EKONOMICKÁ UNIVERZITA V BRATISLAVE
NÁRODOHOSPODÁRSKA FAKULTA

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EUROPEAN INVESTMENT BANK AND ITS DEVELOPMENT DISCOURSE IN THE CONTEXT OF DEVELOPMENT ECONOMICS THEORIES

2010 **Mgr. Ivan Lesay, MA.**

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Dizertačná práca

Študijný program: Ekonomická teória

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Školiteľ: Doc. Ing. Peter Staněk, CSc., hosť. prof.

Bratislava 2010 **Mgr. Ivan Lesay, MA**

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Ekonomická univerzita v Bratislave
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ZADANIE ZÁVEREČNEJ PRÁCE

Meno a priezvisko študenta: Mgr. Ivan Lesay
Študijný program: ekonomická teória (Jednoodborové štúdium, doktorandské III. st., denná forma)
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Typ záverečnej práce: Dizertačná záverečná práca
Jazyk záverečnej práce: anglický

Názov: Európska investičná banka a jej rozvojový diskurz v kontexte teórií ekonómie rozvoja

Cieľ: Cieľom predkladanej témy bude zrekonštruovať rozvojový argument Európskej investičnej banky (EIB) – zmapovať, akým spôsobom majú podľa samotnej EIB jej investície v tzv. rozvojovom svete prispieť k ekonomickému rozvoju cieľových krajín. Stanovený cieľ sa bude realizovať na základe analýzy textov Európskej investičnej banky. Rozvojový diskurz EIB sa následne konfrontuje s najvýznamnejšími teóriami ekonómie rozvoja v snahe identifikovať jeho inšpirácie v niektorej (-ých) z týchto teórií. Okrem snahy identifikovať ideologický zdroj rozvojového diskurzu EIB sa tiež pristupuje ku kritickej diskurzívnej analýze (CDA) s cieľom identifikovať diskurzívne praktiky a techniky rozvojového diskurzu EIB.

Anotácia: Dizertačná práca bude kategorizovať relevantné teórie ekonómie rozvoja do štyroch kategórií: 1. raná ekonómia rozvoja, 2. washingtonský konsenzus, 3. postwashingtonský konsenzus, a 4. heterodoxné prístupy k ekonómii rozvoja. Ďalej práca predstaví inštitúciu Európskej investičnej banky, vrátane jej pôsobenia v oblasti rozvoja a vrátane prezentácie jej tzv. rozvojových mandátov. Dizertačná práca bude analyzovať texty týkajúce sa rozvoja publikované Európskou investičnou bankou. Pokúsi sa ich zaradiť do jednej zo škôl ekonómie rozvoja a tiež kriticky zanalyzuje rozvojový diskurz EIB.

Školiteľ: doc. Ing. Peter Staněk, CSc.
Katedra: EÚ SAV - Ekonomický ústav SAV

Dátum zadania: 11.04.2007

Dátum schválenia: 11.04.2007

prof. Ing. Ján Lisý, PhD.
predseda odborovej komisie

Čestné vyhlásenie

Čestne vyhlasujem, že záverečnú prácu som vypracoval samostatne a že som uviedol všetku použitú literatúru.

Dátum: 1. 7. 2010 ....

Ivan Lesay

Poďakovanie

Pri vypracovaní dizertačnej práca mi pomohlo viacero ľudí. Za zhovievavý prístup a podnetné diskusie by som chcel poďakovať svojmu školiteľovi, doc. Petrovi Staněkovi. Za nesmierne cenné rady z oblasti teórií ekonomického rozvoja a za rady ohľadom celkového smerovania dizertačnej práce patrí vďaka prof. Joachimovi Beckerovi, bez ktorého asistencie by som sa pravdepodobne obišiel iba veľmi ťažko. V oblasti metodológie mi veľmi prospeli podnety od Mgr. Ľubice Kobovej, ktorej patrí vďaka aj za detailné pripomienky k prvým verziám práce. Pri práci mi pomohli tiež konzultácie s Dr. Danielom Škoblom a prof. Kunibertom Rafferom.

ABSTRAKT

LESAY, Ivan: *Európska investičná banka a jej rozvojový diskurz v kontexte teórií ekonómie rozvoja*. – Slovenská akadémia vied. Ekonomický ústav. – Doc. Ing. Peter Staněk, CSc., hosť. prof. – Bratislava: EÚ SAV, 2010, 136s.

Cieľom predkladanej dizertačnej práce je zrekonštruovať rozvojový argument Európskej investičnej banky – zmapovať, akým spôsobom majú podľa samotnej Banky jej investície v tzv. rozvojovom svete prispieť k ekonomickému rozvoju cieľových krajín. Stanovený cieľ sa realizuje na základe analýzy textov Európskej investičnej banky. Rozvojový diskurz EIB sa následne konfrontuje s najvýznamnejšími teóriami ekonómie rozvoja v snahe identifikovať jeho inšpirácie v niektorej (-ých) z týchto teórií. Okrem snahy identifikovať ideologický zdroj rozvojového diskurzu EIB sa tiež pristupuje ku kritickej diskurzívnej analýze (CDA) s cieľom identifikovať diskurzívne praktiky a techniky rozvojového diskurzu EIB. Prvá nosná časť dizertačnej práce kategorizuje relevantné teórie ekonómie rozvoja do štyroch kategórií: 1. ranná ekonómia rozvoja, 2. washingtonský konsenzus, 3. postwashingtonský konsenzus, a 4. heterodoxné prístupy k ekonómii rozvoja. Druhá časť práce predstavuje inštitúciu Európskej investičnej banky, vrátane jej pôsobenia v oblasti rozvoja a vrátane prezentácie jej tzv. rozvojových mandátov. Tretia časť tvorí jadro práce – analyzuje texty týkajúce sa rozvoja publikované Európskou investičnou bankou. Pokúša sa ich zaradiť do jednej zo škôl ekonómie rozvoja a tiež kriticky analyzuje rozvojový diskurz EIB. Výsledkom práce je záver, že EIB sa vo svojom rozvojovom diskurze z prevažnej časti inšpiruje washingtonským konsenzom, a že EIB používa také diskurzívne techniky a praktiky, ktoré jej umožňujú presadiť a udržať vlastné hegemonické a ideologické postuláty v otázkach rozvoja.

Kľúčové slová:
Európska investičná banka, ekonomický rozvoj, rozvojový diskurz, teórie ekonómie rozvoja, kritická diskurzívna analýza.

ABSTRACT

LESAY, Ivan: *European Investment Bank and its development discourse in the context of development economics theories.* – Slovak Academy of Sciences. Institute of Economic Research. – associate professor Doc. Ing. Peter Staněk, CSc. – Bratislava: EÚ SAV, 2010, 136 pp.

The aim of the dissertation thesis is to reconstruct the European Investment Bank's development argument – i.e. to map in what manner the Bank claims its investments to contribute to economic development in the so-called developing countries. The stated aim is carried out basing on an analysis of EIB's texts. The development discourse of EIB is consequently confronted with the most eminent development economics theories in an effort to identify its inspirations in some of them. Besides efforts to identify the ideological sources of EIB's development discourse, Critical Discourse Analysis (CDA) is applied, too, with the aim to identify its discoursive practices and techniques. The first part of the dissertation thesis categorises relevant development economics theories into four groups: 1. Early Development Economics, 2. Washington Consensus, 3. Post-Washington Consensus, and 4. Heterodox Approaches to Development Economics. The second part of the thesis introduces the institution of European Investment Bank, including its operation in the field of development and including its so-called development mandates. The third part forms the core of the thesis – it analyses EIB published texts related to development. It seeks to classify them with one the development economics currents and also critically analyses EIB's development discourse. The thesis concludes that EIB is inspired predominantly by the Washington Consensus in its development discourse and that it uses discoursive techniques and practices that enable it to promote and perpetuate its own hegemonic and ideological postulates in the filed of development.

Key words:
European Investment Bank, economic development, development discourse, development economics theories, Critical Discourse Analysis.

Contents

Preface

The European Investment Bank (EIB) certainly is not an institution that would often hit the front pages of newspapers. I first came across EIB some six years ago when I happened to read some campaign materials produced by an international network of nongovernmental organisations. Pictures depicted activists dressed in overalls with a label “Concerned Tax Payer” rallying in front of the Bank’s headquarters in Luxembourg. Another picture showed three monkeys, one with closed eyes, one with closed ears, and one with closed mouth. The slogan beneath the picture read “EIB: Sees no problem, hears no complaints, gives no information”. As I read in the materials, the aim of the campaign was to express concerns that despite the fact that EIB is a public institution (therefore the reference to concerned tax payers), it is not transparent and accountable to publicly controlled institutions and does not apply environmental and social standards when investing. This was my first encounter with EIB.

Few years later, in 2006, I took the opportunity to start working for the organisation that produced the abovementioned material and led the campaign to reform EIB. It was about this time that I learnt that the Bank does not invest only in Europe, but also in ‘the South’. Within the organisation itself, the growing attention to and focus on EIB’s investments outside the EU was a strategic decision resulting from two facts. First, cooperation and information exchange with local communities and organisations in EIB’s ‘partner countries’ pointed out to the fact that the impacts of the Bank’s investments are often more problematic from environmental and social point of view outside the EU than inside it. Second, NGOs’ focus on investments outside the EU made it impossible for the Bank to defend itself in the same way it did before. When challenged on the lack of environmental and social standards and on the impacts of its investments within the EU, the Bank could argue that that kind of a concern is adequately addressed by the high-standard legislation valid in all the EU Member States (environmental and social protection laws, impact assessment etc.). However, that argument was not applicable for most of developing countries where national environmental and social legislation can hardly be considered sufficient or comparable to that in the EU.

So I joined this campaign for several years – this gave me, among other things, the opportunity to get to know the Bank closer. However, I have never thought myself to be a proper campaigner and activist. I have always wanted to dig deeper and analyse what is behind the campaign slogans that have to be – by definition – simple and eloquent. Therefore, when I enrolled to the PhD. programme and had to specify and narrow down my originally very broad research scope – "Global income inequality and the role of International Financial Institutions" – I thought it would be a good idea to slightly modify my original intentions and study EIB in the context of development economics. And I still do think so.

Regarding the angle from which to tackle the research topic, I saw several options. The first idea that came to my mind was, obviously, to study the concrete EIB investment activities and their impacts in developing countries. Then I could have confronted them with EIB's declared developmental intentions, for example. As interesting and important such a research enterprise would be, I could not undertake it. First, analysing the impact of EIB's investments on development would be extremely difficult from the technical point of view (lacking statistics for example), far beyond my capacities and possibilities. But second, and even more important, it would be probably very difficult to identify and separate the 'EIB factor' from other influences that obviously have an impact on the situation in target countries. There are often other forces shaping the situation in developing countries and also other financiers – public and private – involved in the projects EIB supports. It would be therefore very demanding to rigorously prove that this particular EIB investment activity is responsible for this particular development impact.[1]

However, what struck me while studying the materials published by the Bank and while thinking of my research question was how smoothly and non-problematically the issue of development was presented by EIB. An optimistic vision was being put forward of how the EIB shareholders' interests somehow automatically accord with the needs of developing countries. Even at the time when the World Bank already used a relatively

[1] Nevertheless, I believe that – on the condition of sufficient funding – it would be worthwhile for a team of researchers or an institution to carry out a comprehensive empirical analysis of EIB's development investments and their impacts.

sophisticated language (incorporating also some of the previous criticisms against the limited approach to developing countries) when justifying its development activities, EIB seemed to content itself with a minimum of simple phrases to substantiate its development investments outside the EU. This is when the idea was born to analyse to what extent EIB is theoretically fit and competent to engage in the issue of development and where it draws its inspiration from. The second major idea for this research – to study not only sources, but also discoursive practices of EIB – developed in the course of writing the dissertation thesis. First I did it somehow intuitively after noticing some interesting practices applied by EIB in its developmental discourse, and then I was instructed to apply the Critical Discourse Analysis in this task.

1 Introduction

Motto:

"Recent discussions have also emphasized the need for multilateral development banks to embrace intellectual diversity and to avoid the hegemony of a single view of economic development" (Ocampo, Kregel, and Griffith-Jones 2007: 8).

So far, I have tried to introduce my dissertation's personal history and, so to say, subjective reasons that have brought me to study EIB in the context of development economics. What about 'objective' arguments in favour of selecting this topic? It is a legitimate question to ask why to study the European Investment Bank in the context of developing economics at all, and particularly, why to study the Bank's development discourse. It can be indeed argued that the Bank's role in and impact on development is trivial. First, compared with other official flows and private financial flows, the level of resources provided by multilateral development banks to developing countries is relatively low (Ocampo, Kregel and Griffith-Jones 2007: 87). Second, even among Multilateral Development Banks (MDBs), EIB is not the most prominent player in the field of development – neither in terms of money lent (it invests still mainly within the EU), nor in terms of intellectual influence (unlike, for example, the World Bank, EIB does not engage in policy reforms in developing countries).

However, I do believe there are several good reasons to undertake this research enterprise. We can basically sum them up in the following way. First, EIB's activity in developing countries has been increasing in volume and in significance in the last two decades and is expected to continue in this trend. Second, the Bank's operation outside the EU has not been completely uncontroversial – with its increasing activity in developing countries, also its impact started to be challenged and its development record disputed by local communities and non-governmental organisations. Third, the two abovementioned phenomena have not been paid an appropriate attention in academia and are under-researched; in fact, I have not been able to find any academic publication that would deal with the link between EIB and development despite the fact that a robust body of literature exists on other International Financial Institutions (IFIs) and their operation in the field of development. Fourth, documenting potential deficiencies of the Bank in this area of its activity can contribute to critical questioning and potentially changing the power relations EIB is part of.

EIB has become one of the largest IFIs in the world. With an annual portfolio of EUR 57.6 billion for 2008, the European Union house bank is responsible for about double the amount of financial investments made by the World Bank. EIB's investment portfolio, mission and area of interest has been developing and grown substantially since its creation, and now EIB already is a major financier of development projects around the world, with EUR 6.15 billion or more than 10 % of its overall lending portfolio lent outside of the EU in 2008. In the period 1997 – 2002, EIB's financial support to the private sector in Latin America was ranked third after the International Finance Corporation (IFC) and the Inter-American Development Bank (IDB). EIB's lending outside of the EU is greater than that of the African Development Bank (AfDB) or the European Bank for Reconstruction and Development (EBRD), and comparable to that of the Asian Development Bank (ADB). According to some statistics, EIB is the biggest public financier not only in the whole world, but also in developing countries (Wright 2007: 55).[2] The volume of EIB's financing outside the EU is increasing and is likely to increase in the future, especially in the context of the global financial and economic crisis.[3] What is more, the developmental role of EIB might significantly increase after the potential merger with EBRD that has been discussed.[4]

Expanding activities of EIB in developing countries aroused concerns among several non-governmental organisations in Europe and local organisations and communities in

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[2] This statistics does not take the World Bank Group as one institution. Instead, it is split into its individual financial institutions – IBRD, IFC, IDA.

[3] See for example *IFIs cooperate to provide US$15 Billion to Respond to Financial Crisis in Africa - International Financial and Development Institutions to Coordinate Response through African Financing Partnership*.

[4] EBRD's original mandate to finance market economy and democracy development in the post-communist Europe and Asia will be close to be over in 2010 when it will stop investing in all eight of the Eastern European countries that joined the EU in 2004. Media reported that a document discussing the merger of EIB and EBRD was circulated among the EU finance ministers in March 2008. See for example the Financial News coverage: http://www.efinancialnews.com/story/2008-03-06/eu-weighs-merger-plan-for-development-banks.

the target countries. First the Bank's record in transparency started being challenged. EIB argued that its secretiveness was a result of its function as a financial institution. However, a comparative study revealed that EIB is vastly less transparent in some critical areas than other public IFIs, such as the World Bank Group and EBRD, both of which operate in the public and private sectors (Bank Information Center 2005).[5] Second, the question to whom EIB is actually responsible and accountable was raised. EIB has an ambiguous legal dual-status – that of both a legally independent financial institution, and also a component part of EU institutions. On the one hand the Bank is legally bound to act within the limits of the European treaties, and on the other hand it is accorded an autonomous legal personality in order for it to function successfully as a financial institution (Bizzarri 2004). Third, and the most important, EIB's investments in developing countries started being questioned for their developmental, social, and environmental impacts. Rather than supporting development, the Bank is being accused of investing in raw materials extraction for the markets in the EU, of supporting the companies from the EU Member States, of investing in controversial large dam projects, and of lacking environmental and social policies and impact assessment mechanisms.[6]

Despite the fact that EIB has become a major public financier in the field of development, and despite the fact that this activity of the Bank has been quite heavily criticised by civic organisations, there is nothing published on this phenomenon in academia to the best of my knowledge. All the relevant sources I have been able to find are either those published directly by EIB, or those written by NGOs critical of the Bank's operation in developing countries. This can be partially explained by the fact that the phenomenon of EIB as a publicly perceived key development player is relatively recent. It can take some time to rigorously process a material that is first and promptly taken up by civil society and politicians. This dissertation is hoped to be one of the first modest contributions to studying the so far under-researched phenomenon of EIB's role and operation in development.

[5] There have been some improvements regarding EIB's transparency in the recent years; however NGOs call for much more to be done in this respect. See for example in Cyglicki and Antonowicz (2007).
[6] See for example Colajacamo (2006), WEED (2008), Pottinger (2007), Wright (2007), Kumwamba and Simpere (2008) and Wilks (2010).

And finally, it is important (at least for me) to study EIB in the context of development economics theories to be able not only to understand it, but also to contribute to changing it. I am subscribing to the attempts performed by NGOs to confront the Bank's operation in developing countries. In a similar line, my research seeks to scrutinise the Bank's theoretical equipment for operations in the less-developed regions of the world, but should not end up only with scrutiny. It definitely is not a neutral research (I doubt there can be such in social sciences), but it is engaged – should the hypothesis regarding the Bank's theoretical ill-equipment be confirmed, the result of this research can be further used to put pressure on this public institution to be changed. Similar research tasks have been undertaken regarding other IFIs. Notably the World Bank and International Monetary Fund (IMF) have been targeted with claims that they rather represent their shareholders' interests in the first place, and are (therefore) ideologically limited in their inspirations when operating in developing countries. One of the aims of my research is thus to check how similar claims would be tested against EIB and whether EIB does its part in perpetuating the hegemonic development discourse as practised by other IFIs. This dissertation thesis on EIB, in Fairclough's words, performs critical questioning of social life in moral and political terms.

Research Questions, Hypotheses, and Theoretical Background

I have indicated my research questions already several times in this introduction. I will try to formulate them now explicitly and more precisely. The major question I am asking in this research is: What are the ideological sources of inspiration for EIB's development discourse? Operationalised in my research – is it possible to identify and reconstruct something that can be called EIB's development discourse, and can it be claimed to overlap with one of the four development economics currents of thought? A parallel question that I am trying to address is: What are the discoursive characteristics of EIB's development discourse?

My hypothesis is that EIB is consistent in its developmental argumentation, and therefore, one can talk of a specific EIB's development discourse. This discourse, I hypothesise, is inspired by the discourse practiced by other IFIs (notably the World Bank) in the 1980s and 1990s. Out of the four traditions in development economics, I assume EIB's development discourse is compatible with the one of the Washington Consensus. Regarding the second research question, my hypothesis is that EIB's development discourse forms a part of and contributes to the hegemonic development discourse of global financiers' community. The Bank's development discourse can thus be characterised as one-dimensional, non-dialogical and power-embedded.

I have just used – and will keep using further in the text – the notions 'hegemony' and 'ideology'. Let me explain what I understand under the terms. My understanding of the relationship between discourse and hegemony is based on Gramsci (1971). His analysis is useful in portraying discourse as a practice of power and domination. According to Chouliaraki and Fairclough (1999: 24), Gramsci's 'hegemony' emphasises the importance of ideology in achieving and maintaining relations of domination by consent rather than coercion. Discourses assume a certain power over how individuals think and behave (Harvey 1996: 83). Hegemonic discourse is thus a discourse that makes certain vision look more 'natural' than others and is internalised by actors without them knowing that they yield to a particular ideology and power interests. When referring to ideology, I draw mainly on those authors who focus on ideas of true and false cognition, where ideology is seen as illusion, distortion and mystification. However, ideology does not refer only to belief systems, but to questions of power, and particularly to legitimating the power of dominant social groups or classes (Eagleton 1991: 3 – 6). Ideology in my understanding thus stands for meanings applied to sustain relations of domination.

The research itself consists of three general elements – the analysed case (EIB), theoretical background (development economics), and the methodological approach (discourse analysis). As can be seen from the three elements, the research subject matter itself called for an interdisciplinary approach. Trained in political science (political economy) and aspiring for a PhD. in economic theory, I thought myself to be apt to undertake this kind of research. Already for a long time interested in how power is practised in political and economic discourses, I am trying to apply a specific version of politico-economic sociology in this research on EIB.

To be more specific, I have decided to analyse EIB under the theoretical framework of development economics. There are many theoretical schools, traditions, currents and directions in studying the economic development. If I seek to identify to which of the traditions EIB's development discourse is owing to, I have to make some categorisation. I do admit it is an arbitrary classification – as I divide four currents, somebody else could make just two, five, or even eight categories, and even with completely different labels that I am choosing. Nevertheless, for the purposes of my dissertation, I have decided to separate the following currents in development economics:

1. Early development economics
2. Washington Consensus
3. Post-Washington Consensus
4. Heterodox approaches to development economics

As the Bank is an economic institution and is aimed to foster economic development in its particular way, this framework seemed most appropriate to me. Therefore, first, I am focusing in my theoretical framework predominantly only on development *economics* and individual development economists, not on broader development *studies* and individual development theorists respectively. Second, I refer to development economics as a separate sub-discipline of economics established and *institutionalised* after World War II.[7] Although the four selected categories are necessarily limited by the criteria of time (period after the 1940s) and discipline (development economics), they still represent a variety of theoretical approaches in the aspects of history and ideology, and therefore constitute, I believe, a good reference point for the development discourse of EIB.

[7] Economic thinkers before this period paid a great deal of attention to the issue of economic development, too, despite the fact that not all of them are normally considered as forefathers of development economics. Textbook on pioneers of development economics edited by Sundaram (2005) provides an invaluable tool for systemisation of the work by great economists who contributed to this discipline. Similarly, there were and are many development theorists who – while not being economists – nevertheless significantly contributed also to the discipline of development economics. However, neither of these two groups is introduced in my thesis for the reasons of limited capacity and staying focused.

In order to present the arguments of the four development economics currents parsimoniously, and in order to be able to benchmark them against the reconstructed EIB's developmental argument, I am asking the following questions to be addressed by each of the four traditions:

- What is development and how can it be achieved?
- What are the impacts of free international trade on development?
- How should developing countries dispose of their natural sources?
- What are the roles of private and public sectors in fostering development?
- What are the impacts of foreign direct investment on development?
- What is the importance of financial services sector for development?

All of the questions find their reflection in EIB's development discourse. After comparing the answers provided by the four groups with the answers presented in EIB's development discourse, I hope I will be able to identify some affinities between the Bank's discourse and one or more development theories.

Methods and Approach

If the aim of my dissertation is to document the ideological inspirations of EIB's development discourse and to analyse EIB's developmental reasoning from the discoursive point of view, my methods and approach draw primarily from the works of Norman Fairclough (2003, 2006). Critical discourse analysis (CDA) as developed by Fairclough provides the theoretical background and a useful methodological tool for my approach to EIB's texts related to the issue of development. Let me briefly sum up the main points introduced by Fairclough (2003) that I find particularly relevant for my thesis.

First of all, I shall keep referring to 'EIB's development discourse' in the course of my thesis, but what I am technically referring to is just a part of the Bank's discourse, namely development related texts produced by EIB. I am not analysing other parts of its development discourse, such as oral statements made by EIB's officials etc. When I will be analysing the texts produced by EIB, I will be doing so not merely linguistically, but primarily focusing on their ‘interdiscursive’ aspect, i.e. seeing them in terms of the different discourses they draw upon and articulate together (Fairclough 2003: 3). In the case of the texts produced by EIB, I will also point out to their relationship to other texts, such as those published by the World Bank and other IFIs – i.e. I will seek to study their ‘intertextuality’ which reflects how they draw upon, incorporate, recontextualize and dialogue with other texts (Fairclough 2003: 17). When I refer to a ‘discourse’ or ‘discourses’, I follow Fairclough’s definition – according to him, discourses represent

> aspects of the world – the processes, relations and structures of the material world, the ‘mental world’ of thoughts, feelings, beliefs and so forth, and the social world. Discourses not only represent the world as it is (or rather is seen to be), they are also projective, imaginaries, representing possible worlds which are different from the actual world, and tied in to projects to change the world in particular directions (Fairclough 2003: 124).

Not every separate representation can constitute a discourse; there has to be certain commonality and continuity in the way the world is represented, as well as certain degree of effectivity of discourse, i.e. its ‘translation’ into non-discoursal aspects of social life. Linking texts to a particular discourse is feasible even if the realisation of that discourse in the text is minimal (Fairclough 2003: 124, 126, 128).

CDA is an analysis of the dialectical relationships between discourse and other elements of social practices (Fairclough 2003: 205). These relationships and links are worth studying, as texts are elements of social events, and the meanings of texts can have causal effects and bring about changes. One type of those effects, namely ideological effects, is crucial for my thesis as they can contribute to establishing, maintaining and changing social relations of power, domination and exploitation. It is in this context of power relations that I will scrutinise the EIB texts related to development, and I will also try to decipher the assumptions they rest on. It has to be noted, however, that identifying some parts of the studied texts as ideological would not make them necessarily untrue (Fairclough 2003: 9).

I do realise that referring to the ‘EIB-authored’ texts in the course of my dissertation thesis is a simplification. EIB is not a monolith; rather it is a giant institution with many individuals working for it and influencing the final shape of the texts produced by it. Fairclough (2003: 22) distinguishes two causal powers which shape texts, social structures and practices (in my case, for example, developmental discourses and development investments legitimation respectively), and people involved in social events – social agents (the EIB employees responsible for producing the texts). According to him, social agents are not free, but socially constrained; nevertheless, their actions are not totally socially determined. Although it would be very interesting to study the relationship between the structure and agency within EIB, this research task goes beyond the scope of this thesis. And therefore, when referring to authors, I shall do – following Fairclough (2003: 12) – without getting into the complicated issue of structure and agency, and "primarily referring to whoever can be seen as having put the words together."

As already indicated, my approach to text analysis transcends the solely textual content of the texts themselves, and is interdiscursive, intertextual, and therefore also 'transdisciplinary'. I am seeking to apply linguistic tools in the social theory and research, i.e. I try to analyse texts as elements in social processes. This transdisciplinary approach implies that one 'sees' "things in texts through 'operationalizing' (putting to work) social theoretical perspectives and insights in textual analysis" (Fairclough 2003: 15). It could be easily argued that what one 'sees' in a text cannot be independent from what she/he wishes to see there; and I do agree – there is nothing like an 'objective' analysis of a text. However, the 'subjective' aspect of my or any other text analysis is not, at least in my view, a big problem. I openly state that my initial stance to studying the EIB texts is critical and I totally subscribe to Fairclough's notion of 'critical social science':

> My approach belongs broadly within the tradition of 'critical social science' — social science which is motivated by the aim of providing a scientific basis for a critical questioning of social life in moral and political terms, e.g. in terms of social justice and power. (…) Conversely, much social research can be seen as motivated by aims of making existing forms of social life work more efficiently and effectively, without considering moral or political questions at all. Neither approach is 'objective' in a simple sense, both approaches are based in particular interests and perspectives, but that does not prevent either of them being perfectly good social science. Nor does it mean that the social import and effects of particular research are transparent: social research may have outcomes which are far from what was intended or expected (Fairclough 2003: 15).

Rather than searching for or making up a quantitative quasi-objective methodology to suit it to my initial observations and hypotheses regarding the EIB texts and to make them look more rigorous and scientific-like[8], I openly state that my research is qualitative, critical, and applied to subjectively selected samples of material. Focusing on EIB's development-related texts, I seek to interpret more complex processes of the legitimation of development investments, i.e. I try to understand these processes, evaluate them, and explain them. I do believe that my treatment of the texts is not consciously unfair; I do hope that my observations, findings, and arguments will have some power to convince even those who do not share my initial critical position towards the researched issue; and I dearly invite any research that would like to study EIB or its texts and to find there anything that would question or challenge my conclusions.

Explanatory Remarks

At the end of the introduction, I would like to make a remark on terminology. For the sake of convenience, I am using the term 'developing countries' in my dissertation thesis. The term is widely used in literature and it is also often used in the texts produced by EIB. However, I agree with the critics who claim it to be problematic, especially for the assumptions that it contains. First, it assumes that 'developing countries' wish to develop in the same pattern as 'developed countries' – that they want to follow their model of economic development. Second, the term implies homogeneity within and among such countries. Third, it presupposes that the countries are really developing, not stagnating or degrading. None of these assumptions is necessarily valid. Despite that fact, the term is commonly used and I have chosen to use it in my paper, too, but here it will be done still bearing in mind the reservations I have presented. Regarding the geographical representation of 'developing countries' in my paper, I am referring particularly to the regions classified by EIB under acronyms ACP and ALA, i.e. Africa, Caribbean, Pacific, Asia, and Latin America.

[8] According to Samek (2009), it is generally hard to be 'rigorous' on the macro level of a discourse analysis, and some rigorous-looking approaches, such as certain quantitative methods of text processing, are questionable and definitely less honest than an openly admitted qualitative analysis with an explicit claim of author's ideological background.

The study has a simple structure. Chapter 2 introduces the development related arguments of the four development economics traditions. Each of them will try to address the issues present also in the EIB development discourse. Chapter 3 presents the institution of European Investment Bank. Besides general introduction to EIB, the establishment of development mandates of the Bank is presented in more detail. Chapter 4 is the core part of my dissertation thesis. It reconstructs EIB's development argument, compares it with the four theoretical currents and critically analyses the Bank's development discourse. Chapter 5 reflects on the implications of the research, sums up its major conclusions, and presents the research potential this thesis has not been able to exhaust.

2 Development Economics

Early Development Economics

"Economic development is fundamentally a process of structural transformation. This involves the reallocation of productive factors from traditional agriculture to modern agriculture, industry and services, and the reallocation of those factors among industrial and service sector activities" (Ocampo 2008: 1).

As a sub-discipline of economics, development economics started its history after World War 2. Development economists of that time recognised that standard economic analysis used in the developed world is not appropriate also for studying economic development in underdeveloped countries of Sub-Saharan Africa, Caribbean, Central and South Asia, and Latin America. Economic, political, and other conditions and circumstances in the less developed part of the world were different and therefore deserved also different approach of studying. According to Fine and Sundaram (2006: vii), the Great Depression, the Keynesian revolution, and the preoccupation of pre-war Central European economists with 'catching-up' and 'late industrialisation' inspired heterodox economic thinking distinct from the dominant mainstream, marginalist or neoclassical economics. The purpose of this section is to present the arguments of this early development economics.

Early development economists do not represent a homogeneous group of thinkers. As we shall see, there are differences among them. However, there is also a quite sharp line that divides them from the mainstream – mainly neoclassical – economics before and after. The most important distinction is the conviction commonly shared by the early development economists that economic development involves a thorough economic, political, and social systemic transformation that will not come about spontaneously. Such transformation requires the reallocation of productive factors from traditional sectors (mainly agriculture) to modern sectors (modern agriculture, industry and services). Successful reallocation involves shifting resources from low- to high-productivity sectors and thus accelerates economic growth (Ocampo 2008: 1). It is therefore no surprise that early development theorists argued, first and foremost, for an intended and massive industrialisation – economic growth and development should have followed.

Paul Rosenstein-Rodan made one of the earliest contributions to the early development economics. In his article on industrialisation in Eastern and South-Eastern Europe (Rosenstein-Rodan 1943), he laid the fundaments of what became called ‘the big push theory’. Rosenstein-Rodan claims that in order to industrialise, governments should push for a simultaneous expansion of a number of sectors, which would generate incomes that would create markets for each other and therefore make each kind of investment profitable (Dutt 2005: 102 – 103). According to him, “complementarity of different industries provides the most important set of arguments in favour of a large-scale planned industrialisation” (Rosenstein-Rodan 1943: 205). He also stressed the importance of linkages, spillovers, and learning effects.

Following up on Rosenstein-Rodan’s theory, Ragnar Nurkse (1961) formulated the ‘vicious cycle of poverty’ theory. He followed Rosenstein-Rodan in reiterating the problem of lacking investment – poor countries with low productivity had small markets for manufactured goods, which kept investment returns down, which implied low investments, which kept productivity low. This formed the first part to the poverty vicious circle. Another, and more serious, problem observed by Nurkse was the savings side – low productivity equals low incomes, low capacity to save, low capital accumulation and stock, and, therefore, low productivity (Nurkse 1961: 4 – 5; Dutt 2005: 103 – 104).

