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La política de préstamos del Banco Europeo de Inversiones – Relaciones con el riesgo país

The lending policy of the European Investment Bank – Relations with country risk

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ABSTRACT

The European Investment Bank is the EU's financial institution par excellence. Apart from having played a fundamental role in the process of European integration, the Bank has become one of the most important multilateral lenders in the world. Nevertheless, it is one of the most neglected institutions when it comes to academic work. The objective of this dissertation is to shed some light on the Bank's modus operandi, focusing primarily on its lending policy. With the purpose of trying to elucidate what are the motives behind the Bank's policy of allocation of loans, country risk indices for each EU Member State have been constructed. The period selected has been 1995-2015 and *'general government gross debt'*, *'general government deficit/surplus'*, *'interest rates'*, *'unemployment'* and *'corruption'* have been the variables considered of interest for the study. There exists a wide range of techniques for the analysis of country risk and, since there is no consensus among scholars on which is the most appropriate methodology, the selection of the method or technique depends on the researcher's judgement. For this dissertation, there has been chosen a *'weighted checklist method'*, which consists in assessing a country's CR level basing on the nation's performance in each of the selected variables, being the final score the sum of all the values obtained in each of them. Sub-indices for easing the analysis and the classification of countries have been created as well. One difficulty researchers have to face when constructing CR indices is the lack of homogeneity in the database. Most of the variables are expressed in different scales, thus a normalisation process is required.

The results obtained from the analysis show the existence of a positive linear correlation between the two variables studied. This implies that, for the period 1995-2015, the higher the CR level a EU Member State had, the higher the amount of EIB loans it received. Despite the existence of some exceptions, this assertion could be considered as a general tendency which, however, was stronger at the beginning of the period, but did lose momentum in recent years.

Keywords: European Investment Bank (EIB), lending policy, country risk, loans, European Union (EU), International Financial Institution (IFI)

RESUMEN

El Banco Europeo de Inversiones es la institución financiera de la UE por excelencia. Además de haber jugado un rol fundamental en el proceso de integración europea, el Banco se ha convertido en uno de los prestamistas multilaterales más importantes del mundo. Sin embargo, se trata de una de las instituciones más descuidadas en lo que respecta a estudio académico. El objetivo de este trabajo es arrojar algo de luz sobre el modus operandi del Banco, centrando especialmente el foco en su política crediticia. Con el propósito de tratar de dilucidar cuáles son los motivos detrás de la política de asignación de préstamos del Banco, se han construido índices de riesgo país para cada uno de los Estados Miembros de la UE. El período seleccionado ha sido 1995-2015 y *'deuda pública'*, *'déficit público'*, *'tipos de interés'*, *'desempleo'* y *'corrupción'* las variables consideradas de interés para el estudio. Existe una amplia gama de técnicas para la realización de un análisis de riesgo país y, dado que no existe consenso entre académicos con respecto a cuál debe ser la metodología más apropiada a emplear, la selección del método o las técnicas depende de las preferencias y el juicio del investigador. Para este trabajo, se ha seleccionado un 'método de lista de verificación ponderada', el cual consiste en evaluar el nivel de riesgo país de un Estado basándose en el desempeño presentado por el mismo en cada una de las variables seleccionadas, siendo la puntuación final la obtenida de la suma de todos los valores presentados en cada una de ellas. Además, las variables se han agrupado en subíndices con el fin de

facilitar el análisis y la clasificación de los países. Un problema al que se enfrentan los investigadores cuando miden el riesgo país es la falta de homogeneidad en la base de datos. La mayoría de las variables suelen ir expresadas en diferentes escalas y, por tanto, es necesario realizar algún proceso de normalización de los datos.

Los resultados obtenidos en el análisis muestran la existencia de una correlación lineal positiva entre las dos variables estudiadas. Esto implica que, para el período 1995-2015, cuanto mayor fue el nivel de riesgo país que presentó un Estado Miembro, mayor cantidad de préstamos recibió del BEI. A pesar de la existencia de algunas excepciones, esta afirmación puede considerarse como una tendencia general, la cual, no obstante, era más fuerte al principio del periodo, pero ha perdido fuerza en los últimos años.

Palabras clave: Banco Europeo de Inversiones (BEI), política crediticia, riesgo país, préstamos, Unión Europea (UE), Institución Financiera Internacional (IFI)

1. INTRODUCTION

The International Financial Institutions (IFI) have been assumed to be a major player in economics and politics in the last decades. Institutions as the World Bank (previously IBRD) or the International Monetary Fund (IMF), both envisaged and created at the Bretton Woods conference in 1944, take part of the international economic system by making loans and disbursing grants (especially the first one), as well as by setting policy conditions and giving guidelines to their Member States, influencing this way *"the lives of the vast majority of the world's people"* (Peet 2009, p. 66).

In the framework of the European Union, one of the most important IFI is the European Investment Bank (EIB), created in 1958. This institution, along with the European Social Fund (1957), was founded during the creation of the European Economic Community in order to prevent the newly-conceived Common Market from worsening the economic situation of those less favoured areas of the Community (Licari 1969; Pérez-Solórzano Borragán & Cini 2013). Considered as the main institution *"channelling into Community countries finance from the world's capital markets"* (Lewenhak 1982, p. 1), it is one of the most important multilateral lenders in the world. Having exceeded the World Bank since 1994 in regard to the yearly lending volume (Robinson 2009; Clifton et al. 2014), it is incomprehensible how neglected in terms of academic analysis this institution has been since its foundation.

Since the existing literature about the EIB is yet scarce, this dissertation aims at shedding light on the institution's functioning. One of the main aspects subject to debate is the Bank's lending policy. Many scholars have argued about its biased character, questioning whether the Bank acts more on its own benefit rather than on behalf of the benefit of its Member States, especially in recent years (Griffith-Jones et al. 2012; Clifton et al. 2014; Griffith-Jones & Tyson 2013; Kollatz-Ahnen 2013). In this framework of critics, it has been considered interesting to study whether there is a relation between the country risk level of each EU Member State and the amount of loans it receives from the Bank. For that reason, there have been created country risk indices of each EU Member State for the period 1995-2015 and then compared with the Bank's lending trends during that period. The time range 1995-2015 has been selected due to data availability. The data for the creation of the indices has been extracted from AMECO, EUROSTAT and Transparency International databases (EC 2017a; EC 2017b; TRANSPARENCY INTERNATIONAL 2017). For the data regarding the Bank's loans, the official database of the EIB (EIB 2017) has been used, as well as the one elaborated by authors Díaz-Fuentes et al. (2017)[1].

