

**Finding the Economic and Social
Cohesion in Europe:
the birth and first steps of the
European Investment Bank and
European Social Fund**

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- The Treaties of Rome (signed on March 1957) included some articles which were dedicated to the economic and social cohesion in Europe.
- For the EEC fathers was important to reduce the gap between the EEC poorest regions and the richest ones: they thought it was necessary to strongly cut the gap concerning the GDP and the quality of life.
- The improvement of the per capita income allowed to reduce the south-north migration flows and to increase the demand for the EEC products (and so it enlarged the EEC labour market too). Furthermore, this could reduce the appeal and growth of movements linked to the USSR

- So all politicians who really wanted to build the EEC had to **find the economic and social cohesion in Europe**, a new concept which evidently implied the existence of a strong solidarity between the EEC countries and citizens.
- In this regard, two new institutions were indicated in the Treaties of Rome (articles 123 and 129):
 - A) the European Investment Bank (EIB)
 - B) the European Social Fund (ESF).
- They became operational in 1958 and they were explicitly designed to solve the problems of regional economic disparities in the EEC and to help countries that could further exacerbate their negative economic conditions after the creation of the Common Market

- The EIB was, in the idea of Italian negotiators, the necessary “compensation for [...] the economic backwardness that the country asked for acceding to the trade liberalization imposed by the process of European integration”.
- The Italian entry in the EEC was in fact possible only if there existed a real financial support for the solution of regional disparities that could worsen as a result of the creation of the EEC and the related end of the all tariffs and protections in the Common Market

- The Article 130 of the Treaty states: “The task of the European Investment Bank shall be to contribute, by calling on the capital markets and its own resources, to the balanced and smooth development of the Common Market in the interest of the Community. For this purpose, the Bank facilitated, by granting loans and guarantees on a non-profit-making basis, the financing of the following projects in all sectors of the economy:
 - a) projects for developing less developed regions;
 - b) projects for modernising or converting enterprises or for creating new activities which are called for by the progressive establishment of the Common Market where such projects by their size or nature cannot be entirely financed by the various means available in each of the Member States;
 - c) projects of common interest to several Member States which by their size or nature cannot be entirely financed by the various means available in each of the Member States

- The EIB financed: **A)** The development of new industrial plants in the poorest regions in EEC (in particular the Mezzogiorno during the 1960s); **B)** The creation of new infrastructures connecting the EEC poorest regions to the other ones to develop the Common Market.
- According to the rules established by the Six, the EIB partially financed the projects (50% max.): the effective amount of the financing depended on the guarantee to be given by investors and the Italian state (this last was in fact the last responsible for the payment of the debt). The EIB financing was normally essential for the implementation of the projects on time (no project without EIB loans...)
- The EIB also continued to intervene in a growing number of countries in the world. Moreover, already in the early 1960s, with the association agreements with Greece and Turkey, and after with the former French and Belgian colonies in Africa. The aim was always the social and economic development and the reduction of the revolutionary projects in those countries

- Until 1968 the EIB's loans were in more different currencies with the exclusion of the borrowers' one. The currencies were the ECC ones and the US dollar. In 1968, when all tariffs were eliminated in Common Market, loans in the borrowers' currency were admitted.
- This rule definitively changed after the oil shock: only the strong currencies were used (USD, CHF, DM) because they were able to protect the real value of EIB's loans. During the 1970s the social and economic growth of the less developed regions of EEC was therefore financed by making them pay the cost of their monetary weakness.
- The aim of all financed projects in Italy was obviously to develop the trades between the Italian market and the other EEC ones: new infrastructures in particular had to get closer the Southern Italy to the transalpine country.

EIB loans: in millions of UCE (1959-71)

UCE = Unité de Compte Européenne / 1 UCE = gr. 0,888671 of gold

1 UCE = 1 ECU = 1 Euro.

	Projects%	Projects%	Loans%	Loans%
Belgium	1,79	1,36	2,71	2,28
France	17,50	13,28	21,83	18,38
Germany (Western)	12,14	9,21	11,45	9,64
Italy	65,71	49,86	61,35	51,66
Luxembourg	1,07	0,81	0,46	0,39
The Netherlands	1,79	1,36	2,20	1,85
EEC Countries	100	75,88	100	84,20
Greece	16,85	4,07	18,92	2,99
Turkey	40,45	9,76	47,85	7,56
Outre-Mer/EAMA	42,70	10,30	33,22	5,25
Associated Countries	100	24,12	100	15,80
Totale**		100		100
Totale°		369		2.315,2

- The economic and social development of the Mezzogiorno was in fact the EIB main goal: during the 1960s more than 50% of the EIB financing (both for projects and money) were for the Mezzogiorno. This percentage decreased after the oil shock and the UK entry only. It further fell down during the Eighties, that is after the entry of Greece, Spain and Portugal
- The new infrastructures allowed to convoy in all EEC countries, paying lower costs, the goods to be made by the new enterprises which were founded in the Mezzogiorno (thanks to the EIB financing)
- EIB objectives in the Mezzogiorno were partially achieved: on the contrary, the set up of new infrastructure had an important economic impact both on the Alpine regions where the new infrastructures passed through.
- EIB loans involved: Cassa per il Mezzogiorno (Isveimer, Irfis, Cis), IMI (Istituto Mobiliare Italiano), CREDIOP (Consorzio di Credito per le Opere Pubbliche) l'ICIPU (Istituto di Credito per le Imprese di Pubblica Utilità) and main Italian public companies