Alfred O. Hirschman (1958) brings the idea of ‘unbalanced growth’ to the discourse. Unlike Rosenstein-Rodan and Nurkse, he argues that the big push as a development strategy might be desirable, but given the situation of scarce resources in developing economies, he sees it unrealistic. He further claims that such strategy would not succeed because of the scattered efforts, and, what is more, he believes that it is not necessary at all. His proposal – unbalanced growth – counts only with support of selected sectors of economy. According to him – and counter-arguing to Rosenstein-Rodan and Nurkse – the problem of underdevelopment cannot be resolved by injecting the supposedly lacking capital, but rather by "calling forth and listing for development purposes resources and abilities that are hidden, scattered, or badly utilized" (Hirschman 1958: 5). Hirschman emphasises the role of externalities and backward and forward linkages that would give an impetus to other sectors of the economy.

The above mentioned authors equalled development with economic growth and the latter was to be achieved mainly via industrialisation. However, as the private businesses in developing countries were not able to reach the critical savings rates and capital accumulation alone, states were expected to assume an activating role in industrialisation. This particular form of 'development Keynesianism' implied redistribution towards high-income groups – they were supposed to save and invest. The 'growth first, redistribution later' approach was based on the idea that the initial unequal concentration of resources (Kuznets's inverted U-curve) in a modern industrial core would later lead to 'spread and trickle down' effects benefiting also the rest of the population (Menzel 1993:133 – 138).

Walt Rostow (1960) proposed a linear model of economic development later called 'take-off model'. Rostow transposed the economic history of Great Britain and formulated five stages of development any developing country should pass through: 1. traditional society, 2. preconditions for take-off, 3. take off, 4. drive to maturity, and 5. age of high mass-consumption. During the take-off stage, "growth becomes [society's] normal condition" (Rostow 1960: 7). This optimistic scenario became a cornerstone of the economic theory of modernisation – the theory that suggests that developed countries are the aim developing countries will follow, and that they provide a common pattern of structural change.

Alexander Gerschenkron (1962) observed the history of developed countries that used to be backward and noticed that the process of industrialisation in them was substantially different in terms of speed and nature from those already developed. The explaining factor was "the tendency on the part of backward countries to concentrate at a relatively early point of their industrialisation on promotion of those branches of industrial activities in which recent technological progress has been particularly rapid" (Gerschenkron 1962: 9). He formulates the now classical 'benefit-of-late-entry' argument: late industrialisers need not reinvent the wheel, nor are they burdened by outmoded capital stock that has to be written off, technology transfer is possible (Chandrasekhar 2005: 183), therefore, the process of late industrialisation will take a different, easier, path, than was taken by the forerunners.

Early development thinking was also reflected in development institutions such as the World Bank. In the 1950s and 1960s, its only development mandate was to contribute to economic growth that was expected to trickle down to the poor. No explicit attention was paid to direct poverty alleviation measures – "poverty reduction was to be unspoken but expected and indirect consequence of economic growth" (Van Waeyenberge 2006: 22). This changed only in 1970, with the appointment of Robert McNamara the World Bank president. During his period, notions such as poverty reduction, redistributed growth, or basic needs made it to the World Bank development agenda. The Bank's pre-Washington Consensus period was still very much influenced by Rostowian-type modernisation. According to Fine (2006a: 4), in this period "development, as both process and goal, was identified with industrialisation and urbanisation, for example, as preconditions for substantial rises in per capita incomes."

The development thinkers discussed so far were focusing primarily on internal dynamics of economic development in less developed countries, and when discussing the international aspect of development, they dealt mostly with foreign aid and investment from rich to poor countries. However, there is also the tradition of structuralism in the early development thinking that focuses on structural differences between developed and developing economies, as well as on asymmetrical international relations between the two groups. While agreeing with the above discussed development theorists that the path to development leads through industrialisation-led economic growth, they were less optimistic regarding the chances of developing countries to achieve this goal.

A classical representative of this tradition was Raúl Prebisch (1948). He observed that within developing economies small enclaves of relatively high-productivity export oriented sectors exist within vast areas of traditional and low-productivity sectors for domestic consumption. He was further also one of the first to point out to another structural dualism – the distinction between the global capitalist centre and periphery and their different function in the international division of labour. This idea formed the basis for the so-called Singer-Prebisch thesis (Singer 1950; Prebisch 1948). The thesis was developed while observing that primary products from the global periphery face deterioration of their terms of trade against the manufactures from the capitalist centre.[9] While studying these asymmetric relations between the centre and periphery, he came up with another important conclusion: in central countries, the *volume of investment* is the dynamic element in economic growth and can be regulated by monetary and fiscal policy; however, in peripheral countries, *exports* are the dynamic element, but can neither be regulated not controlled by periphery (Levitt 2005: 200, italics mine).

Arthur Lewis (1954) tried to answer the question that concerned most of development economist, namely – why workers in traditional sectors (in developing countries) work so hard for so little pay, while workers in industrial countries enjoy better working conditions and receive far higher pay? Translated in economic terms, he was trying to address the questions how to start the process of economic growth in an underdeveloped country, and how to escape from adverse terms of trade (Levitt 2005: 201 – 202). His observation was that developing countries have "dual economies with a subsistence sector with disguised unemployment or surplus labour and pre-capitalist modes of production, and modern sector using capital and producing under capitalist conditions with hired labour" (Dutt 2005: 105). The supply of labour from the subsistence sector is 'unlimited' so long as it, at a given price, exceeds demand. "In this situation, new industries can be created, or old industries expanded, without limit at the existing wage […] the benefit accrues chiefly to industrial purchasers in the form of lower prices for sugar" (Lewis 1954: 3 and 26).

[9] However, Prebisch and Singer were aware that there is no intrinsic quality condemning raw materials to deteriorating net barter terms of trade; negative terms of trade can very well happen with manufactures, too (Raffer 2005: 216).

The development theorists writing in the structuralist tradition were not only critical in analysing the mechanisms of underdevelopment, but they also proposed ways of achieving development goals. As already indicated – together with other early development economists – they emphasised the crucial role of industrialisation. It was supposed to improve developing countries' terms of trade, alleviate their balance of payment problems, contribute to economic growth and poverty reduction, and modernise societies. As manufacturing exports to the centre seemed unrealistic because of developed countries' protectionism and usually poor quality of developing countries' goods, import substituting industrialisation seemed the only option to many structuralists (Saad-Filho 2005: 134)[10]. For example, Lewis (1978: 171) argued that less developed countries "should not have to be producing primarily for developed countries markets [… and that] the most important item on the agenda of development is to transform the food producing sector, create agricultural surpluses to feed the urban population, and thereby create the domestic basis for industry and modern services." Such position was rather radical at a time when the West Indies and other colonial economies were exclusively designed to provide agricultural and other primary commodities to the core (Levitt 2005: 193).

Myrdal considered increasing the amounts of foreign exchange crucial for development purposes. Therefore he focused more on promoting exports than on reducing imports (although he deemed restriction on imports of consumption goods important for earning foreign exchange, too). However, following on Prebisch and Singer, he was against primary exports that face inelastic world demand, terms of trade deterioration and price instability; and instead, he argued for a promotion of more diversified exports including manufactured ones (Dutt 2005: 110).

After discussing what development is and how to achieve it according to the early development theorists, I shall now concentrate on one particular and important feature of early development economics – namely the role of national states. Again, not even here is

[10] It needs to be stressed, however, that for example Prebisch argued not only for import substituting industrialisation, but also for export diversification.

the position of such a heterogeneous group of thinkers unanimous. Nevertheless, there is a clear recognition that while the private sector fulfils an important function in development, too, it is definitely the state who assumes the leading developmental role.

The earliest contributions to development economics by Rosenstein-Rodan and Nurkse – their 'big push' approach – counted with state intervention automatically. Thinking in Keynesian terms, they argued that states can substitute business activities when private ability to invest is lower than optimal – they can introduce incentives to save and invest. In the area of foreign economic policy, states can attract the 'missing factor' (capital) by tariffs or currency devaluation. Alternatively, states can be actively involved in business themselves via their income- and expenditure-policies, i.e. taxes or state investments – targeted and massive state investment in heavy industries was, for example, highly recommended by Rosenstein-Rodan (Menzel 1993: 136). The role of the state was quite clear to Rosenstein-Rodan (1943: 204): "Active participation of the State in economic life is a new factor which must be taken into account as a new datum." Hirschman further argued for an 'inducement' mechanism to elicit investment in new industrial activities (Shapiro 2007: 149).

Despite the 'non-communist' character of Rostow's work (1960), he also clearly sees an active role for states in the processes of modernisation. As he discusses the take-off stage of his model, he claims that it does not come spontaneously, but it requires "the emergence to political power of a group prepared to regard the modernization of the economy as serious, high-order political business" (Rostow 1960: 7). Rostow even goes on to discussing societal decisions (mediated by states) and choices regarding redistribution and welfare. He asks: "Once growth is under way, with the take-off, to what extent should the requirements of diffusing modern technology and maximizing the rate of growth be moderated by the desire to increase consumption per capita and to increase welfare?" (Rostow 1960: 16).

Gerschenkron considered government activities in the 'late industrialiser' countries instrumental for their development. His argument reads as follows: "The more backward a country, the more likely its industrialization was to proceed under some *organized direction* […] the seat of such direction could be found in investment banks, in investment banks *under the aegis of state*, or in *bureaucratic controls* " (Gerschenkron 1962: 44, italics mine). The greater 'relative backwardness' of a country was, the more widespread public intervention was needed to overcome economic inertia (Shapiro and Taylor 1990: 862). Thus, in a similar vein to Rostow – both of them considered to be liberal economists – Gerschenkron was not *a priori* anti-statist, but saw a quite significant function national states should fulfil for developmental reasons. This same stance was shared also by McNamara and the World Bank by the late 1970s – government-owned development finance companies and state-owned industrial enterprises constituted important beneficiaries of Bank lending (Van Waeyenberge 2006: 24).

If the whole group of early development economics thinkers sees the crucial role for a developmental state, it holds double for the theorists of structuralism. As summed up by Saad-Filho, according to them, industrialisation in the periphery could be successful only with state support.

> 'Spontaneous' ISI [import substitution industrialisation] was limited because of competition from established foreign producers, lack of infrastructure (which could not be supplied by a weak private sector lacking technology and finance), insufficient coordination of production and investment decisions, and resistance by powerful interests, preventing the indispensable transfer of resources from the primary sector. Industrial success necessitates state subsidies, affordable credit, trade protection for infant industries, foreign exchange controls, and the attraction of foreign capital and technology to the growing manufacturing sector (Saad-Filho 2005: 134 – 135).

All these elements were present in the arguments of the early structuralist development economists.

Besides his classical macroeconomic analysis of periphery's deteriorating terms of trade (and intellectual backing of ISI), Prebisch discussed also other important functions of the state in development. While admitting that quest for an economic incentive leads to efficiency and growth, he observed it did not solve the problems of environment, natural resources and social equity. "This is where the state has an absolutely fundamental role to play, in a manner compatible with the market, with its great economic and political importance" (Prebisch in Levitt 2005: 200). Singer was interested in distributive justice or distributive efficiency – Raffer (2005: 209) summarises his thinking in the catchphrase ‘assuring equitable participation in economic improvements.’ It is taken for granted that this cannot be achieved by market forces alone, and that an interventionist welfare state is required. The role of states in economy was not unfamiliar to Lewis. He authored *Principles of Economic Planning* (Lewis 2003), a book about the management of a mixed economy. Similarly Myrdal advocated government intervention and planning in poor countries (Dutt 2005: 110).

We can thus conclude that despite some differences, there was a broad consensus among the early development economists that market could fail and that state intervention was necessary to improve resource and asset allocation through non-market mechanisms. State intervention was required to accelerate technology acquisition, too. All that resulted in broad support for strategies such as ISI, indicative planning and licensing the use and allocation of scarce resources like land and foreign exchange (Khan 2007: 294 – 295).

Foreign capital and foreign direct investment played a significant role in the early development economics theories. Generally, flows of investment and credit from more developed to developing economies were seen as important and with a potential to be beneficial for the development of the latter group. However, the first critiques and reservations were formulated already in this period, especially by the structuralist economists.

In his model of industrialisation, Rosenstein-Rodan counts on foreign investment considerably. Quite clearly, “it [industrialisation] would be based on substantial international investment or capital lending” (Rosenstein-Rodan 1943: 203). One of the major advantages he sees is that the industrialisation financed by foreign capital would mean lesser sacrifice of consumption (decreased need for forced saving) in developing countries. However, it was already Nurkse – inspired by structuralists Singer and Prebisch – who brought a critical angle to the analysis of FDI. He argued that direct American investment in backward countries’ extractive industries (i.e. oil) tended to create dual economies with advanced export sector within primitive subsistence sectors. FDI thus in fact subsidised local wealthy strata and resulted in locking-in of the domestic economy in underdevelopment. Instead of investing in extractive industries, he called for fixed interest loans for public utility investment (Hemming 1962; Drechsler 2009).

Gerschenkron thought that FDI would be a channel through which technologies and capitalist expansion will flow from early to late industrialisers. The latter benefited not only of the existing and proved technologies developed in the former, but also from the existence of groups who profited from industrialisation – i.e. they had access not only to technologies, but also to expertise and capital from abroad. Foreign technology transfer and foreign investment thus allowed relatively more backward countries to access new technologies and address the problem of lacking capital for investment (Chandrasekhar 2005: 185). Gerschenkron is also one of the first development economists who stressed the importance of financial sector in development. He observed that the role played by new type of universal banks with robust investment activities (*Crédit Mobilier* – a bank devoted to railroadisation and industrialisation) in relatively more backward economies was immense. They kept close ties with industrial enterprises and fulfilled the capital-supplying and also entrepreneurial role (Gerschenkron 1962: 11 – 14).

A rather reserved position towards the benefits of FDI was taken by Michał Kalecki. While he recognised its significance for industrialisation, he claimed that it can be very problematic as it tends to occur in areas which may not be in line with the development plans of a given country, e.g. in the production of raw materials for exports. Further he stressed the problem of too high profit remittances, or the problem that reinvested profits add to the book value of foreign investment with no further inflow of capital (Ghosh 2005: 118).

One of the earliest and sharpest warnings against the FDI-caused backwash effects came from the structuralist economists. They stressed the problem that underdeveloped countries were not able to benefit from direct investment and related technology transfer even in the case FDI was coming. Prebisch proposed measures to reduce imports and to promote exports associated with FDI, and also selective approval of FDI based on types of investment, favouring those that encourage the transfer of technology (P. Sai-wing Ho

2008). Even more critical of unregulated welcoming of FDI was Singer (1950: 484). He maintained that the main requirement of underdeveloped countries is to provide for income absorption to ensure that the results of technical progress are retained in their domestic economies; or, to put it in his own words: "Absorption of the fruits of technical progress in primary production is not enough; what is wanted is absorption for reinvestment" (Singer 1950: 485). Structuralist thus argued for a selective approach towards FDI to prevent their backwash effects and to ensure that their benefits remain in the host countries.

Lewis' position towards FDI was similarly sceptical – not because of the FDI itself, but because of the conditions of unlimited supplies of labour in developing economies (see above). He claims that tropical countries can gain an additional source of employment and of taxation from foreign capital invested in commercial production for export. However, "what they do not gain is rising real wages: the whole benefit of increasing product in the commercial sector goes to the foreign consumer" (Lewis 1954: 27).

Although the early development economists were not a homogenous group of thinkers, I will now briefly try to sum up their major arguments. They all called for an intended and massive industrialisation – it was supposed to improve developing countries' terms of trade, alleviate their balance of payment problems, contribute to economic growth and poverty reduction, and modernise societies. Despite the recognition that the private sector fulfils an important function in development, too, it was definitely the state to assume the leading developmental role and an activating role in industrialisation. Regarding the role of international relations and trade, there was a strong tradition within this current of development economics that stressed structural differences between developed and developing economies, as well as asymmetrical international relations between the two groups. Furthermore, flows of investment and credit from more developed to developing economies were seen as important and with a potential to be beneficial for the development of the latter group. However, the first critiques and reservations were formulated already in this period, especially by the structuralist economists.

Washington Consensus[11]

"The demise of 'development economics' was recognised as a welcome event, and economics as a science has been transformed to an engineering technical subject of technocrats and mathematical wizards" (Yeldan in Köse, Şenses, and Yeldan 2007: 47).

The prominence of the early development economics comes to its end at the end of 1970s and beginning of 1980s. The growth rates worldwide were getting lower, stagflation (parallel increase in inflation and unemployment rates) emerged in this period for the first time, oil shocks shattered the world economy, the Third World debt increased to previously unseen levels. The worsening economic situation in the world, but particularly in developing countries, contributed to questioning the early development economics recipes and opened space for (old-) new approaches that became dominant later in the 1980s and 1990s. However, it was not only actual economic conditions, but also ideologico-political pressure that announced the end of old development economics. Keynesianism was being discredited both in developed and developing world, and free-market, supply-side economics of monetarism and neoliberalism was aggressively pushed as an alternative. Heavy indebtedness in many developing countries and their insolvency opened door to the IMF with its restrictive macroeconomic policies.

The Washington Consensus represents considerable consequences not only for developing countries, but also for the discipline of development economics – it could no longer warrant the claim to be a separate sub-discipline of economics. It started being taken for granted that the same universal theoretical principles applied to developing as to

[11] The term Washington Consensus was first introduced by Williamson (1990). Originally it referred to a set of policies prescribed to Latin American debtor countries in crisis by Washington-based institutions such as international financial institutions (WB, IMF), US government economic agencies, US FED, or think-tanks. Its meaning has been broadened later – Washington Consensus is used interchangeably with the policies of neoliberal economic globalisation in general. When using the term Washington Consensus in this paper, I refer to a school of development economists who presented views fairly corresponding to Williamson's original definition of Washington Consensus. These authors started writing already in 1970s, but became mainstream since 1980s when they not seldom also held an office in some of the Washington institutions, for example in the World Bank.

developed countries (Fine 2006b: 6).[12] Anne O. Krueger[13] (1986: 62) openly formulates this consequence as follows: "Once it is recognized that individuals respond to incentives, and that 'market failure' is the result of inappropriate incentives rather than of non-responsiveness, the separateness of development economics as a field largely disappears." Indeed, if we do not accept the basic assumption of the early development economists and thinkers – namely that different socio-economic realities in developing countries disable the use of standard tools of economic analysis derived from the developed world – then there is no need for disciplines that study *contexts* such as history, culture, society, or politics; one economics is able to embrace all the realities and even claim to be universal, above all other social science disciplines.

An important practical implication of this interdisciplinary hegemony was that any economist sufficiently trained in mathematics and able to deploy sophisticated techniques, data-sets and computing power was perceived as competent to deal with development issues. Flooding the field of development with this kind of economists was supported by the Washington DC establishment and resulted in their practical control over institutions such as the World Bank and IMF (Fine 2006b: 6 – 7). The 1980s thus "saw a disappearance of poverty from the aid agenda, a new preoccupation with macroeconomic imbalances, a narrowing of the understanding of development (economics) and a dramatic increase in the imposition of conditionalities" (Van Waeyenberge 2006: 25).

Concerning the crucial question of development economics, namely what the concept of development is, the Washington Consensus differs much from the early development economics. The latter – as discussed in the previous section – assumes that underdeveloped societies and economies must undergo a thorough socio-economic transformation (usually via industrialisation-led modernisation) in order to become

[12] The Washington Consensus represented a more fundamental shift in economics in general, with the comeback of neoclassical principles and methodology. It was touted that markets clear and work in a perfect equilibrium, and that a representative agent form rational expectations to coordinate his or her acts of supply and demand through the market (Fine 2006a: xvii).

[13] Anne O. Krueger was the World Bank's Vice President for Economics and Research (chief economist) from 1982 to 1986. Later, she served as the First Deputy Managing Director of the International Monetary Fund from 2001 to 2006.

developed. The former, however, precludes or does not consider any form of structural change, and if it discusses development, then only in terms of increasing per capita income and productivity. No major shift in terms of restructuring developing economies is needed; 'restoration' of the 'superior' allocative role of the price system and 're-establishment' of the incentives deriving from private ownership (Van Waeyenberge 2006: 25), i.e. pure free-market economy, should be sufficient to achieve the stated objective of economic growth.

Similarly to erasing the difference between the early development economics and mainstream economics discussed at the beginning of this section, the Washington Consensus is also responsible for erasing the dividing line between developed and developing economies – besides per capita income and primary production shares, there do not seem to be many differences between them (Fine 2006b: 5 – 6). Instead of settling any special developmental recipes, the Washington Consensus basically pushed for a set of macroeconomic rules that would lead to growth equally in any country, poor or rich. As far as poverty reduction (as a possible development objective) is concerned, the authors allied with the Washington Consensus are clear that the recipe remains the same: "efficient growth ... is probably the single most important means of alleviating poverty" (Lal 2000: 102).

Economic growth was not the most central developmental concept for the Washington Consensus economists and policymakers. Nevertheless, it had a significant role even in this tradition of development economics. In this way, the Washington Consensus was similar to many early development economists (though they understood economic growth in broader and more complex terms). However, where these two traditions contest is the question of *how* to achieve it. As clearly put by the author of the term 'Washington Consensus': "None of the ideas spawned by the development literature – such as the big push, balanced or unbalanced growth, surplus labor, or even the two-gap model – plays any essential role in motivating the Washington consensus […] the economic policies that Washington urges on the rest of the world may be summarized as prudent macroeconomic policies, outward orientation, and free-market capitalism" (Williamson

1990). It was accepted that economic growth is inegalitarian – higher levels of income from higher growth were supposed to offset any worsening in (relative) income distribution (Deraniyagala and Fine 2006: 53).

Prudent macroeconomic policies of the Washington Consensus include fiscal and public expenditure austerity and tax reform. First comes the fiscal discipline – stimulation via large budget deficits is not really tolerated, and deficits are acceptable only as long as they do not result in rising of the debt-GNP ratio. Balanced budgets should be a minimal medium-run norm; short-run deficits and surpluses are accepted only insofar as they contribute to macroeconomic stabilisation. The second rule of public finance policies is expenditure moderation and priority switching. Public expenditures are seen necessary, but should be contained within acceptable limits. It should be also prioritised and redirected – from indiscriminate subsidies toward the so-called pro-poor-growth areas such as education, health and infrastructure investment. The third principle of public finance as proposed by the Washington Consensus is reforming tax systems. Increasing taxes is considered inferior to cutting public spending, but if it has to be done, the principle is that the tax base should be broad and marginal tax rates should be moderate.

Another set of policy rules is concerned with interest and exchange rates. Interest rates should be determined by the market, and also should be moderately positive to discourage capital flight. Exchange rates should be ideally also market-determined, but it is even more important that they are competitive. Williamson (1990) maintains that

> in the case of a developing country, the real exchange rate needs to be sufficiently competitive to promote a rate of export growth that will allow the economy to grow at the maximum rate permitted by its supply-side potential, while keeping the current account deficit to a size that can be financed on a sustainable basis. The exchange rate should not be more competitive than that, because that would produce unnecessary inflationary pressures and also limit the resources available for domestic investment, and hence curb the growth of supply-side potential.

If Williamson (1990) calls competitive exchange rate the first part of an ‘outward-oriented’ economic policy, then the trade policy of import liberalization is the second one. These outward policy twins and rejection of early development ‘inward-oriented’ policies are best summarized by Krueger (1997: 1):

It is now widely accepted that growth prospects for developing countries are greatly enhanced through an outer-oriented trade regime and fairly uniform incentives (primarily through the exchange rate) for production across exporting and import-competing goods. […] It is generally believed that import substitution at a minimum outlived its usefulness and liberalization of trade and payments is crucial for both industrialization and economic development. While other policy changes also are necessary, changing trade policy is among the essential ingredients if there is to be hope for improved economic performance.

It is clear from this statement that early development economics, particularly of structuralist provenance, is fundamentally challenged also in the area of international economic relations. The Keynesian recipes of inward-market-oriented import substitution are no more discussed; instead, export-led growth models inspired by neoclassical economics gain in dominance (Menzel 1993: 152).

This shift was made possible, among other things, by the alleged failure of import substitution strategies. Krueger (2008a: 3) argues that protecting domestic industries from competition and knowing that they would be protected obviously had to lead to little regard to cost efficiency by the new entrepreneurs. Scarce credit rationing and creating monopoly positions then resulted in situations when established industries "sold on the domestic market at prices often far above those of competing imports; meanwhile, the monopoly positions held by producers often meant that quality was poor, and costs were very high." According to Krueger and her fellow authors[14], import substitution was simply a failure because of its inefficiency.

Free international trade is presented as an alternative to inefficient import substitution and other inward-oriented strategies. For example Bhagwati and Srinivasan (2002) regard openness in trade economically benign in the sense that it increases the size of the pie. Their developmental equation is as simple as follows: "trade promotes growth; and growth reduces poverty". 'Bhagwati hypothesis' formulated already in 1961 states that no matter how different political and economic systems prevailing in individual countries are, the most sensible strategy is to grow the pie. And for Bhagwati and Srinivasan the best way to achieve this goal is free international trade. Other theorists associated with the Washington Consensus follow the same line – e.g. Lal (2006) defends the free-market

[14] See for example Balassa (1971) and Little, Scitovsky and Scott (1970). For an overview of import substitution literature see Bruton (1998).

world economic order against the interventionist national and international public organisations.

Concrete mechanisms of free trade translating into poor countries' growth were defined already by Haberler[15] (in Dutt 2006: 121). First, trade opens access to essential elements for increasing production – machinery and raw materials. Second, by importing capital goods, poor countries can import also technical know-how and managerial skills – an important part of technology transfers. Third, trade can serve as a bidirectional channel for foreign capital – it is attracted by export industries, and larger volume of trade makes it easier to make payments for it. Fourth, free trade fosters competition and keeps inefficient monopolies in check. Deraniyagala and Fine (2006: 53) then identify several mechanisms by which trade openness and the resulting growth were claimed to translate into poverty reduction. First, trade increases labour-intensive production, thus increasing the demand for labour and unskilled employment which will, together with potential upward pressure on unskilled wages, lead to a reduction of poverty. Second, trade liberalisation fosters agricultural growth that reduces poverty as it results into a lower incidence of rural poverty. And third, trade openness should also reduce poverty via its effects on corruption and rent seeking – the less resources end up in rents, the more are available also for poverty reduction (we shall get to this argument soon), Deraniyagala and Fine conclude.

Closely connected to the question of how developing countries benefit from engaging in the free international trade is also the answer to the question of how should they dispose of their natural resources or, to put it in other words, whether there is any preferred type of exports they should promote. Unlike in the structuralist economic tradition – which says that 'quality' of exports matters and that developing countries should engage in building new comparative advantages via diversifying into higher technology products – the neoclassical tradition of the Washington Consensus maintains that developing

[15] Gottfried Haberler can be considered a forerunner of the Washington Consensus. He formulated the quoted mechanisms as early as in 1959. After working in academia, he moved his focus to policy recommendations – in 1971 he became a resident scholar at the American Enterprise Institute, a US conservative public policy think-tank.

countries should just remove protectionist barriers and engage in shifting ('quantity' of) resources from non-competitive to more competitive outward-oriented sectors (Ocampo and Parra 2007: 113). It recommends international specialisation according to static comparative cost advantages in sectors traditional for developing countries. This means orientation on natural factors of production, and it introduces the division of labour raw materials versus finished products (Menzel 1993: 134).

Let us now turn to another crucial link of the Washington Consensus developmental argument – namely the role of states or the public sector versus the role of the private sector. Whereas the early developmental economists (though in different scales) basically agreed that successful development can be only achieved with a significant assistance of states, the thinking of the Washington Consensus departs from this confidence dramatically. Besides ideological reasons, which were quite likely to be behind the anti-state shift, the early development models were rejected also because of the fact that not many developing countries applying them seemed to be doing much better. In this context, an important observation is made by Khan (2007: 289) – he says that while early development economics rightly recognised the need for state functions in the context of significant market failures in developing countries, "it did not adequately recognize that the successful implementation of these strategies required a complementary set of governance capabilities." What happened, in other words, is that the anti-statist Washington Consensus thinkers focused on criticising the failures of developmental states' apparatus; however, without at all reflecting the market failures pointed out to by the early development economics[16] – the pendulum simply swung back.

The first line of the criticism addressed corruption and the so-called rent seeking (pursuit of self-interest other than in the area of free markets) in developing countries. Krueger (1974) observed that, particularly in developing countries, government interventions were frequently all-embracing. Her study found out that government intervention, for example

[16] Or they simply argued that correcting market failures via state intervention was costlier than the market failures themselves, and therefore the only role of state could be to make markets more efficient. Many went even to argue that market imperfections were caused by state interventions and assumed the ability of markets to correct automatically if left untouched. See for example Bauer (1972 and 1984) and Lal (2000).

in the form of import licenses, was so extensive that it created 'rents' equal to a big portion of national income – she calculated 7.3 percent for India's national income in 1964, and 15 percent of Turkey's GNP in 1968 only from import licences. While she focused on quantitative restrictions upon international trade, she also noted that the rent-seeking problem was far more general.

The problems with rent-seeking were twofold. First, that it distorts allegedly perfectly functioning markets and therefore decreases efficiency.[17] In this context, probably the most contested policy applied by developing countries was the so-called import substitution, i.e. protection against imports to encourage the development of manufacturing industries. As Krueger (2008b: 9) puts it: "as import substitution policies persisted over time, the inefficiencies associated with a highly restrictive trade regime increased and productivity growth slowed". And second, rent-seeking wastes resources that are invested in efforts to gain unfair advantage (i.e. bribes) instead of being invested productively.

Both 'inefficiency' and 'waste of resources' anti-statist arguments find their straightforward expression in the renowned World Bank's Berg Report (Berg 1981). While acknowledging historical-structural and external sources of lagging growth in African countries, the report focuses on 'domestic policy inadequacies' when analysing the constraints to growth and when prescribing alternative policies. First, the report criticises trade and exchange-rate policies for overprotecting industry, holding back agriculture, and absorbing much administrative capacity. Second, Berg and his colleagues find the public sector in African states overextended, given the scarcity of resources elsewhere in economy, and given the low quality of the service provided by these overextended public institutions. And finally, the report blames policies practised by African states to be biased against agriculture. The report suggests a strategy focused on promoting exports and agriculture.

[17] Decreased efficiency as a result of too much state intervention was perceived as a problem *per se*, not only as a result of rent-seeking. Hypothetically, even under perfectly transparent conditions without corruption and other forms of rent seeking, protectionist policies honestly aimed at supporting national industries would be seen inefficient and therefore undesired by the Washington Consensus. See for example Little, Scitovsky and Scott (1970).

Concurrently to analysing the failure of protectionist policies in developing countries, the Washington Consensus thinkers observed another important phenomenon. Several East Asian economies started growing rapidly under a different set of policies. Their common denominator was perceived to be outward orientation and liberal macroeconomic regime. Krueger (2008b: 11) refers to the case of South Korea whose economy had been transforming since 1960 at the average 8 percent rate of growth, with export growth averaging around 40 percent annually, and the structure and productivity of the economy being transformed. Taiwan, Hong-Kong and Singapore followed a similar line of abandoning import-substitution strategies, opening up of the economy, and introducing relatively uniform incentives across the board (Krueger 1997: 9 – 10). The 'East Asian Miracle' was thus declared to support the Washington Consensus case for openness and withdrawal of states from developmental agenda.

The anti-state and pro-market developmental arguments of the Washington Consensus were backed not only by alleged empirical observations from the East Asian Miracle, but they also received theoretical (mostly microeconomic) fundaments.[18] Fine (2006a: xvii) sums up the basic line of argument as follows: markets clear instantaneously – representative agents (single individuals seeking to coordinate their acts of supply and demand through the market) form rational expectations – economies leave this equilibrium only as a result of random shocks, leading to misinformation to representative agents – there can be done very little about these random shocks – states should therefore refrain from macroeconomic interventions to otherwise perfectly working markets and agents as the interventions are ineffective – moreover, such interventions only introduce uncertainty and inefficient microeconomic market distortions.

With this both empirically observed and theoretically justified negative view of developmental states, it was only natural for the Washington Consensus to formulate alternative policy strategies. They were not only defensive – meaning less state intervention, but also offensive – namely shrinking the state via privatisation. The major

[18] For a succinct overview see Shapiro and Taylor (1990: 863 – 865).

rationale for privatisation was the belief that private industry has better management than was usual in state enterprises where managers could not hope for a direct benefit from the profit they contributed to create. This belief in the superior efficiency of the private sector was an article of faith in Washington (Williamson 1990). And it has to be said that the Washington Consensus practitioners have been successful in their privatisation mission.[19]

Similarly to the anti-statist arguments (and many times overlapping with them), privatisation had its theoretical background, too.[20] According to Bayliss (2006: 145 – 146), there are two basic currents of theories underpinning privatisation. The first deals with incentives attached to different ownership structures. As owners in the public sectors cannot sell their shares (public ownership is not transferable), public sector managers are not sufficiently motivated to raise the value of the shares (as they would hardly benefit from it), and, at the same time, they are not threatened by lowering the value of the shares and the resulting bankruptcy or takeover by another company. State ownership is thus less efficient than the private one. The principal-agent theory offers further insights on the ownership structure types and incentives. The relationship is simple in the private sector – owners of an enterprise (principals) monitor managers (agents) to control whether the latter work in their interest. Under public ownership, government is the principal (of a public enterprise), but at the same time, an agent (of the electorate). This complex position hinders public enterprises in being as good in monitoring and ensuring efficiency as private enterprises are.

