

The European Investment Bank as policy entrepreneur and the promotion of Public-Private Partnerships

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Abstract

This paper focuses on the important role of the European Investment Bank (EIB) in the European Union's promotion of Public-Private Partnerships (PPPs). We first demonstrate the relative importance of the EIB in relation to the European Commission on the promotion of PPPs. We then argue that the activism of the EIB on PPPs can be explained in terms of the bank's operation as a policy entrepreneur. The paper further explains that the entrepreneurial role of the EIB with regard to PPPs relied massively on the presence of a small number of, principally British, 'norm entrepreneurs' who actively promoted the PPP concept and the specific norms that supported it within the EIB. While there are indications that the EIB operated as a rational actor in its promotion of PPPs, we argue that ideas ultimately drove the pro-PPP activism of both individual EIB officials and the institution collectively.

Keywords

European Investment Bank, Public Private Partnerships, policy entrepreneurs, norm entrepreneurs, European Commission.

Introduction

This paper focuses on the role of the European Investment Bank (EIB) in the EU's promotion of Public-Private Partnerships (PPPs). The EIB as the EU's main lending body has provided senior debt to PPP-like projects since the late 1980s and is regarded as one of the biggest single lenders to such schemes in Europe (Thomson *et al.* 2005, Carty and Nemoz 2010, interview 8). This topic matters for several reasons. PPPs are controversial and have attracted considerable criticism in both political and academic circles. For its 2018 report on PPPs in the EU, the European Court of Auditors selected the subtitle 'Widespread shortcomings and limited benefits' (ECA 2018). This topic also matters because the apparent activism of the EIB on PPPs appears to exceed its mandate. Officially, the EIB is a 'policy-driven' bank that contributes funding to a number of EU programmes that are designed by other EU institutions — the Council, Commission and European Parliament — and the member states.¹ The EIB has no formal role in the design of the policies that direct its lending. EIB officials regularly present their employer as a 'policy-taking' body and not a 'policy-making' body (interviews 14, 17). The EIB has described its position towards PPPs as 'one of neutrality between ... procurement mechanisms' (Thomson *et al.* 2005: 15). At the same time, a number of EIB officials — including former president Sir Brian Unwin — are on public record for stating that the promotion of PPPs was a priority for the Bank.²

This paper explains why there are good reasons to doubt both the EIB's more general claim about its non-existent policy-making role and its more specific claim about neutrality on PPPs. We present empirical evidence to show that with regard to the promotion of PPPs, the EIB went beyond that of 'policy taker' and neutral technical advisor to the involved parties — notably the European Commission and recipient governments. The main research question driving this paper is: how should the EIB's role in PPP promotion best be understood? This paper

demonstrates that with regard to the promotion of PPPs, the supranational activism of the EIB can be explained in terms of the bank's operation as a policy entrepreneur (Kingdon 1995; and in the EU context Cram 1997). We further argue that the entrepreneurial role of the EIB with regard to PPPs relied massively on the presence of, principally, British 'norm entrepreneurs' (Finnemore and Sikkink 1998) who actively promoted the PPP concept and the specific norms that supported it within the EIB.³ By combining an analysis of the role of the EIB in promoting PPPs with one focused upon the important role of individuals in promoting specific norms with the EIB, this paper offers a more accurate understanding of EIB activism in the realm of PPP-promotion.

This paper is organised as follows. The second section provides a brief summary of the institutional design and powers of the EIB and the relevant literature that examines EIB and development bank policy activism. The third section provides a review of the literature presenting a range of theories and analytical approaches adopted to explain the role of EU supranational bodies and their limited usefulness with regard to understanding the role of the EIB. This review is followed by an explanation of the analytical approach adopted in this paper which is focused upon policy and norm entrepreneurs. The fourth section, provides a brief overview of the promotion of PPPs by the EU Council and Commission and member states. The main (fifth) section of the paper examines the role of the EIB in the promotion of PPPs through the lens of policy entrepreneurship. In this section, we also examine the crucial role played by a small number of EIB officials and persons working for the EIB operating as norm entrepreneurs in the promotion of PPPs. The methodologies employed to undertake the analysis of this paper include semi-structured elite interviews with eighteen EIB and Commission officials and other public and private sector stakeholders who have worked on PPPs. We were unable to interview the norm entrepreneurs themselves. The findings from these interviews

have been triangulated with written material from press reports, private sector company documents, official Commission and EIB documents, and articles written by the norm entrepreneurs identified in this paper and other EIB officials.

The EIB as a potential policy-making body

The EIB was established to facilitate balanced growth in the Community notably by lending to less developed regions and to facilitate and ensure the functioning of the internal market (Treaty of Rome Articles 129 and 130, title IV, Bussière *et al.* 2008, Föcking 2000). Most financing is only permissible under the condition ‘that projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual member states’ (TFEU Art. 309). The EIB’s Statute (2009) envisages three bodies which oversee, approve and implement the operations of the Bank. The Board of Governors is made up of the EU’s member state finance ministers, who ‘lay down general directives for the credit policy of the Bank, in accordance with the Union’s objectives’ (Art. 7). The EU member states and the Commission also each appoint a member of the Board of Directors, which formally holds decision making power for the Bank’s operational business. The Directors make the final decisions to approve loans and guarantees, to set loan interest rates and to oversee the activity of the management committee (Art. 9). The management committee is responsible for preparing the Board of Directors’ decisions, and for the pre-selection, monitoring and implementation of projects. Committee members are full-time EIB officials and are ‘responsible only to the Bank and ... completely independent in the performance of their duties’ (Art. 11, 12). The management committee has through this ‘gatekeeper’ role a strong informal decision making power (Robinson 2009: 653). The EIB has an operational independence which was intended to create political and market confidence in its ability to base lending decisions on economic

considerations rather than political considerations. However, although the EIB has de jure and de facto autonomy in its financial operations, it lacks both a formal policy-making role and Treaty safeguards from the influence of other EU bodies — which differentiates the Bank from a number of other EU supranational institutions, including the Commission and the European Central Bank (Roslychy and Spanjaard 2002).