The structure of this dissertation will be the following. Firstly, a contextualisation of the European Investment Bank is made, focusing on the existing literature about the institution, its origins, reasons for creation, structure and sources of funding. An overview of its main lending trends for the period 1958-2017 is also provided. Secondly, the methodology used for constructing the country risk indices is explained. Afterwards, an empirical analysis of the results obtained is presented, proceeding to study the relation existing between the results provided by the country risk indices and the Bank's lending trends (1995-2015). The dissertation concludes with an overview of the main findings attained by this study.

[1] Access courteously provided by authors Díaz-Fuentes and Gómez.

2. THE EUROPEAN INVESTMENT BANK: CONTEXTUALISATION

2.1. LITERATURE REVIEW

Many authors have analysed the European Investment Bank from different perspectives.

Bussière et al. (2008) have provided an overview on the first fifty years of the institution (1958-2008), making a detailed analysis of its distinct phases. On this line, other works have focused on the origins, functioning and early years of the EIB (Licari 1969; Lewenhak 1982), while authors like Díaz-Fuentes et al. (2017) have also studied its evolution over time.

Each Member State has its own view on which should be the direction and the goal set for the Bank. Scholars like Coppolaro (2009) have echoed these positions.

In the recent decades, the public policy role of the EIB in financing new initiatives and projects has been thoroughly analysed (Honohan 1995; Clifton et al. 2014).

Academic work on the role of the Bank in the developing world has been published as well (Griffith-Jones & Tyson 2013), with some scholars and organisations being especially critical on its discourse and performance in this area (WEED 2008; Lesay 2010; Wilks 2010).

The institution's potential and relevance has been studied by Robinson (2009), who sheds light on its 'catalytic effect' and on how neglected this IFI has been. Other authors have also highlighted the key role the EIB must play in the crises, emphasising the need for a change in mentality, betting more for the whole social interest rather for its own (Griffith-Jones et al. 2012; Kollatz-Ahnen 2013).

2.2. THE BANK

Created in 1958, the European Investment Bank (EIB) has become the main financial institution of the European Union (EU). Founded during the creation of the European Economic Community (EEC), it was conceived as the ideal organisation to channel into EEC Member States substantial funds borrowed from the international capital markets (Lewenhak 1982; Coppolaro 2009). The six founding members of the EEC, Belgium, France, Italy, Luxembourg, the Netherlands and West Germany, wanted to create a long-term lending body able to boost integration, cohesion and a balanced development (Pérez-Solórzano Borragán & Cini 2013). The main target would be the less developed regions, as was the case with the South of Italy (region known as the Mezzogiorno). This Member State, Italy, was one of the *"most insistent on the creation of the Bank"* (Licari 1969, p. 194), since it was expected to be the main recipient of the Bank's funds, especially on its early years (Díaz-Fuentes et al. 2017).

The EIB was constituted in the framework of the Treaty of Rome (1957). Articles 3(j) and 129 of the Treaty address the establishment of the Bank, while Article 130 concerns its main commitment[2].

Since its foundation, the objective of Bank has been subject to debate by its Member States. The Treaty of Rome negotiations were already biased towards each government's interests and aims, marked by the differences of their diverse economic structures (Coppolaro 2009). This polarisation of opinions was represented by the

[2] *"The task of the European Investment Bank shall be to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the Common Market in the interest of the Community."* (EEC 1957, Art.130)

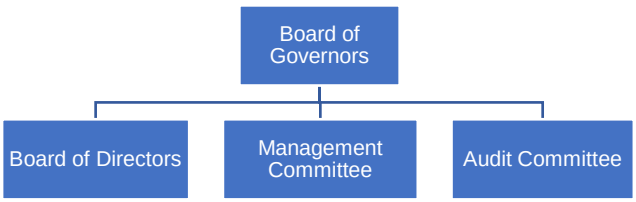
positions of Germany and Italy, each nation presenting opposed views. On one hand, Germany opted for creating a bank able to raise funds in the international capital markets, financing only viable and strategic projects. Italy, on the contrary, wanted to establish a fund able to manage the institution's budget resources with the purpose of boosting economic development and helping the least developed regions (Díaz-Fuentes et al. 2017). In the end, the EIB was set up as a bank able to participate, with autonomy of action, in the world's capital markets to raise funds in the best possible conditions in order to help to boost economic development, cohesion and the progress of the least developed regions, combining this way both approaches (Coppolaro 2009). For this purpose, and as it is stated in its Statute, the Bank will support[3] projects belonging to at least one of the following categories, always operating on a non-profit-making basis:

a) *projects for developing less-developed regions;*
b) *projects for modernising or converting undertakings or for developing fresh activities called for by the establishment or functioning of the internal market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States;*
c) *projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.*

(EEC 1957 Art. 130; EIB 2013 Art. 309)

The structure of the Bank is rather simple. Over its almost sixty years of existence, it has not changed much. The three main bodies of the EIB are the Board of Governors, the Board of Directors and the Management Committee (see **Figure 2.2.1.**). As stated in Art.7 of the Bank's Statute, the main task of the Board of Governors is to *"lay down general directives for the credit policy of the Bank, in accordance with the Union's objectives"*. This body has among its functions appointing members of the Board of Directors and the Management Committee, as well as making decisions regarding the capital subscribed, the loans made and the policies implemented by the Bank, being decisions normally adopted through majority (in some cases, qualified majority voting)[4]. It is composed of the Finance Ministers of each Member State, aspect that undermines the institution's independence, as authors like Díaz-Fuentes et al. (2017) have wisely stated. The second body, the Board of Directors, is responsible for the operations of the Bank. Acting unanimously, it is competent to take any decision concerning these operations, as well as those regarding the granting of funding and guarantees. Finally, the Management Committee, as stated in Art.11 of the Bank's Statute, is *"responsible for the current business of the Bank, under the authority of the President and the supervision of the Board of Directors"*. (EIB 2013)

Figure 2.2.1. Main structure of the European Investment Bank (2013) – Statutory bodies



Source: EIB Statute (EIB 2013)