The second current of pro-privatisation reasoning relates to the underlying motivation of individuals. I have touched upon this point when discussing the phenomenon of rent-seeking. Briefly, state bureaucrats are utility maximisers who rather pursue their personal interests than the interests of the public. Their effective control should be performed by politicians; however, politicians' primary goal is to be re-elected. It thus seems that – unlike under private ownership – nobody in public management really cares about being

[19] The urge for a massive privatisation was pronounced particularly since 1990s. Influential pro-privatisation reports published and promoted by the World Bank include for example Shirley and Nellis (1991) and Galal et al. (1994).
[20] See for example Lal (1996).

efficient in the first place. One can thus conclude that the private sector is unambiguously preferred by the Washington Consensus thinkers and practitioners to the public sector.

With both nationally and internationally free private sector being an engine of growth, i.e. poverty reduction, i.e. development, another link of the Washington Consensus equasion is a generally positive view towards foreign direct investment. Attracting FDI became the catalyst of a growth model that was expected both to open up new export opportunities and in turn to bring benefits such as technological spill-overs (export-FDI nexus) that raise productivity performance (Kozul-Wright 2007: 26). Washington believed that FDI can bring needed capital, skills, and know-how, either producing goods needed for domestic market or contributing new exports (Williamson 1990).

Moran (1999: 19 – 20) describes an ideal of how specifically FDI could work in what he calls 'a benign model of FDI and development.' FDI can break the vicious circle of poverty in developing countries (low productivity – low wages – low savings – low investments – low productivity etc.) by 1. complementing local savings and 2. supplying more effective management, marketing, and technology to raise the national productivity. Point 1 is crucial as it is generally assumed that bottlenecks in savings and foreign exchange constrain long-term growth. FDI directly assists in breaking the former limit, but it is also assumed to boost exports and thus improve the latter limit of lacking foreign exchange. Point 2 relates to improving the levels of national productivity by bringing in generally more efficient foreign investors with modern technologies, and also to their spillover-effects. Transnational corporations play a crucial role in this account. They are main creators of technologies and constantly search for new sites where they could apply them. In this optimistic view, technology will flow to poor countries as they open up to trade and investment (Lall 2004: 277). Automatic spill-overs from technology are assumed also in many standard growth models (Lucas 2000).

Another link in the Washington Consensus development advice relates to the role of finance. Although Williamson (1990) notes that liberalisation of foreign financial flows was not regarded as a high priority in Washington, the Washington Consensus was generally supportive of financial liberalisation and financial sector development, as they were believed to bring developing countries closer to development, i.e. to foster economic growth. This objective was observed to be hampered by the so-called financial repression as analysed by Shaw (1973) and McKinnon (1973). Shaw-McKinnon thesis posits that credit rationing and low levels of savings, investment, and growth in developing countries are symptoms of high reserve requirements, ceilings on interest rates, and restrictions in the credit allocation mechanism. Arestis (2005: 6) lists three channels of adverse impact of 'financial repression' on development: its effect on the efficiency of capital, its impact on efficiency of savings allocation to investment, and finally – through its effect on the return to savings – financial repression also affects the equilibrium level of savings and investment.

This critique naturally turns into a policy advice aimed at doing away with the criticised barriers – interest rates ceilings and direct credit programmes need to be removed, and reserve requirements need to be reduced. These policy measures, in essence, represent what has been labelled as 'financial liberalisation'. Ghosh (2005: 1) defines financial liberalisation in developing countries as a set of measures to make the central bank more independent, relieve 'financial repression' by freeing interest rates and allowing financial innovation, and reduce directed and subsidized credit. Arestis (2005: 4) then simply sums up the financial liberalisation as freeing financial markets from any intervention and letting the market determine the allocation of credit. Growing financial services sector and financial liberalisation, as opposed to financial repression, were thus expected to speed up growth by improving the allocation of capital and by boosting the productivity of firms.[21]

[21] See for example Bencivenga and Smith (1991), Bencivenga et al. (1995), and Beck et al. (1999). Arestis and Caner (2008: 5) list a number of channels through which capital account liberalisation may increase economic growth: through higher investment, as capital flows in to earn higher returns; by lowering the cost of capital via improved risk allocation; through investment in higher risk but higher return projects with the help of global diversification of risk; through increased efficiency and productivity via transfer of technology and managerial know-how; through increasing incentives, which improve the regulatory and supervisory framework of banking; this is helped by letting foreign banks introduce a variety of new financial instruments and techniques or by increasing competition, which can improve the quality of financial services; and through the 'discipline effect', whereby governments are forced to pursue better macroeconomic policies.

At the end of this subsection, let me present a short summary of the Washington Consensus development economics. It precludes or does not consider any form of structural change, and if it discusses development, then only in terms of increasing per capita income and productivity. The Keynesian recipes of inward-market-oriented import substitution are no more discussed; instead, export-led growth models inspired by neoclassical economics gain in dominance. The Washington Consensus maintains that developing countries should just remove protectionist barriers and engage in shifting resources from non-competitive to more competitive outward-oriented sectors. Regarding the roles of public and private sectors, the Washington Consensus clearly prefers the latter, one of the major argument being the problem of rent-seeking in the former. As a result of that position, privatisation is recommended as a desired policy direction. The major rationale for privatisation is the belief that private industry has better management than was usual in state enterprises where managers could not hope for a direct benefit from the profit they contributed to create. The Washington Consensus is very positive about FDI as it is supposed to bring needed capital, skills, and know-how, either producing goods needed for domestic market or contributing new exports. And finally, this development economics current is generally supportive of financial liberalisation and financial sector development, as they are believed to bring developing countries closer to development, i.e. to foster economic growth.

Post-Washington Consensus

"Personally, like most economists, I am in fact in favour of free trade and free investment flows; but they are surely given too much credit" (Krugman 1995: 725).

Krugman's words sententiously reflect the spirit of what has become called the post-Washington Consensus. Somewhat one-dimensional Washington Consensus started being corrected – it was heavily criticised, but at the same time, many methodological aspects and policy implications of post-Washington Consensus do not depart from the previous mainstream as far as the fierce critique might suggest.

The term post-Washington Consensus was first introduced in 1998 by the then World Bank chief economist Joseph Stiglitz (1998a; 1998b). At this point, the new concept was meant just to complete the policies advanced by the Washington Consensus that were 'sometimes misguided' according to Stiglitz – he called for sound financial regulation, competition policy, and policies to facilitate the technology transfer and to encourage transparency (Stiglitz 1998a: 1). It can be argued that Stiglitz's (2003) criticisms after the end of his career in the World Bank went further than the original 1998-version of post-Washington Consensus; however, many authors are sceptical that his writings can provide an adequate critique of, let alone an alternative approach to, development economics.[22] In the following lines, I shall introduce the post-Washington Consensus developmental arguments as presented by their authors (notably Stiglitz[23]), and the discussion of how far they have moved from the criticised neoliberal dogma will follow in the next section.

[22] See the contributions in Fine and Sundaram (2006).
[23] Stiglitz is the most prominent representative of the post-Washington Consensus and I will focus on his arguments in this account. However, his positions – critical but not too radical – have made it to the mainstream. As he himself puts it, what he says on development "is far from revolutionary: within the World Bank and the development community, more broadly, there has been an increasing attention" to the issues neglected by the Washington Consensus (Stiglitz 1998b: 30). One can therefore consider thinkers such as Paul Krugman, (later) Jeffrey Sachs, Amartya Sen, or Dani Rodrik to be a part of post-Washington Consensus developmental discourse.

The post-Washington Consensus – at least Stiglitz's version – is built on a rejection of the previous development economic doctrines. According to Stiglitz (1998b: 6), they focused narrowly on economics and failed to see the broader context. For decades, development was seen by the mainstream economists both of left and right purely as a technical problem requiring technical solutions (better planning algorithms, pricing and trade policies, macroeconomic frameworks) – as a matter of increasing the capital stock and improving the allocation of resources. This inability of early development economics and Washington Consensus to see the broader and more complex development context is attributed to their neglect of participatory approach and reluctance to be inspired by societies' grassroots (Stiglitz 1998b: 6 – 7).

Stiglitz distanced himself from the early development economics as it underestimated the role of markets and rationality (Stiglitz 2001: 2). He disagreed with the economists of the left who attributed the problems of development mostly to market failures. Unlike the early development economists, he did not think that the primary recipients of the developmental models should have been governments that were supposed to replace the absent and imperfect markets and to guide the economy towards a more efficient allocation of resources (Stiglitz 1998b: 6 – 7). He thought that a broader scope was needed to embrace and more actors to engage in developmental efforts.

However, Stiglitz distanced himself even more from the Washington Consensus than from the early development economics. Firstly, he pointed out that the Washington Consensus intellectual doctrine is too simplistic – i.e. based on simple accounting frameworks and a few economic indicators, such as inflation, money supply growth, interest rates and budget and trade deficits (Stiglitz 1998a: 6). Policy recommendations based on the mentioned simple logic and administered in very short periods by technocratic economists took a form of copy-paste templates applicable more or less in any developing country without regard to its specifics and stage of development.

Secondly, Stiglitz did not attack only the simplicity of the Washington Consensus macroeconomic policy advices, but also their content. On the theoretical level, he disapproved of the assumption that competitive equilibrium theorem is universally applicable in developing countries. He refers to "a growing awareness of the limitations of the competitive paradigm, with its assumptions of perfect information, perfect competition, and complete markets, and with the correlate propositions that distribution and institutions do not matter" (Stiglitz 2001: 2).[24] On the practical level, he objected for example to the excessive focus on inflation – as it was not the most conducive to long-term economic growth, and as it detracted attention from other major sources of macro-instability, namely, weak financial sectors. He further claims that due to too much focus on trade liberalisation, deregulation, and privatisation, other issues necessary for an effective market economy (such as competition) were ignored (Stiglitz 1998a: 5). The final point that Stiglitz (1998a: 34) is making both as a critique of the Washington Consensus and as a suggestion for the new consensus is that it cannot be based on Washington anymore, and that developing countries must claim ownership of policies if they have to be sustainable.

In line with identifying himself against the previous development economics concepts, particularly against the Washington Consensus, Stiglitz then recognises a need for the post-Washington Consensus to embrace a broader set of instruments to achieve broader goals of development:

> We seek increases in living standards – including improved health and education – not just increases in measured GDP. We seek sustainable development, which includes preserving natural resources and maintaining a healthy environment. We seek equitable development, which ensures that all groups in society, not just those at the top, enjoy the fruits of development. And we seek democratic development, in which citizens participate in a variety of ways in making the decisions that affect their lives (Stiglitz 1998a: 31).

As opposed to the previous mainstream development economics traditions, the post-Washington Consensus version of development thus receives adjectives sustainable, egalitarian, and democratic.

Given the fact that the post-Washington Consensus is identified not only against the Washington Consensus, but also against the earlier development economics concepts, it

[24] The post-Washington Consensus explicitly acknowledges that institutions, history and the social more generally matter. Its understanding of development shifts from one of reliance upon the market to one of correcting market and non-market imperfections (Fine 2006a: xviii – xix).

is surprising how Stiglitz's discussion of development sometimes resembles in many aspects the thoughts of early development thinkers. In his account, development represents a *transformation* of society from 'traditional' to 'modern' and 'scientific' relations, ways of thinking, and methods of production. An active drive for a change aimed at improving the lot of individuals is a key characteristic of this transformation. Development is not an end *per se*, but should enrich the lives of individuals, and provide them and societies with more control over their destiny (Stiglitz 1998b: 5). His arguments resemble those of early development structuralism also in another particular aspect – Stiglitz (1998b: 14 – 15) insists that development efforts will be successful only if they manage to contribute to transforming *the whole societies*, not only to transferring technology via the so-called development projects. The latter may well end up just in the process of creating dual societies in which there is little trickling (of higher productivity and returns, wealth, or – simply speaking – development) from the 'growth poles' or enclaves to the rest of society.

Nevertheless, the post-Washington Consensus does not restore the early development economics. According to Fine (2006b: 12), its position towards old development economics was rather ambiguous – the latter was acceptable only if reinterpreted through the prism of the new approach. Development then represented the emergence and correction of market and non-market imperfections. As Fine (2006a: xix) argues further, structuralist arguments were thus "appropriated and reinterpreted within a mainstream neoclassical microeconomic framework" and the logic of core-periphery development expressed in mathematical models. This trend is most evidently represented by Krugman (1994 or 1997). Krugman did not argue against the contents of structuralist arguments of the early development economists. He just thought they often lacked a methodological rigour. As the core of many such arguments – the economies of scale – were difficult to express in formal models of mainstream economic theory, early development economists resorted to vague narrations. According to Krugman, however, non-mathematical discursive style was a blind alley. Structuralist arguments, such as Rosenstein-Rodan's Big Push, were accepted and celebrated by Krugman only after their formalisation in economic models – as performed by Murphy, Shleifer, and Vishny (1989) in the case of Big Push.[25]

Another example of the post-Washington Consensus' ambiguity (critical rhetoric, but cautious in implications) is Amartya Sen's discussion of poverty and famines. In his seminal book, Sen (1981) observed that famines do not have to occur because of the lack of food, but can happen as a result of unequal switches in food distribution. This relatively non-orthodox conclusion is counterweighted by the limitations of his 'entitlement approach'. He is challenged for being lost in the neoclassical fiction of the agents' free individual choices and for neglecting the question of resource distribution between social groups, and above all that of capital ownership inequalities (Herrera 2006); and for "a failure to recognize individuals as socially embedded members of households, communities and states, and […] that famines are political crises as much as they are economic shocks or natural disasters" (Devereux 2001: 259). Some authors are less critical about Sen being rooted only in the neoclassical mainstream, but point out that he faces a clear tension whether to prioritise the micro-foundations of choice theory or the macro-foundations of the theory of classes and of modes of production, that are both present in his entitlement approach (Fine 1997: 630 – 631). No matter whether the fierce or moderate critics of Sen are absolutely right, it seems clear that Sen – despite his undisputable original, fresh and provocative insights – does not depart radically from the economic mainstream analysis of poverty.

Jeffrey Sachs (2000) offers a similar example of how other than structural factors can be prioritised and highlighted in analysing the causes of poverty. In his article, Sachs focuses on geography and climate as major factors behind countries' potential for growth. Despite some positive reference to Prebisch (Sachs 2000: 592), Sachs ignores the international context of growth and all his recommendations for stimulating growth and reducing poverty are internally-oriented; no reform of global order or international trade and finance architecture is ever mentioned in his piece.

[25] In his blog, Krugman (undated) confesses that "the clarity and power of economic analysis can spoil you: once you have a taste of what it means to have a really insightful model, you tend to be inhibited about looser speculations."

The conclusion from the discussion presented above is that the post-Washington Consensus was able to embrace and mainstream the critique of the Washington Consensus (using the arguments resembling structuralism) without having to abandon basic methodological and ideological fundaments of the standard neoclassical economic theory (far from radical policy recommendations).

The bottom line of this chapter – that the post-Washington Consensus is critical towards its predecessor but does not depart that markedly from it in methodology and policy recommendations – is evident also in the area of free trade and economic openness. There is a number of economists of the post-Washington Consensus era who do not share the belief in the free trade mantra. The scope of their departure from it varies – it ranges from those who are able to see the difference between the modelled free market ideal and the reality (including its market imperfections), to those who, after a series of cross-country regression, conclude that openness of a country is an irrelevant factor in the quest for growth and development, or explicitly acknowledge that some sort of industrial or protectionist policies might be desirable.

Stiglitz is in principle in favour of economic openness, though for different reasons than previous economists, and with several reservations. He thought that blaming protectionism for stifling innovation – as performed by the Washington Consensus – was confused; he rather insisted that it was the lack of competition what was causing stagnation. Trade liberalisation might lead to competition, but not automatically, and therefore it is neither necessary nor sufficient for creating a competitive (both in imports and exports) and innovative economy (Stiglitz 1998a: 19). Despite prioritising competition, Stiglitz remains positive about openness – he claims that retreating from it "in the developing world would unacceptably delay the development transformation" (Stiglitz 1998b: 29).

Regarding the composition of trade, Stiglitz has several observations different from the Washington Consensus. He claims for example, that policies that encourage mining may contribute little to development, and that when environmental degradation and resource depletion are counted, national output statistics might not look that positive neither (Stiglitz 2001: 3). Stiglitz (1998b: 20 – 21) asserts that resources can play an important role in development, but he calls for a strategy with plans to preserve, use, and renew natural resources.

As the motto of this subhead indicates, Krugman (1995: 725) is also generally supportive of free trade. He defends the complexity and validity of the original Ricardian idea of comparative advantage and argues against the anti-globalisation intellectuals who fail to understand and appreciate it (Krugman 1996). Nevertheless, he is not trying to restore the obsolete argument that free trade is optimal because markets are efficient. Krugman (1987: 143) admits the idea that interventionist trade policies might lead to more optimal results; however, politics are as imperfect as markets according to him. Pursuing strategic policies could be counterproductive and end up encouraging the wrong things; on purely theoretical grounds, it would be difficult to come up with good interventionist policies in a complex strategic environment prevalent in many industries (Krugman 1986: 17 – 18).[26]

The post-Washington Consensus, however, seems to be a less unified category than its predecessor, at least in the question of whether international free trade is beneficial for the developing countries and whether there exists the case for industrial policies. Contrary to Stiglitz, Krugman and others, Dani Rodrik[27], for example, comes to the

[26] These views of Krugman are, more or less, shared also by other representatives of the so-called new trade theory. For example, Brandner and Spencer (1985) or Grossman and Horn (1988) can see the case for industrial policy, but point out to political economy arguments, such as rent-seeking behaviour.

[27] It can be argued that classifying Rodrik under the post-Washington Consensus category is disputable. His writings are considered somewhat provocative and even relatively radical, and he can be seen contributing to volumes together with heterodox economists (see for example O'Connor and Kjöllerström 2008). Nevertheless, I have decided to categorise him to the post-Washington Consensus current of development economics as his approach, methods and tools are firmly rooted in the mainstream neoclassical economics framework. In his probably best known book (Rodrik 2007: 3), he writes: "this book is strictly grounded in neoclassical economic analysis. At the core of neoclassical economics lies the following methodological predisposition: social phenomena can best be understood by considering them to be an aggregation of purposeful behavior by individuals—in their roles as consumer, producer, investor, politician, and so on—interacting with each other and acting under the constraints that their environment imposes. This I find to be not just a powerful discipline for organizing our thoughts on economic affairs, but the only sensible way of thinking about them. If I often depart from the consensus that 'mainstream' economists have reached in matters of development policy, this has less to do with different modes of analysis than with different readings of the evidence and with different evaluations of the 'political economy' of developing nations.

conclusion that there is little evidence that open trade policies – in the sense of lower tariff and non-tariff barriers to trade – are significantly associated with economic growth (Rodriguez and Rodrik 1999); and he also asserts that directly targeted industrial policies are desirable (Rodrik 2008a).[28] The interesting thing is that he comes to such conclusions while using the same methods and analytical framework, and not from the position of heterodox economics.

When it comes to the discussion on the role of public and private sector in development, the post-Washington Consensus allows for a significantly bigger role for the government than its predecessor. Observing the success of the East Asian economies in economic transformation, Stiglitz concludes that governments certainly contributed to it; the government of South Korea, for instance, was able to challenge the privatisation ideologues by creating the most efficient steel plants in the world (Stiglitz 1998a: 2). By following some of the standard prescriptions (such as stable macroeconomic policies), while ignoring others (practising industrial policies, intervening in trade, regulating financial markets), the East Asian miracle countries were able to create the mix of policies that – despite the open question of individual policies' impact – worked well (Stiglitz 1998b: 9 – 10). He criticised the neoliberal programme for comparing an ideal market economy with the average or worse performing states, "with the obvious conclusion that, even where there are market failures, there is limited role for government intervention" (Stiglitz 2001: 4) and claimed that when comparing like with like, rent seeking can be every bit as much a problem in the private as in the public sector (Stiglitz 1998a: 17). Stiglitz admitted that states are often involved in too many things and

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The economics that the graduate student picks up in the seminar room—abstract as it is and riddled with a wide variety of market failures—admits an almost unlimited range of policy recommendations, depending on the specific assumptions the analyst is prepared to make. As I will argue in the chapters to come, the tendency of many economists to offer advice based on simple rules of thumb, regardless of context (privatize this, liberalize that), is a derogation rather than a proper application of neoclassical economic principles." Similarly to the Krugman's previous discussion of early development economics, Rodrik (2008b) claims that "neoclassical economics is fairly good […] in absorbing insights from outside perspectives and developing them in ways that their originators could not do. For my part, I have to say that I understand Schumpeter's key insights on technological innovation a whole lot better once I see it expressed in neoclassical garb."

[28] By industrial policy, Rodrik does not understand an effort by the government to select particular sectors and subsidise them. He admits it would be difficult to pick 'winners'. He rather conceives industrial policy as "a process, whereby the state and the private sector jointly arrive at diagnoses about the sources of blockage in new economic activities and propose solutions to them" (Rodrik 2008a: 23).

recommended that governments should rather focus on the fundamentals (economic policies, health, education, roads, law, environment), but insisted that it was not a recipe for a minimalist government (Stiglitz 1998a: 25). He is principally in favour of privatisation, but only if accompanied by competition and regulation (1998a: 20 – 24), and maintains that public and private sector should complement each other, acting as partners in the development effort (Stiglitz 1998b: 19).[29]

Consistently with his rather ambiguous views on openness and free trade, Rodrik (2007: 4) believes in the ability of governments to do good and change societies for the better. He adds that governments have a positive role in stimulating economic development that goes beyond just enabling markets to function well. Rodrik claims that the important role played by the government policy of the East Asian miracle economies in stimulating private investment needs to be appreciated, and he adds that certain government interventions are necessary to transform poor countries into rich ones; that good public institutions make the task of intervention easier; and that markets and states are complements, particularly where social insurance is concerned (Rodrik 1997: 411 and 440). Later work of Sachs (2000: 586) is also based on the assumption that market forces are generally not sufficient to produce a high flow of innovations and that a government support is needed. When discussing the growth prospects in Africa, Sachs calls for a massive foreign investment activity (a 'big push') and aid, both aimed at infrastructure and disease control (Sachs et al. 2004).

When discussing the post-Washington Consensus position towards the state, it would be a mistake not to mention its inspirations in the 'new institutional economics', as presented notably by Oliver E. Williamson (1985) and Douglas C. North (1990). This influence can be seen particularly around the turn of the centuries in the World Bank's reports discussing the issues of state, institutions, corruption, and governance (World

[29] During his tenure in the World Bank, Stiglitz's novel approach found its expression also in the *World Development Report 1997* (World Bank 1997). According to Bayliss (2006: 152), this publication marked a relaxation in the Bank's anti-statist line that had blamed the public sector for all the economic problems. In a similar vein, Fine (2001) observes that the report was a culmination of the World Bank's developing position in which the state has been seen more positively, if cautiously so, from anti-market, through market-conforming, to market-friendly.

Bank 1997, 2000, and 2001). In the mainstream developmental discourse, it started being claimed that institutions and good governance are the most important requirement for a long-term economic development. State was then redefined as a provider of these institutions with the ultimate goal of facilitating an efficient market economy, in which rational individuals express their preferences by entering contracts. The discourse of development thus did not abandon the bounds of the neoclassical economic theory; the new institutional economics just provided an elegant tool how to avoid challenging the previous macroeconomic reforms, and instead, to focus on building or reforming institutions.[30]

The post-Washington Consensus development economics current of thinking is generally supportive of foreign direct investment. Stiglitz (1998b: 27) differentiates two kinds of FDI – old type from 1960s and 1970s, and a more modern incarnation. The former represented an enclave phenomenon, when attraction of investments and increasing mineral exports did little to spur development over the long term; whereas the latter not only brings management expertise, technical human capital, technologies, and overseas market channels, but also better integrates them into surrounding society. Stiglitz believes the latter type is prevalent nowadays, and therefore FDI is something to attract, not to fear.

Sachs, for example, discusses the types of countries and their geographically determined opportunities to benefit from FDI. Those that are close to major markets have a natural advantage and can offer assembly services, whereas the geographically isolated 'landlocked' countries are able to attract only foreign investors interested to exploit primary commodities with a high value per unit weight (oil, diamonds etc.). In the former case, he sees the benefits of FDI optimistically: countries attract labour-intensive export oriented FDI – they generate income, modest skills, and resources to invest in improved education – that leads to upgrading of the FDI facilities – eventually the economy becomes an endogenous-growth innovator in its own right (Sachs 2000: 590 – 596).

[30] For an eloquent analysis and documentation of how the new institutional economics was absorbed into the World Bank's development discourse, see Schwank (2003).

An important component of the post-Washington Consensus is the stress on strong but wisely regulated financial sectors. Stiglitz (2001: 4 – 5) was critical about the Washington Consensus's support for a complete financial and capital markets liberalisation that was based on the assumption of perfect information. According to him, financial market liberalization – often imposed from abroad – played a crucial role in contributing to the weaknesses in financial institutions and to the financial crises (Stiglitz 1998b: 11). Stiglitz highlights the importance of financial system for growth and development – if this 'brain' of the economy works well, resources are effectively allocated for the most productive use. However, he also notes that if left to themselves, financial systems will fail to fulfil this function because of incomplete information, markets, and contracts. A sound legal framework combined with regulation and oversight is therefore necessary for financial markets to work efficiently, Stiglitz (1998a: 14 – 17) concludes.

I shall now try to summarise the post-Washington Consensus development arguments. The post-Washington Consensus was able to embrace and mainstream the critique of the Washington Consensus without having to abandon basic methodological and ideological fundaments of the standard neoclassical economic theory; nevertheless, its version of development receives adjectives sustainable, egalitarian, and democratic. To different extents, authors listed in this development economics current depart from the unconditional support for free international trade. Some admit the difference between the modelled free market ideal and the reality including its market imperfections; the more radical ones conclude that openness of a country is an irrelevant factor in the quest for growth and development, or explicitly acknowledge that some sort of industrial or protectionist policies might be desirable. When it comes to the discussion on the role of public and private sector in development, the post-Washington Consensus allows for a significantly bigger role for the government than its predecessor. The post-Washington Consensus development economics current of thinking is generally supportive of foreign direct investment, but suggests that there is a need for differentiation between enclave FDI and genuinely beneficial FDI. An important component of the post-Washington Consensus is the stress on strong but wisely regulated financial sectors.

Heterodox Development Economics Approaches

"Capitalism should be studied in the hope, not of finding how its history may repeat at a later date in the peripheral countries, but of learning how the relation between peripheral and central was produced" (Cardoso and Falleto 1979: 23).

What I categorise as heterodox development economics is probably the most varied group out of the four I am introducing. The early development economists were also very diverse, but this group is even more so and one cannot talk about some coherent line of thinking in this category. What makes heterodox development economics a group is its position towards and demarcation against the mainstream neoclassical economics, to which heterodox economists seek to present an alternative. It draws much from the early development structuralist economics tradition, but includes also institutionalist, evolutionary, Marxist, post-Keynesian, ecological and other 'non-neoclassical' currents of economic thinking. As opposed to the static concept of neoclassical economics, heterodox approaches are dynamic and emphasise the element of change in their models. In their analysis, they highlight global structural asymmetries of capitalist development. Some heterodox development economists advocate progressive policy reforms, and some propose more fundamental systemic changes to the global capitalist world order.

An analysis of development is incomplete, most of heterodox economists would argue, without analysing the phenomenon of 'underdevelopment'. They point out to the fact that it makes no sense to analyse economies, and particularly developing economies, as if they were in an international isolation. According to them it is exactly the contrary – economies are closely interconnected in one global economy where different countries play different functions. Historically, rich countries have been able to incorporate peripheries into the system in the way that is favourable to the former, but disadvantageous to the latter. In the following paragraphs I am going to shortly present what heterodox development thinkers understand under development, underdevelopment and dependence, and after that, I will introduce their heterodox views on the areas of international trade order, extractive industries, public vs. private sector preference, the role of FDI, and significance of the financial sector.

Underdevelopment is probably best characterised and analysed by the dependency theorists. The dependency theory was developed particularly in 1960s and 1970s basing on inspirations in Latin American structuralism of CEPAL[31] and Marxist monopoly capital school[32]. The former provided several analytical categories – the division of global economy into the core and peripheries; the notion of unequal exchange as previously operationalised by the Singer-Prebisch thesis of terms of trade deterioration; the case for political autonomy leading to economic development, etc. The latter introduced for example the idea that global economy is dominated by large monopolistic corporations, i.e. by concentrated and centralised capital. The dependency theory is thus, in sum, preoccupied with the exploitation of the periphery by the centre, including different forms of extraction of economic surplus and mechanisms of surplus transfer to the centre (Saad-Filho 2005: 137).

The underdevelopment itself (if defined generally as poverty, low economic productivity and slow growth, unemployment, low literacy and health levels etc. prevalent in developing countries) was not an original observation of dependency theorists. However, they were original in stating that this situation was not 'natural' – unlike modernisation theorists but also some structuralist economists at CEPAL who agreed that underdevelopment is due to *the lack of capitalist development*, dependency theorists stressed that underdevelopment in poor countries is an inevitable historical *consequence of capitalist development* in rich countries of the core. It was already Baran (1957) who observed that development and underdevelopment cannot be separated as the core has historically developed in the context of colonialism, imperialism, exploitation and plunder that *resulted* in peripheral underdevelopment. In a similar vein, Furtado (1967) writes in the sense that development and underdevelopment are mutually and

[31] CEPAL (Comisión Económica para América Latina) is the economic commission of the UN for Latin America and the Caribbean that was founded in February 1948 by the economic and social council of the UN. In its beginning, it was an important organisational centre of the structuralist theory, as notably represented for example by Raúl Prebisch. There are several historical, intellectual, and personal continuities between the structuralism of CEPAL and the dependency theory, as embodied for example in the works of Celso Furtado or Osvaldo Sunkel.

[32] This school of thought is closely associated with the works of Paul M. Sweezy, Paul A. Baran and their fellows in the Monthly Review journal. It presents a critical examination of capitalism and is inspired by Marx, Kalecki and Keynes.

dialectically intertwined processes; while for example Bagchi (1982) goes even further when he explicitly refers to underdevelopment as the process of ‘economic retardation’ or ‘retarded development’.

Therefore, what dependency theorists suggest is that “capitalism should be studied in the hope, not of finding how its history may repeat at a later date in the peripheral countries, but of learning how the relation between peripheral and central was produced” (Cardoso and Falleto 1979: 23). Frank (1966) is probably most explicit in rejecting the notions of ‘original’ underdevelopment, ‘traditional’ society, and subsequent ‘stages of growth’, in which development would result from gradual reforms in dual economies, where the modern sector would expand and eliminate the traditional one. His theory of the development of underdevelopment sees underdevelopment as the result of dependence and as the opposite side of development within a single world capitalist system (Frank 1996). Dependence is defined by Dos Santos (1970: 231) as

> a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and can be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development.

The relations of dependence are not seen as static – under certain circumstances, inner actors within the periphery and peripheral states themselves could gain autonomy to change the direction of economic dynamism (Becker and Schwank 2009: 134). It results from the previous paragraphs that heterodox development economists develop generally more complex, dynamic, and historically contextualised conception of development as compared to the previous three categories of development economics.

Along with analysing the international dimension and constraints on development in developing countries, heterodox development economists indicate diverse policy options, too. As already indicated, heterodox development theorists following up the structuralist tradition held that the periphery is backward due to *the lack of* capitalist development, and therefore they advocated only progressive reforms to the system. Celso Furtado (in Becker and Schwank 2009: 139 – 140) promoted a strongly egalitarian national development strategy based on intensified internal orientation (including financing of development from domestic savings instead of foreign credits) and reduction of income inequality. Other development economists argued for more revolutionary solutions. Frank (1996) concluded that continued participation in the world capitalist system could only mean continued development of underdevelopment, and therefore he argued for de-linking from the system externally and for transiting to self-reliant socialism internally (or some undefined international socialist cooperation). The concept of delinking was crucial also in the work of Samir Amin (1990a and 1990b). It meant for him

> the refusal to submit to the demands of the worldwide law of value, or the supposed 'rationality' of the system of world prices that embody the demands of reproduction of worldwide capital. It, therefore, presupposes the society's capacity to define for itself an alternative range of criteria of rationality of internal economic options, in short a 'law of value of national application' (Amin 1990b: 70 – 71).

Delinking of the periphery referred only to the capitalist centre and did not preclude cooperation among the former group of countries. On the contrary, Frank's 'international socialist cooperation' or Amin's 'self-reliance' implied South-South cooperation among developing countries in the areas of trade, transport, industry, finance and currency, FDI controls, science and technology.

