

Regional Development Banks and the promotion of Public-Private Partnerships: the EIB as a case study¹

David Howarth and Moritz Liebe

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1. Introduction

Regional Development Banks (RDB) around the world have actively promoted the use of Public-Private Partnerships (PPPs)—to a greater or lesser extent. Finding precise, comparable data on RDB financing of PPP projects—in total and relative terms—and RDB promotion of PPP usage requires further research. RDB use different definitions of PPP and different systems to measure the share of operational activities devoted to PPPs (World Bank Group 2015).² However, for most RDB, the financing of PPP projects has increased significantly over the past two decades and all but the newest RDB—the Asian Infrastructure Investment Bank (AIIB)—list a number of PPP projects on their websites and in publications. The reliance of a number of RDB on leveraged finance—of which PPP is but one example—is a major reason for the increased RDB promotion and use of PPP-financed projects. From a tiny number of countries with PPP projects in the 1990s, by 2015 PPPs were used in 134 countries, contributing fifteen to twenty per cent of total global infrastructure investment (World Bank Group 2015).

¹ Some material in this chapter is drawn from Liebe and Howarth (2020).

² For one recent attempt to classify different forms PPPs see Vecchi et al. 2017.

The role of RDB in the promotion of PPPs matters for several reasons. They represent an introduction of private sector finance into infrastructural projects that are seen by many as within the remit of the public sector and thus opposed on ideological grounds. Moreover, the operation of PPPs is highly controversial and has attracted considerable criticism in both political and academic circles due to, *inter alia*, hidden costs (Dudkin and Välilä 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). For its 2018 report on PPPs in the EU, the European Court of Auditors selected the subtitle ‘Widespread shortcomings and limited benefits’ (ECA 2018). Thus, if the RDB are active in their promotion of PPPs, this matters politically.

The European Investment Bank (EIB) was at the vanguard of PPP promotion and financing and has been the world’s biggest institutional funder of PPP projects for over two decades (World Bank Group 2015)—which explains its selection as a case study in this chapter. Nonetheless, both the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) financed major PPP projects and promoted PPP use in their loan countries from the 1990s (interviews 21, 22). Of all the RDB, the EBRD’s mandate came closest to sanctioning formally the financing and promotion of PPPs. The EBRD was established to promote the development of market economies in the former Communist countries of Central and Eastern Europe. The bank financed its first PPP project in 1993 only two years after it started operations. However, the EBRD’s support for PPP projects has been principally in terms of finance: the bank offered little in the way of transaction advice or

technical assistance until the mid-2010s, although the bank has provided legal advisory services to some national governments seeking to reform their national legislative framework (interviews 21, 22; World Bank Group 2015). The EBRD lacked a specific PPP plan until the mid 2010s. In 2015—in recognition of the bank’s lack of strategic capacity on PPPs—the bank established its Infrastructure Project Preparation Facility (IPPF) to, in part, prepare for the operationalization of PPPs and other strategic infrastructure for those countries—currently eight—where PPPs have been financed.³

The ADB financed its first public sector project with a PPP component in 1998. Over the next decade ADB loans to the public sector had PPP elements worth approximately USD 20bn or twenty per cent of total loans to the public sector (World Bank Group 2015: 142). During the 1998 to 2008 period, the PPP elements of ADB loans to the private sector were worth approximately USD 3bn or twenty per cent of total loans to the private sector (World Bank Group 2015: *ibid.*). Given perceived weaknesses in the economic impact of these funded PPP projects, the ADB launched an independent evaluation in 2009 and in 2012 adopted a PPP operational plan (ADB 2012). Following the plan, the ADB moved to integrate PPP activities across the bank’s operations and improve advisory technical and legal support for PPP projects. In 2014, the ADB established its own PPP unit—modelled on the EIB’s European PPP Expertise Centre (EPEC) from the previous decade—to provide expertise to public and private sector actors at the national level.⁴

While PPP take up and promotion has been more recent for other RDB and less significant in total and relative terms, several have engaged in active PPP promotion over the past decade. In

³ <https://www.ebrd.com/infrastructure/infrastructure-IPPF.com>.