[3] *"In carrying out its task, the Bank will facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Union Financial Instruments."* (EEC 1957, Art.130)
[4] *"Save as otherwise provided in this Statute, decisions of the Board of Governors shall be taken by a majority of its members. This majority must represent at least 50% of the subscribed capital. A qualified majority shall require eighteen votes in favour and 68% of the subscribed capital. Abstentions by members present in person or represented shall not prevent the adoption of decisions requiring unanimity."* (EIB 2013, Art.7)

The 'control' of the Bank is distributed unevenly among its Member States, mainly due to the designation of the 'Alternate Directors', who assist the 'Directors'. The Board of Directors is formed by twenty-nine 'Directors' and nineteen 'Alternate Directors', all appointed by the Board of Governors. The 'Directors' are nominated one by each Member State, and one by the European Commission. However, the nomination of the 'Alternate Directors' is different (see **ANNEX Table 7.1.**). There are some Member States that have more nominations allocated than others, implying this more control over the Bank. Initially, this depended on the capital subscribed by each member. These amounts of capital have been changing along the history of the institution, however, the basic structure of the Bank has remained the same (Díaz-Fuentes et al. 2017).

The main sources of funding of the EIB are the funds raised in the international capital markets and the capital subscribed by its Member States. In **ANNEX Table 7.2.**, the evolution of this last source of funding is shown. When the Bank was established, the two Member States that contributed most were France and Germany. Subsequently, Italy and United Kingdom joined the group of the main contributors (the four contribute the same amount). Other Member States like Spain, Belgium and the Netherlands have followed them closely. The percentage of payment of each State has barely varied over time. The only noteworthy changes have been those made when new States have accessed the EU and thus the EIB, as was the case with the 2004 enlargement. During the first years after its creation, the main source of funding were its own resources, i.e. the capital subscribed by each Member State. Nowadays, most of the financial resources the EIB possesses are raised in the world capital markets.

2.3. MAIN LENDING TRENDS (1958-2017)

The flow of loans provided by the EIB to EEC-EU Member States has notably influenced the evolution of the region since the institution was created in 1958. The distribution of funding has been changing over time, adapting to the historical circumstances and the new challenges facing the Union.

As shown in **Table 2.3.1.**, there have been established four different periods of time with the purpose of easing the analysis of the main lending trends of the Bank. Only the loans the EIB has made to EEC-EU Member States have been considered. Those made to developing countries, in which the Bank also has presence, have not been included in the analysis. The data used has been extracted from the EIB Archives on Projects Financed (EIB 2017).

1958 – 1972

During the first fifteen years of the Bank, the main recipient of loans was Italy (57% of total), the least developed State of 'the Six'. The funds mainly targeted Italy's most depressed region, the Mezzogiorno (Clifton et al. 2014). Other members like France or Germany did also attract substantial amounts of finance (23% and 13%, respectively). Luxembourg, the Netherlands and Belgium were the countries to receive the lowest percentages, accounting for only 5% of the total loans made by the EIB in this period. Even so, the Bank complied with its Statute and supported the less developed regions of the Community. In a period during which the first initiatives for integration were launched, the Bank wanted to boost cohesion and diminish the great differences existing among the diverse regions of the Member States.

One of the key roles the EIB has played for the EU over the years has been to facilitate the entrance of the new Member States. The mission of the Bank was to 'prepare' the new member through the provision of loans prior to its accession, thus helping the country to 'adjust' its economy to the standards of the Community. In this first period, this is the case of Greece, which entered the EEC in 1981 but was already receiving EIB

loans in 1963. This policy has been habitual in the Bank's modus operandi since the first enlargement took place in the early 1970s.

During this period, the total amount of funding provided to EEC Member States was 2523'4 million €.

1973 – 1987

Italy continued to be the main recipient of loans in the following period, attracting 43% of total funding. The UK and France were the other two main targets of the Bank, receiving 17% and 14%, respectively. The EIB showed less attention in Germany, which attracted, in relative terms, less amount of finance than in the previous period (from 23% to 4%). This could be explained, in a certain way, by the logic presented above; the Bank preferred to focus on the newly-acceded Member States; Denmark, Ireland, the UK, Greece, Portugal and Spain (see **ANNEX Table 7.3.** for accession dates). These six States accounted for 37% of total loans made by the Bank in this period. This showed some shift in priorities, since the Bank still focused on boosting development of the less developed regions, but it also widened its scope by focusing on enlargements. The idea of a 'Single Market' was gaining momentum[5] and the Bank was required to help in the 'acclimatisation' of the situation to ease its establishment in the near future.

During this period, the total amount of funding provided to EEC Member States was 54466'3 million €.

1988 – 2002

The third period of analysis was determined by the end of the Cold War and the fall of the planned economies still present in the East of Europe. The dissolution of the Soviet Bloc brought along the yearning of these 'newly-become independent' countries for engaging on market economies and the process of integration. The EIB was decisive in helping these countries to 'acclimatise' their economies before their entrance in the Union the following period. The main recipient of loans during this time continued to be Italy, however, the proportion of loans it received decreased considerably (19% of total). Germany gained importance again and it was the second country to receive loans (15%), especially destined to its East part. Other members like Spain or France did receive, as well, a great proportion of total funding (14% and 12%, respectively). In this period, the financial aid was more evenly distributed among the States. This change in the allocation of finance was partially explained by the need to fund ex-Soviet Satellite States such as, for example, Poland or Czech Republic, which received 5591 and 3759'3 million €, respectively.

During this period, the total amount of funding provided to EEC-EU Member States was 328116 million €.

2003 – 2017

During this period, the EU has faced important challenges as the Great Recession of 2008-2012 (which brought along the European sovereign debt crisis) or new enlargements (Díaz-Fuentes et al. 2017). However, in this past fifteen years, the main lending trends of the Bank have not changed much; the main recipients of loans are still 'historical' EEC-EU members. Spain and Italy were the two countries to receive the largest volumes of finance in this period, attracting 16% and 15% of total, respectively. Germany (13%), France (10%) and the UK (9%) completed the list. In the East, Poland was the only member to receive a substantial amount of finance (7% of total). Malta,

[5] *"In March 1985, the European Council agrees to the establishment of a single market by the end of 1992." "In February 1986, the Single European Act (SEA) is signed and it enters into force in July 1987."* (Pérez-Solórzano Borragán & Cini 2013)

Latvia, Luxembourg, Estonia and Lithuania were the five countries to receive the lowest percentages, accounting for only 1'3% of the total loans made by the Bank in this period.