- The new infrastructures in fact facilitated the exchange of goods between the two sides of the Alps and promoted the economic development of the valleys.
- The agricultural and industrial enterprises located in the valleys were indeed better connected to the markets of the plain. The industrial towns of the Po plain also took profit by the new infrastructures because they were strictly connected to the local highways and railways
- The new infrastructures favoured the development of the Alpine tourism: a lot of mountain lovers (especially skiing and climbing) faster joined their Alpine destinations and this helped the development of the mass tourism in the Alps. Even if the environmental impact was not always flawless, final results were generally positive for the Alpine communities. These latter (and the EIB too) declared their satisfaction about the creation of the new infrastructures.

	Italy		Mezzogiorno			
Institutions	Projects	Loans	Projects	Loans	Projects°	Loans°
Cassa per il Mezzogiorno*	79,14	54,82	86,05	67,98	100°	100°
IMI	8,02	10,21	8,14	12,27	93,33°	96,85°
CREDIOP / ICIPU	1,6	2,97	0,58	1,36	33,33°	37,06°
Financial Institutions	88,77	68	94,77	81,61	98,19°	96,78°
Autostrade	6,95	22,2	3,49	12,8	46,15°	46,51°
Ferrovie dello Stato	2,14	4,99	1,16	3,59	50°	58,06°
STET-SIP	1,07	3,62	0,58	1,99	50°	44,44°
Italcantieri-CMF	1,07	1,19	-	-	-	-
Companies	11,23	32	5,23	18,39	42,6°	46,35°
Total	100	100	100	100	91,98°	80,64°
Total**	187	1.243,36	172	1.002,68		

- The ESF had to improve opportunities in employment in the Common Market the professional skills of workers
- It financed (max 50%) the vocational training courses for unemployed people (in particular for young workers and women). Skilled workers obviously had more opportunities to find a job and to receive better wages.
- The ESF extended to all sectors the aids existing in the ECSC for workers missing their job because of the growth of the competition in the steel and coal markets (the *Fonds de Réadaptation* della CECA, art. 56 of Treaties of Paris)

EEC countries contributes to ESF

Italy was evidently favoured because its workers needed more aids than other EEC ones.

From 1960 to 1971 ESF financed 1,700,000 workers (Italian ones were 1,100,000)

Tableau 1. Clefs de répartition des contributions financières des États-membres suivant l'article 200 du Traité C.E.E. (en %)

Pays	Budget communautaire	Fonds social européen
Belgique	7,9	8,8
Allemagne	28,0	32,0
France	28,0	32,0
Italie	28,0	20,0
Luxembourg	0,2	0,2
Pays-Bas	7,9	7,0

- EEC workers receiving ESF aids 1960-73

Tableau 2. Travailleurs ayant bénéficié d'une aide du Fonds social européen au titre de la requalification ou de l'aide à la mobilité (transfert), 20 septembre 1960 – 31 décembre 1973

Pays	Type d'intervention	Nombre de travailleurs
Allemagne	requalification	172 826
	transfert (aide à la mobilité)	259 912
	total	432 738
Belgique	requalification	15 069
	transfert (aide à la mobilité)	20
	total	15 089
France	requalification	50 481
	transfert (aide à la mobilité)	98 486
	total	148 967
Italie	requalification	744 780
	transfert (aide à la mobilité)	355 523
	total	1 100 303
Pays-Bas	requalification	16 066
	transfert (aide à la mobilité)	390
	total	16 456
Luxembourg Communauté	requalification	97
	transfert (aide à la mobilité)	999 319
	total	714 331
	total	1 713 650

Source : COLLINS Doreen, *The European Communities*. Vol. 2., p. 67.

- From the Seventies to the new Millennium the EIB increased its loans for infrastructures and new technologies (e.g. for production energy and the respect of the environment). The Italian relevance decreased because new poor regions arriving in the EEC/EU had the same right to develop its economy.
- The EIB continued to be a European financial intermediary which used savings throughout the EU to fund the most socially and economically useful projects. So it continued to facilitate transfers of savings to less developed regions to realize the EU economic convergence, based on the accumulation of capital and the adoption of existing production techniques and systems.

- From the 1970s to the new Millennium the ESF financed vocational training courses for women, young people and disabled people, that is the weakest workforce in the EEC labour market.
- Furthermore it financed scholarships for EEC students who wanted to study out of their native country (Erasmus) .
- However the ESF financing did not increase a lot because other EEC structural funds used Eec money, in particular for the Common Agrarian Policy. So the ESF activity was less significant than EIB one.