Besides policy recommendations in the area of the peripheral countries' international relations, heterodox development economists present also suggestions of what is desirable internally, within the peripheral states themselves. First of all, the peripheral dependence was not being perpetuated exclusively by external actors from the core, but also by local elites of comprador class and agrarian oligarchs. The latter served the former as intermediaries in trade and exploitation, and were remunerated for this service with shares of the surplus production that the former group was siphoning of the periphery. In Frank's (1973) words, lumpenbourgeoisie could produce only lumpendevelopment. It was therefore seen to be necessary to prevent this parasitic class from having an impact on politics. Further on, far-reaching transformation of social relations and an autonomous national way of development were advanced. They could include nationalisation or socialisation of foreign businesses, land reform, industrial development oriented to mass production and consumption, equal redistribution of income, and the like. Economic growth is important for heterodox development economists, but only as a tool to achieve broader defined objectives of economic development. Adelman and Yeldan (2000) neatly sum up determinants of economic development, as distinct from mere economic growth: 1. self-sustaining growth, 2. structural change in patterns of production and consumption, 3. technological upgrading, 4. social, political, and institutional modernisation, and 5. widespread improvement in the human conditions.

It has been already indicated that according to heterodox theorists, development or underdevelopment in developing countries is mainly a function of international relations among the centre and periphery. This has been observed already by the early development structuralist theorists. Recent economists working in the structuralist tradition keep on claiming that external factors (terms of trade shocks, debt crises, sharp changes in net external transfers, and wars) play a crucial role in explaining breaks in long-term growth (and possibly development) patterns. It implies for them that the orthodox focus on the domestic factors may be misplaced. Finally, they refer to research findings stating that, during the 1980s for instance, the degree of trade liberalisation did not play a role in the relative performance of different countries (Ocampo and Parra 2007). One may ask how exactly the relations of international dependence were established and how exactly they work? According to dependency theorists, they have generally involved surplus transfers to the centre via colonialism, imperialism, and unequal trade and financial relations. Historically, there have been different types and phases of dependence according to Saad-Filho (2005: 138): incorporation of the periphery to the world system by the expansion of commercial capitalism in the late fifteenth century; mercantile dependence of colonial era; industrial-financial dependence from the late nineteenth century; and technological-industrial dependence since the mid-twentieth century. The surplus transfer can take the form of unequal exchange, profit remittances by transnational corporations, and financial transactions, especially debt repayment and capital flight (Saad-Filho 2005: 139). I will now accordingly present the views of heterodox development economists on the areas of global trade, foreign direct investment, and finance sector.

International trade regime is a crucial factor of the above mentioned relations and trade-related exploitation represents one of the concrete mechanisms of how dependency and underdevelopment of the periphery is maintained. In this respect, the concept of 'unequal exchange' is crucial for many heterodox development economists. If we simplify, the concept refers to the phenomenon of buying cheap and selling expensive. A more detailed description of the concept's practical operation is provided, for example, by Boratav (2007: 2) on the example of primary commodities export from the global peripheries to the core:

> The relevant agents within the distributional process are (a) direct producers, merchant capital and the state of the peripheral economy; and (b) transnational, commercial capital and the state of the metropoles. The ratio of value-added accrued by (b) over (a) represents the rate of exploitation of the peripheral economy by the metropoles through trade. The chain in which the foregoing agents (starting with the direct producer and ending with the final consumer/user) are involved can be disaggregated into specific stages. Each stage within the chain usually consists of a discrete market – i.e. the market for basic inputs of direct producers, the domestic market and the international market of the primary commodity, the market at the final destination. Distributional trade-offs are reflected by the prices paid and received by the actors confronting each other – i.e. the farmers/peasants vs. the suppliers of basic inputs; the farmers/peasants vs. domestic merchant capital; exporters vs. TNCs specialised in international trade in primary commodities; final users/consumers vs. TNCs. The final price net of components of value added and costs at intermediate stages of the marketing chain (e.g. due to transportation, storage and processing) can be disaggregated into the shares of the relevant actors/agents. Relative price movements at each marketing stage, i.e. domestic and international terms of trade movements, *as far as they are not reflections of changing productivities*, represent the direction and magnitude of *distributional changes* between the relevant agents.

While agreeing that the core exploits the periphery via global trade, supporters of the unequal exchange concept can differ in the question of *who* particularly benefits most from this trade-related exploitation. Emmanuel (1972), the prominent economist coining the concept, argued it was the workers and/or consumers in the high-wage countries who benefited from unequal exchange at the expense of the workers and/or consumers in the low-income countries. The basic assumption for such a conclusion was international immobility of labour combined with international mobility of capital – the wage levels were not internationally equalised, whereas the rate of profit was. The difference in real equilibrium wages thus engendered an outflow of surplus value from the low-wage to the high-wage countries. Unlike Emmanuel, other dependency theorists such as Amin, Baran, or Frank argued that it was the monopolistic capitalist entrepreneurs and corporations who cause unequal exchange and profit from it (and higher productivity in the core what causes higher wages). Instead on focusing on the terms of trade, they highlighted the fact that monopolistic TNCs obtain a 'super-profit' via buying below or selling above the 'real' value from or to their trading partners (producers or consumers respectively), who are thus disadvantaged in the market.

Regarding possible policy recommendations of heterodox development economists for developing countries how to break from the underdevelopment and dependence induced by asymmetric trade relations, and how to dispose of their natural resources, there are several options. The exit strategy from the capitalist economy advocated by many dependency theorists was already mentioned. However, not all the heterodox strategies go as far as to suggest a total delinking from the world system. The structuralist tradition does not preclude export-import links between the core and peripheries, but it is the quality of exports from the latter what matters. This view stresses that rapid growth is associated with manufacturing exports, particularly with exports of goods and services with higher technological content. Therefore, the export strategy of diversifying into higher technology products (building new comparative advantages) is desirable (Ocampo and Parra 2007: 113). And even those countries that cannot succeed in the production of sophisticated manufacturers soon (many developing countries of Africa) could possibly sustain growth based on primary and natural resources. However, such a strategy would have to be based on concerted government initiatives to induce a production of some dynamic, high unit value primary agricultural products and agricultural manufacturers able to compete in global markets (Kjöllerström and Dallto 2008).

As was just implied in the discussion on global trade, no matter whether heterodox development economists argue for delinking from the capitalist core[33], or just for targeted industrial and/or agricultural export policies, it is clear that they allow for a significant role for states. The support for public sector engagement in development is definitely the highest in this group out of the four presented. And again, historical perspective is very important in the analysis of government interventions to 'free' market environment.

[33] Dependency theory concept of delinking and especially calling of many dependency theorists for socialism automatically (almost tautologically) presupposes a very big role for states in economy. I will therefore focus rather on institutionalist heterodox arguments advocated within the capitalist system in the following section.

Chang (2005: 139), for example, asks why the international development policy establishment and the now-developed countries do not recommend the policies that were used over the last several centuries by most successful developers; and why they try to impose on today's developing countries 'good' policies and institutions[34], which had not been used by the former at comparable stages of development. He concludes that by recommending for instance less protectionism and more 'free' trade (Chang 2005: Chapter 2), the richer countries prevent developing countries from adopting policies that they themselves used on their way up.

The question whether it can be beneficial for development if states intervene to free trade and pursue strategic industrial and technological policies was topical especially in the debates surrounding the so-called East Asian Miracle. As was presented earlier in this chapter, the Washington Consensus ascribed the economic success of South Korea, Taiwan, Hong-Kong and Singapore to their outward orientation and liberal macroeconomic regime. However, this conclusion was wrong according to heterodox development economists. Amsden (1989) agues exactly the contrary to the Washington Consensus idea of state disengagement from economy aimed at letting the market to 'get the prices right' – she claims that the government intervention aimed at getting prices deliberately 'wrong' was the key to South Korean success. In her more recent work (Amsden 2001), she highlights the role of sector specific government interventions and coordination of investment and technology selection activities.

In a similar line, Wade (1990) convincingly documents on the example of Taiwan that it was an active government rather than opening up the economy that can explain the country's growth success. He for example claims that "it is misleading to explain the rapid growth of manufactured exports largely in terms of market liberalization […

[34] The policies would typically include the Washington Consensus' restrictive macroeconomic policy, liberalisation of international trade and investment, privatization, deregulation. These policies were often recommended to be accompanied by institutions, such as property rights protection, effective contract enforcement, minimising expropriation, minimising rent-seeking and corruption etc. Khan (2007) calls this institutional package 'market-enhancing governance'. However, heterodox development theorists highlight the importance of 'growth-enhancing governance' – i.e. assets and resource transfer to more productive sectors, rapid technology acquisition, productivity enhancement, and political stability (Khan 2007: 289 – 290).

because] at the time of the liberalizing reforms Taiwan already had high growth potential" (Wade 1990: 109). Wade documents that this potential had been intentionally built for decades by Taiwanese government's economic control and activity, and that even after liberalisation Taiwan has remained a relatively highly regulated economy. Shapiro and Taylor (1990: 876) generally conclude that virtually all cases of successful economic development have involved state intervention and improvisation of an industrial strategy. And even though many heterodox economists do realise the limits of states and governments (i.e. the political dimension of their incapacities), they can all agree that the assumption that state failure is always worse that market failure needs to be at least reconsidered (Shapiro 2007: 166).

Whereas the above referred to authors stress the economic dimension, the political dimension of developmental state[35] was addressed by other theorists. The former (the economic school) tried to address the question which particular policies were responsible for higher growth rates, whereas the latter (the political school) focused on the question under what circumstances could these policies be successfully pursued and why (Becker and Schwank 2009: 128), e.g. why success was possible in East Asia and not in other countries which tried to apply similar policies. Evans (1995) suggests that the difference consists in the capacity of states to get industrial capital on board for their developmental project. As states are not generic, what matters is not only their autonomy to carry out their development ideas, but also the embeddedness of such autonomy in ties that bind the states and private sector.

In a very similar way, Kohli (2004) argues that it is the way state power is organised – particularly the patterns of state construction and patterns of state intervention – what decisively influences the rate and pattern of industrialisation in global periphery. Organisation of state is historically determined – he classifies neopatrimonial states, cohesive-capitalist states, and fragmented-multiclass states. Kohli claims that the creation

[35] The term 'developmental state' was introduced by Johnson (1982) in his book on the Japanese ministry of trade and industry and its nationalist developmental mission, industrial policies and the resulting social mobilisation and rapid economic growth in Japan in the period 1925 – 1975. A very good and analytically rich overview of the developmental state concept is provided in Woo-Cummings (1999).

of effective states has preceded the emergence of industrialising economies; therefore he concludes that states where this happened have simply proved to be more successful in ‘late-late’ industrialisation, and thus also more effective agents of economic development (Kohli 2004: 367). This conclusion, however, need not necessarily mean that a ‘developmental state’ cannot be established in neopatrimonial societies at all. Mkandawire (2001) deliberates that the East Asian success is not completely impossible to replicate in Africa. What has, among other things, hindered such efforts were the ‘impossibility’ theorems advanced by the Washington Consensus, which highlighted greed, corruption and rent-seeking of domestic economic actors.[36] They, however, misread both East Asian and African reality. First, the rent-seeking was common in East Asia, too – but it was turned to productive purposes there, to spur firms to expand and export. Therefore, the use of rent-seeking “as an argument against a more active developmental state is simply not credible” (Mkandawire 2001: 301 – 302). Second, however, no matter how flawed the ‘impossibility’ arguments were, they engendered a discursive framework producing knowledge that was acted upon by policy makers in a self-fulfilling manner – even the weak state was rolled back despite the fact that for many African leaders development was certainly a central preoccupation (Mkandawire 2001: 306 and 295). The concept of developmental state across the developing world thus obviously has got some supporters.

The position of heterodox economists towards FDI varies from a complete rejection by dependency theorists to acceptance with reservations by economists working in the structuralist tradition. Dos Santos (1970: 233 – 234) represents the former when he refers to the ‘technological monopoly exercised by imperialist centres’ and considers FDI a major tool creating financial-industrial dependence. Becker and Schwank (2009) discuss the dependency theory critique of the development model based on foreign investments by the centre to periphery’s raw material export sector and the resulting luxury goods consumption by those high-income groups who benefited from exports. This line of argument was particularly present in the work of Amin (1974). He noted that mass demand and mass consumption was not possible due to very low wages, and that instead,

[36] See for example in Berg (1981).

‘luxury’ demand by top class elites prevailed in the peripheral countries. The result was a skewed productive force development and high income inequality. Cardoso and Falleto (1979) add that this kind of a foreign investment model engendered as a consequence also weakening of investment goods sector.

Heterodox successors of the structuralist tradition of Prebisch, Singer and others do not go as far as disapproving FDI as such; however, they are also very critical and advocate a model where FDI genuinely contributes to economic and human development in the target countries. Recent structuralist critique of FDI highlights several problematic areas: FDI is concentrated in a small number of mainly middle income countries and its potential benefits thus cannot reach least developed countries; the composition of FDI can be problematic – FDI in services as the result of privatisation is documented for example to crowd out domestic firms and not to improve competitiveness, whereas potentially beneficial FDI in offshoring of services is again limited to a small number of countries, and so is the research and development-related FDI; FDI can further exacerbate trade deficits and excessively increase the share of risk assumed by the host country (Ocampo, Kregel and Griffith-Jones 2007: 26 – 34).[37] On the positive side, structuralists claim that FDI can have positive developmental impacts if it can strengthen domestic linkages in the target economy. Such success can be achieved deliberately by building absorptive capacities in local firms and institutions – rather via significant investments in domestic infrastructure and human resources than through tax incentives and temporary market access advantages (Ocampo, Sundaram and Vos 2007: 9).

And finally, heterodox development economists are fairly critical and sceptical regarding the development and liberalisation of finance sectors in developing countries. The financial repression thesis advocated by the Washington Consensus[38] is countered, for example, in Arestis (2005) who claims not to have found any convincing empirical evidence in support of the financial liberalisation hypothesis. Similar sceptical

[37] A separate set of arguments related to FDI regards its alleged positive role in technology transfer and technological spill-overs. Heterodox critique why technology might not flow and ‘spill-over’ so easily to and in developing countries is presented in Lall (2003) and Deraniyagala (2006).
[38] See in Shaw (1973) and McKinnon (1973).

conclusions are drawn from the analysis of the relationship between financial liberalisation and poverty – Arestis and Caner's (2008) findings indicate that there is no statistically significant relationship between the capital account dimension of financial liberalisation and the poverty rates. It is thus generally concluded by heterodox development theorists that if financial services sector development has to be beneficial for developing countries and fit their specific requirements, it should be regulated accordingly. Ghosh (2005: 17) sees the following question as crucial in this regard: "Which financial controls should be maintained, restored or introduced in order to ensure a viable, stable and socially desired pattern of development?" Wyplosz (2001: 22) emphasises that many countries have been able to grow fast over decades despite having hard financial restraints, and therefore calls for cautiousness in liberalisation of financial sectors (despite the fact that he admits it could increase competition and reduce monopoly powers). And finally, similarly to the heterodox discussion of FDI, FitzGerald (2007: 229) argues that financial development can contribute to economic growth, but only provided that appropriate institutional structures are in place.

Heterodox development economics represents the most varied but generally also most critical group. While structuralist heterodox economists keep to the early structuralist claim that underdevelopment in developing countries is due to the lack of capitalist development, dependency theorists highlight the historically perpetuated exploitation of the periphery by the centre, including different forms of extraction of economic surplus and mechanisms of surplus transfer to the centre. Accordingly, the former advocated only progressive reforms to the system (industrial development oriented to mass production and consumption, equal redistribution of income), whereas the latter argued for more revolutionary solutions (delinking, self-reliance, south-south cooperation, nationalisation, land reform). International trade regime of unequal exchange is a crucial factor of the above mentioned relations and trade-related exploitation represents one of the concrete mechanisms of how dependency and underdevelopment of the periphery is maintained. To break from the dependent situation, heterodox development theorists call for export diversification into higher quality products, and a very strong government oversight and regulation including active following of industrial and technological policies. The position of heterodox economists towards FDI varies from a complete rejection by dependency theorists to acceptance with reservations by economists working in the structuralist tradition. And finally, government control over the financial sector is essential – its operations should be stable and subordinated to genuine development objectives.

3 European Investment Bank and Development

In this chapter, I will shortly introduce the European Investment Bank, and then guide through the legislative and policy documents of the EU that establish its development mandate.[39] In sum, EIB was originally established to finance the physical infrastructure of the EU Member States and to provide investments in less-developed areas of the European Union. However, the Bank started to operate also outside the EU under various mandates by the Council of the EU. EIB's activities in developing countries have gained significance in the last two decades.

General Introduction to EIB

In the following paragraphs, the basic facts about EIB will be presented.[40] EIB was created in 1958 under *Treaty establishing the European Economic Community* (further in the text referred to as *Treaty of Rome*) to be the long-term financing institution of what later became the European Union, with a mission to underpin EU policy objectives by financing investment. Since then, it has provided nearly EUR 600 billion for projects in the EU Member States, candidate and partner countries. As an EU institution, EIB is obliged to perform its functions in accordance with the provisions of *Treaty on the Functioning of the European Union*[41] and its own Statute, which forms part of the Treaty, and within the legal framework defined by the EU for furthering the Treaty's objectives.

EIB's areas of activity inside the European Union focus on supporting the EU's policy objectives in the following areas: cohesion and convergence addressing economic and social imbalances in disadvantaged regions; the knowledge economy promoting an economy that stimulates knowledge and creativity through investment in information and communication technologies, and human and social capital; trans-European networks

[39] In this chapter, I am drawing mainly from the texts on the website of EIB. In the section on EIB's development mandate, the report by Colajacomo (2005) was very instructive and I used some parts of it.
[40] I am introducing the Bank drawing on its own texts, without commenting, adding to, or analysing this self-presentation of EIB.
[41] *Treaty on the Functioning of the European Union* amends *Treaty establishing the European Economic Community* (*Treaty of Rome*) later renamed as *Treaty establishing the European Community*.

constructing cross-border networks in transport, energy and communications; small and medium-sized enterprises stimulating investment by small businesses; environmental protection and sustainable communities investing in a cleaner natural and urban environment; sustainable, competitive and secure energy producing alternative energy and reducing dependence on imports. In practice, this means that EIB finances a wide range of investments in all sectors of the economy. In 2008, some 89 % of the total EIB financing of EUR 59.3 billion went to projects in the EU. Outside the EU, EIB is active in over 150 countries, seeking to implement the financial pillar of EU external cooperation and development policies (private sector development, infrastructure development, security of energy supply, and environmental sustainability).

EIB is a non-profit, EU policy-driven public bank which invests in projects that further EU policy objectives. The Bank does not engage in over-the-counter, private customer accounts or foreign exchange business. EIB has a dual identity as a European institution and a bank. While operating within the EU framework, the Bank is financially autonomous with a capital of EUR 232 billion, subscribed by the EU Member States, which are the EIB's shareholders. The 27 Member States of the EU jointly provide the EIB's capital, their respective contributions reflecting their economic weight within the Union. In the context of the EU enlargement with the new Member States, the capital of the EIB increased to EUR 164.8 billion (for 2007). Only 5 % of the capital is paid in. EIB is a self-financing organisation which raises the bulk of its lending resources on the international capital markets where long-term funds can be raised through bonds and other types of security. EIB is the foremost non-sovereign borrower on the EU bond market. It has the AAA credit rating on the capital markets, enabling it to borrow at the best possible rates. As a non-profit driven organisation, the benefits of EIB's borrowing can be transferred to project promoters who pay only a mark-up to cover EIB's costs and, if applicable, a risk margin. As the EU's bank, EIB's involvement in projects can have a catalytic effect in attracting public and private sector finance.

The Bank has its own decision-making bodies, headed by a Board of Governors, composed of Ministers designated by the Member States (usually Finance Ministers). The

Board of Governors lays down the Bank's general credit policy, commits the EIB to financing operations outside the Union, decides on capital increases and approves the Bank's balance sheet and annual report. The Board of Directors (representatives of the Member States) has the sole power to take decisions in respect of loans, guarantees and borrowings. Operations are proposed by the Management Committee, the Bank's permanent collegiate executive body.

EIB's clients are public sector bodies and private enterprises. Major projects costing over EUR 25 million are financed by direct loans. Small and medium-scale ventures and smaller scale infrastructure projects are financed through credit lines established in cooperation with national and regional banks. As a rule, EIB does not lend more than 50 % of the funds required for the implementation of a project. EIB offers favourable financial rates that reflect market conditions but are set on a not-for-profit basis. For certain projects the EIB Group[42] can accept more credit risk than a financial organisation operating commercially if this is considered to increase its value added in support of EU policies.

Development Mandates of EIB

From 1958 when EIB was created under *Treaty of Rome*, the scope of its operations has expanded to include investments in the regions outside the EU. The Banks operates under various mandates and applying several facilities in five groups of countries. They include: 1. countries in pre-accession negotiations with the European Union[43]; 2. neighbouring countries in the Mediterranean region (since 1960s)[44]; 3. Eastern Europe,

[42] The EIB Group, formed in 2000, consists of the European Investment Bank and the European Investment Fund (EIF). Whereas EIB is owned by the EU Member States, the EIF has several shareholders, EIB being the majority shareholder (EIB – 66 %, European Commission – 25 %, and other European financing institutions – 9 %). The principal area of cooperation between EIB and the EIF is in support of small and medium-sized enterprises.
[43] In other words 'enlargement countries'. They include candidate countries Croatia, Turkey, and Macedonia, and potential candidate countries Albania, Bosnia and Herzegovina, Montenegro, Serbia, as well as Kosovo.
[44] Algeria, Egypt, Gaza/West bank, Israel, Jordan, Lebanon, Morocco, Syria, and Tunisia.

Russia, Southern Caucasus and Central Asia (gradually since 1989)[45]; 4. Asia and Latin America (since 1993)[46]; and 5. African, Caribbean and Pacific countries (since 1962), Overseas Countries and Territories (OCTs)[47], plus the Republic of South Africa (since 1994) with a specific bilateral agreement status.

Despite its clear original mandate to serve only within the EU, EIB has always had by virtue of its Statute the faculty to initiate lending operations outside the EU. Article 16 (ex Article 18) of its *Statute* reads that "by decision of the Board of Governors, acting by a qualified majority on a proposal from the Board of Directors, the Bank may grant financing for investment to be carried out, in whole or in part, outside the territories of Member States".[48] However, the globally expanding activities are rather the result of political decisions by the Council of the EU to extend mandates originally given to EIB. Particularly since the 1990s EIB was entrusted by various Council decisions to invest a set amount of its own resources within specific regions outside the EU, on a specific area of activity, and within a set period of time. The first global mandate was given to EIB by the Council in 1997 (*Council Decision 97/256/EC*), the second in 1999 (*Council Decision 2000/24/EC*), and the third, recent one till 2013, in 2007 (*Council Decision 2006/1016/EC*). EIB's present external lending mandate – amended in 2009 (*Decision 633/2009/EC of the European Parliament and of the Council*) – provides up to EUR 27.8

[45] Russia, Belarus, Moldova, Ukraine, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

[46] Brunei, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam, Bangladesh, China, India, Mongolia, Nepal, Pakistan, South Korea, Sri Lanka, Yemen, Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, Venezuela.

[47] Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Democratic Republic of the Congo, Côte d'Ivoire, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Principe, Senegal, Seychelles, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe, Antigua and Barbuda, Bahamas, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, Trinidad and Tobago, Anguilla, Aruba, British Antarctic Territory, British Indian Ocean Territory, British Virgin Islands, Cayman Islands, Falkland Islands, French Polynesia, French Southern and Antarctic Lands, Greenland, Mayotte, Montserrat, Netherlands Antilles, New Caledonia, Pitcairn Islands, Saint Helena, Saint Pierre and Miquelon, South Georgia and the South, Sandwich Islands, Turks and Caicos Islands, Wallis and Futuna, Cook Islands, East Timor, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

[48] *Statute of the European Investment Bank* (Version dated 1 December 2009).

billion of EU guarantees for EIB loans to projects in countries outside the EU, an increase of EUR 7 billion compared to the previous mandate.

The amended EIB's external lending mandate 2007 – 2013 adopted in July 2009 (*Decision 633/2009/EC of the European Parliament and of the Council*) states that "in relation to developing countries in particular, EIB financing operations should foster: sustainable economic and social development of these countries, more particularly in the most disadvantaged amongst them; their smooth and gradual integration into the world economy; the campaign against poverty; the general objective of developing and consolidating democracy and the rule of law; the general objective of respecting human rights and fundamental freedoms; as well as compliance with objectives approved by the Community in the context of the United Nations and other competent international organisations".

Renewed EU Sustainable Development Strategy declares that all EU institutions should ensure that major policy decisions are based on proposals that have undergone high quality impact assessments, assessing in a balanced way the social, environmental and economic dimensions of sustainable development and taking into account the external dimension of sustainable development and the costs of inaction. It gives EIB a clear mandate to "assess its lending against the contribution to achieving the Millennium Development Goals and sustainable development".

The activities mandated to EIB are based on the cooperation frameworks established between the EU and the cooperating non-member states. With regard to developing countries, these frameworks are embedded in the EU policies for development cooperation which find practical application in the so-called Country Strategy Papers jointly prepared by the Commission. EIB lending operations under mandated programmes thus form part of the overall EU development policy. In 1997, the Council further enhanced the involvement of EIB in its policy of development cooperation by establishing a Guarantee Fund in the budget in order to rule the granting of the Community guarantee to EIB against losses from loans for projects outside the EU (for

Central and Eastern Europe, Mediterranean countries, Asia, Latin America, and the Republic of South Africa). This has subsequently been extended to cover also the financial instruments that EIB offers to its clients in other developing countries using its own resources. The Council further decided to make EIB the main instrument of disbursement of EU financial aid under *Cotonou Agreement* (countries of Africa, Caribbean and Pacific).

EIB lends to developing countries under mandates by the Council, covering a range of different provisions with regard to EIB own contributions, the management of budgetary resources of the Community and loan guarantees. These mandates are established within a framework of negotiation between the EU, including the European Parliament, and countries or groups of countries in which the broad parameters for EIB activities are set. In the ACP region EIB lends under the framework of the EU-ACP cooperation legislative documents (previously *Yaoundé* and *Lomé Conventions*, now *Cotonou Agreement*) and in the ALA region under the mandates from the Council of the EU. It is in line with *Treaty on the Functioning of the European Union* which states in paragraph 3 of its Article 209 (ex Article 179 TEC) that "the European Investment Bank shall contribute, under the terms laid down in its Statute, to the implementation of the measures referred to in paragraph 1", i.e. to "measures necessary for the implementation of development cooperation policy, which may relate to multiannual cooperation programmes with developing countries or programmes with a thematic approach."

EIB claims to support infrastructure, energy, financial sector and small and medium enterprises, industry, and services in the ACP region. In these countries, EIB lends its own resources and in addition increasingly manages the EU budget resources of the European Development Fund (composed of EU Member State funds managed by the Commission) either directly, or by way of two complementary instruments: 1. risk-capital operations used by the Bank to complement its loans with an EU guarantee, and 2. interest subsidies for EIB projects coming from the European Development Fund budget and administered by the Commission. Since 2003, the risk-sharing Investment Facility established under *Cotonou Agreement* replaces the formerly mentioned risk-capital funds of the Member States of the EU, making available more resources and new financial instruments.

Lending of EIB in the ALA countries is governed by the Council mandates. EIB was authorised by the Council to lend to ALA for the first time in 1993 (ALA I). This was reviewed in 1997 for the period till 2000 (ALA II), and then again in 2000 until 2007 (ALA III). The current mandate (ALA IV) covers the period 2007 – 2013. Amounts per country or per sector are not specified in the Council mandates, and neither do they define the criteria under which the Bank should lend to the ALA countries. Only one criterion for the allocation of funds – to serve the 'mutual interest' of the EU and the ALA countries – is mentioned in the mandates, though without further specification in the first and the second mandate.

In the absence of a specific Council mandate that defines the EIB lending criteria for the ALA countries, *Council Regulation 443/1992/EC* on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America can be regarded the guiding framework, regulating all EU financial flows to the ALA countries, including those which fall under the EU guarantee scheme. It should be noted that EIB itself refers to this Regulation when dealing with the objectives of its wider mandate received from the EU.[49] While 'mutual interest' is mentioned in various Community policy documents, it is important to understand what the Bank itself defines as meeting mutual interest. Under the Bank's own definition[50], mutual interest is met when projects comply with one or more of the following criteria: Projects are

- carried out by subsidiaries of EU companies,
- carried out by joint ventures involving EU companies

[49] *Evaluation of the projects financed by the EIB under the Asia and Latin America (ALA) mandates*. This evaluation also reports that "the mutual interest criterion gives as much emphasis to promoting the interest of EU Member States as to supporting the development of the ALA countries. Economic cooperation, which contributes to the mutual interest of the EU and the ALA countries, is distinct from development cooperation which focuses only on the latter", p.13. As we shall be able to see, this comment is crucial for EIB's thinking in the area of development and will be further analysed in the next chapter.
[50] *The European Investment Bank's operations in Latin America*, p. 1.

- involving the significant and visible transfer of technology or know-how from the EU.

Previously formulated as financing projects of ‘mutual interest’ in the region, EIB’s relatively recent objectives are to contribute to environmental sustainability (including climate change mitigation), to the energy security of the EU, and continue to support EU FDI.

In sum, EIB was originally established to finance the physical infrastructure of the EU Member States and to provide investments in less-developed areas of the European Union. However, the Bank started to operate also outside the EU under various mandates by the Council of the EU. EIB’s activities in developing countries have gained significance in the last two decades. The Bank claims to support infrastructure, energy, financial sector and small and medium enterprises, industry, and services in the ACP region, and environmental protection, EU’s energy security, and EU FDI in the ALA countries.

4 Analysing the Development Discourse of EIB

In analysing the intellectual roots of EIB's conception of development, and in assessing the discoursive elements of the EIB's developmental reasoning, I shall focus on selected documents and texts. Primarily, I shall study the documents and texts produced by EIB. Nevertheless, several documents produced by EC, or in collaboration between EC and EIB, will be subject of my research as well – they have a framing and contextualising role.

EIB publishes many kinds of documents and texts. I have decided to concentrate only on those that are relevant for the relation of the Bank to development. The first important and relevant document I shall analyse is *Development Impact Assessment Framework of Investment Facility Projects* (DIAF). Although the framework was developed originally only for the ACP region in 2005, its coverage was extended to all countries outside the EU (i.e. to operations under the EIB mandates for Neighbourhood and ACP countries, Asia and Latin America, as well as South Africa) in 2007. Concurrently with broadening its scope, DIAF was also renamed to *Economic and Social Impact Assessment Framework* (ESIAF).[51] DIAF is important and relevant not only because of its connection to development, but also due to the fact that it has been produced as a reaction to the fact that IFIs' projects were challenged on the grounds of their developmental impact.[52] In DIAF, 'antiglobalisation movement' is mentioned[53] and so is the issue of legitimacy – EIB states that if it expects support for what it is doing, it has to correctly and rigorously assess its development impacts and present them clearly to the EIB management and to the broader public.[54] Unlike most of the other EIB texts, DIAF is extremely dialogical and inclusive of a dissenting opinion – it clearly differentiates the voice of EIB (representing the whole IFI community) from the one of 'antiglobalisation

[51] Due to the fact that EIB has not yet published ESIAF – it just announced renaming DIAF to ESIAF – the only existing document we can refer to is DIAF (European Investment Bank 2005).
[52] *Development Impact Assessment Framework of Investment Facility Projects*, p. 1. When critically analysing discourse, it is always useful to focus on situations when the analysed subject is challenged, under pressure, and has to argue to defend itself (Kusá 2009).
[53] *Development Impact Assessment Framework of Investment Facility Projects*, p. 5.
[54] Ibid., p. 3.

movement' (representing the critics of IFI's developmental impacts).[55] In the quest for the Bank's legitimacy, DIAF is framing the whole developmental approach of EIB by defending something that is perceived and also presented as controversial.[56] DIAF is therefore definitely a document deserving our attention.

Another noteworthy document, or rather a set of documents, is *Economic Report on Partner Countries* published annually since 2005 by EIB's Development Economics Advisory Service (DEAS). Although it is not quite clear to what extent the findings, observations, and recommendations present in the DEAS reports are taken into account in the actual EIB activities (we shall come back to this question at the end of this chapter), it is clear that these reports are relatively the most comprehensive and analytically rich documents related to development that EIB produces. EIB's development economists at DEAS and their outputs will thus be the next focus of my analysis.

Besides the above mentioned two kinds of key development-related documents, I shall also analyse other EIB documents referring to the issue of development, namely *EIB Group's Annual Reports*, *Investment Facility – Annual Reports*, various regional and sectoral EIB brochures, flyers, and webtexts, and individual project level documentation related to the selected cases.[57]

[55] Dialogicality can be seen as a measure of intertextuality, or of an extent to which different voices are included in the text. On the contrary, assumptions reduce differences by assuming common ground. According to Fairclough, "the capacity to exercise social power, domination and hegemony includes the capacity to shape to some significant degree the nature and content of this 'common ground', which makes implicitness and assumptions an important issue with respect to ideology" (Fairclough 2003: 41 – 55). Unlike DIAF, most of the other selected EIB texts are ideological in this sense, as they are almost silent about different voices, be it academia, civil society, or investment project stakeholders.