From the late 1980s, the EIB faced increasing difficulty in fulfilling its mandates and, thus, in justifying its existence. Although the fall of the Iron Curtain meant that a potential new region for lending operations appeared, the EIB was cautious to invest due to its risk adverse strategy. At the same time, the newly established European Bank for Reconstruction and Development (EBRD) and the World Bank began to invest heavily in the new CEEC markets (Bussière *et al.* 2008). While EIB total loan levels remained high in the 1990s, top EIB officials feared that business opportunities inside the Community were diminishing. Two factors contributed to this concern. First, with the extensive privatization programmes in EU member states, the EIB lost its ‘traditional’ clientele. Second, as European financial market integration advanced and private finance became more easily available and less expensive, the EIB faced the problem that many projects could obtain finance from elsewhere. Projects that needed support were, on the other hand, more likely to be risky and/or not economically sound and could therefore not qualify for EIB support (Lankowski 1996). In this context, PPPs were a mechanism to promote and diversify EIB lending activities.

Our paper reinforces the claims of Clifton *et al.* (2014, 2017) who argue that EIB entrepreneurship — a term they do not employ but imply — has been achieved through its lending, through which the EIB shifted from regional development to market making activities notably in the utilities (infrastructure) sectors — without any direct instruction from the

European Commission or EU member states. According to these authors, during the EIB's first thirty years of operation, the bank was limited largely to performing the roles set out in its original mandate — the promotion of market integration, development and investment. They argue that from the 1990s and the end of the Cold War, the EIB moved unilaterally to shift its role. Clearly, part of this shift was encouraged by the Commission's Trans-European Networks (TENs) in transport, energy and telecommunications. However, more generally, from the mid-1980s, these authors argue that the EIB responded to national privatisation programmes and excess private capital that fuelled questions about the relevance of the EIB and other International Financial Institutions (IFIs). Our paper takes a different approach and attempts to show the EIB's capacity for entrepreneurship in promoting innovative funding techniques. More generally, our paper contributes to the growing body of literature that places emphasis upon the role of the EIB in both the fulfilment of EU policy objectives and its own interests (Mertens and Thiemann 2019), even though we do not place emphasis on the EIB's interests *per se*.

More generally, Gavin and Rodrik (1995) suggests that IFIs bolster their long-acquired skills in technical and information expertise in order to remain relevant — a claim that this paper explores with regard to PPPs in particular. Our claims about the EIB's policy entrepreneurship also echo those made by a number of scholars with regard to the activism of state investment banks (SIBs) — also referred to as national promotional banks (NPBs). For example, Mazzucato and Penna (2016: 305) argue that SIBs have performed an activist role and that the 'roles of SIBs are more about market creating/shaping rather than market-failure fixing'. More specifically, Moslener *et al.* (2018) argue that the largest NPB in Europe, the German Kreditanstalt für Wiederaufbau (KfW), should be seen as a policy entrepreneur.

Possible approaches to explain EIB activism

Our existing toolkit of political science and European integration theories and analytical approaches is not helpful in explaining the unique form of supranational institutional activism performed by the EIB — especially with regard to PPP promotion.⁴ Rational Choice Institutionalism (notably Principal-Agent analysis) can be applied to explain why and how EU supranational bodies can ‘slip’ and perform a role beyond their mandate, to engage in ‘bureau shaping’, expanding policy remits and budgets. Opportunities for extending a supranational institution’s influence through informal agenda setting will arise in situations of uncertainty, prevalent information asymmetry, high transaction costs in intergovernmental bargaining, and low distributional or concentrated cost, as well as the ability of the supranational institution to rally transnational support (Pollack 2003). The EIB’s informal promotion of PPPs has involved the extension of the bank’s policy influence. However, there are no clear terms of delegation from which the EIB could be seen as having ‘slipped’, making the application of a Principal-Agent analysis problematic. Of greater potential relevance to understanding the EIB’s activism in the area of PPPs, Majone (2008) highlights the informal exertion of influence through expertise and capacity building, which he labels ‘integration by stealth’ (see also Genschel and Jachtenfuchs 2013).

These approaches — and others that examine the role of EU supranational bodies in rationalist or integration-promoting terms — fit EIB efforts with regard to PPP promotion only in part. This paper shows below that it is possible that PPP promotion contributed to a more general push by the EIB to give itself a new *raison d’être* in the post-Cold War era. However, in the 1990s and 2000s, the EIB also had a very conservative lending strategy (Griffith-Jones and Tyson 2012; Griffith-Jones *et al.* 2012; Kaul 2012) which if anything undermined its expansion.

The example of policy entrepreneurship demonstrated by Clifton *et al.* (2014) — moving from lending for regional development to market making lending (utilities / infrastructure) — did not expand EIB powers *per se* and / or increase its budget. In PPP promotion, there is no obvious case of a neo-functionalist cultivated spillover — expanding powers to push European integration or vice versa — or even functional spill-over — which would rely on the dubious claim that the EIB turned to PPPs because it lacked resources to fund regional development — its primary purpose — and more specifically TENs. The most significant expansion of the EIB's staff, budget and policy remit in recent years took place in the context of a recent capital increase from 2007-14 — which saw the near doubling of EIB assets — and the subsequent launch of the EU's Investment Plan for Europe (Juncker Plan). While there is some evidence that the EIB's leadership promoted the Juncker Plan (Hoyer 2015), proving that it did so in order to expand the bank's powers and / or promote European integration is more challenging.

Historical institutionalism understands the developing role of supranational institution as resulting from the unintended consequences arising from existing legal texts and previous policy decisions. Within the EIB itself it is difficult to trace such path dependency: there were no long-dormant Treaty or other legal provisions that can explain the EIB's promotion of PPPs. Nonetheless, gradual institutional change resulting from previous decisions undertaken might be seen as having resulted in the eventual selection of PPPs as a policy option. The Commission's involvement in transport infrastructure — but with limited financial resources at its disposal — created a path that encouraged Commission interest in PPPs. However — as confirmed repeatedly in interviews with Commission and EIB officials and other PPP stakeholders — the Commission lacked the means and resources to design PPP-promotion policies itself and thus relied heavily on EIB input (interviews 4, 10, 12). The historical institutionalist concept of 'critical juncture' overlaps with the concept of 'policy window' which

we examine further below — in the sense that both developments create an opportunity for policy change. However, the two concepts are distinct in that a ‘policy window’ does not necessarily imply a defined ‘juncture’.⁵ The end of the Cold War might be seen as a ‘critical juncture’, although the earliest EIB involvement in PPPs pre-dates the collapse of the Iron Curtain. One recent study (Mertens and Thiemann 2017) points to the catalytic role of the international financial crisis — which might also be seen as a ‘critical juncture’ — in reinforcing the investment role of the EIB in the context of widespread recession and strained government finances as well the potential for crowding in of private investors. However, our paper demonstrates the activism of the EIB on PPPs prior to this crisis and the limited impact of the crisis on this activism.