During this period, the total amount of funding provided to EU Member States was 772523 million €.

When the main lending trends are jointly analysed for the four periods (1958-2017), i.e. since the creation of the Bank, the five most important recipients of loans are Italy (17% of total funding), Spain (15%), Germany (13%), France (11%) and the UK (10%), which are, as well, the States that contribute the highest amounts of capital (see **ANNEX Table 7.2.** for evolution of subscribed capital). This implies that, although the Bank respects the ideals set out in its Statute, of supporting and boosting the development of the less developed regions of the EU, its lending policy is heavily biased towards the amount of capital each country subscribes, being the main recipients of loans those Member States which contribute the most.

Table 2.3.1. EIB loans 1958-2017 (in millions)

	Loans 1958-1972		Loans 1973-1987		Loans 1988-2002		Loans 2003-2017		Total Loans 1958-2017	
	€	%	€	%	€	%	€	%	€	%
Belgium	66,8	3	753,7	1	6726	2	19644	3	27190,5	2
France	571,2	23	7530,4	14	39621,3	12	79926,2	10	127649,1	11
Germany	319,5	13	1919,7	4	48149,1	15	100801,5	13	151189,8	13
Italy	1444,8	57	23347,6	43	61718,4	19	115132,4	15	201643,2	17
Luxembourg	9	0	36,2	0	752	0	2144,2	0	2941,4	0
Netherlands	42,9	2	243,4	0	5712	2	18937,3	2	24935,6	2
Denmark			2349,9	4	11635,1	4	6567,3	1	20552,3	2
Ireland			2925,5	5	4154,1	1	8393,5	1	15473,1	1
United Kingdom			9393,1	17	37628,5	11	70265,2	9	117286,8	10
Greece	69,2	3	2535,8	5	11007,1	3	19430,6	3	33042,7	3
Portugal			1305,2	2	19331,2	6	25718,9	3	46355,3	4
Spain			1666,7	3	46272,6	14	126386,6	16	174325,9	15
Austria			234	0	4937,5	2	20230,8	3	25402,3	2
Finland					3953,7	1	14961,2	2	18914,9	2
Sweden					5530,3	2	17704,6	2	23234,9	2
Cyprus			53	0	718	0	3171,1	0	3942,1	0
Czech Rep.					3759,3	1	15455,5	2	19214,8	2
Estonia					250	0	2427,9	0	2677,9	0
Hungary					2690	1	17194,7	2	19884,7	2
Latvia					331	0	2097,4	0	2428,4	0
Lithuania					297	0	2620,9	0	2917,9	0
Malta			24	0	84,5	0	462	0	570,5	0
Poland					5991	2	54807,6	7	60798,6	5
Slovakia					1337	0	6612,2	1	7949,2	1
Slovenia			64,4	0	1336	0	5292,0	1	6692,4	1
Bulgaria					1076	0	3787,7	0	4863,7	0
Romania					2723,5	1	8983,7	1	11707,2	1
Croatia			83,7	0	394	0	3365,7	0	3843,4	0
Total	2523,4	100	54466,3	100	328116	100	772523	100	1157628,6	100

Source: Own elaboration based on EIB Archives on Projects Financed (EIB 2017)

3. METHODOLOGY: COUNTRY RISK INDICES

3.1. THE CONCEPT OF COUNTRY RISK

There is no consensus among scholars when it comes to define the concept of 'country risk' (CR). Some define it as *"the risk associated with those factors which determine or affect a country's ability and willingness to pay on schedule interest and amortization on its external debt"* (Timurlenk & Kaptan 2012, p. 1089). Other authors argue that it should be defined in a broader context in order to better represent its multidimensional character (Glova 2014). This last group of scholars conceive CR to be determined by a wide range of country specific factors or events, which can be of an economic, political or social nature (Kosmidou et al. 2008). Its influence on any decision-making related to foreign investment or internationalisation is considerable. Many institutions and rating agencies, as Euromoney or Coface, elaborate annual CR analysis which results are determinant on this type of decisions. A high CR index could considerably discourage foreign agents from investing in a certain country.

The concept of 'country risk' comprises two different dimensions usually referred as macro-risk and micro-risk. The first notion is related to the general situation of the country, while the second is associated with specific inversions in certain sectors or regions (López Gutiérrez 2016). This dissertation will focus on macro-risk, considering this notion as the most suitable for its central objective; study whether there is a relation between the CR level of each EU Member State and the amount of loans it receives from the EIB.

3.2. SELECTION OF VARIABLES

A country's macro-risk level can be determined by several aspects. In **ANNEX Table 7.4.**, some examples of quantitative and qualitative variables which could be included in its determination are presented. There is no general agreement that determines the variables to include, thus the selection of the variables is biased towards the preferences of the researcher, which gives the indices a very subjective character. For this dissertation, there have been selected five quantitative variables: *'general government gross debt'*, *'general government deficit/surplus'*, *'interest rates'*, *'unemployment'* and *'corruption'*. These five variables have been considered representative since they concern key areas of the macro-environment. Another reason for its selection has been data availability. For the construction of the CR indices, the variables have been grouped in three sub-indices, as presented below.

Table 3.2.1. Sub-indices and variables selected for the CR indices

PUBLIC FINANCES	ECONOMIC STABILITY	SOCIAL STABILITY
Gral gov gross debt *Gral gov deficit/surplus*	*Interest rates* *Unemployment*	*Corruption*

Source: Own elaboration

The data for the variables *'gral gov gross debt'*, *'gral gov deficit/surplus'* and *'unemployment'* has been extracted from the database of Eurostat, a Directorate-General of the European Commission (EC) and the biggest statistical agency of the EU (EC 2017b). The first two variables are expressed as percentage of GDP and *'unemployment'* is measured as percentage of total labour force (modelled ILO estimate). For the variable *'interest rates'*, the type selected has been the nominal long-term interest rate, which data has been extracted from AMECO, the macro-economic database of the

EC's Directorate-General for Economic and Financial Affairs (EC 2017a). For measuring *'corruption'*, it has been used the annual index elaborated by the organisation Transparency International, which is based on surveys made to experts and provides an approximation towards the perception of corruption in the public sector in more than 170 countries (TRANSPARENCY INTERNATIONAL 2017). See **ANNEX Table 7.5.** for descriptive statistics of the variables selected.