⁴ <https://www.adb.org/site/public-private-partnerships/main>

2012, the African Development Bank (AfDB) established PPPs as an integral part of the bank's Private Sector Development Strategy (2013-17) (AfDB 2012; interviews 19, 23, 27). During the 2010s, the AfDB significantly increased its financing of PPPs—although this only represented a small percentage of total AfDB lending—and provided technical advice for PPP projects. In addition to the provision of funding to PPP projects, the Andean development bank, Corporación Andina de Fomento (CAF), has organized courses on the management of PPPs and information on PPP best practice. The Central American Bank for Economic Integration (CABEI) has promoted PPP usage through funding, courses and information provision, with the financial assistance and expertise from the World Bank Institute (WBI), the World Bank Group's Public-Private Infrastructure Advisory Facility (PPIAF) and Public-Private-Partnership Legal Resource Centre (PPPLRC).⁵ The Inter-American Development Bank (IADB) lacked a formal classification of PPPs—at least to the late 2010s—but estimates place de facto IADB financing of PPP projects at up to twenty per cent of total new IADB lending by the early 2010s (World Bank Group 2015: 147). The most recently created RDB, the AIIB, is actively considering the use of PPPs (interview 20). The efforts by MDB and RDB to promote and establish best practice in PPPs are also demonstrated by the joint effort from the EBRD, ADB, AfDB, IADB, the Islamic Development Bank, and the World Bank Group to establish in 2015 the PPP Knowledge Lab. The Lab is an online information repository on PPPs, which was heralded by an EBRD official as 'close to a revolution in information as we could ask for'.⁶

⁵ <https://ppiaf.org>; <https://ppp.worldbank.org/public-private-partnership/overview/world-bank-group>

⁶ <https://www.worldbank.org/en/news/feature/2016/01/25/ppp-knowledge-lab>

Given the possibility of other financial mechanisms to enable leveraged finance, what explains this rapid and ubiquitous spread of PPP promotion and use? On the ‘demand’ side, many national governments around the world are ‘not spoiled for choice’ on sources of lending / funding—especially given very poor credit ratings—and are thus more receptive to the option of PPP financing than a number of wealthier national governments with less constrained public finances (interviews 21, 22, 23, 27). Even in Europe, the take up of PPPs has been particularly pronounced by a number of national governments with severe budgetary and funding difficulties—notably Portugal and Spain. On both the ‘supply’ and ‘demand’ side, there are a good number of private sector companies that actively promote PPP usage and offer expertise. One of several is Africa PPP, which regularly organizes conferences and training sessions on PPP projects in various African locations.⁷

Two additional factors have contributed to this spread, both with a link back to United Kingdom-based or -origin expertise—one of the major themes of this chapter. The first is the provision of PPP expertise linked to UK government funding. The UK government and a number private sector companies enjoyed first mover advantage on PPPs given their relatively early usage in the country from the late 1980s and then engaged in active promotion of PPPs from the late 1990s under the New Labour government. A special vehicle of PPP promotion was Partnerships UK (PUK; dissolved in 2011), a PPP in its own right in which the UK Treasury held a minority stake. PUK provided not only assistance to interested parties in the UK but actively engaged in public sector capacity building around the world.⁸ Furthermore, the major lobby group promoting the interests of the UK financial sector, TheCityUK—previously known as International Financial Services London—has promoted UK companies

⁷ <https://africappp.com>

⁸ <https://www.partnershipsuk.org.uk/BusinessSectors/international-sector.asp>

with PPP expertise internationally. The UK government (Department for International Development, DFID) has provided funding for regional and national development banks which directly or indirectly encourages PPP promotion and usage, with the attached provision of UK expertise from both the public and private sectors. UK government funding for the World Bank's PPFIA has provided PPP-related assistance to a number of regional and national development banks, including CABI (interview 25, 26) and the South African Development Bank (interviews 23, 24, 26). The UK Treasury and private sector companies—notably from professional services firms such as KPMG—have provided expertise and training for both development bank staff and officials in loan-recipient countries to set up and to manage PPP projects (interviews 19, 23, 27).

