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European Investment Bank - STAREBEI programme

The European Investment Bank and the 'Mezzogiorno' in the context of regional development (1958-1973)

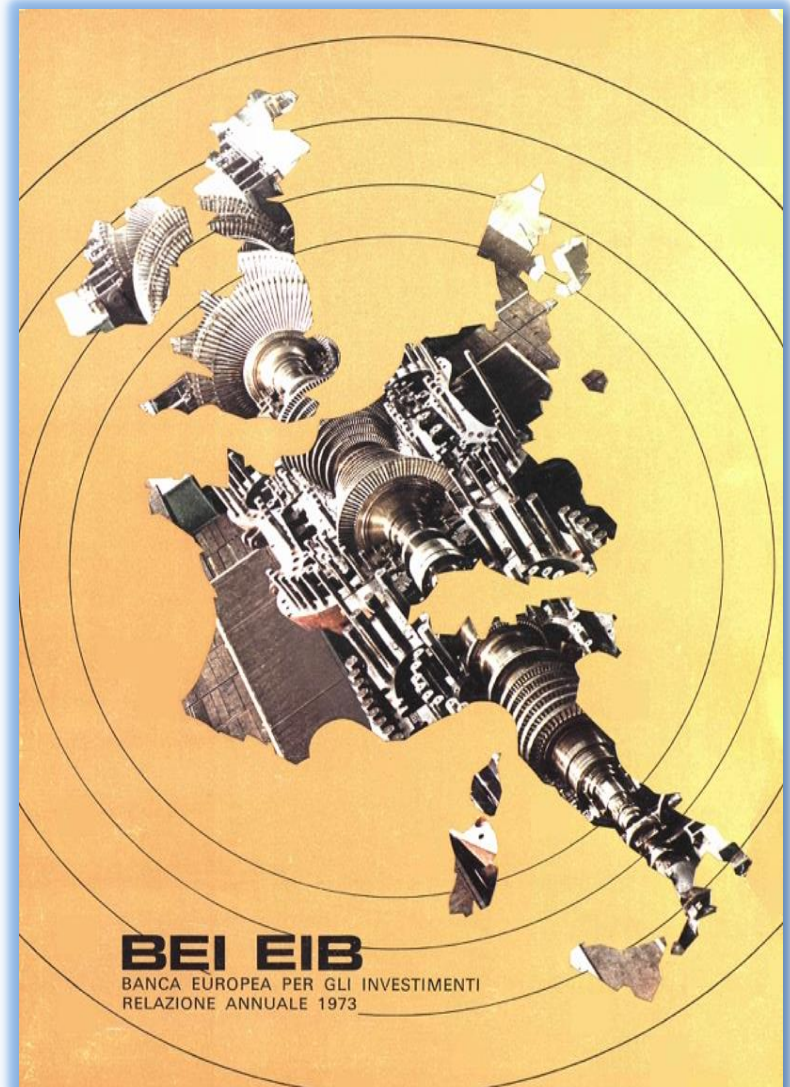
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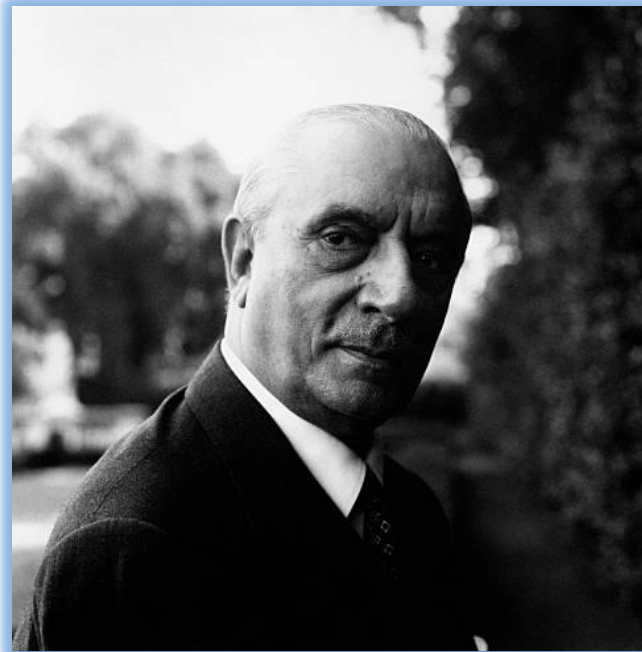
Introduction