[56] It might look somewhat striking that EIB starts considering its developmental impact only recently, given the fact that it has been investing in about the same way (though not in the same volume) for instance in Africa since 1960s. My hypothesis – the one I deal with in more detail in the last chapter – is that one plausible explanation for that would be the assumption that the EIB's development discourse was attached to the 'development investments' of the Bank just as a reaction to the mounting critique of the civil society organisations in the recent years. The institution was thus externally pressed to account for the way it works in this field, although my suspicion (based on the noteworthy coherence between the existing practice and the attached textual justification) would be that the intended result was most likely just to legitimise the mentioned activities, not to reconsider or change them.

[57] The body of analysed EIB documents can be considered to be a specific 'genre chain' (Fairclough 2003: 31).

Although I am seeking to analyse the development discourse practised by EIB, several documents produced by EC (or other EU bodies) deserve our attention as well. At this point, there is a need to clarify the relevance of the documents not authored by EIB for my analysis. In most instances, EIB has no or very limited influence on their content – as already indicated, they solely provide the context, framing, and legal basis for the EIB documents. Analysing them directly would therefore represent a discourse analysis of other than EIB institutions (EC, Council of the EU etc.). Nevertheless, they are still quite important because 1. they clearly constitute the developmental status of EIB[58], and 2. EIB often refers to them – either to broad development objectives or to particular policies and goals declared there. EIB has often claimed that its policies and activities are coherent with external action of the EU. However, given the fact that the overall external action of the EU has specific policy objectives in each region which go far beyond a pure development approach (trade, investment, energy security, and other geopolitical priorities), and often conflict with development goals in the long run, it is always important to ask which 'policy coherence' is EIB implementing in its 'global mandate' (Tricarico 2008). What I shall try to limit myself to will therefore be, when relevant, analysing the EIB usage of the documents authored by other institutions – particularly when, why, in what manner, and following what purpose it refers to them.[59]

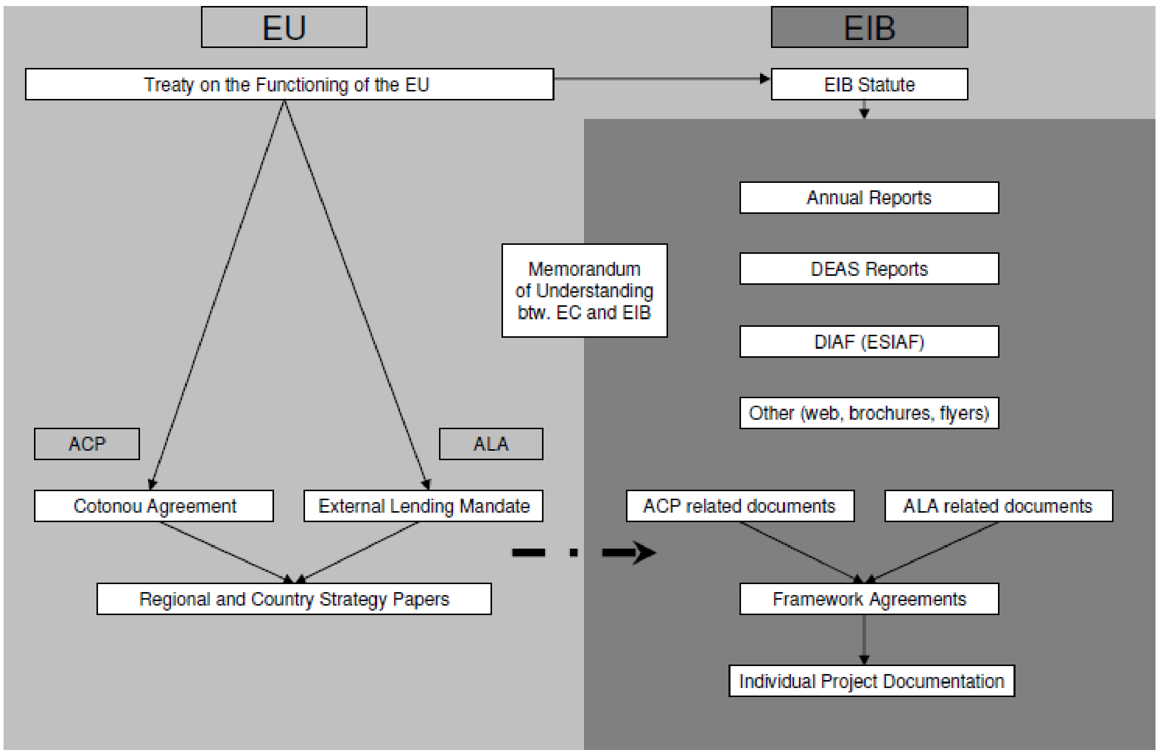
Among the documents not directly authored and published by EIB, I am specifically referring to *Treaty on the Functioning of the European Union* which institutes the legal framework for the existence of EIB (see the previous chapter). Documents establishing the legal and developmental framework for EIB's operations in the ACP and ALA countries – *Cotonou Agreement* and *Council Decision 2006/1016/EC* (establishing the so-called external lending mandate) respectively – will be another important source of reference. Further I am working with Country Strategy Papers and Regional Strategy Papers published by EC. These papers specifically state the role of EIB in respective

[58] See the section on EIB and development in the previous chapter.

[59] It would be interesting to study in more detail the links among the mentioned institutions. They reflect the fact that concepts and definitions 'migrate' and are translated to various new contexts, i.e. the discourse is not closed but is expanding (the institutions seem not to be completely autonomous). It can be even the aim of the discourse – by being spoken and written on several places and levels, it gains consent, smoothness and fluency (Kobová 2009). Unfortunately, this research task transcends the scope of my thesis.

countries and regions, and EIB is consulted by EC during the process of their preparation – EIB can be de facto considered to be co-authoring the papers. Where relevant, I shall also draw from other documents published by EC, or in collaboration between EC and EIB, such as *Memorandum of Understanding between the European Commission and the European Investment Bank in respect of Cooperation and Coordination in the Regions Covered by Council Decision 2006/1016/EC.*[60] For a better orientation in the documents related to EIB, see my visualisation of their hierarchy and relations in Chart 1.

Chart 1: Hierarchy and relations of EIB development-related texts



As already indicated, I shall analyse also individual project documentation related to the selected cases of EIB investments in developing countries. The major criterion for the selection of these cases was that EIB clearly justifies promoting the project, inter alia, with arguments that it will have positive developmental impacts. Other criteria were geographic – representation of both ACP and ALA regions as the accent of development

[60] Please note that not all of the mentioned documents are necessarily directly cited further in my thesis. Nevertheless, I have studied them and found them relevant for my analysis of the EIB development discourse – therefore I do mention them here.

objectives differs in these two target regions; and sectoral – selected cases are not unique but rather represent also other cases which get support of EIB in the particular region and sector; they can thus be said to be model cases.[61]

I have decided to choose three projects – Ambatovy Nickel Project in Madagascar[62], Mopani Copper Project in Zambia, and Veracel Pulp Mill Project in Brazil.[63] The relevant aspects of the project cases are discussed further in the text; for now I shall just briefly state why I have chosen these three projects. Africa is the part of developing world where EIB is active the longest time – for more than four decades; therefore I have chosen two cases from the ACP region. Mining is definitely EIB's priority in Africa – up to 80 % of the EIB loans for the ACP countries between 2000 and 2007 were destined for the mining sector (Bouchanine and Simpere 2007). According to the Bank, "projects in the mining sector are usually prime projects for bringing value to indigenous natural resources, increasing export revenues and generating fiscal income for the country through royalties and corporate taxes. Moreover these projects create permanent – direct and indirect – jobs and provide training that contributes to local skills".[64] Regarding the third project, I have chosen Brazil, as it is the biggest recipient (1,62 billion EUR in total) of EIB's loans in the ALA region. The Veracel Pulp Mill Project was chosen because it fits the two broad areas that form the major focus of EIB investment activities in the ALA countries, namely 1. environmental sustainability ('sustainable forest development' in the

[61] By 'model' I do not mean to oversimplify and generalise all the EIB investment activities in developing countries – all I mean is that the selected cases are typical for EIB, i.e. EIB regularly invests in that way in that region. On the other hand, the model cases do not serve just to illustrate or concretise what is written in the policy documents. It is the bottom-line of my thesis that the 'cases', or the projects, were the first, and only then came the development policy documents to justify the already existing investment activities. I would like to thank Ľubica Kobová (2009) for reminding me about this. The cases are important also because the project documentation cannot afford being as abstract and vague as many policy documents are, which enables us to see concrete manners that EIB deems to promote development in. The project level documentation is thus at least equally important for us in studying the EIB development discourse.

[62] EIB prides itself on being awarded 'African Mining Deal of the Year' by the Project Finance magazine in 2007 for the Ambatovy Nickel Project. *Project Finance magazine applauds record number of EIB projects in 2007.*

[63] Despite having chosen these cases and their project documentation, I have to state that there is not much specific about them that other similar project level documents would not contain. After studying many more of them I conclude that we could very well use any of them without significant effect on the analysis. These three chosen documents can thus be said to represent the whole body of similar texts produced by EIB at the project level in developing world. It is only for the capacity reasons, and because of the fact that many texts in question use almost identical wording, that I work only with three selected texts.

[64] *EIB financing for mining projects.*

case of Veracel), in particular climate change mitigation, and 2. support for the EU's presence (Finnish company Stora-Enso) in ALA through foreign direct investment and transfers of technology and know-how.[65]

EIB's Self-Presentation as a 'Development Bank'

As was discussed in the previous chapter, the connection between EIB and the issue of development has been growing in eminence in the past years. The developmental status of EIB is stated and confirmed in many EU-level legislative documents. The aim of this subhead is to document that EIB is a 'development bank' also in its own words. One reason why this is important is that EIB is not an absolutely typical development bank such as the World Bank, or regional development banks, and on several occasions – especially in the past and when confronted on its development impact record – EIB was defending and claiming that it is not a 'development bank'.[66]

Despite this not-so-typical status and ambiguous outward presentation, EIB seems to have adopted to identify itself also as EU's 'development bank' recently. EIB's president Philippe Maystadt stated that the Bank's mandates outside of EU "are no longer restricted to simply financing but have become genuine 'development mandates' involving the use of a strategic approach, financial instruments and conditionality different from those applied in the EU" and added that the renewed EIB's external mandates for the period 2007-2013 will "most probably, confirm the EIB's role as a 'development bank' in regions with which the EU has chosen to maintain a preferential partnership."[67]

The role and definition of EIB as a 'development bank' is confirmed several times on the Bank's webpage. In a box on EU-ACP cooperation, it reads that the Bank's "involvement in the region has been constant since this time [1960s], actively participating in all other

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[65] *European Investment Bank financing in Asia and Latin America.*
[66] For instance in a reaction by Philippe de Fontaine Vive, EIB Vice President, during the EIB Workshop with CSOs in Lisbon, November 9, 2007.
[67] *EIB Group's 2005 Annual Report*, pp. 6 – 7.

EU-ACP conventions as the EU's 'development bank'".[68] Elsewhere on the website EIB prides itself on creating capacities to "perform its growing role as a development bank with an expanded technical assistance input".[69] Furthermore, on the occasion of opening new regional offices in Africa, EIB declared that "it recognises the fact that the exercise of EIB's mandate of being the EU's development bank requires permanent presence in the main regions of Africa".[70]

More statements on the developmental status of EIB and its role as the EU's development bank can be found not only in the documents and texts referring to the Bank itself, but also in those related to the Investment Facility that EIB manages. The IF documents refer to EIB as to the Bank supporting "the EU's cooperation and development policies in the ACP regions under the Cotonou Partnership Agreement between the EU and 77 ACP countries."[71] According to DIAF, EIB has been a development partner and has supported projects in ACP countries for more than 25 years and "its activity in this part of the world is justified by the impact these projects have on development".[72] Investment Facility itself has "a clear development objective".[73]

As already indicated, EIB is not a typical development bank; nevertheless, this does not imply it is not a development bank at all.[74] EIB discusses its own status and relationship

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[68] *African, Caribbean and Pacific (ACP).*
[69] *European Investment Bank Group 2003.*
[70] *EIB opens three regional offices in Africa in 2005.*
[71] *Investment Facility Annual Report 2007*, p. 4.
[72] *Development Impact Assessment Framework of Investment Facility Projects*, p. 2.
[73] Ibid., p. 1.
[74] It would be interesting to discuss the elements of being a 'development bank', ergo what constitutes such a status. First, from the legal point of view, it is the shareholders – EU Member States – who constitute the legal status of EIB via *Treaty on the Functioning of the European Union*, including specifying the Bank's role in development. Second, it can be a self-identification (this is the crucial aspect for my thesis). As discussed, despite some ambiguity stemming from the fact that it was not originally set up to finance development outside the EU, EIB claims itself to be a development bank. Third, it could be an identification from outside, either by the development financiers community, or by other stakeholders, such as local communities, NGOs, academia etc. In the former case, EIB seems to be easily accepted by other multilateral development banks. The latter condition, i.e. acceptance by other stakeholders, is problematic, and indeed, the development contribution of EIB is often challenged. Nevertheless, such is also the case of more established development banks, such as the World Bank, Inter-American Development Bank and the like.

to other multilateral development banks (MDBs[75]) on its webpage. On the one hand, it does not qualify itself as a – strictly speaking – MDB, the reason for this being mainly the fact that much higher proportion of its investment portfolio ends up in EU. However, and as EIB admits straight away, as a major investor also outside EU, the Bank plays its role in the EU's external and development policies. And when summing up MDBs, EIB lists itself among them.[76] Another indication of EIB's belonging to MDBs can be deduced from its participation in MDB coordination on debt relief, such as Heavily Indebted Poor Countries (HIPC) Initiative.[77]

Among the development objectives the Bank declares to support, poverty alleviation certainly occupies a central place. EIB claims that "the Bank's operations [...] contribute to sustainable social and economic development and poverty alleviation".[78] Regarding the economic development, EIB seeks to support employment creation and also admits its activities should contribute to achieving the Millennium Development Goals (MDGs). Although EIB emphasises that there is no direct or explicit reference to MDGs in its development mandates, it believes that "in most cases, EIB-financed projects by encouraging growth have an indirect but quite substantial positive impact on the achievement of the MDGs".[79] A brief and eloquent summary of EIB's self-perceived development mission is expressed on its website: "Poverty reduction in support of the MDGs is an overarching objective for EIB, and the projects it finances contribute directly or indirectly to reducing poverty and improving employment opportunities in developing countries."[80]

Together with economic and social, EIB also declares to support sustainable development when investing in developing countries. In a reference to its financing for mining activities, the Bank states to pay "particular attention to environmental sustainability, the

[75] The World Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, the African Development Bank, the Asian Development Bank, etc.
[76] *Multilateral Development Banks.*
[77] *Driven by European Union policies in the ACPs.*
[78] *EIB Group's 2007 Annual Report*, p. 43.
[79] *The EIB – a development partner and the Millennium Development Goals.*
[80] *EIB support for the Extractive Industry Transparency Initiative.*

mitigation of and adaptation to climate change, natural resource management, protection of biodiversity and safeguards to improvements of the general and urban environment".[81] Another statement on EIB's environmental self-identification can be found in its key environmental publication: "The EIB supports the pursuit of sustainable development through its lending activities, by the financing of environmental projects, by safeguarding the environment where possible, and by trying to improve where practicable, the environmental and social outcomes of all projects."[82]

This exercise of putting together quotations in which EIB acknowledges its development objectives and define its role as a 'development bank' might have seemed monotonous and unnecessary. However, I do believe that it was inevitable and useful – for EIB was not originally set up as a development bank, and only few years ago its representatives refused such status of the Bank. Nevertheless, EIB has recently adopted definitely also the developmental role; and the aim of this subhead was to prove and document it. I have used only selected quotations out of all the researched ones, but there is much more of them with similar wording and meaning contained in the EIB documents and texts. To sum up, I believe that the previous pages leave little doubt that EIB – despite some nuanced differences from other MDBs – *is* a development bank already at the present time and also presents itself as such. Having stated this, it will be interesting to study *how* EIB aims to achieve its declared development objectives.

EIB's Theoretical Inspirations and Discursive Practices

Whereas my goal in the previous subhead was to document that EIB seeks to achieve development objectives, the aim of this subhead is to try to discover the patterns in which EIB aims to do so. Few people would argue that so generally (and vaguely) formulated goals such as economic development, sustainable development, poverty reduction etc. are not desirable. Nevertheless, two points need to be made. First, it is very important to stress that all these 'grand' concepts can be understood very differently. Kobová (2009)

[81] *EIB financing for mining projects.*
[82] *Environmental and Social Practices Handbook.*

warns that these ‘black-boxed’ notions can be too general and political, i.e. they can be construed to create the semblance of compactness, matter of course, and sensibleness. Using and applying such notions can result in situations when some issues (e.g. what is poverty) are not discussed and are dealt with only technocratically.[83] And second, even when it comes to questions on how to achieve these (generally desirable, but disputable in content) goals, ideas will definitely differ. Also currents within development economics present different, and often contradictory, concepts on what is desirable to follow the desirable goals.

In its documents and statements, EIB does not openly identify itself with any of the development economics theories or ideologies. In its few analytical papers, it rarely refers to academic sources. Its outright identification with some of the development economic traditions therefore cannot be made cut and dry. Nevertheless, indications exist, according to which it is feasible to analyse where EIB draws its inspirations from when promoting development. Some issues are highlighted, some omitted, some are taken for granted, and some ignored. Closer scrutiny on these discursive practices enables to reveal ideologico-theoretical justifications behind the thoughts on *how* to promote ‘development’ and *what* ‘development’ actually stands for. With EIB not referring to academic work, my analysis of the EIB discourse will thus seek to decipher that humble and implicit development arguments provided by EIB and classify them in the framework of development economics theories. In the following section, I shall seek to analyse the EIB’s developmental reasoning where several issues pop up and are presented as focal.[84]

Economic Growth

First of all, there is a very strong belief emanating practically from all the development-related EIB documents, that in order to achieve development objectives, economic

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[83] Or as Bourdieu and Wacquant (paraphrased by Fairclough 2003: 138) put it: “When representations are generalized or abstract, we need to look particularly closely at how things are being classified, at the ‘classification schemes’ which are drawn upon to impose a ‘di-vision’ on the social — a division, a classification, which constitutes a particular ‘vision’.”

[84] I should like to note at this point that I will not try to scrutinise the validity of the EIB development argumentation in this chapter. My aim here is just to identify its sources and try to see whether it is possible to class EIB with some of the traditions in development economics, and to analyse the Bank’s discourse of development.

growth is an absolutely crucial – or rather inevitable – factor. At some places it even seems that the notions 'development' and 'economic growth' are identical and used interchangeably. Similarly, poverty reduction (or alleviation) is referred to as the major development objective. The line of thinking reflected in the EIB documents and statements can be therefore basically summed up as follows: economic growth reduces poverty and brings development. What we can see here is how two potentially contradictory goals – 'development' (in the sense of aid, beneficial *primarily* for the target countries) and 'investments' (beneficial *primarily* for the Bank and its shareholders) – are carefully managed1; the potential conflict is downplayed, i.e. is taken care of by presenting 'development investments' as a win-win deal for both parties. The interdiscursive reference to 'economical [*sic*] and financial viability of projects' EIB supports[85] is an example of how the discourse of development (aid) is 'recontextualised' in the financiers' discourse of profitability.[86]

Let us have a look at the original statements by EIB. The Bank claims that "sustained high levels of economic growth are essential for poverty reduction […] economic growth is required to break the vicious circle of poverty".[87] The role of EIB is then defined as providing "the financial resources required to promote the investments that will generate growth" which will contribute to social improvement and other social benefits.[88] In other words, EIB contributes to development by financing projects that will boost economy.

EIB thinks of at least three concrete mechanisms how the economic growth translates to wellbeing or development. The first one is direct – increased employment. The logic is clear – the EIB financed projects are supposed to have "a favourable impact on economic growth and, eventually on income generation" and the increased income gets people out of poverty.[89] Second, more income also means more tax revenue. EIB's argument goes

[85] The condition that all the projects financed by the Bank have to be 'financially and economically viable' is referred to practically in all the relevant documents.
[86] Fairclough (2003: 32) defines recontextualisation as "the appropriation of elements of one social practice within another, placing the former within the context of the latter, and transforming it in particular ways in the process."
[87] *The EIB – a development partner and the Millennium Development Goals.*
[88] Ibid.
[89] Ibid.

that "incremental incomes can be taxed, providing resources for the sustainable financing of direct poverty alleviation measures (income transfers and/or provision of goods and services to the poor)".[90] The third mechanism is an indirect one but it is, nevertheless, stated – improved access to productive resources. For example, an EIB-financed project in Brazil has to "generate significant export revenues, thereby having a positive impact on Brazil's balance of payments".[91] To sum up, more individual income, more tax revenues, and more export revenues represent the reflection of economic growth and its positive impact on development, the Bank would maintain.

On the first sight, one may tend to trace the EIB's one-dimensional fixation on economic growth back to the earliest development economists of 1950s. And indeed, development theorists such as Rosenstein-Rodan, Nurkse, or Hirschman, or the World Bank in 1950s and 1960s, claimed similarly to EIB that economic growth is a primary and absolutely essential precondition for development. However, unlike the referred to development economists, EIB does not at all mention socio-economic structural transformation, industrialisation, modernisation, etc. as important ingredients that would form its growth strategy. If we consider what will be discussed in more detail further in the chapter, namely the fact that EIB supports development led by the private sector, not by the state, and that the Bank supports the model of developing economies based on simple exports[92], we can see that the inspiration of EIB in the early development economics is only a deceptive appearance. The abovementioned reflects rather an inspiration in the Washington Consensus. EIB seems to assume that economic growth will be just a natural result of prudent macroeconomic policies, outward orientation, and free-market capitalism. And if EIB stresses its unconditional dedication to economic growth much more than is usual in the Washington Consensus tradition (and thus might create the wrong impression of being inspired by the earliest development economics), then it can be explained rather by a reference to its imperative logic as an *investment* bank; the Bank

[90] *Development Impact Assessment Framework of Investment Facility Projects*, p. 1.
[91] *Veracel Pulp Mill Project, Brazil.*
[92] Nowhere in the EIB texts was I able to find a significant statement that EIB would like to support more added-value, high-quality, sophisticated, and diversified exports. On the contrary, instances of opposite statements – support for primary exports – are many, see further in this chapter.

tries to maximise the return on its investments which is best achieved under the conditions of fast economic growth.[93]

After reviewing the basic line of argumentation by EIB, it will be interesting to scrutinise also some relatively secondary but – from the discoursive point of view – very interesting observations and comments made by EIB regarding the ‘growth as development’ reasoning. For example, EIB seems to be concerned with poverty, but not so much with inequality. The Bank argues in DIAF that “even if the poor benefit less than proportionately from economic growth, they stand a much better chance of benefiting from some growth rather than from no growth at all or from per capita income decline”.[94] In other words, what matters is the absolute living standard of the poor, not its relation to the rest of society – inequality should not be our concern in a situation when the lot of the poor is improving (even if it should be less rapidly than the living standards of richer people). It thus seems that EIB – similarly to the World Bank and other IFIs – adheres to the absolute notion of poverty, not to the relative one.[95]

However, the quoted passage from DIAF does not tell us only about the Bank’s approach to poverty and lack of interest in inequality. It also reveals EIB’s position towards issues such as redistribution, efficiency, and interplay between the two. The whole argument maintains:

> It is commonly stated that growth is a necessary but not sufficient condition for poverty reduction. This is analytically correct – one can think of instances where growth can be associated temporarily with increases in poverty due to, say, the transitional negative impact on employment of trade liberalisation or privatisation. There is substantial empirical evidence reference which shows that economic growth in developing countries is usually also beneficial for the poorest segment of population. Furthermore, even if the poor benefit less than proportionately from economic growth, they stand a much better chance of benefiting from some growth rather than from no growth at all or from per capita income decline. In the latter two cases, reductions in poverty would have to rely exclusively on income redistribution policies.

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[93] It is my hypothesis in this thesis that EIB is *primarily* an investment bank to which development mandates were attached from various (mostly political) reasons. If one accepts this premise, then it looks quite understable that the Bank tries to textually manage potential conflict between development objectives and investment imperatives by presenting them as harmonious and mutually reinforcing in its development discourse.

[94] *Development Impact Assessment Framework of Investment Facility Projects*, p. 1.

[95] For a critical discussion of the multilateral development banks’ limited approach to poverty, see Birdsall and Londoño (1997).

Such policies, however, have been largely unsuccessful in improving the lot of the poor sustainably within a context of economic stagnation or decline.[96]

I believe that this paragraph is crucial to understand EIB's approach to development – both for what it openly states, as well as for many hidden assumptions. As we shall be able to see, assumptions have a particular ideological significance, and implicitness, which is a pervasive property of texts, has a considerable social importance. "What is 'said' in a text is said against a background of what is 'unsaid', but taken as given […] assumptions connect one text to other texts", claims Fairclough (2003: 40). As he adds, "relations of power are best served by meanings which are widely taken as given. The ideological work of texts is connected to […] hegemony and universalization. Seeking hegemony is a matter of seeking to universalize particular meanings in the service of achieving and maintaining dominance, and this is ideological work." Let us have a look how these theoretical observations look in the practise of the selected quote by EIB.

In the first part of the paragraph, EIB admits that economic growth *might* go hand in hand with increased poverty. First, let us note that EIB obviously presents such situations as something extraordinary.[97] Second, it is believed that usually and in the longer run, benefits of economic growth certainly outweigh those rare and temporary instances of failure. But third, let us examine what is being compared to what in the sentence "even if the poor benefit less than proportionately from economic growth, they stand a much better chance of benefiting from some growth rather than from no growth at all or from per capita income decline". The situation of poor people under the conditions of economic growth with unequal redistribution is contrasted to the situations of no growth or negative growth.

The possibility of economic growth with equal (or progressive) distribution is not explicitly mentioned. Be it on purpose or by an accident, it reflects the bottom-line of

[96] *Development Impact Assessment Framework of Investment Facility Projects*, p. 1.

[97] There are many conditional and distancing phrases in the quote, such as 'analytically correct', 'one can think of', 'can be', 'temporarily', or 'say'. Using them suggests that EIB really believes that such situations happen very rarely or just wants to downplay their importance. Or, in other words, modality of these EIB statements is very negative. Modality is understood in Fairclough's (2003: 219) terms as the relationship between author and representation, i.e. what authors commit themselves to in terms of truth or necessity. EIB simply does not subscribe to and does not identify with the possibilities that it is mentioning.

EIB's developmental argument. One possible interpretation is that EIB assumes it to be almost automatic and non-problematic (with the exception of those few and temporary failures) that economic growth leads to improvement for the poor, but even more so for the rich. That is – the redistribution of its fruits will be automatically regressive, and the authors of the text would see no problem about it. The Bank would thus seem not to even think of any other option or model of development. In this case it would mean that EIB utterly believes in the 'growth as development' equation.

Another possible interpretation is that there is an implicit assumption in the argument that redistribution and growth are antagonistic concepts (unlike in the previous interpretation, the idea that somebody will try to intervene to 'natural' and generally positive developments of regressive distribution of economic growth is considered). Or, to put it in other words, equal (or even progressive) redistribution hinders GDP growth – business is demotivated to increase its efficiency. So in this case, other options are considered possible, but not desirable. This approach starkly resembles the popular phrase "a rising tide lifts all boats" used by conservative economists to defend policies favourable to high income brackets (tax cuts, free-market generally etc.).[98]

The omission of the equal growth option in the comparison might well also be a deliberate discoursive manipulation. The option definitely seems attractive to many stakeholders (local population in the target countries, some policymakers, progressive NGOs, many European citizens), but EIB either does not want to (for the reasons above) or cannot (for the institutional reasons discussed in the final chapter) contribute to it. Being silent about this option enables the Bank to avoid defining its role in achieving such a goal; the potential conflict is prevented in advance by a careful textual management and obfuscation.[99] If EIB explicitly admitted that equally or progressively redistributed fruits of growth are desirable from the developmental point of view, it

[98] See Lazere (2009) for a critique of how conservative economists misuse the attribution of this phrase to John Fitzgerald Kennedy.

[99] It is not an assumption (presupposition) at play here, but rather a non-standard conversational implicature that – unlike assumption that takes as given what is known or believed – aims to strategically avoid explicitness (Fairclough 2003: 60).

would then probably have to be more specific on how its lending activities contribute to these developments.

Be any of the three mentioned options or some combination of them true, one can conclude that – from the Bank's point of view – the optimal option for the poor in developing countries EIB can support is just *any* economic growth, without regard to its redistributional aspects.

What is interesting next are the last two sentences of the quoted paragraph – they discuss the efficiency of income redistribution policies under the situation of economic stagnation or decline. EIB's appraisal is rather sceptical but not elaborated and justified enough. In theory – and if we are still analysing the lot of the poorest and not something else (for example prospects for economic growth) – income redistribution is almost certain to help the poor under any situation. In practice, DIAF (or any other EIB document) fails to identify concrete cases which would prove the statement in question. Here again, we most likely encounter the hidden assumption that in a longer run (therefore the reference to 'sustainably') equal or progressive redistribution works against the economic growth.

Whereas EIB might formally claim that economic growth is not enough – for example in the first sentence of the quoted paragraph it states that "growth is a necessary but not sufficient condition for poverty reduction" – in reality it does not elaborate this idea and does not identify what else is desirable and what else it does to contribute to development. As discussed in the previous paragraphs and as clear from the overwhelming majority of documents and statements by EIB, economic growth is the top priority.

Even in relatively most elaborated EIB development-related documents – the DEAS reports on partner countries – the emphasis is given on economic growth and macroeconomic 'fundamentals'; other indicators and criteria of development are absolutely omitted. Economic growth still works as a proxy indicator of countries' development performance. Four macroeconomic indicators are analysed in the reports – GDP growth, inflation, fiscal balance, and current account balance. When assessing other indicators or phenomena, it is always done in terms of their impact on these four 'fundamentals'. It would be probably difficult to argue that this data is not important at all. However, it is quite symptomatic that other indicators and criteria are completely missing in the reports. Here I am refereeing particularly to the indicators of real economy development and productive sector development, statistics in manufacturing growth, agricultural growth, gross fixed capital formation [100], or indicators of industrial development as used, for example, by UNIDO, or possibly even some socioeconomic indicators, such as unemployment rates, quality of life and human development indices (e.g. Human Development Index) etc. None of them is represented in the DEAS reports.

To sum up my argument so far – first, EIB does not seem to take into account much more but pure growth. It is believed that the benefits of economic growth will trickle down to the poorest automatically, i.e. the growth will lift the poor from misery; state intervention such as equal or progressive income redistribution policies is not a preferred option. EIB's simple pro-GDP-growth strategy, its view of poverty, its lack of consideration of inequality and redistribution, and its ignorance of a variety of indicators in assessing economic conditions in developing countries – all this illustrates the Bank's very close affinity to the Washington Consensus development economics thinking. As already discussed, the one-dimensional 'growth equals development' argument, as well as some negligence for redistribution, can be identified in the works of the earliest development economists ('growth first, redistribution later'), too. Furthermore, some influence of the post-Washington development economics thinking can be identified in the EIB's DEAS reports.[101] However, the former – as already explained – is just a misleading impression and is not a reflection of EIB's inspiration in the early development economics, and the latter is only a marginal appearance of a development discourse different from the Washington Consensus. One can thus conclude that in the questions of what development

[100] These indicators were usually used to evaluate the economic performance of countries until 1970s and 1980s. I would like to thank to Joachim Becker for bringing my attention to this point.
[101] A more detailed elaboration of the DEAS reports follows at the end of this chapter.

is and how to achieve it, EIB draws its inspiration mainly from the Washington Consensus development economics tradition.

Second, the above summarised development argument is presented in a non-problematic way – with absolutely no reference to academic research; mostly in a non-dialogical way, including many assumptions; and if other and contentious voices are introduced in texts, then it is in a very distancing and questioning way. These techniques serve the purpose of maintaining the ideological and hegemonic views of the Bank.

International Economic Regime

EIB is primarily an investment bank and, unlike the World Bank and other regional development banks, it does not invest in programmes of structural reforms and transformations. Direct project investments, such as the projects involving FDI (discussed later), are therefore more crucial in the Bank's lending activities than, say, directly engaging in promotion of free trade, market liberalisation, or economic deregulation. This is not the EIB's business. However, one can identify moments in the Bank's discourse, where – despite of the fact that they are not promoted directly by financing – liberal economic policies are portrayed as desirable. This cannot be said about the ones that employ interventionist measures.

EIB for example claims it is "helping to attain the objectives of the Euro-Mediterranean Partnership with a view to the creation of a free trade area by 2010".[102] In the same region, the Bank's role is not only the support for the free trade, but it is also involved in "helping to liberalise the financial sectors".[103] The EIB's president Philippe Maystadt

[102] *EIB Group's 2007 Annual Report*, p. 69. Although this passage is quoted directly from the EIB text, it is an obvious reference to the goal of the EU, see for example EC's text *Euro-Mediterranean trade relations are healthy and growing*. It is a practical example of intertextuality, and also of how discourses 'migrate' among institutions. This phenomenon can be also interpreted in the sense that the Bank is not entirely autonomous, and therefore not completely accountable for its own activities – that any activity is a result of some form of 'European governance.'