The period of interest for the construction of the CR indices is from 1995 to 2015, while the components of the sample are the EU Member States, compiling data from the moment they have entered the Union (e.g. Croatia, which entrance was in 2013, would only be included in the sample since that year). Thus, the study is based on panel data.

3.3. METHODOLOGY

There is no established methodology with respect to the measurement of country risk. For its assessment, the researcher can opt for either a quantitative or a qualitative approach, or a combination of both. As Iranzo (2008, p. 22) states, any CR analysis is based on the judgement and the preferences of the researcher, especially when analysing qualitative aspects as the political or the social risk, however, this subjectivity does not undermine its value. There exist many types of techniques and methods to assess CR. The US EXIM Bank has structured them in four groups:

- *Fully qualitative methods*

The basis of these methods is an in-depth analysis of a country's situation, normally through a report, examining its economic, political and social conditions and prospects. This type of methodology does not have a fixed format and is not uniform, which, on one hand, complicates the comparison among countries but, on the other, helps to make the analysis more personalised. (Timurlenk & Kaptan 2012)

- *Structured qualitative methods*

In contrast with the previous group, these methods have a standardised format and a delimited scope, which allows to compare different countries (Timurlenk & Kaptan 2012). Structured qualitative methods have been very popular among banks, rating agencies and institutions. The index elaborated by the Business Environment Risk Intelligence (BERI), a private agency which mainly elaborates ratings, analysis and forecasts for over 140 countries (BERI 2017), is one of the most well-known examples. The BERI index includes variables as 'fragmentation of the political spectrum', 'mentality' or 'social conflicts' (López Gutiérrez 2016).

- *Checklist methods (quantitative)*

These methods are based on assessing a country's performance with respect to the variables selected, which can be either quantitative or qualitative (more subjective). The level of CR will be the sum of all the values obtained in each of the variables evaluated. The relevance each variable has on the final score can be altered by assigning different weights to each of them. Checklist methods, besides easing comparisons among countries, give the possibility to study the evolution of a country's index over time. Such techniques, also known as *scoring methods*, have become one of the most popular methods nowadays. (Timurlenk & Kaptan 2012)

- *Other quantitative methods*

Other techniques to assess CR are Discriminant Analysis, Principal Component Analysis, Logit Analysis or Classification and Regression Tree Method, which are normally used in econometric/statistical analysis. (Timurlenk & Kaptan 2012)

For this dissertation, the technique selected has been a *weighted checklist method*. The performance of each EU Member State in the five quantitative variables selected (see **Table 3.2.1.**) will be evaluated for each year of the period of interest (1995-2015). As previously indicated, the variables have been grouped in three sub-indices, which relevance in the final score is determined by its assigned weight (see **Table 3.3.1.**). In order to give each concept the same importance, the five variables of the study have been assigned the same weight (20%).

Another essential aspect to analyse is the relation each variable has with CR. For instance, the variable *'corruption'*, since it is expressed in a scale of 0 (country highly corrupt) to 100 (country very clean), it has a negative relation with CR (the higher the score in the index, the lower the level of CR). On the other hand, the variables *'interest rates'*, *'unemployment'* and *'gral gov gross debt'* have a positive relation, since the higher the values in these variables, the worst for the macro-environment and thus for the level of CR (higher). Finally, the variable *'gral gov deficit/surplus'* presents a negative relation with CR, since the higher the value (over 0: surplus), the lower the level of CR.

Table 3.3.1. Sub-indices' weighting in the CR indices

	WEIGHT	RELATION CR
Public finances	**40%**	
Gral gov gross debt	20%	Positive
Gral gov deficit/surplus	20%	Negative
Economic stability	**40%**	
Interest rates	20%	Positive
Unemployment	20%	Positive
Social stability	**20%**	
Corruption	20%	Negative
Total	**100%**	

Source: Own elaboration

One of the main problems researchers face when constructing the indices is the scale in which the variables are expressed. The variables must be measured in a common scale in order to be able to construct the indices, thus normalisation is required. The unity-based normalisation, which consists of bringing all the values into the range [0,1], is the most employed in these cases. This technique, also referred as feature scaling, is used, for instance, in the construction of the Human Development Index (HDI). Authors Anand and Sen present this methodology on the 'Human Development Report Office' Occasional Papers (Anand & Sen 1994). This methodology is based on the construction of a 'deprivation index' (I_{ij}) for each dimension/sub-index and each country:

$$I_{ij} = \frac{\max_k\langle X_{ik}\rangle - X_{ij}}{\max_k\langle X_{ik}\rangle - \min_k\langle X_{ik}\rangle} = 1 - \frac{X_{ij} - \min_k\langle X_{ik}\rangle}{\max_k\langle X_{ik}\rangle - \min_k\langle X_{ik}\rangle}$$

$$j = country,\ i = dimension\ (1, 2, 3)$$

This perspective considers *"the distance a country still has to travel in order to achieve what is regarded as a desirable target or goal"* (Anand & Sen 1994, p. 7). This type of methodology can be applied to both elaborations. The CR indices and the HDI share a similar pattern, since both consist in assessing a country's level in either human development or country risk, basing their conclusions on the compilation of data from different variables and the comparison among individuals (countries). The HDI

comprises three dimensions, as is the case with the CR indices constructed for this study (three sub-indices), thus the final score is obtained through the following expression:

$$I_j = \frac{1}{3}\sum_{i=1}^{3} I_{ij}$$

A CR index's score can fall within the range [0,1], being 0 'very low risk' and 1 'very high risk'. Three categories have been established in order to ease the analysis and the aggrupation of countries.

Table 3.3.2. Categories according to value in CR index

	Score	Legend
LOW RISK	[0, 0'33]	Green
MEDIUM RISK	[0'34, 0'67]	Yellow
HIGH RISK	[0'68, 1]	Red

Source: Own elaboration

This methodology presents some shortcomings. Despite the advantageous aspects it implies, such as uniformity in the database, a normalisation process also entails some disadvantages. This technique is quite sensible to extreme values, an aspect especially noticeable when new individuals (EU Member States), which present extreme values in the variables of interest, are added into the sample, as is the case with the 2004 enlargement. Another aspect that distorts the results is the fact that the maximum and the minimum value of the sample always take the values 1 and 0, respectively, therefore, if a EU Member State has reduced its level of *'corruption'* from one year to another, but it continues to be the highest value of the sample, it will take again the value 1, thus the positive evolution of the country in the variable *'corruption'* cannot be appreciated.