- Timeframe: from the creation of the EIB to the first oil crisis (1958-1973)
- After the ‘Messina relaunch’: the uncertain role of the Bank between the Italian and the German vision
- The Italian context: the ‘extraordinary intervention’ and the mixed-economy





- The 'Italian' EIB: Pietro Campilli and Paride Formentini's first presidencies



■ EIB's first president: Italian,
Pietro Campilli (1958-59)



■ EIB's second president: Italian,
Paride Formentini (1959-1970)

The EIB's mission and its first challenges

- A necessary balance: EIB's credit policy between financial efficiency and regional issues
 - The *Protocol concerning Italy* and the *Protocol on the Statute of the European Investment Bank*
 - Interest rates, forex risk, profitability and financial sustainability
- A pragmatic and *market-oriented* logic
 - The initial strategy: projects vs bonds
 - The two monetary clauses

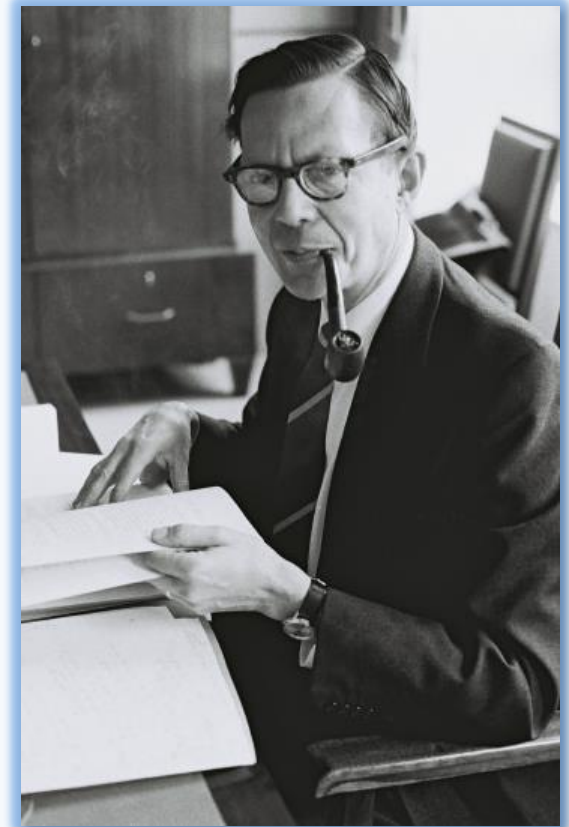


■ Image of the first EIB headquarters at Place of Metz in Luxembourg (1968)



The relationship with the European Commission

- A twofold relationship:
 - consensus on the intervention schemes (large priority to underdeveloped regions, ‘development poles’)
 - looking for a balance between autonomy and coordination (1958-1960)
- Formentini’s credit policy for social overhead capital, ‘self-liquidating’ and ‘intermediate’ investments
- Outside the Common Market: the associated countries

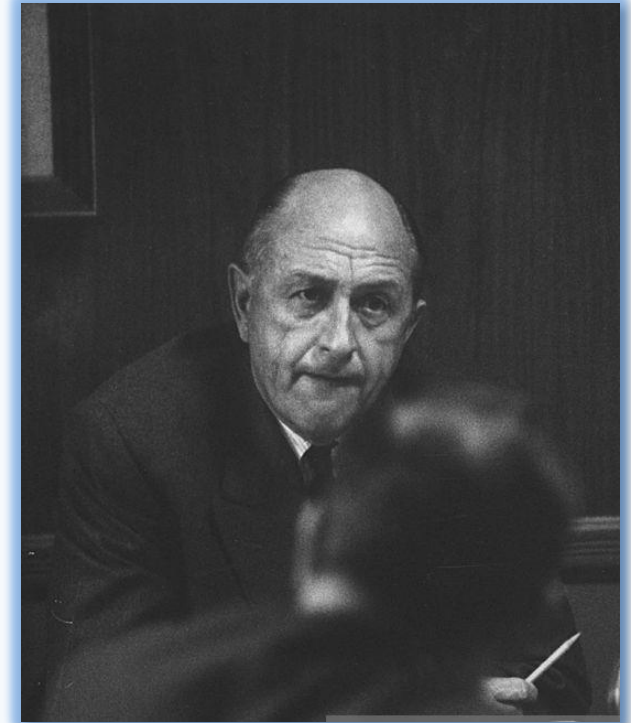


■ Vice-president of the European Commission, Robert Marjolin (1958-1967)



IBRD-EIB 'joint operation' in the Mezzogiorno (1958-1959)