[103] *EIB Group's 1999 Annual Report*, p. 40.

openly states that, among other things, the Bank's "efforts centre on fostering economic liberalisation".[104]

Besides openly presenting its role in the promotion of free trade and overall economic liberalisation in developing countries, EIB also assesses the developments outside the Bank itself in its documents and statements. Despite (at best) the controversial academic assessment of the World Bank and International Monetary Fund developmental impact[105], EIB assumes a positive attitude and alleges that "reforms – usually under the auspices of the World Bank and the IMF – aimed at market liberalisation and fiscal discipline have enhanced business prospects and resulted in higher growth rates".[106]

EIB is consistent in the assessment of liberal economic policies – not only it praises them, but also presents sceptical views toward their counterparts. When reporting on the developments in Argentina and Venezuela in 2006, EIB's document uses an evaluative phrasing that these countries "were experimenting with populist policies and using price controls".[107] Similarly to that, the report refers to a weak investment climate that is, among other things, due to the fact that "structural reforms have been delayed and at times reversed in recent years as policymakers have become increasingly critical of liberal policies. By way of example, Argentina and Bolivia are both in the process of partly nationalizing foreign-owned utility sectors".[108] It would be very difficult, and in fact I believe totally impossible, to find similar negative comments on liberal economic policies in the EIB documents and statements.

It follows from the analysed texts that EIB unconditionally supports liberal economic regime, i.e. free trade, market liberalisation, and economic deregulation. As discussed in the theoretical chapter at the beginning of this thesis, there is only one current of development economics where free international trade is taken as desirable and

[104] *EIB Group's 2001 Annual Report*, p. 5.
[105] See for example in Payer (1982) or Khor (2001), though there are many more references.
[106] *Investment Facility Annual Report 2003*, p. 10.
[107] *Economic report on partner countries 2006. A report by the Development Economics Advisory Service (DEAS)*, p. 11.
[108] Ibid., p. 12.

practically non-problematic, namely the Washington Consensus. All the remaining traditions are more or less critical to it. A very reserved position towards unlimited economic openness is self-evident in the heterodox approaches to development economics. International aspect of development was not so prominent in the whole body of early development economics literature, but where it was present, then it was analysed critically in terms of structural asymmetries between the centre and periphery. The post-Washington Consensus authors are closest to favouring economic openness in principle, but they are able to recognise market imperfections, and therefore depart to a greater or lesser extent from the free-trade mantra. The EIB's inspiration in the Washington Consensus thus seems to be clear.

Extractive Industries

As just presented, EIB fully supports the idea of free trade and economic openness. One particular area where EIB invests with the aim of adding value to development objectives, and with a view that raw material exports are desirable for development, is mining. EIB believes that revenues from mining exports will earn developing countries necessary foreign currency and the state budget will profit from the related taxes. The Bank also counts on the fact that jobs created in the mining sector will improve the social situation of the poor. The following quote fully sums up the rationale behind the EIB approach:

> Projects in the mining sector are usually prime projects for bringing value to indigenous natural resources, increasing export revenues and generating fiscal income for the country through royalties and corporate taxes. Moreover these projects create permanent – direct and indirect – jobs and provide training that contributes to local skills.[109]

These two assumptions – importance of export and tax revenue, and of job creation – are at the bottom-line of EIB's developmental reasoning with the regard to mining.

If we look at the project level documentation, we shall find similar arguments there. The Ambatovy Nickel Project in Madagascar, for instance, is praised for creating revenues, but also for the benefit for local entrepreneurs "as the banking community is shoring up

[109] *EIB financing for mining projects.*

its capacities to support those who will be providing services to the project".[110] Second, the project will create significant job opportunities according to EIB, but accompanying programmes of the project will also "ensure development in health, safety and other social sectors, as well as improvements in local infrastructure and the creation of industrial infrastructure".[111] Third, EIB further claims that the project will have also significant environmental benefits. It is said to "help with the preservation of Madagascar's endangered environment by limiting uncontrolled traditional 'slash and burn' agricultural activity".[112] Almost identical benefits – revenues, employment, and environment – are explicitly mentioned also in the documentation of another project, Mopani Copper Project.[113] Absolutely no critical mention of potential clash between development objectives and economic model based on raw material exports serves as yet another example of EIB's inspiration in the Washington Consensus development economics thinking. All the three other development economics traditions contain at least some critical discussions on mining as an appropriate economic development strategy for developing countries.

Public vs. Private Sector Investments

The previous part was aimed to document EIB's devotion to the concept of economic growth (achieved via free international trade and primary products export promotion) leading routinely to poverty reduction, and thus equalling development. The question may arise what is the main channel of EIB's contribution to this concept of development; or, in other words, how EIB invests to achieve the stated development objectives. The answer is quite clear – EIB supports private sector in developing countries. Despite the fact that EIB does not try to conceal this approach, it will be worthy to document it and analyse the developmental rationale and inspirations behind it.

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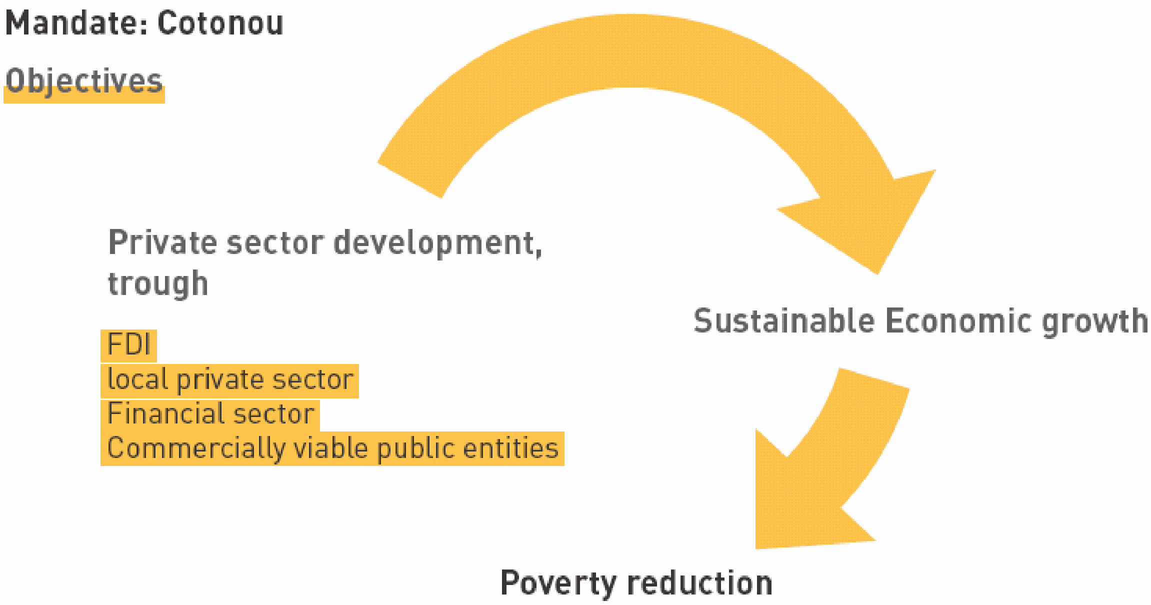
[110] *Ambatovy Nickel Project, Madagascar.*
[111] Ibid.
[112] Ibid. It is quite interesting to observe how otherwise rather technocratic language of the EIB documents can easily switch to using metaphoric expressions, such as '*unlocking* of the country's mineral resources' or 'slash and burn' agricultural activity. The latter phrase can be interpreted as implying that EIB is coming for some sort of environmental mission to Madagascar – by supporting the investment project, the Bank will prevent the natives from damaging their own environment.
[113] *Project Summary Information: Mopani Copper Project (Zambia).*

Chart 2: EIB supporting development – visualisation



Source: Koning (2008)

EIB openly states that "private sector development is considered as essential for economic growth".[114] The Bank then "concentrates its efforts on fostering private sector-led initiatives that promote economic growth and contribute to reducing poverty".[115] That is, in a nutshell, the logic behind EIB's thinking on development – it is best illustrated in the scheme (Chart 2) presented by an EIB senior investment officer, in which she visualises her understanding of the Bank's mandate under the *Cotonou Agreement*: developing private sector leads to economic growth, and economic growth reduces poverty.[116] The aspect of private sector support is reflected also in almost all the project level documentation. The Bank claims that "with a private sector-driven mining industry, Zambia is now better placed to stimulate economic growth and reduce poverty".[117] The

[114] *The EIB – a development partner and the Millennium Development Goals.*
[115] *Investment Facility Annual Report 2007.*
[116] Referring to the previous mention of the 'which policy coherence' question (presented in detail in Tricarico 2008), it would be interesting to ask whether private sector development is the only referable and implementable goal for EIB in the *Cotonou Agreement*. If we have a look at the more than hundred pages long document, we can certainly find many other developmental goals there. The purpose of my remark is not to question the legitimacy of EIB to carry out the goal it chooses (of course it would be hard to expect that such a special bank would carry out all the goals listed in the *Cotonou Agreement*); the purpose of this remark is nothing more but pointing out to the fact that EIB exactly chooses what fits to its conception of development.
[117] *Project Summary Information: Mopani Copper Project (Zambia)*, p. 1.

strategic document for Brazil authored by EC with participation of EIB states that "through its loans, the EIB supports private-sector investment in Brazil."[118] The quotes only represent a whole body of statements by EIB according to which it is beyond doubts that EIB's major tool to contribute to development is investing in private sector in developing countries.

Supporting private sector initiatives is also one of the prime objectives of two facilities under EIB. Both Investment Facility (IF) and Facility for Euro-Mediterranean Investment and Partnership (FEMIP) were established to contribute to development objectives by supporting private business. The role of FEMIP "is to promote the economic development of nine Mediterranean countries by investing in two main areas: support for the private sector, the driving force behind sustainable growth, and the creation of an investment-friendly environment […]".[119] IF, too, is "focused on supporting private sector development".[120]

Both facilities do not support exclusively private sector[121] but when they invest in public sector (for example infrastructure), it will have to have a positive impact on the private sector, too, in the end. Besides supporting private sector, the aim of FEMIP is "creating an 'enabling environment' in which the private sector can prosper".[122] This means that even the investments in infrastructure, human capital or environment protection must have "the ultimate goal of supporting private sector development in the region".[123] Similarly, IF finances not only private sector, but also "commercially run public sector entities and infrastructure critical for private sector development".[124]

[118] *Brazil, Country Strategy Paper 2007-2013*, pp. 16 – 17.
[119] *EIB Group's 2007 Annual Report*, p. 39.
[120] *The EIB – a development partner and the Millennium Development Goals.*
[121] The share is significant though – for example, private sector accounted for 79 % of the IF's cumulative signed portfolio at the end of 2007.
[122] *EIB Group's 2004 Annual Report*, p. 33.
[123] *EIB Group's 2005 Annual Report*, p. 40.
[124] *Investment Facility Annual Report 2003*, p. 3.

Right after the private sector development, the FEMIP's second priority is "assistance with the process of economic reform and privatisation".[125] In general, privatisation can be said to be another objective (and closely connected to the previous one) through which EIB seeks to contribute to development. The other facility, IF, also supports projects which "involve restructuring operations in the context of privatisations".[126] Not only its facilities, but also EIB itself has been willing to support privatisation as a development strategy in developing countries at least for a decade – one of the main priorities of the Bank outside EU has been "fostering development and privatisation of the productive sector".[127] Even the relatively most elaborated EIB documents in the area of development economics – the DEAS reports – seem to be quite biased in favour of private sector and privatisation. One of the reports normatively states that the passage of a new hydrocarbon law in one African country "which aims at opening up the sector to private investment, is a promising development".[128] To sum up, privatisation is often and generally seen by EIB as a desirable development instrument in developing countries.

It is not usual that EIB would provide some elaborate justification for its developmental reasoning or would engage in discussing the historical development of the development economics discipline. However, in one of such rare occasions[129], the Bank tries to make a historical excursus into understanding the role and performance of private sector versus public sector.

EIB claims that back in the 1970s, "public investment in the productive sector had been seen as having the primary role in promoting economic growth and hence, it was believed, of development".[130] This sort of investment is then assessed as "increasingly disappointing". Low growth rates and increasing external indebtedness created a way to

[125] *EIB Group's 2002 Annual Report*, p. 24.
[126] *Investment Facility and loans from EIB own resources. Outline of terms and conditions*, p. 6.
[127] *EIB Group's 1999 Annual Report*, p. 8.
[128] *Economic report on partner countries 2005. A report by the Development Economics Advisory Service (DEAS)*, p. 6.
[129] *Investment Facility Annual Report 2003*, p. 2.
[130] Let us note the attributed legitimation (Fairclough and Wodak 2008: 118) 'it was believed'. Besides other things, it is used to create the impression that now, it is not believed anymore.

"a shift from earlier thinking" according to EIB. The lesson learnt from the experience referred to is framed in these words by the Bank:

> Hence the development paradigm began to change; a new approach gave greater prominence to the role of the private sector as the principal source of economic growth. In a shift from earlier thinking, it was acknowledged that growth and development could not rely solely on government planning but also depended on encouraging private sector initiative. This meant, in turn, recognising the importance of market forces: private sector enterprise has to be competitive to survive, something which had not always been a concern for public investment.

Several important observations need to be made here. First, it is highly probable that the 'new approach' EIB is referring to is what has later become known as the Washington Consensus replacing the early development economics thinking that emerged after the World War II. Second, given the tone and formulations, and what precedes this quote and what follows after it, I do not think that there would be no ground to state that EIB is not solely referring to the historical development of 'public vs. private' views but agrees with this 'new approach' and avows it. For example, instead of the distancing phrase 'it was believed' used in the previous statement where EIB does not identify itself with the phenomenon referred to, we can find confirmatory phrases of attributed legitimation such as 'it was acknowledged' or 'recognising'; the modality is very positive here – EIB as the author is in a positive relationship with the representation, and finds it corresponding to the perceived truth. And third, the reason for the preference for the private sector over the public one is identified – it is competitiveness.

Competitiveness, or a compelling pressure to survive under market forces, is an often stated rationale of the private sector superiority supporters. EIB fits this line of thinking. In arguing why exclusively private sector can be the driver of economic growth (i.e. development), the Bank declares that "because of the pressure of competition – to which it is difficult to subject the public sector – private sector investment tends to make an efficient use of resources, raising employment and incomes".[131] In other words, the pressures of competition make the private sector more efficient than the public sector. It is therefore only understandable that EIB clearly gives a preference to the private sector. This support is even more pronounced in the situations when public sector is considered

[131] *Development Impact Assessment Framework of Investment Facility Projects*, p. 1.

to develop at the expense of the private one (zero-sum game). EIB warns that "the large share of public sector activity is also a significant drag on private sector development".[132]

EIB goes further to demonstrate how the benefits of competition and thereof resulting efficiency work in practice:

> An example could be the case where private (and other productive) sector projects, mainly driven by self-interest of their promoters (and rightly so), include specific components (e.g. schools or hospitals benefiting the whole surrounding community or region) to deal with social problems beyond the normal scope of the project itself. This is typically because promoters endeavour to act in a socially responsible manner, ultimately in the broader interest of their project's image and, therefore, long-term sustainability.[133]

The first message we get from this passage is that the private sector projects are motivated mostly by self-interest of their promoters, and that there is nothing wrong about it. What is probably implied here is that not only it is *right* in the sense that in free societies, entrepreneurs have the *right* to do business freely, but also in the sense that it is morally *right* as everybody can benefit, not only the entrepreneur. Besides these positive side-effects entrepreneurial activities can have, businessmen are portrayed as socially responsible actors who are also aware of the risk that bad reputation could represent to their project. This – in all the senses – win-win situation strikingly resembles the famous Adam Smith's argument on the positive effects of self-interest.[134]

Not as prominent in the Bank's development reasoning as the other areas analysed here, but still important (and more and more referred to) is the issue of **corporate**

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[132] *Economic report on partner countries 2006. A report by the Development Economics Advisory Service (DEAS)*, p. 7.
[133] Ibid.
[134] Compare the EIB's passage on self-interest to Smith's quotes: "It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest. […] By pursuing his own interest [every individual] frequently promotes that of the society more effectually than when he really intends to promote it" (Smith 1976: 27 and 456). The fact that EIB's argument resembles that of Adam Smith does not tell us much regarding with which of the four development economics currents we could class the Bank's development 'public vs. private' discourse. However, it neatly manifests EIB's tendency not to see a conflict, but rather a harmony, between profit-seeking investment activities in 'financially and economically viable' projects outside the EU and actual development objectives. If we translate this approach to the analysed discourse of the Bank in the field of development, we could say that EIB sees nothing wrong about the fact that it seeks profit also on its 'development investments' (although the Bank representatives would hardly put it this bluntly and they would most likely try to imply that development considerations come first).

governance[135], which is closely related to the previous discussion on the role of private and public sectors. It is a relatively modern concept, and for EIB even more so. The Bank has adopted the discourse and efforts of other development finance institutions (DFIs), most notably the World Bank, which – as discussed in the previous chapter – introduced the concept earlier. In October 2007, EIB together with other thirty DFIs co-signed an approach statement on corporate governance in emerging markets. The statement positions "corporate governance at the forefront of their [DFIs'] sustainable development agenda in emerging markets".[136] At the signature EIB Vice President welcomed the initiative, stating that this act "represents the Bank's strong commitment to supporting a new generation of entrepreneurs that want to be part of a transparent global business community".[137] EIB's commitment to the voluntary concept of self-regulating corporations is thus quite clearly confirmed.

The issues of transparency and fighting corruption are clearly intertwined with corporate governance. They also occupy a special place in the previously discussed sector of extractive industries, particularly mining. EIB focuses on institutionally underdeveloped state apparatuses in developing countries and identifies that "weak governance, corruption and lack of transparency are a major issue in some of the regions in which EIB operates and acts a serious brake on economic and social development".[138] To promote good governance and transparency, EIB endorses and supports the Extractive Industries Transparency Initiative (EITI).[139]

The inspiration by the post-Washington Consensus 'good governance' discourse as practised particularly by the World Bank since 1990s is quite clear here. By joining this discourse, EIB is not being inconsistent with its previously documented pro-private

[135] Note the use of an increasingly popular term 'governance'. Just the use of this notion can be interpreted as an affiliation to a particular discourse. According to Fairclough (2003: 129), 'governance' belongs to the neoliberal discourse, unlike, for example, Keynesian 'governing'. For more detail on governing, governance, and governmentality, see Rose (1999: Chapter 1).
[136] *EIB signs Corporate Governance Approach Statement.*
[137] Ibid.
[138] *EIB support for the Extractive Industry Transparency Initiative.*
[139] EITI is a coalition of governments, companies, civil society groups, investors and international organisations. It aims to support improved governance in resource-rich countries through the verification and full publication of company payments and government revenues from oil, gas and mining.

development discourse inspired in the Washington Consensus. The Bank is still sceptical about the public sector and identifies the government interventions in developing countries as a part of the problem; however, it is ready to reach out for a more sophisticated and nuanced argumentation in order to back this position. The governance discourse provides exactly this – by introducing the concept where the government fails, and therefore a whole range of other stakeholders (business, civil society organisations, local communities, academia etc.) must be involved in 'governing', it is able to undermine the position of public sector more subtly.

I shall now sum up EIB's position on the type of ownership and management and will seek to interpret it in the context of development economics traditions. First, EIB considers private sector development as essential for economic growth (as it fosters competitiveness and efficiency), and it is exactly through this channel – via investing in the private sector in developing countries – that the Bank seeks to contribute to development. Second, EIB sometimes invests also in the developing countries' public sector, but only if it contributes to creating an 'enabling environment' for the private sector. Third, EIB supports privatisation in developing countries. Fourth, EIB has joined the discourse practised by other multilateral development banks and highlights the issue of corporate governance.

Given the listed four points, one can immediately exclude early development economics and heterodox development economics as potential sources of inspiration for EIB in the issue of state vs. private sector preference.[140] Both of them ascribe much greater developmental role and significance to the state. The post-Washington Consensus argues for a partnership and coordination between the public and private sectors in their developmental mission. How this partnership and coordination should precisely look like is open to interpretation – the EIB uses exactly the same wording as the prominent representative of this theoretical current who states that "creating the enabling

[140] As is clear from the already cited paragraph that maps the historical developments of the 'public vs. private' debate, EIB openly distances itself from the early development economics. Similarly, identifying the 'disappointing' public sector performance as the reason of the 'lost decade' is an obvious (though not explicitly credited to) reference to Anne Krueger and other Washington Consensus theorists.

environment for the private sector" is one of the unique functions of the public sector (Stiglitz 1998b: 19). Nevertheless, Stiglitz – and he is representative for the whole group of theorist classed under the post-Washington Consensus umbrella – in the same breath adds other significant functions for the public sector that clearly distinguish them from the Washington Consensus. Furthermore, the post-Washington Consensus is extremely critical about privatisation without competition and regulation. It thus seems that EIB's development discourse related to the public vs. private sector preference overlaps mostly with the development arguments of the Washington Consensus. It departs from it only when introducing the issue of corporate governance, where this reference is clearly attributable to the post-Washington Consensus tradition.

Foreign Direct Investment

After having presented EIB's preference for the private sector due to its higher efficiency, we shall now turn our attention to the question of how the positive effect of private sector on development practically works according to EIB. The Bank's line of argument can be basically stated as follows: EIB supports Foreign Direct Investment (FDI) projects in developing countries; it thus contributes directly to economic growth and indirectly to the transfer of technologies and know-how; these direct influences and indirect spillovers will be beneficial for the economy of the target country.

Let us try to document first in EIB's own words what was just stated. In order to foster the economic development of the recipient partner countries, EIB continues "to support the EU's presence in ALA through the financing of FDI and the transfer of technology and know-how from Europe".[141] In the ALA region, the financing for European companies and banks by supporting their subsidiaries and joint ventures is one of the two priority objective and represented over 90 % of the total lending in the region in 2001.[142] The Bank's president proclaimed that EIB's efforts outside EU "centre on fostering

[141] *European Investment Bank financing in Asia and Latin America*, p. 2.
[142] *EIB Group's 2001 Annual Report*, p. 22.

economic liberalisation, encouraging the transfer of capital and know-how through foreign direct investment".[143]

FDI promotion scores very well in the country-level documents, too. According to the Bank, "the promotion of large-scale mining, the private sector and Foreign Direct Investment rates highly on Madagascar's development objectives".[144] EIB's involvement in the project is intended also to attract other investors – it is intended to have demonstration effects. Such is the case of the selected Brazilian case – "as an important foreign direct investment, the project contributes to sustaining the foreign investors' trust in the Brazilian market".[145] As can be seen also from Chart 2, FDI creates another link in the EIB's argumentation line leading to development and poverty reduction.

However, FDI do not contribute only directly to economic growth; they are written to have also positive side-effects. Although it is difficult to quantify them even according to the Bank, EIB mentions "distribution, spillover and multiplier effects".[146] EIB goes on to highlight the "company commitment to the capture of local benefits within the local economy, including capacity building, technology transfer, training, financing support programmes for small and medium enterprises".[147] EIB can thus be said to be a unanimous supporter of the FDI and considers them a major tool in its development activities.

As presented in the theoretical chapter of this thesis, the only development economics tradition with an unreserved position towards FDI is the Washington Consensus; the other three currents take up a differentiated stance. Heterodox development economists are the most critical towards FDI – their position varies from a complete rejection by dependency theorists to acceptance with reservations by economists working in the structuralist tradition. Fairly critical position was assumed also by most of the early development economists (perhaps with the exception of Gerschenkron, who was an

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[143] Ibid., p. 5.
[144] *Ambatovy Nickel Project, Madagascar.*
[145] *Veracel Pulp Mill Project, Brazil.*
[146] *Development Impact Assessment Framework of Investment Facility Projects*, p. 5.
[147] Ibid.

optimist regarding FDI), particularly structuralists. Just to remind – they argued that FDI tended to create dual economies with advanced export sector within primitive subsistence sectors, and thus in fact resulted in locking-in of the domestic economy in underdevelopment. The post-Washington Consensus also differentiates between the ‘enclave’-type of FDI and the genuinely beneficial foreign direct investments that can advance and integrate developing societies. The only unanimous supporters of FDI can be found within the tradition of the Washington Consensus, and – as EIB does not ever even mentions potential problems with FDI, or does not state that it seeks to promote only the projects involving the truly beneficial FDI and shuns supporting the ‘enclave’ FDI projects – we can conclude that the Bank’s development discourse regarding FDI is most compatible exactly with this development economics current.

Financial Sector Development

Another crucial sector in developing countries EIB is willing to invest in with the aim of contributing to development objectives is the sector of financial services (also present in Chart 2). For the Bank, financial sectors in partner countries outside EU are “a strategic instrument to achieve its stated objective of promoting economic growth through private sector development”.[148] EIB disposes of several facilities dedicated for this purpose already for more than a decade – namely standard global loans from the Bank’s own resources (long-term credit lines set up with local financial intermediaries), and risk capital (direct or indirect equity participations). For example, 52 % of the IF’s portfolio in 2007 targeted financial services.

Within the financial sector, a special role is played by microfinance. EIB’s view on this area is following:

> The relevance of microfinance – that is the supply of loans, savings, and other basic financial services to the poor – to alleviating poverty is nowadays widely recognised. Over the years, the Bank has developed knowledge and expertise in the field of microfinance in the African, Caribbean and Pacific regions.
> […]
> Through its operations, the Bank is seeking a triple return on investment: financial, social and a demonstration effect. Financial return is essential to ensure the sustainability of the

[148] *Economic report on partner countries 2006. A report by the Development Economics Advisory Service (DEAS)*, p. 14.

MFIs concerned and their attractiveness to other investors. Social return needs to be measured in terms of income growth at the level of those benefiting from microcredits. The demonstration effect is required to encourage future mobilisation of larger funding sources both in the North and the South.[149]

There are several messages coming from this assessment and self-assessment. First, the Bank considers microfinance an important instrument in the efforts to alleviate poverty. Second, EIB is self-confident regarding its expertise in this sector. And third, the Bank wants to help poor by supporting microfinance initiatives, but also believes in its signalling power to attract other investors – it thus promotes the concept of microfinance.

Financial sector development in developing countries does not play a pivotal role in the early development economics[150] or in the heterodox development economics thinking.[151] It does so in the other two currents. Washington Consensus was generally supportive of financial liberalisation and financial sector development, as they were believed to bring developing countries closer to development, i.e. to foster economic growth. The post-Washington Consensus acknowledges the importance of financial system for growth and development but, unlike its predecessor, insists that an accompanying sound legal framework combined with financial sector regulation and oversight is essential. Both positions can be found in the EIB texts related to development – the former in most of the Bank's texts, whereas the latter is presented in the DEAS economic report of 2006.[152]

EIB's Development Economics Advisory Service Reports

DEAS reports are being referred to several times in this chapter. At the end of it, I would like to discuss them in more detail as they have a specific position among all the EIB documents. As already indicated, they are not prepared by the Bank's regular staff, but by experts from Development Economics Advisory Service. This analytical unit works under EIB but it is not clear whether its only competence is to publish the reports and

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[149] *EIB Group's 2007 Annual Report*, p. 45.

[150] The only exception is again Gerschenkron – as indicated in the theoretical chapter, he stressed the importance of financial sector in development.

[151] It has to be noted that for several contemporary heterodox development economists, such as Ben Fine, financial issues play an important role, but their critical observations are certainly impossible to be found to have a reflection in the EIB development discourse.

[152] *Economic report on partner countries 2006. A report by the Development Economics Advisory Service (DEAS)*. This inconsistency is discussed further in the part on the DEAS reports.

provide other consultancy services. This question is important as the DEAS reports are not only relatively best elaborated[153] papers on the issue of development, but also seem to depart from the EIB 'mainstream' development discourse at several points.

The authors of the DEAS report from 2007 are, for example, quite critical towards the Washington Consensus. They affirmatively refer to the critique of its 'laundry list' approach "which resulted in a lack of focus and a failure to target aid according to the specific needs of the recipients".[154] The authors further state that the result of Washington Consensus was neither a balanced programme of reforms nor an attempt to address the constraints on growth. To put it simply, "the programme's track record was disappointing [for example in Eastern Europe and sub-Saharan Africa]".[155] And what makes the report even more exceptional is its reference to development economists such as Rodrik, Velasco, or Collier. First, just the fact that the authors establish a dialogue with development academia, and second, that they positively refer to critical concepts (e.g. the one of Rodrik), makes the report unique amidst the body of EIB's texts related to development.

In another report, one can find a relatively critical approach towards the effect of financial development on economic growth. Whereas the usual result from literature is "that financial development has a positive, monotonic effect on growth", the authors of the report conclude that "financial development yields a strong positive effect on economic growth only once it has reached a certain critical threshold" and until that point "the impact of further financial development on growth might actually be negative".[156] Already in the introduction to this chapter I made a comment that it is not sure to what

[153] If I repeatedly refer to the DEAS reports as *relatively* most elaborated EIB documents in the course of my paper, I do so in a specific context. They are elaborated if compared with other EIB documents. However, their length is usually just some thirty pages; they often only refer to the World Bank or IMF documents and research; they do not contain a genuine research, just compile secondary sources – therefore, they are not really elaborated documents in the area of development economics and can compare neither to academic literature, nor to the most of the research and policy documents produced by IFIs such as the World Bank.

[154] *Economic report on partner countries 2007. A report by the Development Economics Advisory Service (DEAS)*, p. 16.

[155] Ibid., p. 21.

[156] *Economic report on partner countries 2006. A report by the Development Economics Advisory Service (DEAS)*, pp. 17 – 18.

extent the DEAS reports and their findings are reflected in other EIB documents and EIB activities. This is an example. Although the DEAS report concludes that financial development is beneficial for developing countries only after reaching a critical threshold, other documents by EIB – and presumably EIB's activities, too – do not contain this reservation and promote financial sectors in developing countries unconditionally. It thus seems that the DEAS reports indeed fulfil just an *advisory* function and their relatively more nuanced observations stay ignored by the 'EIB mainstream'.

As can be seen from the two mentioned examples, the DEAS reports can be more critical, varied, and nuanced than the rest of the EIB documents. However – and despite the instances just referred to – the DEAS reports do not depart from the 'EIB mainstream' in many respects at all. As pointed out in the section on economic growth, the reports study only 'macroeconomic fundamentals' (GDP growth, inflation, fiscal balance, and current account balance) and neglect other indicators. A biased evaluation of some developments – such as the quoted example of positive assessment of privatisation – was often obvious.

If we examine the selection of the topic covered in Part II of the reports[157], we can identify an approximate pattern stemming from ideological inspirations. The first report – the one of 2005 – selects two topics: managing the risks of natural disasters in developing countries; and local currency bond market developments in Mediterranean and ACP countries.

The former issue is described in terms of its rising costs during last thirty years and analysed in terms of what can be done. The report investigates neither the structural reasons why more and more people are vulnerable to natural disasters, nor global context of responsibilities for the situation, nor any similar issue. Besides prevention (that should be taken care by public authorities), the report's focus is insurance against the natural disasters related risks. It promotes tools such as spreading these risks via insurance to

[157] The DEAS reports consist of two parts. Part I provides general economic overview of the partner countries. Part II always focuses on a partial issue selected by authors.

global capital markets, securitisation of disaster liabilities, introduction of weather-derivatives, etc. The report applies phrases such as "agents dispose of limited information"[158] or operates with the terminology used in game-theoretical approaches, e.g. 'Samaritan Dilemma'[159]. All this – reluctance to analyse structural and global context of the problem, reliance on private-based insurance via capital markets, methodological individualism and reference to game theory – suggests that the authors of the analysis think in the scope of neoclassical economics. Their application of Samaritan Dilemma indicates that they are influenced by the post-Washington Consensus development economics tradition which – unlike the Washington Consensus with its universal and ahistorical applicability of mathematical models – tries to bring history and institutional and other contexts (path dependence from multiple equilibria of the past) back in by using game theory.[160]

The latter selected issue of the 2005 DEAS report is local currency bond market developments. The 2006 report focuses on the financial sectors in middle income partner countries. Part II of the 2008 report is titled "Scaling up microfinance".[161] The dominance of the finance sector as the object of the DEAS reports analysis cannot be overlooked.[162] It is not my aim here to argue that financial sector is irrelevant or harmful to developing countries. Most likely it is not the case, and developing countries can benefit from it under certain circumstances.

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[158] *Economic report on partner countries 2005. A report by the Development Economics Advisory Service (DEAS)*, p. 16.

[159] The term 'Samaritan's Dilemma' was coined by the right-wing economist James M. Buchanan (1975). In this game theoretical model, Buchanan refers to situations when altruism can induce adverse behaviour of potential recipients. Translated to development economics, donor countries' efforts can actually serve to give developing countries incentives to continue in behaviour that keeps them in poverty. It is no surprise that also other IFIs refer to the term when analysing natural disasters in developing countries, see for example the World Bank report (Raschky and Schwindt 2009).

[160] For an eloquent discussion of (not only) the post-Washington Consensus's approach to economic history, see Milonakis (2006).