Given that Commission preferences on PPP were fluid and member state preferences were divided — as outlined in the following two sections — we argue that EIB preferences on PPPs must be seen as having largely developed within the bank: they were not imposed by other EU institutions or by member state governments through the EIB’s Board of Governors or the Board of Directors. To shed light on the unique form of EIB supranational activism on PPPs, our paper combines the well-worn approaches of policy entrepreneurship (Kingdon 1995) and norm entrepreneurship — central to the ‘life cycle of norms’ approach (Finnemore and Sikkink 1998). Our paper argues that the policy-shaping role of the EIB which officially lacks a policy-making role cannot be understood without analysing the contribution of norm entrepreneurs — individual officials working in the EIB — who both defined and promoted the underlying norms that resulted in the de facto promotion of PPPs by the institutional entrepreneur. Much of the focus of the policy entrepreneurship literature — notably upon ‘negotiation skills’, the ability to build alliances / coalitions and the possession of ‘first mover advantage’ (Kaunert 2010: 42) — appears less relevant to the EIB’s cautious and officially denied role in policy-making. This

paper nonetheless uses Kingdon's (1995) understanding of policy entrepreneurship and shares his focus upon the role of entrepreneurs in shaping why some policy solutions gain support over equally sound alternatives. Although Kingdon's concept was developed with respect to individuals and in a US context, the features which enable persons to act as policy entrepreneurs can also be applied to institutions like the EIB — excluding the entirely human features such as charisma. (On EU institutions as policy entrepreneurs see, in particular, Cram 1997.) That an opportunity for change is realised in a 'policy window', depends often on the action of a policy entrepreneur who / which will attempt in the right political context to persuade others that a problem is apparent for which the entrepreneur has a solution at hand. The entrepreneur's role, however, starts well in advance. In expectation of future rewards — Kingdon (1995) mentions 'satisfaction' or material rewards, thus encompassing both ideational and rationalist motives — the entrepreneur will develop and advance a policy solution and is willing to invest its own resources for this undertaking. The actor will persistently try to inform and persuade different actors inside and outside of the policy stream of the appeal of the idea. Even though the entrepreneur may not be directly successful, the ground will incrementally be 'softened up'. This allows the entrepreneur to push the solution without much opposition through the 'policy window' when an opportunity arises. Other specific features of successful policy entrepreneurship highlighted by Kingdon (1995) and other scholars also apply to the role of the EIB: notably specialist knowledge and experience which provide authority; an ability to theorise and frame ideas; and good connections. Notably, the policy entrepreneur possesses specialist knowledge about the policy area and can present a good track record of implementing it which gives credibility to its cause. This paper argues that EIB 'satisfaction' with regard to the promotion of PPPs can best be understood in terms of the promotion of specific norms underlying PPPs by a small number of EIB officials — norm entrepreneurs. The most important

underlying norm promoted by these officials focused specifically on the value added of private sector financial techniques to public sector lending activities.

The rise of PPPs in Europe and the role of the Commission

In the late 1980s, PPPs (re-)emerged as a new form of infrastructure procurement in the European context. PPPs introduce private capital and participation into areas — for example, school and hospital construction and maintenance — which were predominately in the public realm (Evans and Bowman 2005, English 2005). PPPs became popular with public authorities for a number of reasons, including perceived ‘value for money’ (Martimont and Pouyet 2008) and the possibility of removing costs from the public ledgers (Koen and van den Noord 2005, Budina *et al* 2007, Heald 2003). PPPs became a highly controversial funding mechanism because of a number of concerns: inter alia, hidden costs (Dudkin and Vålilä 2005, Saussier *et al.* 2009), excessive profits to PPP companies (National Audit Office 2007), the problems of monitoring and enforcing contracts (Lonsdale 2005, Lonsdale and Watson 2007), the impact of PPPs on the nature of public service delivery (Hebson *et al.* 2002) and democratic accountability in PPP projects (Hodge 2006, Asenova and Beck 2010, Reeves 2010). Thus, if the EIB was active in its promotion of PPPs, this matters politically.

Although introduced initially to Europe in the late 1980s through the Channel (Euro-) Tunnel project, procurement through PPPs did not increase significantly in EU member states until a decade later due to promotion efforts by the UK New Labour government. Spain, Ireland, and Portugal were relatively early PPP adopters (Blanc-Brude *et al.* 2007). From the mid-2000s, France, Germany, Italy and a number of other member states introduced legal frameworks and institutional arrangements allowing private finance in infrastructure, resulting in the rapid rise

of investment through PPPs in these countries (Button 2006). Accounts on the scope of PPPs projects in the EU differ but figures from the EIB suggest that by 2010 — the peak year by value for new PPP projects in the EU — more than 1400 PPP projects had been signed corresponding to an estimated capital value of almost €260 billion (European Investment Bank 2010). Both the number and value of new PPP projects declined from, respectively, peaks in 2006 and 2010. In 2017 and 2018, respectively, the value and number of new transactions were at their lowest since the late 1990s (European Investment Bank 2018).

In the 1990s, the European Commission initially presented itself as open to the policy and then gradually adopted a more encouraging and promotional stance. At the December 1992 Edinburgh European Council, member state governments issued a mandate to the EIB and the Commission to promote and finance the TENs (Butcher 2009). The Commission (1993) expressed concerns that Community funding would not meet the high investment requirements for TENs which ‘necessitate[d] new types of partnerships between private and public financing, backed by financial engineering encompassing all the different sources and types of finance’ (European Commission 1993: 77). A working group consisting of Commission (DG MOVE) and EIB officials was created (1993-97) to come up with ways to overcome member state reluctance to finance TEN projects, in particular cross border projects where benefits could not be internalised. This working group recommended the further examination and possible promotion of PPPs and the establishment of new financing facilities at the EIB (European Commission 1997). In 2000, the EIB introduced the Structured Finance Facility (SFF) as a means to achieve this.