4. EMPIRICAL ANALYSIS: RELATIONS BETWEEN COUNTRY RISK AND EIB LOANS

4.1. COUNTRY RISK IN THE EU

Nowadays, the European Union consists of an heterogenous mixture of twenty-eight countries, all with their own characteristics, contexts and unique natures. This heterogeneity is also present when analysing the level of country risk. In **ANNEX Table 7.6.** and **ANNEX Table 7.7.**, the complete results obtained from the CR indices previously constructed for each EU Member State for the period 1995-2015 are presented. In the table below, a simplified version of the results is shown.

Table 4.1.1. Evolution of CR scores in the EU (1995-2015)

	1995	2000	2005	2010	2015	Avg 1995-2015
Luxembourg	0,008	0,132	0,120	0,064	0,075	**0,077**
Denmark	0,171	0,316	0,122	0,115	0,131	**0,163**
Netherlands	0,352	0,260	0,254	0,133	0,188	**0,230**
Finland	0,402	0,276	0,212	0,138	0,219	**0,242**
Sweden	0,397	0,257	0,242	0,109	0,114	**0,243**
Estonia			0,303	0,339	0,132	**0,251**
United Kingdom	0,299	0,287	0,335	0,279	0,301	**0,323**
Austria	0,331	0,477	0,338	0,205	0,226	**0,325**
Germany	0,362	0,398	0,445	0,216	0,136	**0,334**
Czech Republic			0,451	0,303	0,233	**0,339**
Ireland	0,334	0,292	0,210	0,560	0,287	**0,345**
Slovenia			0,353	0,247	0,377	**0,347**
Malta			0,486	0,306	0,302	**0,382**
Bulgaria				0,392	0,382	**0,383**
Lithuania			0,384	0,483	0,265	**0,402**
Cyprus			0,497	0,278	0,487	**0,417**
France	0,382	0,551	0,434	0,311	0,366	**0,433**
Latvia			0,428	0,680	0,304	**0,445**
Belgium	0,468	0,624	0,475	0,305	0,309	**0,452**
Romania				0,425	0,354	**0,452**
Slovakia			0,583	0,429	0,384	**0,481**
Portugal	0,460	0,507	0,495	0,465	0,507	**0,492**
Poland			0,756	0,399	0,336	**0,504**
Spain	0,687	0,620	0,335	0,486	0,588	**0,544**
Hungary			0,700	0,501	0,395	**0,558**
Croatia					0,543	**0,559**
Italy	0,734	0,767	0,587	0,455	0,527	**0,616**
Greece	0,779	0,937	0,687	0,745	0,980	**0,838**

Source: Own elaboration based on data extracted from AMECO, Eurostat and Transparency International databases (EC 2017a; EC 2017b; TRANSPARENCY INTERNATIONAL 2017)

There are great differences within the Union in relation with CR. The Northern EU Member States (Denmark, Finland, Sweden) and most of the countries located in Central and West Europe (Austria, Czech Republic, Estonia, Germany, Luxembourg, the Netherlands and the UK) present, on average, low levels of CR for the period 1995-2015. In contrast, the Southern EU Member States present opposite results, with countries like Greece, Italy, Croatia, Spain or Portugal obtaining, on average, very high scores. This dualism between North and South, always controversial, is habitual in the framework of the Union.

Greece is the Member State with the highest score for the twenty years that comprise the period analysed. The Hellenic Republic experimented a reduction in the years 2005 and 2006, but it continued to obtain very high scores. The EU Member State with the average lowest score is Luxembourg, followed by Denmark, which obtained the lowest score and surpassed the Grand-Duchy during the period 2006-2008 and in the year 2014. Sweden and Germany are the countries that have experienced the most positive evolutions since 1995, reducing their CR levels in 2015 by 71% and 63%, respectively. Other Member States like the Netherlands (47%), Finland (46%) or Belgium (34%) have also managed to considerably reduce their scores. In more recent years, new EU Member States like Poland (56% from 2005 to 2015), Czech Republic (48%) or Hungary (44%) have experienced great falls in their levels of CR. On the other hand, Greece (26%) and Portugal (10%) are the countries where the situation in terms of CR have worsened the most during the period 1995-2015. Spain is, for the period 2005-2015, the country which CR score increased the most (75%), passing from 0'345 ('low risk') to 0'588 ('medium risk'). In **Table 4.1.2.**, a classification of EU Member States according to their average CR score is presented.

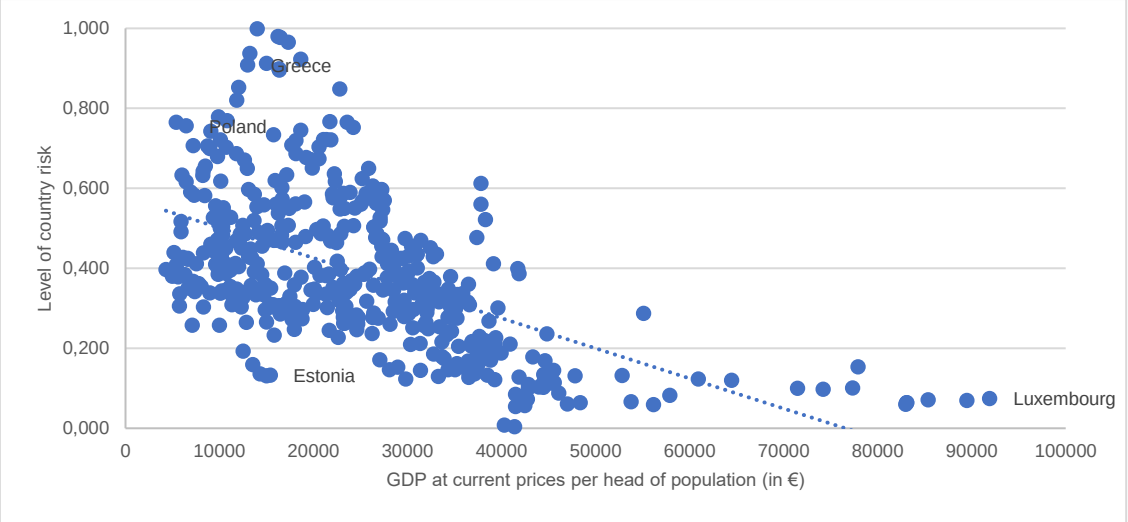
Table 4.1.2. Classification of EU Member States based on their average CR score