[161] *Economic report on partner countries 2008. A report by the Development Economics Advisory Service (DEAS)*, pp. 22 – 30.

[162] The only DEAS report that does not focus on the financial sector is the one from 2007. Its focus is aid in Africa. It is interesting why something EIB does not have a direct influence on or interest in is discussed in one of the DEAS papers.

However, there is not a unanimous consensus regarding the question whether other areas – for example infrastructure, manufacturing, agriculture, education, or other areas where EIB invests – are less important than the sector of finances. Many development economists would argue the contrary.[163] Again, it is not my role here to judge which one of these appraisal is right and wrong. My point here is that many neoclassical development economists would stress the importance of financial sectors in developing countries.[164] And so do the development economists at the EIB's DEAS.

The first conclusion is related to the ideological inspirations of the DEAS reports. As already stated, they are more complex than the rest of the EIB development related texts, and it is therefore also more difficult to distil a coherent ideological message from them. It is clear that one would have real difficulties finding an inspiration in the early development economics or heterodox development economics in the reports. I have not managed to find any. Instances of an inspiration in the Washington Consensus and the post-Washington Consensus, on the other hand, are many. It is hard to say which of the tradition prevails. My conclusion regarding the DEAS reports would be that they represent a relatively progressive (still within the limits of neoclassical economics) voice within the Bank (in fact the only one) and resemble the products of the World Bank's research departments, from which they obviously learn and to which they often refer. Both the EIB's DEAS and the research groups of the World Bank move on the edge when they have to serve banking institutions with straightforward 'development' activities (the Washington Consensus) under critique, and have to provide them with a relatively sophisticated legitimation (the post-Washington Consensus) of these activities that will resist the criticism. As discussed elsewhere in academic literature[165], the concrete operation and activities of global development financiers are changing very slowly, and what is developing more dynamically is just the 'new development economics' (or the post-Washington Consensus) discourse that serves to mask the stagnant reality. I believe DEAS and its reports is a part of this phenomenon.

[163] See the section on the heterodox development economics.
[164] See the sections on the Washington Consensus and post-Washington Consensus.
[165] See for example in Fine and Sundaram (2006).

The second conclusion – or rather a set of concluding thoughts and questions – regarding the DEAS reports relates to their role and function in EIB's development discourse. The slight dissonance between them and other EIB texts reflects the fact that the Bank is not a monolithic institution, and that it can look to and act differently towards various actors in the field (Kobová 2009). As the reports are not fully in line with the rest of EIB texts, one is tempted to ask to whom they are addressed. The analysed disagreement on financial development suggests that the EIB management does not act up to the findings of the experts from DEAS; furthermore, the DEAS reports are made public. These two facts might make us think that rather than to the inside of the Bank, the reports are addressed to the outside. And although they sometimes question the dominant part of the development discourse practised by EIB, I believe they are part of it – they serve to raise the expert and scientific credit of the Bank and thus help to legitimise its activity in the area of development.

World Bank as an Institutional Source of Inspiration in Development Discourse

Despite some level of expertise that was just mentioned, and despite its clear development role and impacts, EIB – to the best of my knowledge – has not elaborated any genuine research or analysis on the issue of development.[166] The relatively most elaborated documents are the previously analysed DEAS economic reports, but still – they contain only rather a short report on economic condition of developing countries and then very narrow and limited, few-pages-long literature research on selected issues. In other documents and statements, EIB limits itself to vague definitions; assumes several economic arguments and clichés as given and unquestioned facts; draws arguments from a set of steadfast representations and imaginaries; and handles the issue of development rather simplistically. Regarding the use of research in development economics, EIB almost does not reflect its existence. The missing link to academic expertise in the field of development is indeed surprising in itself, given the fact that EIB is engaging in development. With this striking absence of textual dialogue with academia, but also with

[166] The question whether it was due to its personal capacities or the lacking willingness to do it, is discussed in the final chapter.

other potentially relevant actors (local communities, NGOs etc.), one might ask where from actually EIB draws the minimal knowledge necessary to at least label its investments as ‘development investments’.

One potential answer to the raised question is: from the developmental discourse practised by other IFIs, and particularly from the World Bank.[167] Indeed, if EIB is engaged in intertextual dialogue with other than its own (or European Union’s) texts, than it is with those authored by the World Bank or, in general, by the global and regional development financiers. For instance, measured by numbers, there are 1.420 references to the World Bank on the EIB’s website.[168] As far as one can judge, practically all the references are positive – they refer to the partnerships and cooperation between the two banks in projects, initiatives, action plans, programmes, memoranda of understanding etc.[169] EIB claims on its website that

> for its operations outside the Union, the EIB is […] in close contact with the World Bank and numerous regional multilateral banks. […] Cooperation between the EIB and MDBs takes the form of both exchanges of information on their respective priorities and action plans and joint project appraisal missions. Cofinancing decisions relating to a growing number of projects give practical expression to these cooperative ties. […] the EIB participates in the annual general meetings of other multilateral banks, notably the World Bank and the EBRD.[170]

The cooperation between EIB and the World Bank in the area of development has a long history. The World Bank in its first decade was managed as an investment bank (Birdsall and Londoño 1997: 6).[171] The World Bank’s statutes and organisation served as a model

[167] Please note that the following thoughts are not a rigorous part of my thesis. The relationship of EIB to the World Bank would deserve a special attention, further research, and deeper elaboration. Nevertheless, I have decided to introduce what cannot be considered to be more than a hypothesis at this stage, as it contributes to creating a general background and framework to my thesis.
[168] Accessed on March 11, 2010. Of course, this number serves just the purpose of illustration. Just for comparison, ‘European Bank for Reconstruction and Development’ has almost three times more references, whereas, for example, ‘Millennium Development Goals’ have only 210 references.
[169] For example, Memorandum of Understanding aimed at enhancing donor coordination in the Middle East and North Africa / Southern Mediterranean region; Strategic Partnership in support of the economic and social development of the European Union’s partner countries in the Mediterranean region; Joint IFI/DFI Action Plan to respond to the Financial Crisis in Africa; Marseille Center for Mediterranean Integration; Extractive Industries Review; Extractive Industries Transparency Initiative, etc.
[170] *Multilateral Development Banks.*
[171] As Birdsall and Londoño (1997: 6) note, “its leadership and much of its staff brought Wall Street tenets to Washington, and its purpose with war reconstruction projects in Europe and in Japan was to realize an adequate financial rate of return to justify and sustain the existence of what was then a small bank facing many doubters in the international financial community.”

for those of EIB when it was being created.[172] Collaboration between the two institutions was most significant outside Europe following decolonisation. Close links at the staff level among specialists[173], similarity in the format of investment documents, exchange of information and statistics, etc. are all well documented in archives and "provide a clear picture of the close links that were established" (Bussière et al. 2008: 106). And indeed, the inspiration in the World Bank's developmental approach and discourse can be clearly sensed in many present EIB development related documents. Especially the issues of governance ('good governance', 'corporate governance', 'corporate social responsibility' and 'accountability')[174] and of microfinance[175] seem to be the ones where EIB is active without having published much elaborate justification, and rather relying on and following the World Bank's greater experience and expertise (although the textual dialogue between the two banks is not always explicitly referenced). It has to be stressed that it is obvious that despite these close ties with the World Bank, EIB is conceptually behind the former institution and not up-to-date with its expertise and know-how. I believe that the conclusion of 'poverty of development economics' in EIB is clear from my research.

I shall now try to sum up the main points used by EIB in its development discourse. First, EIB claims to contribute to development objectives by fostering economic growth in the target countries; in fact, economic growth is an inevitable precondition for development and the most crucial tool to achieve it according to the Bank. Second, EIB believes that the benefits of economic growth will trickle down to the poorest automatically, i.e. the growth will lift the poor from misery. Third, EIB unconditionally supports liberal economic regime, i.e. free trade, market liberalisation, and economic deregulation. Fourth, EIB considers raw material exports desirable for development. Fifth, EIB

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[172] The influence of the World Bank on the functioning of EIB has remained significant until now. See for example the 'diagnosis by World Bank experts of EIB management' in 1973 or the establishment of the 'EIB Group' as inspired by the 'World Bank Group' in 2000 (Bussière et al. 2008: 303, 226).
[173] There were not only close links among the staff of the two banks, but also a professional migration between them. Many high representatives of EIB worked in the World Bank before (and vice versa). See for example Bussière et al. (2008: 116, 198).
[174] See for example *Statement on Corporate Social Responsibility.*
[175] See for example *European Investment Bank activities in Microfinance in Africa, the Caribbean and the Pacific.*

considers prosperous private sector as essential for economic growth, and supports privatisation in developing countries. Sixth, EIB supports FDI projects in developing countries as they are said to contribute directly to economic growth and indirectly to the transfer of technologies and know-how. Seventh, EIB sees finance sectors in developing countries as a strategic instrument to achieve the objective of promoting economic growth through private sector development.

As EIB's one-dimensional fixation on economic growth is not accompanied by calls for socio-economic structural transformation, but economic growth is rather assumed to naturally result from prudent macroeconomic policies, outward orientation, and free-market capitalism, it is clear that the Bank follows the development creed of Washington Consensus. This orientation is confirmed by EIB's view of poverty, its lack of consideration of inequality and redistribution, and its ignorance of a variety of indicators in assessing economic conditions in developing countries. Support for a liberal economic regime, absolutely no critical reference to FDI, and no mention of potential clash between development objectives and economic model based on raw material exports further document that EIB's development discourse is directly influenced by the Washington Consensus development arguments. EIB's development discourse related to the public vs. private sector preference overlaps mostly with the development arguments of the Washington Consensus; it departs from it only when introducing the issue of corporate governance, where this reference is clearly attributable to the post-Washington Consensus tradition. Blending influence of the Washington Consensus and the post-Washington Consensus can be identified in the EIB's position towards the importance of finance sector development and microfinance in developing countries. One can thus conclude that overall, the Washington Consensus is the primary source of reference for the biggest part of the EIB's development discourse, whereas the post-Washington Consensus supplements this discourse on several occasions.

Summing up the discoursive practices of EIB in the area of development, the following things have to be stated. Most of the EIB texts related to development are not dialogical – they contain almost no reference to academic sources or to the stakeholders in the target countries. The minimal intertextual reference that exists can be divided in three groups – 1. the one to fellow development financiers such as the World Bank, with a strong positive identification by EIB, 2. the one to the EU external action documents, in which rather than with development policies, EIB tends to affiliate itself with other geo-political priorities of the EU (such as free trade, FDI promotion), and 3. the one to contentious voices ('antglobalisation movement'), where distancing and questioning discourse is practised. EIB's development discourse is solid and presented confidently, with little questioning. This effect is achieved by assuming 'common ground' in the questions of development, and by a skilful textual management of potential conflicts between EIB's investment activity and development, which are eventually presented as mutually reinforcing. Such discoursive techniques serve the purpose of maintaining the ideological and hegemonic views of the Bank. However, EIB not only practices this kind of development discourse, but by promoting it as an important international actor in the field, it contributes to perpetuating and maintaining it on the global level.

5 Conclusions

The previous chapter represents the core of my dissertation thesis. My contribution consists in analysing the developmental discourse of the European Investment Bank. I will sum up my conclusions and present several implications of my research in this concluding chapter. Just to remind – the questions I wanted to answer were: What are the ideological sources of inspiration for EIB's development discourse and what are the discoursive characteristics of EIB's development discourse? Before carrying out the research, I hypothesised that the Bank's development discourse is inspired by the discourse practiced by other international financial institutions, notably the World Bank, in the 1980s; i.e. by the Washington Consensus development economics thinking. Based on preliminary observations, I further assumed that EIB's development discourse forms a part of and contributes to the hegemonic development discourse of global financiers' community.

I believe that my discourse analysis has suggested that the hypotheses were not completely unsubstantiated. Regarding the first one, I concluded that EIB's development arguments are inspired primarily by the Washington Consensus, but to certain extent also by the post-Washington Consensus. As EIB's one-dimensional fixation on economic growth is not accompanied by calls for socio-economic structural transformation, but economic growth is rather assumed to naturally result from prudent macroeconomic policies, outward orientation, and free-market capitalism, it is clear that the Bank follows the development creed of Washington Consensus. This orientation is confirmed by EIB's view of poverty, its lack of consideration of inequality and redistribution, and its ignorance of a variety of indicators in assessing economic conditions in developing countries. Support for a liberal economic regime, absolutely no critical reference to FDI, and no mention of potential clash between development objectives and economic model based on raw material exports further document that EIB's development discourse is directly influenced by the Washington Consensus development arguments. EIB's development discourse related to the public vs. private sector preference overlaps mostly with the development arguments of the Washington Consensus; it departs from it only when introducing the issue of corporate governance, where this reference is clearly attributable to the post-Washington Consensus tradition. Blending influence of the Washington Consensus and the post-Washington Consensus can be identified in the EIB's position towards the importance of finance sector development and microfinance in developing countries. One can thus conclude that overall, the Washington Consensus is the primary source of reference for the biggest part of the EIB's development discourse, whereas the post-Washington Consensus supplements this discourse on several occasions.

My first hypothesis thus did quite well in the test and was confirmed from the bigger part. I was wrong to hypothesise that it is only the Washington Consensus that inspires EIB's development discourse. To a marginal extent, the post-Washington Consensus influences the discourse, too. My interpretation of this fact is that EIB's immediate institutional source of inspiration is the World Bank. The World Bank combines both discourses when producing texts on development, and it was exactly on those occasions when EIB joined the initiatives of the World Bank that the post-Washington Consensus influence could have been identified. Nevertheless, it has to be also stated that in spite of the close ties with the World Bank, EIB is conceptually behind the former institution and lags behind its expertise and know-how – this research finding is one of my original scientific contributions to the researched topic.

Regarding my second hypothesis, I think I can state that it was quite precise. I concluded that most of the EIB texts related to development are not dialogical – they contain almost no reference to academic sources or to the stakeholders in the target countries. EIB's development discourse is solid and presented confidently, with little questioning. This effect is achieved by assuming 'common ground' in the questions of development, and by a skilful textual management of potential conflicts between EIB's investment activity and development, which are eventually presented as mutually reinforcing. Such discoursive techniques serve the purpose of maintaining the ideological and hegemonic views of the Bank. However, EIB not only practices this kind of development discourse, but by promoting it as an important international actor in the field, it contributes to perpetuating and maintaining it on the global level.

Now I would like to discuss the importance and significance of my research findings. One line of criticism may suggest that the major part of the dissertation – namely the question what are the ideological inspirations of EIB in development – is just simply ill-framed: Why should it be assumed that EIB has or should have some ideological inspirations? And second, even if it has, for some social scientists it may seem just banal to hear that EIB has some sort of neoliberal development discourse, and that it is similar to the discourse practiced by other multilateral development lenders. If simplified, my conclusions that EIB accepts and perpetuates the hegemonic global development discourse of IFIs may look somewhat tautological – EIB *is* an IFI, it is a bank, and why should one expect behaviour different from other banks?

I do believe that my study makes sense exactly in addressing these questions. First, it is perfectly possible that many people (including the EIB representatives) believe that the Bank does not have to have any ideological background, that some sort of neutral commonsense can be applied. Such a position is contestable, would be very hard to defend, and I think it could be accepted only provided that the Bank's only declared objective would be increasing the rate of return on investments. However, if EIB declares that its financing in developing countries is intended to have a positive developmental impact, it is only logical to expect the Bank will elaborate how this development objective is achieved. As there are often contradictory ideological conceptions in this question, it is at this point where EIB has to assume its position. And my research shows that it clearly does assume the ideological position. My first major contribution is, to put it simply, that if justifying its investments as 'development', EIB *has* to have a development theory or ideology.

And second, even if something seems obvious, I am convinced it is necessary to test it and document it. One thing is not to be surprised to find out that EIB draws from the Washington Consensus, but the other is to be able to claim it with a certain degree of certainty as a result of a research. This is where I see my second significant academic contribution. I do agree this conclusion of mine is not a groundbreaking discovery; however, at the same time I do not see a reason to downplay its importance. Furthermore, besides documenting EIB's inspiration in the Washington Consensus, which is important in itself, my research has contributed also with some original observations regarding the specifics of EIB in the field of development. Even if compared with other IFIs such as the World Bank, EIB's development discourse is apparently much less sophisticated, one-dimensionally and anachronistically fixated on economic growth. What is further noteworthy is the lack of genuine research and expertise in development at the Bank. While it can be attributed to the lacking capacities, it is striking that even references to existing academic work are almost completely missing in its development discourse. I tend to ascribe this relative 'underdevelopment' of EIB's development discourse to the fact that the Bank had been long out of public sight, and only in the last decade has it become challenged on its operations outside the EU; however, this is only an idea for another research, probably a comparative one between EIB and the World Bank (under public scrutiny since the mid-1980s) and evolution of their development mandates and discourses. To sum up, my second contribution consists in *documenting* the ideological and institutional sources of inspiration of EIB's development discourse, including identification of its specifics when compared to other IFIs.

But third – and this is probably the most important implication, the selected ideological conception of development happens to be compatible with the interests of the Bank's shareholders. Of course, there does not have to be a causal relationship here and it can be a mere coincidence. On the other hand, however, previous research on other IFIs has shown that declared development intentions of financing activities and the selected 'development ideology' of the Washington Consensus often served just to legitimise operations in developing countries and shareholders' interest in them. I hope that my research on EIB complements this picture and contributes to the social science studying the relationships between global interests, global finance, power, and ideology. My third major academic contribution thus lies in presenting the picture of EIB as a tool working in the environment of global financial actors seeking to hegemonise global development agenda for their own benefit.

After summing up my academic contributions, I would like to perform one more task. During the course of my research, I have encountered and identified several partial areas of interest, elaboration of which would very well fit into my dissertation, but which I was not able to rigorously develop, mostly due to my capacity constraints. Nevertheless, I would like to outline them here in brief to present possible ways in which the same or similar research subject can be tackled, and I will do so also in a humble hope that someone in the future might be inspired by these suggestions. The first interesting area to scrutinise would be the historical formation and evolution of EIB's development mandate – why exactly and under what circumstances the Bank (was) decided to engage also in developing countries. The second relevant question to ask would be whether EIB is administratively apt to invest with development objectives – whether it has sufficient and qualified personnel. And the last area worth studying would be personal background and motivations of EIB's officers responsible for administering development investments.

To support my research, it would be definitely worth trying to map out the emergence and evolution of the external lending activities and of the development mandate of EIB. Why was it that the Bank, originally designed to invest only within the EU, has undertaken the role of a development financier outside the Union? Who decided on this, when and why? How was this decision later evaluated and modified? When was it that EIB started to present itself as a development bank; was it somehow pushed to do so; to what audience was this decision addressed? These are the questions for a separate research some economic historians could take on. For now, I will present only several partial observations and hypotheses which could serve as an inspiration for a bigger research enterprise.

I suppose that a very good starting point for such a research would be the book *The Bank of the European Union. The EIB, 1958-2008* published by EIB (Bussière et al. 2008) on the occasion of the 50th anniversary of its foundation. This 'academic history of the Bank' is written and edited indeed by academic historians. Nevertheless, I believe we can approach it as officially representing the Bank's view of its own history – EIB published the book, it did so without the standard disclaimer (that the publication would express only the views of its authors, not necessarily those of EIB), its president Philippe Maystadt wrote the preface, and it celebrates and promotes the book unreservedly on its website. What I shall try to perform in the following paragraphs is a small preliminary exercise – I shall put together several related quotations from the book and I will try to interpret what they indicate about the questions I have introduced.

I shall start with trying to figure out an answer to the question of why EIB has started to invest outside the EU. There can be found basically two categories of grounds in the book. The first one contains the arguments of benefaction – the EIB invests outside the EU to help the partner countries. EIB had "a moral obligation to help [developing countries …] because of a shared past or strong cultural relations" (p. 161). The Bank shared "the genuine wish for solidarity […] towards the ACP states" (p. 165). Similar statements can be found elsewhere in the book, too, and they are very general and vague, and far from being as numerous as the arguments in the latter category.

This latter category of reasons for investing outside the EU contains much more numerous, explicit and clearly defined arguments. They all serve to substantiate EIB's investments in developing countries as a tool to pursue economic interests of the EU (previously EEC) Member States. The book is quite straightforward in that the enlargement of EIB's activities outside Europe can be linked to the processes of decolonisation. Association agreements between the colonial centres such as Belgium, France (under the Yaoundé Conventions of 1963 and 1969), or Great Britain (under the Lomé Conventions of 1975 and 1979) on the one hand, and their former colonies on the other, needed to be backed up with financial provisions to facilitate their implementation. EIB had its clearly defined role in restoring the economic links between the EEC and several developing, mostly African, states after the dismantling of European colonial empires.[176]

Regarding the pattern of investing in the ACP countries since the 1960s, EIB focused on ‘viable industrial projects with positive impact on balance of payments’ (p. 105), which in practice stood for export oriented raw material extraction. In 1969 for example, 87 % of the Bank’s financing concerned the industrial sector. The majority of the industrial projects (approx. 45 %) involved mining industries. Other sectors supported by EIB included for example agri-foods or textile industry. The supported companies both in industrial sector and agriculture (plantations of rubber, palm oil and cacao) “acted as currency generators because their produce was intended for export, and were sometimes African subsidiaries of European companies” (p. 107). Besides predominantly supported export projects in mining and agriculture, EIB financed infrastructure, too – in particular road and rail links, but also ports and airports. “The aim of the interventions was to improve trade, to promote exports and to unlock particular regions” (p. 107). As an illustration of infrastructure investments in ACP, EIB presents a road it financed in Ivory Coast to link the ‘cocoa belt’ at the heart of the country to the port town of San Pedro (p. 108). If we wanted to simplify a little bit to sum up EIB’s style of financing in the ACP countries at that time, we could say the following: if financing industry, then extraction for exports; if investing in agriculture, then also products for export; if financing infrastructure, then to promote exports, or to ‘unlock’ the countries’ resources for European markets; and investing often in support of the subsidiaries of European companies.

What might be a bit of a simplification is definitely not an exaggeration. After all, EIB was just playing its part in a wider European project of cooperation with the countries of

[176] It is claimed in the book that the association agreements negotiations “presented an opportunity to refine methods and objectives, particularly those concerning the financial assistance in which the EIB was then to be involved. They also gave an opportunity to question the notion that associating the overseas countries was just a political manoeuvre designed to replace the old national forms of imperialism with a collective neo colonialism” (p. 94). However, the authors fail to specify how exactly that notion is questioned. In fact, after reading the referred to book, I am inclined to believe that it was rather precisely the way the authors question it to have been.

ACP. The quoted book (p. 164) presents the aims of the EEC-ACP Convention of Lomé in the following way:

> Over and above a genuine humanitarian aspect, it [Lomé I Convention] also aimed to consolidate trade links with these countries that represented openings for community exports, within an overall context of economic slowdown. In addition, the EEC sought to guarantee that it had easy, diversified access to the raw materials present in large volumes in some of the ACP states. Finally, the signing of these cooperation agreements enabled it to strengthen its presence in various regions of the world, which represented a geostrategic achievement in the context of international relations still dominated by the two superpowers, the USA and the USSR.

As can be clearly seen, after a very general statement of moral obligation ('a genuine humanitarian aspect') without a further specification, very concrete geopolitical and economic interests of the EEC and its Member States are presented as grounds for activities in ACP, while EIB is taken automatically as an integral tool of these activities. Similarly pragmatic reflections stood behind the enlargement of EIB' financing in another part of the globe – in Asia and Latin America. The Bank is reported to have assumed its efforts there from 1993, "mainly by supporting the development of European business activities", the geographical distribution of EIB's loans being almost identical to that of European FDI in these two continents (p. 255).

The quoted book is fairly open about the pragmatic grounds for EIB's financing outside the EEC (EU). Obviously it is because it is explicitly assumed that profitable investments in line with European geopolitical and economic interest in developing countries do not clash with the development objectives of the same countries.[177] The Bank's investments can thus be presented as 'financial assistance', 'financial aid' or even 'development aid' (p. 93). Common market with former colonial powers can therefore be portrayed as 'preserving privileged links' for the states newly formed from the dismantled colonial empires (p. 94). And finally, industrial development of these young nations can be defined as 'frequently dependent on agricultural exports and mining products' (p. 179). These and similar formulations suggest that authors of the book (and presumably also EIB representatives then and now) would have a clear answer to the question why EIB

[177] These two declared goals of cooperation – European interests and developing countries' needs – are regularly referred to in the book using supplementary expressions such as 'in addition', 'over and above' etc.

started operating outside the EEC (EU) – to promote development objectives of the target countries and to pursue European interests, both at the same time.

However, it seems that the criterion of profitability and viability of EIB financed projects takes a much higher priority. Under the Lomé Convention, 80 % of 'aid' went to countries with more advanced economies, such as Ivory Coast, Nigeria, Kenya, or Cameroon. Only those investment projects were supported that met 'strict profitability criteria' (p. 101). The book refers to the 'need for the EIB to find projects that were economically, financially and technically viable, and also to assure itself of their impact on the balance of payments' (p. 105). What one can infer from the above stated is that out of the two criteria, the one of complying with the interests of the Bank and/or EEC was decisive. The criterion of development assistance is much less often mentioned (even then in a very vague manner). Furthermore, it would not have been enough just on itself – EIB almost did not support projects that would just have positive development impacts, but would not be profitable or otherwise beneficial for the EEC Member States. The Bank has been investing predominantly in more developed countries of the region, not so much in the poorest ones.

So to sum up my point here shortly[178], my hypothesis (not tested, but just as an inspiration for further research) is that it was primarily due to the politico-economic interests of the EEC why EIB started its operation in developing countries.[179] The occasional reference to assumed developmental effects of EIB's investments was used just to support the justification of such decision. After the mounting criticism and increased attention EIB has had to face in the last decade or so, the Bank has intensified activities aiming at providing a moral and beneficent rationale to its investments outside the EU – recently it even labels itself a development bank (I have discussed this latter

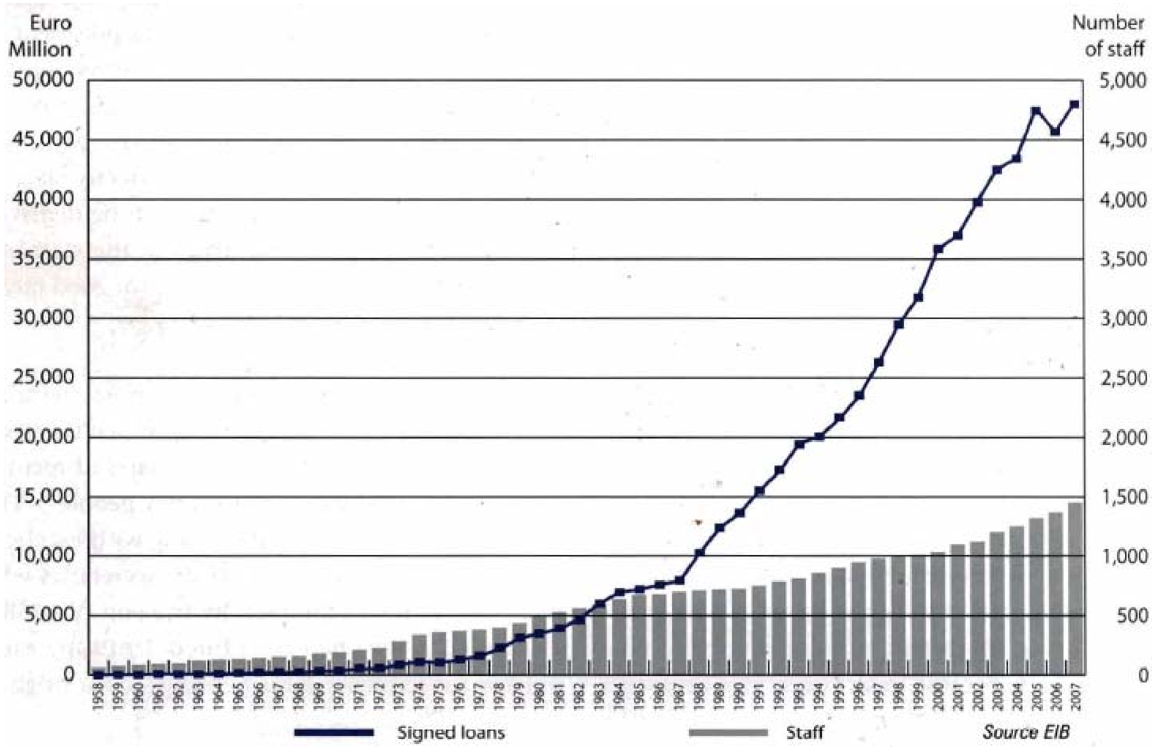
[178] I do realise that this short analysis of one particular publication was somewhat unorganically integrated to this concluding chapter. However, it was not rigorous enough to be placed in the previous chapter (the hypothesis was just presented; I have not managed to test it). Nevertheless, I do believe it was necessary to be introduced – first, as a tip for further research; and second, to present an important background to the topic researched in my dissertation.

[179] This is a conclusion not only regarding the book authors' points of view – I believe the book more or less veritably reflects the motivations of the actors (the then EEC and EIB officials) of that decision themselves.

point in this paper). I believe that it might have been convenient for the representatives of EIB and EEC to believe that EIB's operation outside the Community could foster development as well, and I believe this holds for the recent EIB representatives, too. And it thus seems only natural that they have chosen that ideology of economic development (development economics) which best suits their conviction, and have decided to ignore others (I hope to have confirmed this hypothesis in my dissertation).

The second area where I can see a potential for further research is the institutional (in)capacity of EIB to properly engage in development financing. On the one hand, the Bank proudly presents the statistics of its efficiency – they show how the slowly increasing number of personnel has been able to handle the rapidly growing number of signed investments over the last years (see Chart 3). On the other hand – when confronted about the development impact of EIB's investments – the Bank's representatives tend to claim that comparisons (in terms of staffing) with other multilateral development banks such as the World Bank are undue, as "EIB is only one component of overall EU programme" (Ziller 2008). However – and the presentation quoted in the previous sentence clearly admits this fact – EIB is a development finance institution outside the EU, and therefore it seems to make sense not to expect different from it as from other development financing institutions.

Chart 3: Staff numbers increasing more slowly than lending amounts



Source: Bussière et al. (2008: 290)

Let me therefore shortly present what the preliminary research carried out mostly by campaigning NGOs suggests. The first general conclusion is that the Bank is not staffed adequately for the size of its operations. The second conclusion is that EIB badly lacks experts in environmental, social and developmental issues. EIB has 1,500 staff compared with the 10,000 who work at the World Bank and the 1,400 who work at the French aid agency AFD. According to Wilks (2010: 12), this problem is going to increase in the coming years as EIB's corporate plan indicated that the institution was to expand its loan volume by 30 % in 2009 and again by 30 % in 2010, followed by a further increase of 15 % in 2011 compared to the previous organizational plan. This puts further strain on the institution's internal systems and staff, which are already swamped following the institution's previous rapid expansion. Between 1990 and 2007 EIB lending volume increased by a multiple of three and a half, while staff numbers only doubled (consult also Chart 3). Regarding the number of employees working in the field of development, EIB only has 200 staff to cover its work in over 150 countries and territories.

The general understaffing results also in the fact that the projects and their impacts cannot be planned and monitored too thoroughly. An electronic survey of EIB staff carried out in 2009 showed that 52 per cent of operational staff and 66 per cent of technical experts argue that time constraints often or very often affect their ability to monitor and follow up projects. Staff point out that with the pressure to achieve productivity increases measured by signed operations per staff member leaves them no other choice than to reduce monitoring to fulfil the productivity targets (Wilks 2010: 28). This lack of time capacity of ordinary EIB staff is combined with the lack of experts specialising in the field of environment, development and impact assessment. For example, a qualitative research published in 2004 (Bizzarri 2004: 27) revealed that most interviewees (EU officials, including EIB officials) were surprised to learn that where the EIB employs just one full-time environmental expert, the World Bank employs about 300.

What the critics suggest should be done if EIB wants to properly fulfil its development mandate is to increase the number of staff in general and development specialists in particular. Currently the vast majority of EIB's staff has financial, engineering or administrative backgrounds. According to NGOs, EIB should employ sufficient personnel to assess the possible development impact of risk capital and ordinary loan operations prior to the onset of operations, and to evaluate the development impact of all projects in developing countries. A serious assessment, monitoring and follow-up of each project would require additional work, different from a classical banker's job.

The conclusions on lacking staff and expert capacities of EIB presented by civic organisations are valid, I believe. Nevertheless, I also believe it would be noteworthy to carry out a more rigorous and comprehensive institutional analysis to introduce a broader picture that would, among other things, try to suggest also an answer to the question of why is it that EIB is understaffed despite its increasing lending volumes and development mandate. Right now, there are some indications – in the already quoted research, interviewed EU and EIB officials acknowledge that the understaffing of the Bank is a direct result of a conscious political decision of Member States (Bizzarri 2004: 27). The wish to "keep a light structure for the bank [and] avoid increasing the number of staff, as far as possible" is presented to have been the watchword of the EIB management committee also in the first decades of the Bank's operation (Bussière et al. 2008: 290). My preliminary hypothesis in this question (and this is how it relates to my dissertation research) is that despite the development objectives relatively recently attached to EIB financing, they serve only as labels and EIB remains to be primarily an investment bank. If this proves true, then it will be only understandable that Member States have no interest in increasing the number of staff and development experts. This is where more research will be needed.