- The World Bank's need to pull back from Europe and the difficult handover with the EIB:
 - The ENSI nuclear project and the Morgan Stanley involvement
 - The Italian Government concerns and the Paris summit in November 1958
- A 'stop and go' negotiation
 - IBRD's 'matters of principle' and Campilli's negotiating skills
 - Political significance of the 'joint operation' beyond the projects funded
 - Speculations around Campilli's resignation



■ World Bank president, Eugene Black (1949-1962)



Setting up the Bank's credit policy in the first half of the 1960s



■ The Celene plant producing ethylene and chemical derivatives within the petrochemical complex of Augusta-Priolo (Eastern Sicily)



Setting up the Bank's credit policy in the first half of the 1960s

- The Italian economic context:
 - the 'economic miracle' and the passage from a domestic demand-oriented model to an export-based one (1958-1965)
 - the agricultural exodus from the South
 - the 'second half' of the 'extraordinary intervention' in Italy

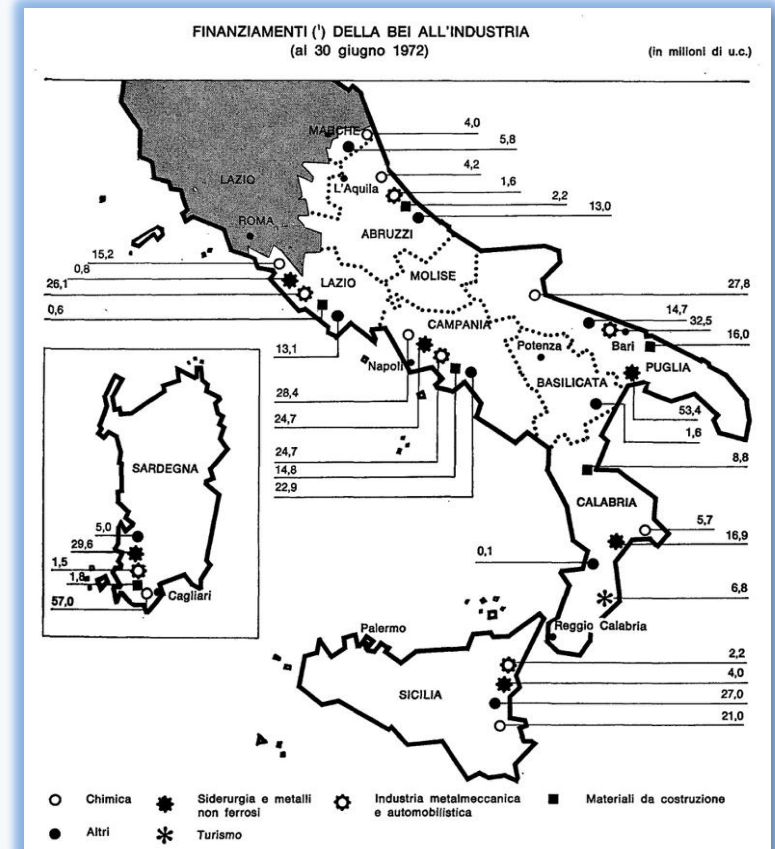
- EIB's main credit policy issues:
 - profitability and projects size
 - infrastructure vs intervention in the industrial sector
 - the Bank's attitude towards the expansion of both the role of the public industry and nationalisation (Taranto and Edison cases)



■ The Finsider iron and steel plant in Taranto financed by the EIB in 1961

Setting up the Bank's credit policy in the first half of the 1960s

- *'If I were a dictator'*: in search of paradigms
 - networking activity with IMI, Deutsche Bank etc.
 - Rosenstein-Rodan's theory of 'balanced growth' vs Clark's lesson on 'entrepreneurial shortage'
- EIB's credit policy take-off:
 - heavy industry (iron, steel and chemistry), engineering, food processing and freezing, as well as production linked to the construction industry