In 2003, the Council launched the EU’s Growth Initiative which emphasised that further investment in research and development and the TENs was required. In response, in 2004, the

Commission undertook two important steps aimed at encouraging the use of PPPs – in addition to creating a ‘constant buzz’ for the policy in its publications (interview 11). The first step was the publication of new Eurostat (2004) rules which determined under which conditions PPP investment would be accounted off-balance sheet — that is, would not contribute to the calculation of a member state’s public deficit. The second step was the launch of a public consultation following the adoption of new procurement directives (2004/17/EC; 2004/18/EC; European Parliament and Council of the European Union 2004a, b). The Commission’s Green Paper of 2004 discussed the assumed micro efficiency benefits of PPPs and improved information exchange with PPP stakeholders (European Commission 2004a, 2005a). The Commission also called for greater EU-level coordination on PPPs (European Commission 2005b). However, the Commission stopped short of recommending the direct regulation of PPPs due to opposition in industry, member state governments and the European Parliament. Moreover, on several occasions the PPP industry perceived the European Commission as having a myopic view on PPPs and their potential, and even saw its actions as potentially harmful (interview 6, 9, 12). PPPs remained governed by general EU procurement rules and other competition rules.

Three Commissioners and three directorates-general played a particularly important role in promoting PPPs in the 1990s and 2000s (interview 5). Transport Commissioner Neil Kinnock (1995-1999) was the first high ranking Commission official to support the promotion of PPPs. He pushed for a reform to procurement rules, the establishment of PPP-information sharing and the adoption of the policy at the national level. As early as 1995, he urged member states to engage more with the policy. Charlie McCreevy, who as finance minister had previously facilitated PPP take-up in Ireland, attempted to reduce regulatory uncertainties on PPPs as Internal Market Commissioner (2004-10). Danuta Hübner, the Commissioner for Regional

Policy from 2004-9, placed hopes in greater PPP take-up in the new member states to better invest the money available through the EU's regional funds (interview 10). However, these three Commissioners cannot be considered norm entrepreneurs of PPPs because none, with the partial exception of Danuta Hübner, had detailed knowledge of them.⁶ DG Regio sought to advance the PPP agenda by gathering information on best PPP practices (European Commission 2003, 2004b) and by hosting events to raise awareness on PPPs among public authorities.

Following the outbreak of the international financial crisis, the Commission (2009) proposed — with some EIB support on drafting, as acknowledged in the communication itself and confirmed by one of our interviewees (interview 6) — further promotion of PPPs as one of several mechanisms to address the tightening of bank credit conditions in most member states and pressure on public finances as a result of the crisis. The Commission proposed to set up new financing instruments, broaden existing ones, direct investment in projects, and assist member states in identifying and rectifying legislation which stood in the way of setting up PPP projects. More controversially, the Commission announced that member states which did not have PPP laws in place would not be considered for EU grants (Voßwinkel and Reichert 2010, Hall 2010).

The European Investment Bank as PPP policy entrepreneur

On the promotion of PPPs, the overview in the previous section suggests that the Commission was the most important supranational actor and that the EIB rarely acted on its own but rather proposed measures that had to be approved by either the Commission or the Council and were jointly promoted. However, we argue that on PPPs the EIB played a distinctive role and

demonstrated most of the features of a policy entrepreneur over the three decades from the late 1980s. By the 2000s, the EIB had become the single biggest lender for PPP projects in Europe. The PPP portfolio for projects signed in the period 2000-2010 comprised 133 PPP projects reaching €24.4bn, which corresponded to roughly 9.4 per cent of all PPP projects set up in the EU over the period (own calculations based on European Investment Bank 2010, EPEC 2019). The strong operational engagement of the EIB with PPPs was accompanied with its activity in creating a positive policy environment conducive for PPP uptake.

Creating 'policy windows'

Over the past thirty years, the EIB was regularly present when PPPs were discussed at the European level, engaging in what can be described as 'softening up the ground' (Cram 1997) with the aim of preparing and facilitating 'windows of opportunity'. The Franco-British Eurotunnel Project provided the EIB with the first opportunity to create a 'policy window' for PPPs. The Thatcher government was reluctant to spend any public money on the project either through national or European Community (EC) funds and instead sought EIB funding with a guarantee from private lenders and investors (Bussière *et al.* 2008, interview 13). Years later, EIB officials in the TENs working group recommended the further examination and possible promotion of PPPs, thus creating a second 'policy window'.⁷ Following the publication of the TENs working group report in 1997, the EIB engaged more directly in the promotion of PPPs as a possible solution to EU and member state financing. From 1998, the EIB began to discuss the relative usefulness and efficiency of PPPs in its monthly newsletters (European Investment Bank 1998). In 2002-3, following a consultation process involving the EIB and a number of member state PPP units, the Commission clarified its support for private participation in implementing its Instrument for Structural Policies for Pre-Accession (ISPA) and future

funding through Cohesion and Structural Funds (European Commission 2003; de La Motte and Hall 2003).⁸ In its Growth Initiative, the Council gave an explicit mandate to the EIB to explore how best to mobilise private financing in research and development and the TENs. The EIB responded by introducing further instruments for financing PPPs (including securitisation) and by ‘developing institutional links’ with the Commission, member states and specialist financial institutions (EIB 1998b: 2, 2003b). In the aftermath of the international financial crisis, the Commission and the EIB undertook substantial action to revive lending to PPP projects by announcing plans to facilitate the creation of EU project bonds (the Europe 2020 Project Finance Bond Initiative, European Commission 2011, interview 7).

Coalition building

What further enabled the EIB to be influential on PPPs — meeting a core characteristic of policy entrepreneurship — was the wide array of pertinent public and private sector contacts it developed. The EIB was the centre of PPP-related knowledge at the EU-level. It had access, due to its operations, to a vast policy network on PPPs which reached across Commission directorates-general, down to national, regional and local authorities, and to private sector operators (both financial and infrastructural companies). This unique position enabled the EIB to understand the needs of other actors, to define the PPP issue accordingly and to mobilise a supportive coalition. The versatility of the concept of PPPs enhanced the EIB’s ability to speak differently to different audiences. The EIB formed long-term relations in the field because the bank not only engaged in the provision of finance but also in the regular monitoring of the performance of PPP contracts and constant information exchange (Thomson *et al.* 2005). The EIB helped to ‘prepare the legal and regulatory framework for long-term projects and PPPs, drawing upon the initial experience in one country but with careful adaptation to the

requirements of another' (European Investment Bank 2003b: Annex 2). Because the EIB was doing deals in all EU member states, it had a unique understanding of the diverse financing problems facing infrastructural projects.