LOW RISK	Austria, Czech Republic, Denmark, Estonia, Finland, Germany, Luxembourg, the Netherlands, Sweden and the UK
MEDIUM RISK	Belgium, Bulgaria, Croatia, Cyprus, France, Hungary, Ireland, Italy, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia and Spain
HIGH RISK	Greece

Source: Own elaboration

Gross domestic product (GDP) per capita has important implications in this classification. As shown in **Graph 4.1.1.**, there exists a negative linear correlation between the level of GDP per capita and the level of CR presented by each EU Member State during the period analysed (1995-2015), i.e. the higher the level of GDP per capita, the lower the level of CR. Some good examples to illustrate this negative relation are Greece, Poland and Luxembourg. The first two countries do present low levels of GDP per capita and high CR scores, while Luxembourg is both the EU Member State with the lowest average CR and the highest average GDP per capita level. Nevertheless, there are some exceptions to this negative correlation. This is the case with Estonia, which has one of the lowest average CR levels of the Union, but, at the same time, presents a low average level of GDP per capita for the period of study (see **ANNEX Table 7.8.** for evolution of GDP per capita in the EU).

Graph 4.1.1. Relation between level of CR and GDP per capita (1995-2015)

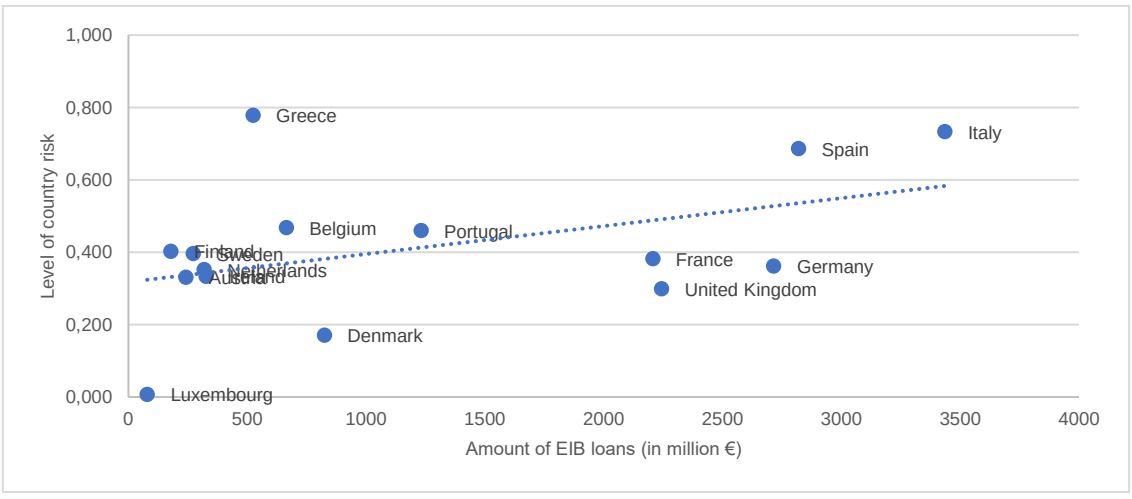


Source: Own elaboration[6]

4.2. COUNTRY RISK AND EIB LOANS

A joint analysis of the EIB lending policy and the levels of CR of each EU Member State for the period of interest (1995-2015) has been made. With the purpose of illustrating the conclusions obtained, scatter plots for the years 1995, 2005, 2015 and for the period 1995-2015 are displayed below.

Graph 4.2.1. Relation between level of CR and EIB loans (1995)



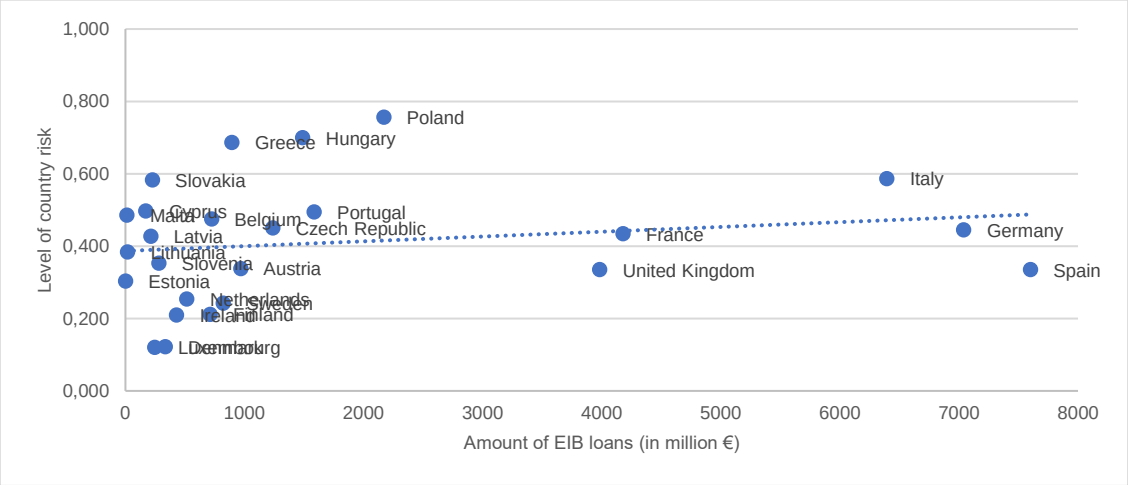
Source: Own elaboration

This first scatter plot shows that, for the year 1995, there exists a positive linear correlation between the two variables. Some countries like Italy, which was the main recipient of EIB loans (3434'9 million €) and one of the countries with the highest CR scores (0'734), are the perfect paradigm. Spain and Luxembourg are other good examples. The first one, with a CR score of 0'687, was the second main recipient of loans (2820'4 million €), while the Grand-Duchy was both the EU Member State with the lowest level of CR and the one to which the Bank made the least amount of loans (78'8

[6] *'GDP at current prices per head of population'* data extracted from AMECO database. (EC 2017a)

million €). Nevertheless, this positive correlation does not apply to all cases. Greece, which presented a very high CR score (0'779), did not attract as much funding as countries like Germany or the UK, both with a much lower CR score.

