme for inclusive, intelligent and sustainable growth and the Juncker plan, an investment plan that focuses on both infrastructure and SMEs.

As far as governance is concerned, it is also divided into four parts: they are important in order to understand its operational model and dynamics of functioning

1. As far as the Governing bodies are concerned, the policy guidelines are dictated by the Board of Governors, which gathers the finance ministers of all EU member states: the member states are the only shareholders of the bank. The Board of Directors has exclusive competence to take decisions regarding loans, guarantees, borrowings and volume of funding to be raised on the capital markets. As far as the Management Committee is concerned, it deals with the daily work of the EIB. All activities are finally controlled by an Audit Committee.
2. As far as relations with the other institutions are concerned, the starting point is to establish that the EIB is to all intents and purposes a European institution, more precisely the financial arm of the EU. This is why the EIB has relations with all the institutions, especially with the Commission, with which it cooperates in many policies thanks to its know-how and resources, and with the European Parliament.
3. As far as the composition of the budget is concerned, the four most important economies, namely Germany, Italy, France and the United Kingdom, have the same amount of quotas and the remaining countries share the remainder. Each country therefore contributes to the EIB budget according to its possibilities: the

Bank cannot lend more than 250% of this subscribed capital. This section also explains the EIB's business model: the starting point is that, due to its high availability of resources (it can lend up to 250% of the subscribed capital) and the reliability of these funds (as they are linked to the credit strength of the related Member States), the Bank has obtained a AAA rating from all three main rating agencies: Moody's, Fitch and Standard & Poor's. Through this, it can emit bonds on the capital market benefiting from very low interest rates, in turn allowing the Bank to grant loans at advantageous rates, passing the financial advantage on to the final beneficiaries. Thanks to this operating model, it has become one of the leading supranational credit institutions in the world: moreover, it does not have an excessive weight on the Member States, which have to contribute only with the percentage of 8.9% on the amount of the subscribed capital (the paid-in capital).

4. In the last phase the three ways in which the bank can participate in a project are initially listed: The Bank can participate through a direct loan, through participation together with other financial institutions or through consultancy without financial resources. Direct loans are managed by the Bank's departments, which deal with all aspects of the project.

Finally, the fourth part explains, through the analysis of the project database, the different ways in which the EIB has operated over time, specifying the areas, the sectors and the countries in which it has invested the most resources:

1. As regards the first phase, the EIB operated as a Regional Development Bank, investing mainly in Industry, Transport and Energy in the following countries: Italy, France and West Germany. In this period, investments outside the community were concentrated only in the Enlargements Countries and Africa.
2. As for the second phase, the EIB acted as Sweetener for New Meber States, investing not only in Italy and France, but mainly in the UK. The most important sectors were Energy, Credit Lines (credit lines for SMEs) and Transport. Outside the EEC, the EIB started to invest in Mediterranean countries (such as Greece, which will join in 1981) and EFTA countries.
3. In the third phase, the EIB acted as Policy Instrument, participating in the various policies promoted by the European Union, particularly by the European Commission. The countries in which it invested the most were Italy, Spain (which

joined in 1986) and Germany (more funds were allocated to East Germany to allow economic reunification). The preferred sectors were Credit Lines, Transport and Energy. Outside Europe with the end of the Cold War investments began in Asia, Latin America and Russia.

4. Finally, in the fourth phase, the EIB played a leading role in the economic crisis: it acted on a global level, becoming the only multilateral financial institution able to do so, while on a European level it invested in Spain (Italy is not first for funding received), Italy and Germany. The preferred sectors have been Credit Lines, Transport and Energy.

Chapter two: Cassa Depositi e Prestiti: Analysis and Comparison of BEI'S Italian Counterpart

This chapter is also divided into three sections: the first deals with the history of the Italian financial institution, the second with its governance and the third presents a comparison between EIB and CDP.

As far as history is concerned, it is divided into three parts:

1. The first phase starts from its foundation in 1850 and finishes at the end of the Second World War: The Cassa began operating nationwide in 1863 (Italian unification took place in 1861) and since 1875 it has been entrusted with the management of postal savings. This is an important event because at the time the Post Office is a widespread network throughout the country, and this consolidates the presence of CDP at national level. However, its autonomy is lost in 1898: in that year it becomes a Directorate General of the Treasury. As the First World War approaches, CDP finances the modernization of the Italian army. During Fascism, however, the Cassa loses even more autonomy in favour of the Ministry of Finance and is chosen by the regime as the bank for economic development, thus disadvantaging other credit institutions.
2. As regards the second part, which starts after World War II and continues until 2002, it can be further divided into two parts. The first thirty years represented a continuity with the past, while from the end of the 1970s there was a turning point in its role in the Italian economy. As regards the first period, the main activities were monetary policy and infrastructure: the Cassa had always been guided by the instructions of the Treasury and, as before the war, had not enjoyed particular autonomy. On the other hand, the second period was characterised by more

freedom of action granted to the Cassa, which in 1983 was definitively separated from the Treasury. With this change, it also began to perform different functions from the past: alongside traditional investments in infrastructure, it opened the way to a new course and new holdings in various sectors. This had led, as it will be seen in the next section, to more direct participation in the economy and to the development of new instruments and priorities.