The second factor contributing to the spread of PPPs is the provision of expertise and the co-financing of projects between Multilateral Development Banks (MDB), RDB and / or with national development banks (NDB). MDB, RDB and NDB with a more established track record using and greater expertise on PPPs encourage their use and offer expertise (interviews 23, 24, 27). The World Bank Group has expanded its support to PPPs through a wide range of instruments and services offered to RDB, NDB, other national officials and private sector firms. World Bank Group support to PPPs increased significantly during the 2000s from USD 0.9 bn. in 2002 to 2.9 bn. in 2012, and from four to seven per cent of total group funding (World Bank Group 2015: XV). Such co-financing involving PPPs has also taken place between the EIB and a number of RDB—including the AfDB (interviews 19, 23)—and NDB. The IADB partnered with the more experienced ADB in the organization of PPP-focused training and capacity-building (World Bank Group 2015: 143; 148), while the ADB co-financed PPP projects with the EBRD.

In terms of a Principal-Agent analysis, most of these RDB can be seen to have acted as agents engaged in slippage given that most—if not all—of their shareholding national governments and loan recipient countries had limited or no prior experience with and knowledge of PPP financing. This activism can also be seen in both MDB and NDB promotion of PPPs and reinforces wider claims in the literature—on NDB activism see Mazzucato and Penna (2016) and Moslener et al. (2018). More generally, Gavin and Rodrik (1995) argue that International Financial Institutions (IFIs) bolster their long-acquired skills in technical and information expertise in order to remain relevant—a claim that this chapter explores with regard to PPPs in particular. The promotion of PPPs should also be seen in terms of RDB operating as agents to move beyond the correction of market failure towards the creation and/or shaping of markets through a particular financing mechanism and with specific market actors (Mazzucato and Penna 2016: 305).

The EIB case study

This chapter focuses on the role of the EIB in the EU's promotion of PPPs. In the late 1980s, PPPs (re-)emerged as a new form of infrastructure procurement in the European context, starting with the Channel (Euro-) Tunnel project. However, 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). 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).

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 euros (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). 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).

In addition to the controversies surrounding the operation of PPPs noted above, this topic 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.⁹ 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

⁹ 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’.

towards PPPs as ‘one of neutrality between ... procurement mechanisms’ (Thomson et al. 2005: 15), a position embraced by a number of RDB. 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.¹⁰

This chapter 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. Preliminary research also demonstrates that number of other MDB, RDB and NDB actively promote PPPs. We present empirical evidence to show that with regard to the promotion of PPPs, the EIB’s role 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 chapter is: how should the EIB’s role in PPP promotion best be understood? This chapter 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.¹¹ By combining an

¹⁰ 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).

¹¹ 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

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 chapter offers a more accurate understanding of EIB activism in the realm of PPP-promotion.

This chapter 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 chapter which is focused upon policy and norm entrepreneurs. The main (fourth) section of the chapter 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 chapter include semi-structured elite interviews with twenty-seven RDB, EIB and European 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 chapter and other EIB officials.

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.

2. 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; see Clifton et al. in this volume). 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 has three statutory bodies which are involved in its decision-making. The Board of Governors, which is made up of the EU’s member state finance ministers, who agree on the general directives of the Bank. They also appoint the members of the Board of Directors, which formally holds decision making power for the Bank’s operational business. The management committee is responsible for preparing the Board of Directors’ decisions, and for the pre-selection, monitoring and implementation of projects, which grants the committee *de facto* 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 (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 chapter reinforces the claims of Clifton et al. (2014, 2017, this volume) 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. These authors argue that this shift was informed by national privatisation programmes and excess private capital that fuelled questions about the relevance of the EIB and other IFIs. Our chapter takes a different approach and attempts to show the EIB’s capacity for entrepreneurship in promoting innovative funding techniques. More generally, our chapter 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.

3. The European Investment Bank as PPP policy entrepreneur

The EIB’s unofficial promotion of PPPs has resulted in the extension of the bank’s policy influence. Applying a Principal-Agent analysis, the EIB operated as semi-autonomous agent

and arguably engaged in ‘slippage’ by promoting and using a financing mechanism that was used by very few of its EU member state government principals in the 1990s and early 2000s. A number of EIB government shareholders were both opposed to using PPPs at the national level and reluctant to encourage EIB activism on PPPs (Hager 1996; interviews 4, 7). Furthermore, the EIB can be seen as having had a decisive role in relation to its other principal—the European Commission—which, with the member states, set the EIB’s policy direction. Commission preferences on PPPs were fluid and independent knowledge very limited (see Liebe and Howarth 2020 for further details). Some EU Commissioners promoted PPP usage and the Commission adopted a number of measures to encourage their usage notably to finance Trans-European Networks (TEN) infrastructural projects. However, the Commission relied heavily on EIB expertise and initiatives. 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). Thus, 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.