During the early 2000s, with increasing uptake of PPPs in Europe, the EIB established the post of a PPP coordinator in the Project Directorate. The first coordinator was Patrick Boeuf, before he took on the task as head of the French PPP Task Force (MAPPP). His successor was Hugh Goldsmith, a British engineer with Harvard University training in infrastructure market economics. Goldsmith's role was the coordination of PPP activities across sectors, which included risk assessment and policy procedures. He became subsequently the main point of contact for the European Commission and national PPP units with respect to projects (interview 4). In 2005 the EIB coordinated a non-public consultation among member state PPP Task Forces with the aim of formalising the existing network by creating a European PPP Expertise Centre (EPEC) (Goldsmith 2005). The consultation on EPEC resulted in 18 National PPP Task Forces launching a formal call for the creation of EPEC (European Commission 2005a: 6). In 2008, EPEC was launched by the Commission, the EIB, member states and candidate countries, as an EIB-based and co-funded⁹ centre with the official mandate of capacity-building among participating member states and as a forum for information exchange. EPEC was able to provide policy and programme support for the Commission subject to the agreement of the EPEC steering committee — which consisted of both EIB and Commission officials (Bozier *et al.* 2013). EPEC members were to be national PPP units — that is, public authorities with policy-making capacity on PPPs at the national level. PPP-related knowledge could then be passed from EPEC to the member states through these units (European Investment Bank 2008). EPEC was thus explicitly created with the aim of helping to strengthen the capacity of its national public sector members to promote PPPs; a fact also welcomed by the national authorities

(interviews 2, 16). In addition, EPEC maintained a — now defunct — public sector forum to facilitate information exchange with industry (interviews 6, 12). In late-2018, EPEC had 39 national or regional PPP units as members. The EIB maintained its official policy of neutrality on PPPs. However, the creation of EPEC and the imposed requirement that member states create national PPP units should be seen as de facto promotion (interview 3).

Traditionally the EIB maintains strong links with National Promotional Banks via the Club of Institutions of the European Union Specializing in Long-Term Credit (ISLTC) and its successor the European Association of Long Term Investors (ELTI). The cooperation between the Bank and its national counterparts extended also into the promotion and the development of PPPs. Not only acted the EIB and NPBs as joint financiers for PPPs – an example would be the UK’s Channel Tunnel Rail Link where both the EIB and KfW provided the senior debt for the project – but they entered more strategic cooperation with regards to PPPs. For instance, in 2008 the KfW became partner in the Joint Assistance to Support Projects in European Regions (JASPERS) — an EIB-based and -operated but EU-funded unit providing technical assistance to the new member states (more details on JASPERS below). Another example of the EIB coalition building on PPPs is a joint letter to the European Commission produced with the NPBs of France, Germany, Italy, Poland, Spain and the EIB to announce their support for the Juncker Plan through activities including the creation of new PPPs for infrastructure projects (BGK et al. 2015, quoted in Mertens and Thiemann 2019: 35).

Exploiting expertise and experience

For both public and private sector actors, the EIB’s guidance and additional scrutinizing role were of importance. The trust in the EIB from both the public and the private sector and its

broad experience gave the Bank a role of authority and legitimacy for proposing and promoting PPPs (interview 12). The expertise of the EIB on PPPs enabled it to generate knowledge and frame ideas. EPEC issued a number of detailed guidance papers, among them an interpretation of Eurostat's accounting rules for PPPs (EPEC 2010) and advice to member states on how to support PPP markets (EPEC 2009, 2011). As a major financier of PPP projects, the EIB had access to detailed data. This placed the EIB in the position of central advisor to the European Commission on PPPs (interview 4) and allowed its own team of economic researchers (Economic and Financial Studies, EFS) to analyse PPPs intensively. This expertise gave the EIB an important information advantage in analysing public investment more generally and the efficacy of PPP programmes policy in particular. The EIB came to possess greater knowledge of PPP financing techniques than both governments and many private sector actors (interview 4). The publications of the EIB's economic research department added to the EIB's standing and authority as a leading (if not the leading) source of expertise on PPPs (c.f. Riess 2005) — even prior to the establishment of EPEC.

The strategic promotion of PPPs

Despite its official neutrality on the use of PPPs (confirmed in interviews 1, 4, 8), EIB official documentation and discourse was dominated by a positive positioning on PPPs. Official EIB communications and publications rarely discussed the (potentially) negative aspects of PPPs. For example, in a memorandum to an inquiry of the UK House of Lords (2010) into PPPs, the EIB made no reference whatsoever to their pitfalls (Great Britain 2010). From the early 1990s, the Bank was sought out by the Council and Commission for advice on how to facilitate European policy programmes. From the late 1990s, the EIB not only helped national authorities to set up PPPs but also actively helped national governments to draft regulatory frameworks to

facilitate PPP take-up. In a briefing note to the ECOFIN Council, the EIB (2003, annex 2) stated:

Firstly, the EIB has worked with the public sector and with the Commission to help prepare the legal and regulatory framework for long-term projects and PPPs, drawing upon the initial experience in one country but with careful adaptation to the requirements of another. Secondly, the EIB has sought to involve itself as early as possible in the tendering and negotiation of individual operations. As well as optimising the operation's financing structure and terms, the EIB's early involvement has served as an important signal to other market partners on the project's creditworthiness and on the basis of EIB's independent technical assessment on its feasibility and viability.¹⁰

The EIB as a 'rational' policy entrepreneur?

The EIB's move to embrace PPPs and instruments supporting PPPs might also be interpreted as an attempt to free itself from the dilemma created by national privatisation programmes and financial market integration, which (as noted above) undermined its traditional *raison d'être* (interview 8). First, PPPs open a new 'clientele' for the Bank because private companies could for the first time approach the EIB for credits through this mechanism, with the precedent of the Eurotunnel Project. Second, the use of PPPs also coincided with the transformation of the EIB into a centre of expertise. PPPs are relatively complex contractual arrangements which require a high degree of due diligence in the project planning stage. However, most national and local public authorities lacked the expertise and resources to scrutinise financial arrangements effectively — creating a *de facto* dependence upon the EIB. Third, EIB

involvement was welcomed by the private sector as it allowed a company to borrow at favourable rates, while providing a certain safeguard against political risks (interview 4). These activities were increasingly emphasised by EIB officials as the Bank's non-financial value-added (European Investment Bank 2003a, Thomson *et al.* 2005, Carty and Nemoz 2010).