3. The third part, which runs from 2003 to 2019, is the most important and marks a real revolution for Cassa Depositi e Prestiti. In 2003 CDP was converted into a joint-stock company and this definitive autonomy enables it to perform a number of functions it did not previously perform: first, alongside separate management, i.e. the management of postal savings, it establishes ordinary management, which consists of market operations without the guarantee of the state, in which the cash office has more autonomy. In addition, in the same year, CDP began to perform its holding function, buying shares in ENEL, ENI and Poste Italiane for a value of approximately €11 billion. Its role is further increased with the beginning of the economic crisis: CDP is also seeking to play a countercyclical role, thanks to new functions in internationalization and support to public bodies. In 2012, the CDP group is founded: it brings together a number of companies and enables CDP to perform important functions, collaborating with major Italian industrial groups, SMEs and public bodies, which make use of CDP's technical and managerial expertise. CDP's role is internationally recognised: in 2015 it becomes the Italian Financial Institution for Development Cooperation and the following year it participates in the Juncker plan together with the EIB.

The governance section is divided into three parts, which deal with the Statute, the Code of Ethics and the composition of the CDP Group:

1. The analysis of the statute provides guidelines for understanding the CDP model: since its transformation into a joint-stock company in 2003, it has considerably expanded its resources, instruments and areas of activity, coming ever closer and finally becoming a development bank. The most important articles are:
    a. Article 3, which establishes the Cassa's Resources, Instruments and Areas of Activity,
    b. Articles 1, 6, 7, 8 and 9 explain how the two areas of separate and ordinary management work,

    c. Finally, Articles 11 to 28 concern the governing bodies, their composition and functions.

2. The analysis of the Code of Ethics, which is complementary to that of the Statute made in the previous paragraph: in fact, it shows that, since its transformation in 2003, CDP has also adapted to international credit institutions with regard to investment values and priorities. This code, approved in 2017, establishes the importance of operating in accordance with the values of transparency, cooperation and environmental protection. This has paved the way for collaborations with the EIB: in fact, since the priorities are the same, the two financial institutions have always collaborated more and more. Moreover, by introducing the Social, Green and Sustainability Bonds, CDP has followed the EIB's example and started to operate in sustainable finance.
3. The CDP Group consists of eight companies in which CDP has a majority stake. They operate in the internationalisation (SACE), industry (FINTECNA and CDP INDUSTRIA), equity (CDP Equity), strategic investments (CDP INVESTMENT), energy (CDP RETI), real estate (CDP IMMOBILIARE) and venture capital (CDP VENTURE CAPITAL) sectors. In addition, CDP has interests in major Italian companies, such as ENI, TELECOM and POSTE ITALIANE and acts in various investment funds, often together with other international players.

The third part, which compares CDP and the EIB, is divided into three parts: general aspects, similarities and differences

1. The purpose of General Aspect’s this paragraph is to draw key element of contents discussed in the previous sections that influence the analysis which follows. In particular, there are both similarities, namely their ability to adapt over the course of history and their investment horizon, as well as differences. The latter are mainly related to the issue of autonomy which has been analysed from various points of view: firstly, taking into consideration the different geographical areas in which the two financial institutions have invested, then summarizing how they receive the funds and finally studying the composition of their shareholders. This topic is the central point of the section on differences, while the next paragraph focuses on the similarities between the two financial institutions: they have often invested in contingent areas and the analysis concerns this feature.