To shed further light on EIB activism on PPPs, our chapter 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 chapter 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 chapter 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 chapter 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.

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 euros, 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’.¹² 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).¹³ 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

¹² 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’.

¹³ ‘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).

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 2005: 6). In 2008, EPEC was launched by the Commission, the EIB, member states and candidate countries, as an EIB-based and co-funded¹⁴ 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

¹⁴ Until 2013 EPEC was jointly sponsored by the Commission (DG TREN and DG REGIO) and the EIB (Bozier *et al.* 2013).

– 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)—a joint EIB and EU-funded initiative 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.¹⁵

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

¹⁵ 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.

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.¹⁶

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

¹⁶ <http://www.eib.org/infocentre/press/releases/all/2003/2003-037-public-private-partnerships-objectives-and-experiences-in-germany-and-europe.htm>

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.¹⁷

4. The PPP norm entrepreneurs

While ‘rationalist’ aims might have contributed to the EIB’s entrepreneurial promotion of PPPs, this chapter 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.¹⁸ 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

¹⁷ http://www.eib.org/attachments/general/events/briefing2006_tens_en.pdf

¹⁸ 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.

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'.¹⁹ He was then Head of 'Structured

¹⁹ http://www.eib.org/attachments/general/bei_info/bei_info122_en.pdf

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 EPEC²⁰. 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.²¹

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

²⁰ <http://www.partnershipsbulletin.com/interviews/view/131>

²¹ <http://www.partnershipsbulletin.com/interviews/view/131>

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.²² 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.

5. Conclusion

The European Investment Bank has been at the vanguard of PPP promotion and has been followed by most RDB and many NDB around the world. 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

²² <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>

different contexts. The EIB developed unrivalled PPP expertise among public bodies globally—with the possible exception of the UK Treasury. The European 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 chapter 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.²³ 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

²³ <http://www.partnershipsbulletin.com/interviews/view/131>

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. The EIB is—compared to other RDB—unique in its status as the official bank of a highly integrated union of sovereign states. Nonetheless, the patterns of EIB activism and policy entrepreneurship—and even agency slippage—outlined in this chapter can be detected in a number of other RDB and merit further analysis.

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 EIB official who has worked on PPPs, 6 December 2018, Luxembourg.
19. Interview with AfDB official who works on PPPs, 28 June 2019, by Skype (Luxembourg-Abijan).
20. Interview with AIIB official who is informed on PPPs, 4 July 2019, by Skype (Luxembourg-Beijing).
21. Interview with EBRD official who works on PPPs, 24 September 2019, by Skype (Luxembourg-London).
22. Interview with EBRD official who has worked on PPPs, 6 October 2019, by Skype (Luxembourg-London).

23. Interview with former AfDB official who worked on PPPs, 25 October 2019, Luxembourg.
24. Interview with South Africa-based consultant who works on PPPs, 18 November, by Skype and email.
25. Interview with a CABI official who has worked on PPPs, 27 November 2019, by Skype (Luxembourg-Tegulcigalpa).
26. Interview with World Bank Group's Public-Private Infrastructure Advisory Facility (PPIAF) official, 10 January 2019, by Skype and email.
27. Interview with Portugal-based consultant who works on PPPs in Portugal and internationally, 16 February 2020, Luxembourg.

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Table 1: The main PPP norm entrepreneurs

| | Nation-ality | Education | Public Sector prior to EIB | Private Sector prior to EIB | Years of direct PPP experience | Years working for the EIB |
|-----------------------|---------------------|------------------|--|--|---|--|
| 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. |
| Tom Barrett | Ireland | Maths / MBA | n/a | n/a | 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. |
| Ed Farquharson | 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 months) | From 2013 |
| Andy Carty | UK | Economics | Yes: Chief Executive Strategic Investment Board, NI, 2000-3; At UK Cabinet office and Treasury from 1995-2000. | Yes | | From 2008-13 (on secondment) |
| Thomas Hackett | UK | Economics | No | Yes over a decade in banking | Over twenty. | From 1981to 2010 (moved to the EBRD) |
| 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 on the EIB Board of Directors. |