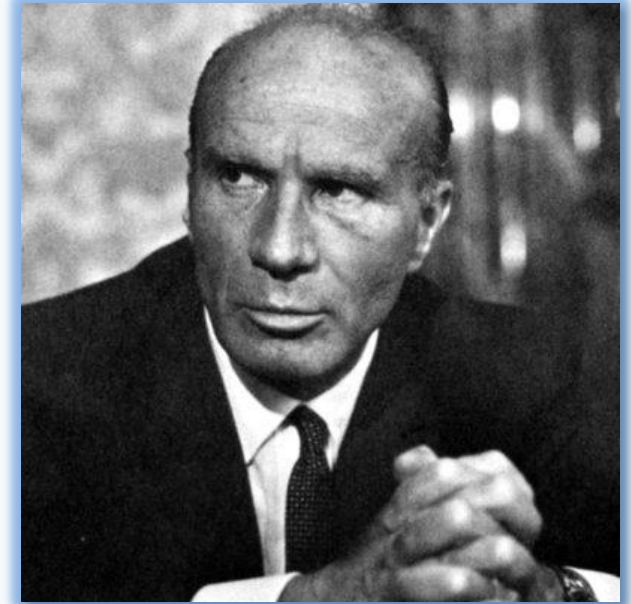


EIB industrial loans to Southern Italy



The Italian economic crisis of 1963-1964 and EIB's difficult role

- Two different explanations of the crisis: the increase in labour costs and the rise of investments
- How to get out of the economic downturn?
 - The Rostow Memorandum
 - The European Commission's 'conditional' approach
 - The impact on the EIB activity in the Mezzogiorno and Formentini's attempts to convert the Bank loans into *impact loans*
- An overall evaluation of EIB's role during the crisis

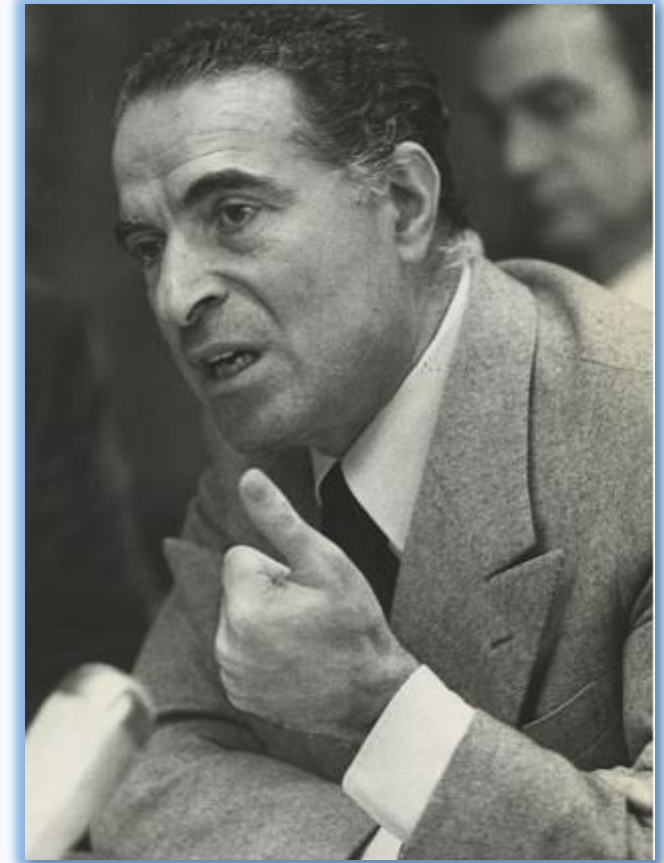


■ Governor of the Bank of Italy, Guido Carli (1960-1975)



EIB, Casmez and regional credit institutes: a constrained relationship?

- The operational phase at inception (1958-1961)
 - The first meeting: facing demands for a 'super state bank'
 - Casmez – EIB: between «*lourdeur administrative*» and advantages
 - A final compromise: neither a revolving fund, nor an unconditioned arbiter



■ President of Cassa per il Mezzogiorno, Gabriele Pescatore (1955-1976)



EIB, Casmex and regional credit institutes: a constrained relationship?

- The relationship with ISVEIMER, IRFIS and CIS
 - EIB's fact-finding missions in the Mezzogiorno and the Institutes' role: the Casmex-Institutes relationship; the heterogeneous nature of the three Institutes; the "quasi-monopoly" situation in their respective areas of competence
 - The enlargement of the industrial credit facility criteria and the misunderstandings with the ISVEIMER
 - A new tool for small and medium-sized enterprises: the 'global loan' (1968)