In a paper written in 1998 marking the fortieth anniversary of the EIB, Hurst and Perée (1998) reflect on the future of IFIs in the context of continued privatisation and the increased use of PPPs. Lending to private companies alters the risk structure for IFI lending operations. In this respect, IFI investment in PPPs could help to assure investors in an underdeveloped regulatory environment:

When regulatory regimes are immature, there may be some doubt by investors over the way in which regulations will be interpreted in the future. If an IFI is involved in a [PPP] project, this may give considerable comfort to other investors that regulatory decisions taken in the future will be fair and based upon sound criteria (Hurst and Perée 1998: 20).

Over the years high ranking EIB officials, on rare occasions, explicitly asserted the Bank's role in not only promoting PPPs but also creating new standards and frameworks for PPPs. Wolfgang Roth (vice-president of the EIB, 1993-2006) at an EIB event in Berlin 2003, announced:

In the last few months the EIB has shared its pan-European experience with various ministries of the Länder and of the Federal Government in order to encourage the progress of PPPs in Germany. The critical state of the budgets of the Federal

Government, the Länder and the municipalities gives good reason to apply new financing models and thereby to bridge gaps in budgets and clear backlogs in investment projects.¹¹

In a 2006 briefing, the EIB made a direct connection between EIB value-added and PPPs:

The EIB plays an important catalytic role in boosting private sector involvement in TENs as demonstrated by the increased support for public private partnerships (PPPs). In 2005, the Bank reaffirmed this focus by hosting successful PPP conferences in Luxembourg and Hungary. In 2005 ... [i]n the transport sector, finance contracts worth €355 million supported key PPP schemes such the construction of the E18 motorway in southern Finland between Muurla and Lohja.¹²

The PPP norm entrepreneurs

While ‘rationalist’ aims might have contributed to the EIB’s entrepreneurial promotion of PPPs, this paper argues that there is stronger evidence that norms directed this effort. Six officials working for the EIB played a central role developing instruments in support of EIB lending to PPPs and in promoting PPPs.¹³ All but one were British — the exception was an Irishman with PPP professional experience in the UK. All had economics and / or business training. Most had both public and private sector work experience and all had considerable experience with and expertise in PPPs. For all, this experience was gained in the United Kingdom or by following developments in UK PFI markets for the EIB. All were motivated by a strong ideological commitment to the contribution of private sector methods to public sector financing and expressed — at least in their function as employee of or secondee to the EIB — a belief in the potential efficiency gains offered by these methods. Table 1 (in the

appendix) summarises these officials' backgrounds and experience with PPPs and the EIB. Two long-serving EIB officials were the earliest promoters of PPP: Tom Barrett, an Irish official, and Thomas Hackett. Both played a crucial role in transferring knowledge on PPPs developed in the UK to the EIB and promoted PPPs for the efficiency gains they could provide (Hackett and Barrett 1996).

Tom Barrett was advisor for the EIB on the Channel Tunnel deal (Gourvish 2006) and was well versed in the development of the UK PPP market. During his lengthy career at the EIB he was strongly involved in the development of the TENs. He sat as EIB expert on all relevant TEN working groups. He additionally sat on the European Industry PPP Task Force for the Galileo project. It might also have been Tom Barrett who made government leaders aware of the fact that EIB borrowing did not account against the balance sheet of governments (Holland 2010). During the first wave of UK Labour government-led PFI projects he was the EIB Director for UK, Ireland and the Nordic Countries. His work also secured him a place in the steering committee of Partnerships UK (operational from 2000-11) which aimed at knowledge dissemination on PPPs and the promotion of PPPs in UK and abroad. A former British senior EIB official (interview 13), noted on Barrett:

... in ministries people change and collected memory disappears, bankers change, different banks take over ... but Tom Barrett went on year after year and had a profound knowledge of the British [PPP] scene.

From 2006 onwards, Barrett worked under Thomas Hackett (DG Lending operations in Europe) as Director for 'Action for Growth Instruments'.¹⁴ He was then Head of 'Structured Finance' at the EIB. According to several colleagues interviewed, Barrett was the major force

behind the creation of EPEC, having pushed for a centre for PPP expertise and information exchange since the early 2000s (interview 4, see also Great Britain 2010).

After thirteen years working in private banking, Hackett joined the EIB in 1981 to work on capital markets. From 1994 onwards he was responsible for deals in the UK, from 1999-2004 for Greece and Italy, and from 2004 onwards for the Baltic countries. In 1996, Hackett joined with Barrett to publish the first EIB views on PPPs and infrastructure finance in a specialist magazine (Hackett and Barrett 1996). They highlighted explicitly that the UK's PFI model was a major influence on the other PPP/PFI projects in which the EIB was involved. Hackett facilitated the knowledge transfer from the UK Treasury to the EIB because he was responsible for the UK at that time. Subsequently, he became Director General of EU Lending Operations. In this position, he was an influential actor in launching the JASPERS. Whereas JASPERS was conceptualised as a demand-led service for the provision of technical assistance to member state governments on larger infrastructure projects in general, the unit was active in providing expertise for PPP projects and how to blend EU funds with PPP arrangements (JASPERS 2016). The unit's work in support of PPPs consisted on the one hand of providing advice, guidance and project preparation and on the other hand in launching pilot projects to facilitate learning and knowledge transfer (Smyth 2013).