2. As far as similarities are concerned, they have mainly focused on the sectors in which both financial institutions have invested: both have concentrated on three sectors throughout their history:
    a. Infrastructure: historically they are the first sector in which they had invested. Having an efficient infrastructure system is the first condition to ensure economic development in the long term and usually it is the public sector that has to take care of it, as it requires long-term investments that are therefore risky for the private sector. Although the priorities of the two financial institutes have changed over time, the focus on infrastructure still remains very high, especially with regard to new communication systems.
    b. SMEs: following the chronological order, SMEs were the second sector in which both CDP and EIB invested. The objective of investing in this sector is to increase social inclusion: SMEs are the basis of many economies, but often they are unable to compete with larger companies and do not have enough resources to invest in innovation, so they may be destined to fail. In this sense, they have played a very important role, guaranteeing both funds for innovation and participation: in fact, even in this case, private investors invest less resources in staff training and innovation, preferring to buy the finished product later. Thanks to their investments in education and innovation, on the other hand, development banks guarantee greater social inclusion and participation in the labour market.
    c. Green: this was the most recent issue in which CDP and EIB have invested. In particular, EIB played a pioneering role in this case, financing the first investments in sectors, especially in renewable energy projects. For what concerns CDP, it starts to invest recently, but, thanks to the Green Bond, it has already gained an important role

As far as differences are concerned, it is important to notice that, the two financial institutions, although they collaborate on a policy level, have a different relationship with the political actors: on the one hand, the Cassa is constantly mentioned by politicians and the media. Politicians, as seen, often try to involve it in initiatives in favour of Italian companies in crisis. On the other hand, the EIB suffers from the opposite problem: as its president said, there is little awareness among European politicians of the role that the EIB could play in a financial environment where growth is difficult to accrue and the economy is increasingly technology-based. The reason of this differences is their different *modus operandi:* while CDP manages the postal savings, having a public role, the EIB is totally autonomous. This different *modus operandi*, combined with historical differences, leads to a different conception the public has of the two financial institutions: on the one hand, the Cassa, because of its legacy from the past, is seen as not very autonomous from the MEF. On the other hand, the EIB is seen as an entity totally separate from the policy of the Member States. The aim of this part of the work has been to give a fair perception of the two financial institutions: as seen, both are very large and complex entities, interacting with various actors including politics, but always in accordance with their Statutes. In summary, my assessment is that they have not yet fully defined their role: on the one hand, CDP became a joint-stock company only in 2003, while on the other hand, the EIB is a recent institution, born on the basis of the Treaties of Rome and always subject to continuous changes, due to EU enlargements and the more recent Brexit. Thus, it will be the challenges of the next decade that likely and ultimately will define their role.

Chapter three: How the EIB and CDP work outside their borders

The third chapter is shorter than the other two: the reason is that the resources that the two financial institutions invest abroad are smaller than those that invest within their area of competence. the EIB uses 10% of its resources outside its borders, while CDP does not spend funds abroad (except for a minimum percentage in international cooperation) except to internationalise Italian companies, so the funds are not used directly abroad.

Taking the EIB into account, it started investing outside its borders as early as 1963, a few years after its foundation. Over time, it has increasingly expanded its investment areas, becoming the only multilateral lending institution operating worldwide. Outside the European borders, the EIB operates in policies relevant to the European External Action Service (EEAS), such as enlargement policy, neighbourhood policy and international development and cooperation. Its social commitment, linked to the economic advantages of its way of operating (outside its borders the EIB do not invest directly, but with the help of other financial institutions which have the task to monitor its operations), make the EIB a reliable operator for other countries.

On the other hand, for what concerns CDP, it operates outside its borders in three ways: the first in chronological order is its participation in international investment funds, which began in 2009, through the foundation of the Long Term Investors Club and the participation in international investment fund, such as Marguerite I and INFRAMED. The second field is its main activity, namely the internationalization of Italian companies, which began in 2012: it took up most of the new investments made in 2018 and is done through its subsidiary SACE, which follows the firms throughout the process to get to the export. Finally, in recent years, CDP has begun to operate in international cooperation, working both with Italian and European institutions and worldwide: the aim is to bring its know-how and funds to projects aimed at less developed countries, but nowadays the resources invested in this field are limited.

Conclusions

In conclusion, the analysis of these models makes it possible to identify 5 characteristics for each of these financial institutions:

As far as the EIB is concerned, the characteristics are:

1. Ability to adapt to the needs of the European Union
2. Ability to adapt and react to economic crisis situations
3. Risk-free operating model
4. To be a central player in long-term economic development
5. Its autonomy

As far as CDP is concerned, the characteristics are:

1. Its ability to adapt throughout Italian history
2. Its ability to adapt to economic conditions
3. Its multiple nature
4. Its attention to values
5. Its autonomy

These characteristics have allowed EIB to become the largest multilateral development bank in the world, and CDP to become one of the most important national financial institutions at European level. They are the basis for successful long-term development, which requires flexibility, a certain degree of independence, significant investment in strategic sectors and foresight.