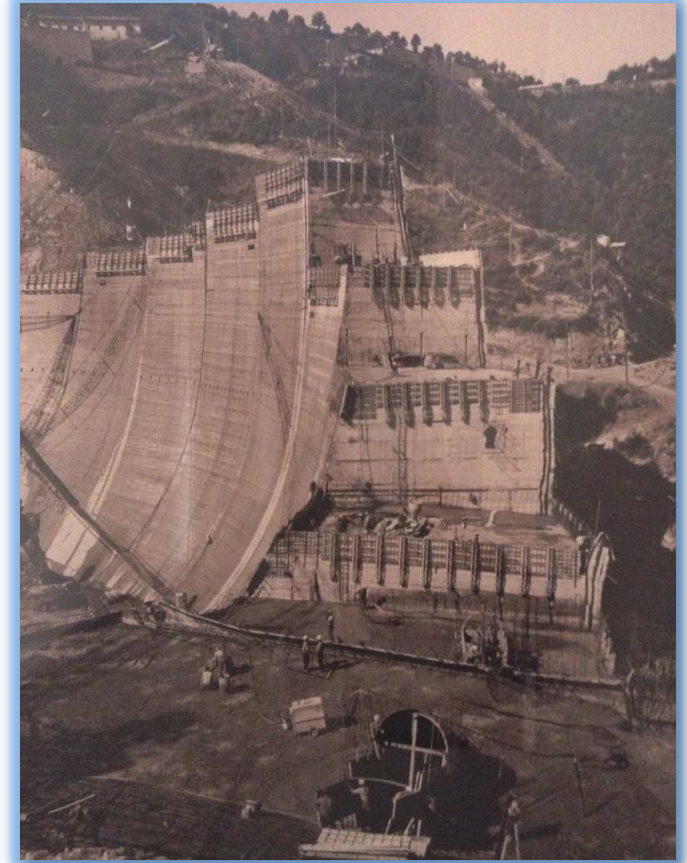


Isveimer bond



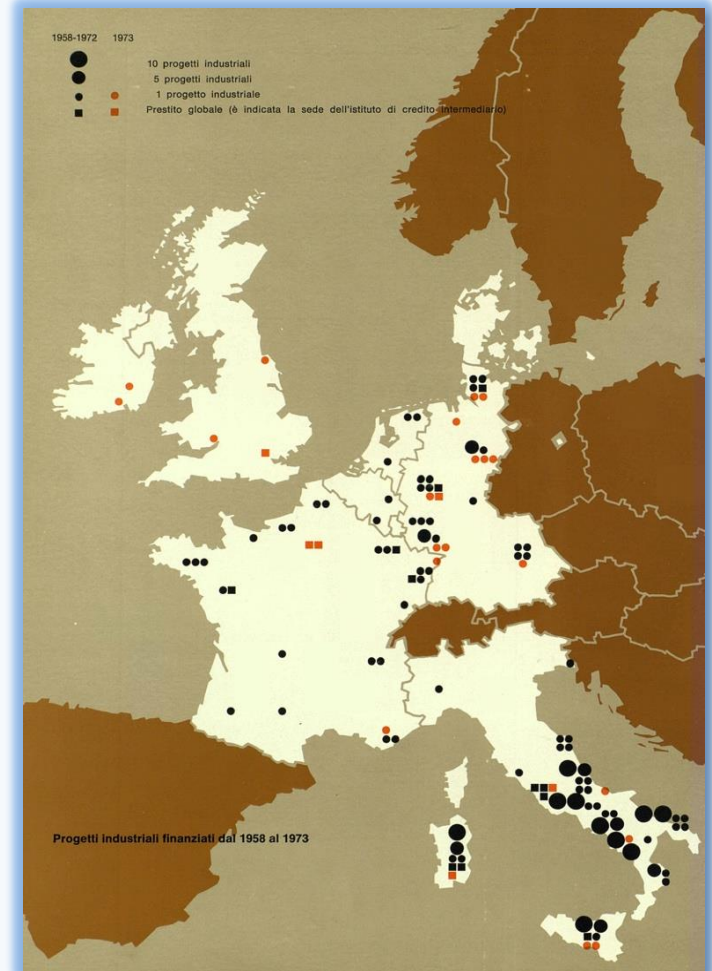
Irrigation, water infrastructure and “special projects” (1965-1971)

- The ‘infrastructural turn’ in the context of the ‘extraordinary intervention’
- From the irrigation enhancement to the water supply schemes:
 - Metaponto, Nurra and Ogliastro projects
 - Pertusillo project and SP14
- The 853/1971 Law and the new Italian economic downturn (1969-1973)



■ Pertusillo dam on the Agri river, in Basilicata

- The role of the economic paradigms of the time
- High degree of concentration of EIB loans at regional and industrial level, and EIB's responsiveness to the economic debate
- EIB's high-productivity-oriented interest rates
- EIB's successful role in the recovery of the North-South gap



■ EIB's efforts for the Mezzogiorno (1958-1973)