And finally, the third area I think deserves attention is personal background and motivations of EIB's officials and officers responsible for development investments. In fact, the task of interviewing the EIB staff was originally part of my dissertation's plan; however, I have not been able to carry it out due to capacity constraints. Nevertheless, I am still convinced that in order to better map the development discourse of the Bank, it will be necessary not only to study the texts, but also those who are responsible for writing them and investing in developing countries. Regarding the background of selected EIB officials and officers, it would be worth scrutinising their educational history – what kind of schools and training they have and where they might have their development-related education from.[180] This, together with other relevant information, could be obtained during semi-structured personal interviews with selected EIB officers and officials. The questions could include: Do you believe EIB is a development bank and if so, in what sense? How do you think the EIB investments contribute to development of the target countries outside the EU? Do you think any of the development economics currents is more valid and useful for your work than the others? These are just a few examples of questions that could be asked in a further research to complete the picture of the development discourse practised by EIB as documented in this thesis.

[180] A similar, and therefore also inspirative, attempt was carried out by Fischer (2009). She studied personal trajectories of entrepreneurs ('transnational capitalist class') and neoliberal intellectuals in the mobilization of neoliberal ideas in Chile.

Resumé

Cieľom dizertačnej práce je identifikovať, ktorý smer ekonómie rozvoja inšpiruje programovanie rozvojových investícií Európskej investičnej banky (EIB) mimo EÚ a akým diskurzom sa opodstatňujú. Napriek rastúcemu významu EIB v oblasti rozvoja, neboli zatiaľ ekonomické, politické a ideologické zdroje tejto inštitúcie zmapované. Hlavná otázka, ktorú v tomto výskume kladiem, znie: Aké sú ideologické zdroje inšpirácie rozvojového diskurzu EIB? Operacionalizácia je nasledovná – je možné identifikovať a zrekonštruovať rozvojový argument EIB a dá sa o ňom povedať, že sa prekrýva s jedným zo štyroch prúdov myslenia v rámci ekonómie rozvoja? Súbežnou otázkou, ktorú sa snažím adresovať je: Aké sú diskurzívne charakteristiky rozvojového diskurzu EIB?

Ekonómia rozvoja je veľmi rozmanitá spoločenskovedná disciplína. Možno v jej rámci identifikovať mnohé smery, tradície, školy a ideológie. Pre účely práce som z **teoretického hľadiska** túto disciplínu rozdelil do štyroch viac či menej koherentných skupín:

1. Raná ekonómia rozvoja;
2. Washingtonský konsenzus;
3. Postwashingtonský konsenzus;
4. Heterodoxné prístupy ekonómie rozvoja.

Tieto štyri skupiny predstavujú mnohotvárnosť ekonómie rozvoja z hľadiska histórie a ideológie, a preto verím, že konštituujú adekvátny referenčný rámec pre rozvojový diskurz EIB.

V rozvojových krajinách EIB investuje do niekoľkých kľúčových oblastí a sektorov, ktoré sú dôležité tiež z hľadiska ekonómie rozvoja. Za účelom patričnej štrukturácie štúdie sa snažím v rozvojovom diskurze EIB vydestilovať odpovede na nasledujúce otázky:

- Čo je rozvoj a ako ho možno dosiahnuť?
- Ako vplýva na rozvoj medzinárodný obchod?

- Ako by mali rozvojové krajiny naložiť so svojimi prírodnými zdrojmi?
- Akú úlohu v rozvoji hrajú verejný a súkromný sektor?
- Aký dopad na rozvoj majú priame zahraničné investície?
- Aký dôležitý z hľadiska rozvoja je sektor finančných služieb?

Každá z uvedených otázok je pertraktovaná v textoch, ktoré EIB publikuje k téme rozvoja. Po porovnaní odpovedí na uvedené otázky v podaní štyroch prúdov ekonómie rozvoja s odpoveďami prezentovanými v textoch EIB je možné identifikovať príbuznosť diskurzu EIB s jednou alebo viacerými teóriami rozvoja. Najväčšou výzvou (a ak uspejem, aj najväčším prínosom) dizertácie tak bude identifikovať, formálne zrekonštruovať a interpretovať „kognitívnu mapu" rozvojového uvažovania a písania v EIB.

Moje **metodologické prístupy** čerpajú najmä z diela Normana Fairclougha (2003) o kritickej diskurzívnej analýze (CDA). Tá sa sústreďuje na dialektické vzťahy medzi diskurzom a inými prvkami sociálnych praktík. Texty sú prvkami sociálnych udalostí a významy textov môžu mať kauzálne účinky a privodiť zmeny. Jeden typ týchto účinkov, konkrétne ideologické efekty, je pre moju dizertáciu kľúčový, pretože tieto efekty dokážu prispieť k ustanoveniu, udržiavaniu a zmene sociálnych vzťahov moci, dominancie a vykorisťovania. Práve v tomto kontexte mocenských vzťahov skúmam texty EIB v oblasti rozvoja a snažím sa dešifrovať ideologické predpoklady, na ktorých spočívajú. Inšpirovaný Fairckloughovou CDA sa sústredím na aspekty „interdiskurzivity" a „intertextuality" textov EIB – inými slovami reflektujem, na ktorých diskurzoch sa texty EIB zakladajú a ktoré diskurzy spolu-artikulujú, a s ktorými textami nadväzujú dialóg, z ktorých čerpajú, a ktoré inkorporujú a rekontextualizujú. Rovnako sa hlásim k Fairckloughovmu pojmu „kritickej spoločenskej vedy", teda spoločenskej vedy ktorú motivuje cieľ poskytnúť vedecký základ pre kritické spochybňovanie spoločenského života z morálneho a politického hľadiska, napr. z hľadísk sociálnej spravodlivosti a moci.

EIB bola založená v roku 1958 na základe *Zmluvy zakladajúcej Európske hospodárske spoločenstvo*, aby poskytovala dlhodobé financovanie najmä v oblasti infraštruktúrnej integrácie dnešnej EÚ. EIB je dnes jednou z najväčších medzinárodných finančných inštitúcií (MFI) na svete. S portfóliom 57,6 mld. eur za rok 2008 je domovská banka EÚ zodpovedná za cca. dvojnásobok investícií Svetovej banky. Investičné portfólio, poslanie a predmet záujmu EIB sa vyvíjali a ich význam od vzniku Banky vzrástol, a tak je dnes EIB významným financovateľom rozvojových projektov po celom svete. V roku 2008 investovala mimo EÚ 6,15 mld. eur (viac než 10 % z celkového portfólia). Podľa niektorých štatistík je EIB nielen najväčšou verejnou MFI na svete, ale aj konkrétne v rozvojových krajinách (Wright 2007: 55).[181] Globálny nárast aktivít je výsledkom politického rozhodnutia Rady EÚ rozšíriť pôvodný mandát EIB. Prvý globálny mandát EIB dostala od Rady v roku 1997 (rozhodnutie 97/256/EC). EIB sa navyše v poslednom čase tiež sama začala označovať za „rozvojovú banku" EÚ.

Ako bolo už uvedené, pracujem so štyrmi **teoretickými kategóriami ekonómie rozvoja**. Raní ekonómovia rozvoja neboli jednoliatou skupinou, avšak ich hlavné argumenty majú spoločné menovatele. Všetci volali po cielenej a masívnej industrializácii, od ktorej sa očakávalo zlepšenie výmenných relácií rozvojových krajín, zmiernenie problémov ich platobnej bilancie, podpora ekonomického rastu a zníženie miery chudoby, a modernizácia spoločností. Aj keď uznávali dôležitosť funkcie súkromného sektora v rozvoji, bol to podľa nich jednoznačne štát, ktorý mal zohrať vedúcu úlohu v rozvoji a aktívne podporovať spriemyselňovanie. Čo sa týka medzinárodného obchodu, bola v rámci tohto prúdu silná tradícia, v ktorej sa kládol dôraz na štrukturálne rozdiely medzi rozvinutými a rozvojovými ekonomikami, a tiež na asymetriu medzinárodných vzťahov medzi oboma skupinami krajín. Tok investícií a úverov z rozvinutejších do rozvojových krajín sa považoval za dôležitý kvôli svojmu potenciálu prispieť k rozvoju v cieľových krajinách. Napriek tomu ale bola už v tomto období najmä ekonómami štrukturalizmu formulovaná prvá kritika a výhrady v tejto oblasti.

Rozvojová ekonómia washingtonského konsenzu vylučuje resp. nezohľadňuje štrukturálne zmeny a ak hovorí o rozvoji, tak iba v zmysle zvyšovania priemerného

[181] Táto štatistika neráta so Skupinou Svetovej banky ako s jednou inštitúciou, ale je delí na jej jednotlivé finančné inštitúcie, ako napr. IBRD, IFC, či IDA.

príjmu a produktivity. Keynesiánske recepty nahradenia dovozu a sústredenia sa na vnútorný trh sa nespomínajú a namiesto nich sa stávajú dominantnými neoklasické modely rastu založeného na exporte. Podľa teoretikov washingtonského konsenzu by mali rozvojové krajiny akurát odstrániť protekcionistické prekážky a presmerovať zdroje z nekonkurencieschopných do konkurencieschopnejších a navonok orientovaných sektorov. Čo sa týka úlohy vereného a súkromného sektora, washingtonský konsenzus jasne preferuje druhý menovaný, pretože v prvom je veľkým problémom korupcia. V dôsledku tohto postoja sa ako žiaduca politika odporúča privatizácia. Hlavným dôvodom uvádzaným v prospech privatizácie je presvedčenie, že súkromný priemysel je riadený lepšie, než tomu bolo zvykom v štátnych podnikov, kde manažéri nemohli dúfať v priamy prospech zo zisku, ktorý pomáhali vytvoriť. Washingtonský konsenzus má veľmi pozitívny postoj k priamym zahraničným investíciám, keďže majú – prostredníctvom výroby tovarov pre domáci trh alebo skrze novovytvorený vývoz – so sebou priniesť požadovaný kapitál, zručnosti a *know-how*. Tento smer ekonómie rozvoja ďalej všeobecne podporuje procesy finančnej liberalizácie a rozvoj finančného sektora, pretože majú prispieť k ekonomickému rastu a rozvoju.

Postwashingtonskému konsenzu sa podarilo obsiahnuť a mainstreamovať kritiku washingtonského konsenzu bez toho, aby musel opustiť základné metodologické a ideologické východiská štandardnej neoklasickej ekonomickej teórie. Napriek tomu táto verzia rozvoja dostáva prívlastky udržateľný, rovnostársky a demokratický. V rôznej miere sa autori uvedení v tomto prúde ekonómie rozvoja dištancujú od bezpodmienečnej podpory voľného medzinárodného obchodu. Niektorí pripúšťajú, že existuje rozdiel medzi modelovaným ideálom voľného trhu a skutočnosťou vrátane jej trhových imperfekcií. Tí ešte radikálnejší tvrdia, že ekonomická otvorenosť krajiny je z hľadiska rastu a rozvoja irelevantný faktor, alebo explicitne priznávajú, že istá forma industriálnych či protekcionistických politík môže byť žiaduca. V diskusii o význame verejného a súkromného sektora v oblasti rozvoja postwashingtonský konsenzus priznáva vládam značne väčšiu rolu, než jeho predchodca. Tento smer myslenia v rámci ekonómie rozvoja má ďalej takisto v zásade pozitívny vzťah k priamym zahraničným investíciám, ale rozlišuje medzi „enklávovými" a skutočne prospešnými investíciami. Dôležitou súčasťou postwashingtonského konsenzu je nakoniec dôraz na silné, ale rozumne regulované finančné sektory.

Heterodoxná ekonómia rozvoja je zo všetkých štyroch skupín najkritickejšia a najrozmanitejšia. V mnohom čerpá z tradície štrukturalizmu ranej ekonómie rozvoja, ale zahŕňa tiež inštitucionalistické, evolučné, marxistické, postkeynesiánske, ekologické a iné „ne-neoklasické“ prúdy ekonomického myslenia. Na rozdiel od statického konceptu neoklasickej ekonómie sú heterodoxné prístupy dynamické a zdôrazňujú vo svojich modeloch prvok zmeny. Vo svojich analýzach sa sústredia na globálne štrukturálne asymetrie kapitalistického rozvoja. Globálny kapitalizmus založený na „voľnom“ medzinárodnom obchode sa tu vo všeobecnosti berie skepticky – ako často nevýhodný pre rozvojové krajiny. Periférne ekonomiky by preto mali obmedziť prílev zahraničných investícií a iných projektov zameraných na vývoz surovín a namiesto toho by sa mali sústrediť na diverzifikáciu vývozu, budovanie vnútorných alebo regionálnych trhov so silnými štátnymi zásahmi a reguláciami. Finančný sektor sa nepovažuje za prioritu, jeho pôsobenie by malo byť podriadené skutočným rozvojovým cieľom. Niektorí heterodoxní rozvojoví ekonómovia sa zasadzujú za progresívne reformy politík, zatiaľ čo iní navrhujú fundamentálnejšie systémové zmeny v globálnom kapitalistickom svetovom poriadku.

Pri samotnej **analýze textov** sa objavuje viacero závažných odkazov. Jednoznačne v textoch EIB dominuje presvedčenie, že pre dosiahnutie rozvojových cieľov je absolútne kľúčovým a prakticky neodmysliteľným faktorom ekonomický rast. Na niektorých miestach sa dokonca zdá, že pojmy „rozvoj“ a „ekonomický rast“ sa zamieňajú a používajú ako synonymá. Podobne jednoznačne sa dá skonštatovať, že za hlavný (ak nie jediný) rozvojový cieľ sa v textoch EIB považuje znižovanie resp. zmierňovanie chudoby. Líniu uvažovania reflektovanú v dokumentoch EIB tak možno v zásade zhrnúť nasledovne: Ekonomický rast znižuje chudobu a prináša rozvoj. Pri takejto argumentácii sme svedkami toho, ako sú dva potenciálne protirečivé ciele – „rozvoj“ (v zmysle pomoci, prospešnej *primárne* cieľovým krajinám) a „investície“ (prospešné *primárne* pre EIB a jej akcionárov) – šikovne manažované: Potenciálny konflikt sa bagatelizuje tým, že sa „rozvojové investície“ prezentujú ako *win-win* dohoda prospešná obom stranám.

Interdiskurzívny odkaz na „ekonomickú a finančnú životaschopnosť projektov“, ktoré EIB podporuje, je príkladom toho, ako sa diskurz rozvoja (pomoci) rekontextualizuje vo finančníckom diskurze rentability. V stručnosti možno uzavrieť, že jednoduchá rastová stratégia, vnímanie chudoby a nedostatok ohľadu na nerovnosť a redistribúciu, ignorancia celého spektra ukazovateľov pri hodnotení ekonomickej situácie v rozvojových krajinách – toto všetko v podaní EIB – ilustruje veľmi blízku príbuznosť ekonomického diskurzu Banky s washingtonským konsenzom.

Napriek tomu, že EIB neinvestuje do programov reforiem resp. transformácie (ako napríklad Svetová banka), a teda nemôže vlastnou investičnou aktivitou dokumentovať svoje preferencie ohľadom ekonomických politík, v jej diskurze možno zaznamenať hodnotiace stanoviská napr. k otázkam medzinárodného voľného obchodu, trhovej liberalizácie, či ekonomickej deregulácie. Liberálne hospodárske politiky v zásade EIB prezentuje ako žiaduce, čo v žiadnom prípade nemožno povedať o politikách intervencionistických. Je len jeden prúd ekonómie rozvoja, ktorý sa k tejto oblasti stavia rovnako neproblematicky, ako EIB, konkrétne washingtonský konsenzus.

EIB tak vcelku jednoznačne podporuje myšlienku voľného trhu a ekonomickej otvorenosti. Konkrétnou oblasťou, kde EIB investuje s cieľom prispieť k rozvojovým cieľom a s presvedčením, že vývoz surovín je z hľadiska rozvoja žiaduci, je ťažba. Podľa EIB príjmy z vývozu vyťažených surovín zabezpečia rozvojovým krajinám potrebné devízové prostriedky a verejný rozpočet bude profitovať zo súvisiacich daní a poplatkov. EIB sa tiež spolieha vo svojej argumentácii na to, že pracovné miesta vytvorené v ťažobnom priemysle zlepšia sociálnu situáciu chudobných. Absolútne žiadna zmienka o potenciálnom rozpore medzi rozvojovými cieľmi a ekonomickým modelom vývozu surovín slúži ako ďalší príklad toho, že EIB sa inšpiruje ekonómiou rozvoja washingtonského konsenzu. Podobne ako v prípade liberálneho ekonomického režimu, aj v prípade otázky, či je exportne orientovaná ťažba vhodnou rozvojovou stratégiou, obsahujú v tejto oblasti zvyšné tri prúdy ekonómie rozvoja aspoň nejakú kritickú polemiku.

Konkrétnym a najdôležitejším príspevkom EIB k deklarovaným rozvojovým cieľom je v prvom rade investovanie do súkromného sektora v rozvojových krajinách. Logika tohto prístupu, ktorý sa odráža v drvivej väčšine skúmaných dokumentov EIB, sa dá z rozvojového hľadiska zhrnúť nasledovne: Podpora súkromného sektora vedie k hospodárskemu rastu a ten znižuje chudobu. Veľmi úzko súvisiacim cieľom je tiež privatizácia, ktorú EIB vo svojich textoch prezentuje ako žiaducu stratégiu z hľadiska rozvoja. Tento postoj nie je podrobne rozpracovaný resp. systematizovaný a úlohou textov EIB podľa všetkého nie je rozoberať históriu myslenia v rámci ekonómie rozvoja. Avšak pri jednej príležitosti napriek tomu EIB robí historický exkurz to pochopenia úlohy a výkonnosti súkromného verzus verejného sektora – s výsledkom, že sa jednoznačne prikláňa na stranu teoretikov washingtonského konsenzu. Najčastejšie uvádzaným dôvodom v prospech nadradenosti súkromného sektora je konkurencieschopnosť resp. pôsobenie tlaku prežiť uprostred trhových síl – veľmi podobné úvahy a argumentácia sa dajú vystopovať aj v textoch EIB.

„Dobrá správa a riadenie spoločnosti“ (*corporate governance*) možno nie je v rozvojovej argumentácii EIB až tak významnou témou, ale stále ju možno považovať za dôležitú, pretože sa k nej odkazuje čoraz viac a viac a úzko súvisí s predchádzajúcou diskusiou o úlohách verejného a súkromného sektora. Je to pomerne nový koncept a dvojnásobne to platí pre EIB. Tá prijala diskurz a snahy iných rozvojových finančných inštitúcií, najmä Svetovej banky, ktorá koncept zaviedla skôr. Oddanosť EIB tomuto konceptu dobrovoľnej sebaregulácie korporácií možno veľmi ľahko v textoch EIB identifikovať a dokumentovať. V oblasti preferencií a postojov k úlohám a významu verejného a súkromného sektora tak možno uzavrieť, že rozvojový diskurz EIB sa z najväčšej miery prekrýva s rozvojovými argumentmi washingtonského konsenzu. Od tejto tradície sa odkláňa len pri téme *corporate governance*, kde možno referencie celkom jasne pripísať postwashingtonskému konsenzu.

EIB celkom otvorene podporuje projekty priamych zahraničných investícií v rozvojových krajinách. Chce tak priamo prispieť k hospodárskemu rastu a nepriamo k transferu technológií a *know-how*, pričom vychádza z predpokladu, že tieto priame vplyvy a nepriame *spillovers* budú pre cieľové rozvojové krajiny prospešné. Jedinou tradíciou ekonómie rozvoja, ktorá má bezvýhradne kladný vzťah k priamym zahraničným investíciám, je washingtonský konsenzus, ostatné tri prúdy majú diferencovanejší postoj.

Ďalším kľúčovým sektorom v rozvojových krajinách, kam je EIB ochotná investovať s cieľom prispieť k rozvoju je sektor finančných služieb. V rámci finančného sektora hrajú mimoriadnu úlohe mikrofinancie. Po prvé, EIB považuje mikrofinancie za dôležitý nástroj v snahách zmierňovať chudobu. Po druhé, EIB je sebavedomá čo sa týka svojej odbornosti v tejto oblasti. Po tretie, EIB chce mikrofinančné iniciatívy podporiť, aby pomohla chudobným, ale zároveň verí, že svojou podporou tiež vyšle signál, ktorý pritiahne ďalších investorov. Rozvoj finančného sektora hrá ústrednú úlohu vo washingtonskom konsenze a v postwashingtonskom konsenze. Prvý menovaný prúd sa všeobecne kladne staval k finančnej liberalizácii a k rozvoju finančného sektora, pretože mali podporiť ekonomický rast, a teda zabezpečiť v cieľových krajinách rozvoj. Druhá uvedená tradícia uznáva dôležitosť finančného systému pre rast a rozvoj, ale na rozdiel od svojho predchodcu trvá na tom, že sú nevyhnutné sprievodné opatrenia – ustanovenie náležitého právneho rámca, regulácia finančného sektora a dohľad nad ním. V textoch EIB sa možno stretnúť s oboma pozíciami – prvá je prítomná vo väčšine dokumentov, zatiaľ čo druhú možno nájsť v jednej správe týkajúcej sa práve finančných sektorov v partnerským krajinách EIB.

V dizertačnej práci viackrát odkazujem na každoročne publikované **správy o ekonomickej situácii partnerských krajín** EIB, ktoré vydáva jej špecializovaný inštitút s názvom Poradenská služba pre ekonomické otázky rozvoja (*Development Economics Advisory Service*, DEAS). Spomedzi všetkých skúmaných dokumentov EIB si práve tieto správy zaslúžia osobitnú pozornosť. Fakt, že správy nepublikuje kmeňový personál EIB, ale odborníci z analytickej jednotky DEAS, je dôležitý. Nie je totiž jasné, či je jej jedinou kompetenciou publikovanie uvedených správ a poskytovanie iných poradenských služieb. Táto otázka je zaujímavá nielen preto, že správy z dielne DEAS sú pomerne najlepšie prepracované v otázkach rozvoja, ale tiež preto, že sa v istých bodoch odkláňajú od „mainstreamu" rozvojového diskurzu EIB.

Pri analýze ideologických inšpirácií správ z DEAS sa ukázalo, že sú komplexnejšie, než zvyšok textov EIB, a preto je ťažšie z nich vydestilovať koherentný ideologický odkaz. Je pomerne zrejmé, že by v nich bolo skutočne ťažké nájsť inšpirácie v ranej ekonómii rozvoja, či v heterodoxnej rozvojovej ekonómii – aspoň mne sa to nepodarilo. Na druhej strane ale možno v správach nájsť množstvo príkladov inšpirácie vo washingtonskom i v postwashingtonskom konsenze. Je ťažké povedať, ktorá z tradícií prevláda. Môj záver ohľadom správ je, že predstavujú pomerne progresívny (stále v rámci hraníc neoklasickej ekonómie) hlas (pravdepodobne jediný) vo vnútri EIB a pripomínajú výstupy výskumných oddelení Svetovej banky, z ktorých sa očividne učia a na ktoré často odkazujú. DEAS i výskumné skupiny Svetovej banky sa pohybujú na rozhraní, keďže pracujú pre banky s priamočiarymi „rozvojovými" aktivitami (washingtonský konsenzus), ktoré sú pod paľbou kritiky, no zároveň im musia poskytovať pomerne sofistikovanú legitimizáciu (postwashingtonský konsenzus) týchto aktivít, ktorá im pomôže spomenutej kritike čeliť. Ako sa uvádza vo viacerých akademických zdrojoch, konkrétne pôsobenie a aktivity globálnych poskytovateľov rozvojových financií sa menia veľmi pomaly. Čo sa ale rozvíja omnoho dynamickejšie, je diskurz „novej ekonómie rozvoja" (postwashingtonský konsenzus), ktorý pomáha maskovať stagnujúcu realitu. Myslím si, že oddelenie DEAS a jeho správy sú súčasťou tohto fenoménu.

Ďalší záver – resp. sada záverečných úvah a otázok – ohľadom správ DEAS sa týka ich úlohy a funkcie v rozvojovom diskurze EIB. Mierny nesúlad medzi správami a zvyškom textov EIB odráža skutočnosť, že Banka nie je monolitická inštitúcia a že sa môže rôznym aktérom javiť inak a vystupovať voči nim inak. Keďže správy nie sú plne v súlade so zvyškom textov EIB, vzniká pokušenie pýtať sa, komu sú určené. Napríklad v práci analyzovaný nesúlad v otázke rozvoja finančného sektora napovedá, že vedenie EIB sa nespráva podľa zistení odborníkov z DEAS. Správy DEAS sú navyše verejne dostupné. Tieto dve skutočnosti môžu priviesť k myšlienke, že správy nie sú určené do vnútra EIB, ale vonkajšiemu prostrediu. A napriek tomu, že niekedy spochybňujú dominantnú časť rozvojového diskurzu EIB, som presvedčený, že sú jeho súčasťou – slúžia na to, aby zvýšili odborný a vedecký kredit EIB, a tak jej pomohli legitimizovať jej aktivity v oblasti rozvoja.

Na rozvojovom diskurze EIB je zarážajúca absencia textového dialógu s akademickou sférou, ale aj s inými relevantnými aktérmi (miestne komunity v lokalite financovaných projektov, mimovládne organizácie atď.). Vynára sa otázka, skade teda EIB vlastne čerpá aj tie minimálne poznatky nevyhnutné aspoň na onálepkovanie svojich investícií za investície „rozvojové". Jednou z mnou identifikovaných možných odpovedí je: Z rozvojového diskurzu, ktorý praktizujú iné MFI, najmä Svetová banka. Nakoľko je to možné posúdiť, prakticky každý odkaz EIB na Svetovú banku je pozitívny – referuje sa k partnerstvám a spolupráci medzi oboma bankami na spoločných projektoch, iniciatívach, akčných plánoch, programoch, memorandách porozumenia a pod. Spolupráca medzi EIB a Svetovou bankou v oblasti rozvoja má dlhú tradíciu. Aj Svetová banka bola počas svojich prvých desiatich rokov spravovaná ako investičná banka. Stanovy a organizačné usporiadanie Svetovej banky slúžili ako model pre EIB v čase, keď sa zakladala. Spolupráca medzi oboma MFI mimo Európy sa zintenzívnila po dekolonizácii. Blízke vzťahy medzi odborným personálom oboch bánk, podobnosť formátu investičných dokumentov, výmena informácií a štatistík, a pod. – to všetko je solídne zdokumentované v archívoch a poskytuje jasný obraz o blízkom prepojení. Je faktom, že inšpiráciu rozvojovým prístupom a diskurzom Svetovej banky možno jasne badať v mnohých aktuálnych textoch EIB publikovaných vo veciach rozvoja. Sú to obzvlášť témy správy a riadenia spoločnosti (*good governance*, *corporate governance*, *corporate social responsibility*) a mikrofinancií, kde je EIB aktívna bez toho, aby k nim publikovala adekvátne materiály, a kde sa podľa všetkého skôr spolieha na väčšie skúsenosti a expertízu Svetovej banky (tento záver možno učiniť aj napriek tomu, že textový dialóg medzi oboma bankami nie je vždy explicitne potvrdený priamymi citáciami).

Záverom sa pokúsim zhrnúť podstatné charakteristiky rozvojového diskurzu EIB. Po prvé, EIB tvrdí, že prispieva k rozvojovým cieľom tak, že podporuje v cieľových krajinách ekonomický rast – ten EIB fakticky považuje za nevyhnutný predpoklad rozvoja a za najdôležitejší nástroj na jeho dosiahnutie. Po druhé, EIB je presvedčená, že prospech z hospodárskeho rastu automaticky presiakne k najchudobnejším, a tak im vlastne pomôže chudobu prekonať. Po tretie, EIB je bezvýhradne pozitívne naklonená liberálnemu ekonomickému režimu, teda voľnému obchodu, trhovej liberalizácii a ekonomickej deregulácii. Po štvrté, EIB považuje vývoz surovín za rozvoju prospešný. Po piate, EIB považuje prosperujúci súkromný sektor za nutnosť z hľadiska podpory ekonomického rastu a v rozvojových krajinách tiež podporuje privatizáciu. Po šieste, EIB podporuje v rozvojových krajinách projekty priamych zahraničných investícií, pretože majú priamo prispieť k hospodárskemu rastu a nepriamo k transeru technológií a *know-how*. Po siedme, EIB považuje finančné sektory v rozvojových krajinách za strategický nástroj na dosiahnutie cieľa podpory ekonomického rastu prostredníctvom rozvoja súkromného sektora.

Keďže jednorozmernú fixáciu na ekonomický rast v podaní EIB nesprevádzajú požiadavky socio-ekonomickej transformácie, a skôr sa očakáva, že ekonomický rast prirodzene vyplynie z opatrných makroekonomických politík, vonkajšej orientácie ekonomiky a z kapitalistického voľného trhu, je zrejmé, že EIB sa drží kréda washingtonského konsenzu. Takúto orientáciu EIB potvrdzuje svojím pohľadom na problém chudoby, nezohľadňovaním nerovnosti a redistribúcie, a ignoranciou celého spektra indikátorov pri posudzovaní ekonomickej úrovne rozvojových krajín. Kvitovanie liberálneho ekonomického režimu, totálna absencia kritických zmienok ohľadom priamych zahraničných investícií, a nezohľadnenie potenciálneho rozporu medzi rozvojovými cieľmi a ekonomickým modelom vývozu surovín – to všetko ďalej potvrdzuje, že rozvojový diskurz EIB je priamo ovplyvnený rozvojovou argumentáciou washingtonského konsenzu. Rozvojový diskurz EIB v oblasti významu súkromného a verejného sektora sa najviac prekrýva s washingtonským konsenzom. Odkláňa sa od neho v téme „správy a riadenia spoločnosti“ (*corporate governance*), kde je zjavný odkaz na prúd postwashingtonského konsenzu. Zmes vplyvov washingtonského konsenzu a postwashingtonského konsenzu možno tiež identifikovať v stanovisku EIB ohľadne dôležitosti rozvoja finančného sektora a mikrofinancií v rozvojových krajinách. Možno vo všeobecnosti uzavrieť, že washingtonský konsenzus je primárny zdroj referencie pre väčšiu časť rozvojového diskurzu EIB a postwashingtonský konsenzus tento diskurz pri istých príležitostiach dopĺňa.

Práve zhrnutý rozvojový diskurz EIB sa prezentuje neproblematicky a nedialogicky, bez akéhokoľvek odkazu na akademický výskum, či na postoje zúčastnených strán v rozvojových krajinách. To minimum intertextuálnych odkazov, ktoré možno nájsť, sa dá rozdeliť do troch skupín – 1. odkazy na spriatelené inštitúcie poskytujúce rozvojové financie (napríklad na Svetovú banku), pri ktorých možno pozorovať silnú a pozitívnu identifikáciu zo strany EIB, 2. odkazy na dokumenty EÚ z oblasti vonkajších vzťahov, pri ktorých má EIB sklon stotožniť sa skôr s vybranými geopolitickými prioritnými politikami (voľný obchod, podpora priamych zahraničných investícií, energetická bezpečnosť), než s rozvojovými politikami EÚ, a 3. zriedkavé a príležitostné odkazy na protikladné hlasy („antiglobalizačné hnutie"), pri ktorých diskurz EIB pôsobí spochybňujúco a s ostentatívnym dištancom. Rozvojový diskurz EIB je prezentovaný neoblomne a suverénne, bez pochybností. Takýto dojem sa dosahuje zaujatím „spoločnej základne" v otázkach rozvoja a zručným textuálnym narábaním s potenciálnymi konfliktami medzi investičnou aktivitou EIB a rozvojom, ktoré sa nakoniec prezentujú ako vzájomne sa posilňujúce. Takéto diskurzívne techniky slúžia účelu zachovať ideologické a hegemonické postoje EIB. EIB však tento diskurz nielen praktizuje, ale jeho podporou z pozície dôležitého medzinárodného aktéra v oblasti rozvoja aj prispieva k jeho zachovaniu a posilneniu.

Vybraná ideologická koncepcia rozvoja je kompatibilná so záujmami akcionárov EIB. Samozrejme v tomto vzťahu nemusí nevyhnutne pôsobiť kauzálna väzba a môže byť, že je to len náhoda. Avšak na druhej strane doterajší výskum o iných medzinárodných finančných inštitúciách poukázal na skutočnosť, že deklarované rozvojové úmysly investičných aktivít a vybraná „rozvojová ideológia" washingtonského konsenzu často slúžili na legitimizáciu pôsobenia v rozvojových krajinách a krytie tamojších akcionárskych záujmov. Dúfam, že môj výskum o EIB prispieva do tejto mozaiky svojím dielom a že ho možno tiež považovať za nie nezaujímavý príspevok do spoločenských vied, ktoré sa zaoberajú štúdiom vzťahov medzi globálnymi záujmami, mocou a ideológiou.

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