During the 1990s and 2000s a number of additional officials with a background in banking were hired by the EIB (Bussière *et al.* 2008). These officials brought in what some current and former EIB officials have referred to as 'Anglo-Saxon financial engineering ideas' (interviews 17, 18). One of these officials was Nick Jennett, who had developed considerable PFI-related expertise during his work in the UK for the KPMG auditing firm focused specifically on the implementation of reforms to National Health Service (NHS) Trusts. Jennett joined the EIB

specifically to work on investment in UK Health PPPs and the UK education sector. He then moved on to structured finance, which was led by Barrett. In the late 2000s, Jennett took over the job from Goldsmith to lead the EIB's negotiations with the Commission and member states to establish EPEC¹⁵. On the work of EPEC, Jennett is unabashedly open about its role in the promotion of PPP usage — which he views as positive and a 'model' for investment:

We have moved on from that debate about whether something should be public or private. I see no contradiction in the public sector defining a service and the standards it expects, and then making use of private sector skills to make sure those service levels are met. ... Some of the analytical papers that have been produced have helped to move the market forward. Quite often, they have helped officials to make the case for PPP to their political masters in a compelling and robust way. ... Something that is not always fully appreciated is the important role PPPs play in ensuring there is transparency and rigour in all aspects of procurement.... They bring a degree of scrutiny that is without comparison.¹⁶

Jennett argues that the transparency offered by PPP projects would also be important in forcing some EU member states to open their infrastructure to international investors.

Another important pro-PPP, British official working in the EIB is Andy Carty. Carty was seconded to the EIB in 2008, specifically to help build up EPEC as Special Advisor. He had been Chief Operating Officer at the PFI-promoting Partnerships UK (1998-2008) and had previously been the Chief Executive of the Strategic Investment Board Northern Ireland at the UK Treasury. Carty left the EIB in 2013 to work at the newly established planning body Infrastructure UK. The work of these four officials was bolstered more recently, from 2013, by

Ed Farquharson another British national with lengthy EIB experience in the UK public and private sectors. Finally, the role of at least one British private sector official should be highlighted. Timothy Stone served from 2003 as external advisor and independent non-executive director on the EIB's Board of Directors. Stone is widely considered to have been one of the masterminds behind PFI in the UK.¹⁷ A longstanding KPMG official, Stone was also chairman of the IFSL (formerly British Invisibles, now part of TheCityUK), the PPP Export group. To conclude, both documentary evidence — and notably their own writings — and a range of interviewees confirm the activism of these five senior EIB officials and one top EIB advisor in favour of PPPs and the importance of this activism to both the EIB's and the European Commission's promotion of PPPs.

Conclusion

EIB activism on the promotion of PPPs can best be understood through the lenses of policy and norm entrepreneurship. As an institution, the EIB can be seen as having met most of the core features of a policy entrepreneur with regard to PPP promotion — despite its oft-repeated official insistence that it was neutral on financing methods. It repeatedly created a 'policy window' through which to promote PPPs in different contexts. The EIB developed unrivalled PPP expertise among public bodies globally — with the possible exception of the UK Treasury. The Commission and the Council called regularly upon the EIB's advice and cooperation on PPPs. The establishment of EPEC in 2008 was the institutionalisation of a role which the EIB had already performed in its operational business for over a decade. Thanks to its wide network of private and public sector contacts throughout the EU, the EIB was able to build broad coalitions in favour of PPPs — both informally and officially. There are indications that the

EIB operated strategically in its promotion of PPPs. While the EIB was potentially motivated by ‘rationalist’ institutional goals — regarding which there is some evidence — ideational considerations motivated a small group of British and Irish norm entrepreneurs to promote PPPs. These officials were motivated by an ideological commitment to the contribution of private sector methods to public sector financing and all believed in the potential efficiency gains offered by these methods. Thus, understanding the EIB as a policy entrepreneur in the promotion of PPPs relies in part upon understanding the norm entrepreneurship of a small number of its officials.

It is beyond the scope of this paper to examine the impact of the Juncker Plan — which involved a marginal increase in total EIB lending from 2014 — and the extent to which EIB officials — and specifically our norm entrepreneurs — saw it as an opportunity to promote PPP usage further. During his time at EPEC, Jennett established the Project Bond Credit Enhancement facility which arguably provided the template for the financing arrangements in the Juncker Plan.¹⁸ The plan created a new potential for the expansion of PPPs — but its focus was on leveraged finance. Moreover, EIB lending on PPP projects declined significantly from 2010, while total funding for PPPs in Europe declined from a 2013 peak. While the financial and sovereign debt crises stimulated EIB efforts to continue to promote PPPs — which did not however translate into increased funding for PPPs — our study demonstrates that the EIB was engaged in policy entrepreneurship on PPPs long prior to these crises which cannot therefore be seen as having created a ‘critical juncture’ that resulted in a significant shift in EIB entrepreneurship on PPPs. It is unclear what the long-term impact of the EIB’s efforts to promote PPPs would be. Brexit and the imminent departure of the UK from the EIB narrow the channels through which PPP-related ideas and expertise flowed — even if a number of pro-PPP British officials continue to work in the EIB at least for the time-being. We argue that an

appreciation of the EIB's PPP promotion efforts over the past three decades in terms of policy and norm entrepreneurship remains important to how we should understand both the role of the EIB as a de facto policy-making EU body but also the Bank's relationship with the Commission and other EU bodies, member states and a range of other public and private sector actors.

Appendix Table (see separate file)

Acknowledgements: To be added

List of interviewees (anonymised)

1. MEP with PPP-relevant knowledge; 6 September 2011, by telephone.
2. Committee of the Regions member; 2 December 2011, Brussels
3. EPSU official; 8 March 2012, Brussels
4. Senior EIB official; 9 March 2012, Brussels
5. EU Commission official, DG Secretariat-General; 13 March 2012, Brussels
6. Former senior official working for Veolia; 27 March 2012, London
7. EU Commission official, DG ECFIN; 5 March 2012, Brussels
8. Senior EIB official; 8 May 2012, Luxembourg
9. The CityUK PPP and Projects Group senior official; 15 June 2012, London
10. Former EU Commissioner; 9 July 2012, Brussels
11. Former high ranking CEEP official; 18 July 2012, Cologne (CEEP is the European Centre of Employers and Enterprises providing Public Services and Services of general interest)

12. Joint interview with representatives of the European Construction Industry Federation (FIEC), 12 August 2013, Brussels.
13. Senior British EIB official; 16 January 2014, London.
14. Interview with and written feedback from an EIB economist who has worked on PPPs, 13 February 2017, Luxembourg.
15. Interview with Senior EU Court of Auditors official with professional experience working on PPP issues, 10 November 2017, Luxembourg.
16. Interview with UK Treasury official who previously worked on PPP-related topics, 27 April, 2018, London.
17. Interview with EIB official who has worked on PPPs, 26 October 2018, Luxembourg.
18. Interview with an EIB official who has worked on PPPs, 6 December 2018, Luxembourg.

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¹ See, for example, Maystadt (2005): ‘The Bank has defined itself as a public policy bank, and seeks to interpret this to the maximum as congruence with EU policy as developed principally by the Commission.’

² Sir Brian Unwin, Chairman and President of the EIB from 1993-99 noted: ‘Setting up Partnerships UK is a positive move which fills a gap in the market. It will increase the flow of soundly structured PFI/PPP deals and complement the growing capacity of the private sector to provide finance for these schemes. The EIB, one of whose priorities is to promote the development of PFI/PPP projects in Europe, is very glad to support this important and innovative initiative by the British Government. See: <http://www.eib.org/en/infocentre/press/releases/all/1999/1999-068-support-for-pfi-partnership.htm>. The officials of a number of other EU bodies and national governments working on PPPs have also confirmed the promotion of PPPs as a priority for the EIB (interviews 15, 16).

³ We use the term ‘policy entrepreneur’ to refer to the efforts of the EIB as an institution to promote PPPs. We use the term ‘norm entrepreneur’ to refer to the efforts of a small number of EIB officials to promote the use of PPPs within the EIB and in their dealings with the Commission and EU member states. These efforts can be either formal or informal. In some contexts, the difference is moot, especially when the norm entrepreneurs represent the EIB in

discussions on PPP with the Commission and member states. However, the efforts of individual officials and the institution can be distinguished in most cases.

⁴ For an overview of possible approaches to the study of supranational activism see also Howarth and Roos 2017.

⁵ We lack the space to develop an analysis of EIB PPP promotion that combines historical institutionalism with a norm entrepreneurship approach. We accept the potential for a fruitful dialogue between these two approaches and their mutual reinforcement.

⁶ Through her work as Executive Secretary of the Economic Commission for Europe (UNECE), Hübner had earlier been exposed to the PPP concept. Further, as Commissioner for Regional Policy she was in charge of a large investment portfolio and therefore had to engage with private financing options. Indeed, during her mandate as Commissioner, DG Regio developed together with the EIB a set of new financing instruments in support of regional policy — the J-activities. Two of these instruments — JASPERS and JESSICA — made particular use of PPPs. However, the EIB remained the principal source of expertise on PPPs.

⁷ In its own reporting on the work of this group, the EIB (1998a: p. 3) notes that ‘A particular emphasis is given by the Bank to support for public-private partnerships (PPPs) for transportation infrastructure projects, in line with the recommendations of the ... Group’.

⁸ ‘The European Commission has a particular interest in promoting and developing PPPs within the framework of the grants that it provides’ (European Commission 2003: 7).

⁹ Until 2013 EPEC was jointly sponsored by the Commission (DG TREN and DG REGIO) and the EIB (Bozier *et al.* 2013).

¹⁰ See also a contribution by an EIB vice president to the magazine *European Files* (pp. 26-27), <http://www.europeanfiles.eu/?portfolio=2013feb>. *European files* is an industry-sponsored magazine and sent to EU institutions and governments. It ran issues focused on PPPs in 2008 and 2013.

¹¹ <http://www.eib.org/infocentre/press/releases/all/2003/2003-037-public-private-partnerships-objectives-and-experiences-in-germany-and-europe.htm>

¹² http://www.eib.org/attachments/general/events/briefing2006_tens_en.pdf

¹³ This selection of the most important norm entrepreneurs reflects an examination of officials who were visibly involved in EIB financing decisions. Given limited usage of PPP in most other EU member states prior to the 2000s, there was less likelihood that officials originating in those member states would have PPP experience. Given that, in the 1990s and 2000s, PPP usage in the United Kingdom was the highest in the EU, programme officers working on lending to the UK — many of which were British — were also most likely to have PPP experience.

¹⁴ http://www.eib.org/attachments/general/bei_info/bei_info122_en.pdf

¹⁵ <http://www.partnershipsbulletin.com/interviews/view/131>

¹⁶ <http://www.partnershipsbulletin.com/interviews/view/131>

¹⁷ <http://www.independent.co.uk/news/business/analysis-and-features/there-was-a-time-when-you-couldnt-talk-about-nuclear-power-at-dinner-parties-983598.html>

¹⁸ <http://www.partnershipsbulletin.com/interviews/view/131>

Appendix

Table 1: The main PPP norm entrepreneurs*

	Nation-ality	Educa-tion	Public Sector prior to EIB	Private Sector prior to EIB	Years of direct PPP experience	Years working for the EIB
Tom Barrett	Ireland	Maths / MBA	Yes	Yes	From late 1980s. Advisor to EIB on the Channel Tunnel deal ('the world expert on Channel Tunnel funding' (interview with former high ranking EIB official); from 2000, member of steering committee of Partnerships UK. Described as a major force behind the creation of EPEC (Great Britain, 2010)	From the mid-1980s.
Andy Carty	UK	Economics	Yes: Chief Executive Strategic Investment Board, NI, 2000-3; At UK Cabinet office and Treasury from 1995-2000.	Yes: management consulting	From 2000	From 2008-13
Ed Farquaharson	UK	Economics / MBA	Yes	Yes	Partnerships UK from 2004-2010; led the international work of PUK advising governments on PPP programmes and policies; Head of International Infrastructure UK (six months). Executive Director Private Infrastructure Development Group November 2011 – September 2013 (1 year 11	From 2013

					months)	
Thomas Hackett	UK	Economics	No	Yes over a decade in banking	Over twenty.	From 1981 to 2010 (moved to the EBRD)
Nick Jennett	UK	Economics / MBA	Yes	Yes (KPMG)	From mid 1990s, first with KPMG and then with EIB, focused on UK PPP projects in the school and health sector.	From 1998.
Timothy Stone	UK	Economics / MBA	No	Yes, considerable: at KPMG from 1995, chairman of its Global Infrastructure and Projects Group and held this position until 2011 and remained in the firm until 2014 as Global Senior Advisor.	UK PFI: over a decade. 'One of the great sages of the PFI' (Independent, 1 November 2008)	From 2003 advisor to the EIB Board of Directors.

Source: own compilation based on numerous sources including many accessible via internet.

*The norm entrepreneurs are listed in alphabetical order by last name.