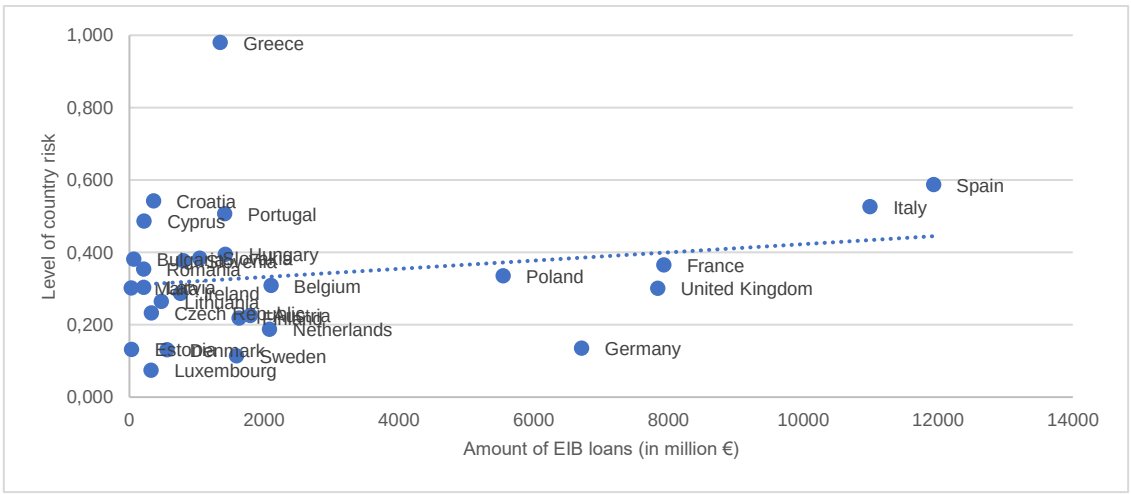
Graph 4.2.2. Relation between level of CR and EIB loans (2005)



Source: Own elaboration

In the year 2005, the positive relation existing between the level of CR and the amount of EIB loans received continues to be palpable, however, the slope in the scatter plot becomes flatter, which implies that the relation is less strong. This fact could be explained due to the inclusion of new Member States, which acceded the Union in the 2004 enlargement. Despite presenting a higher CR level than the average (except for Estonia, Lithuania and Slovenia), these newly-acceded members did not attract much funding in the year 2005, which contradicts the main assertion. Countries like Poland or Hungary, which presented the highest CR scores in that year, did only attract 5% and 4% of total funding, respectively, while Member States like Spain or Germany, with much lower CR scores, did attract 18% and 17%, respectively. Nevertheless, the scatter plot shows that, at an aggregate level, there exists a positive relation between both variables.

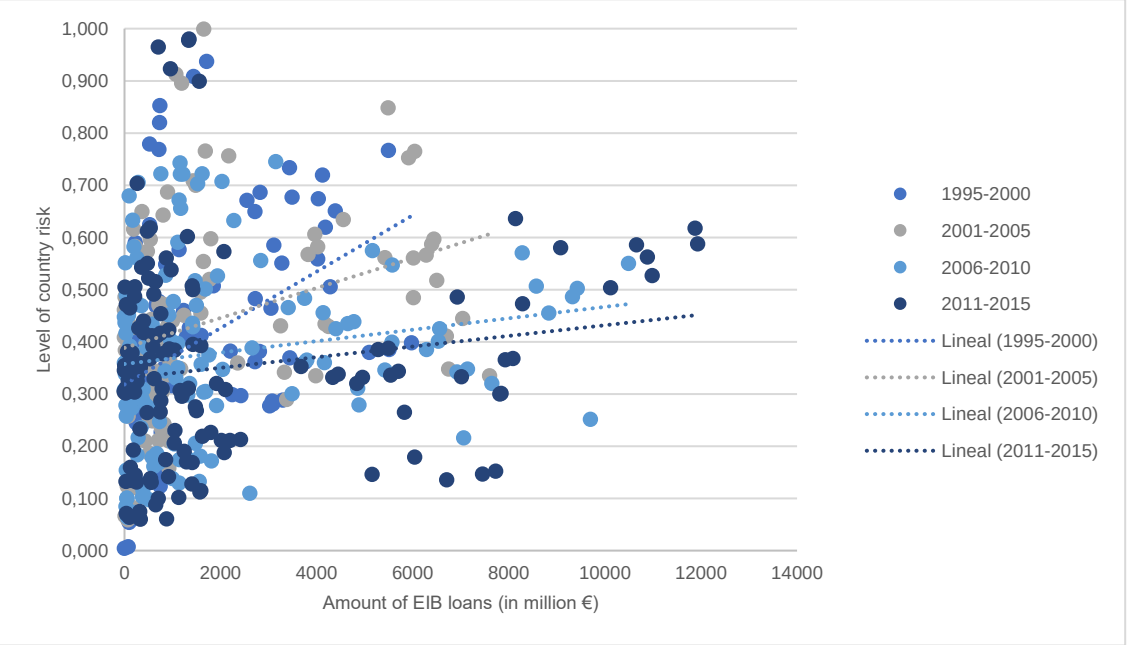
Graph 4.2.3. Relation between level of CR and EIB loans (2015)



Source: Own elaboration

Ten years after, the situation is similar. Spain and Italy, both with medium-high CR levels, were the countries which attracted the highest amounts of loans, accounting for 33% of total funding. Luxembourg, Denmark, the Netherlands, Finland and Sweden, which were the five EU Member States with the lowest CR scores, did only receive 9% of the total loans made by the Bank in 2015. These evidences support the positive linear correlation between the variables shown in the graph. Nevertheless, as it happened in 1995 and in 2005, there are some exceptions. Greece, which obtained a CR score close to 1 (0'98), did only attract 2% of total funding. On the other hand, Germany, which presented a very low level of CR (0'136), did receive 10% of total loans.

Graph 4.2.4. Relation between level of CR and EIB loans (1995-2015)

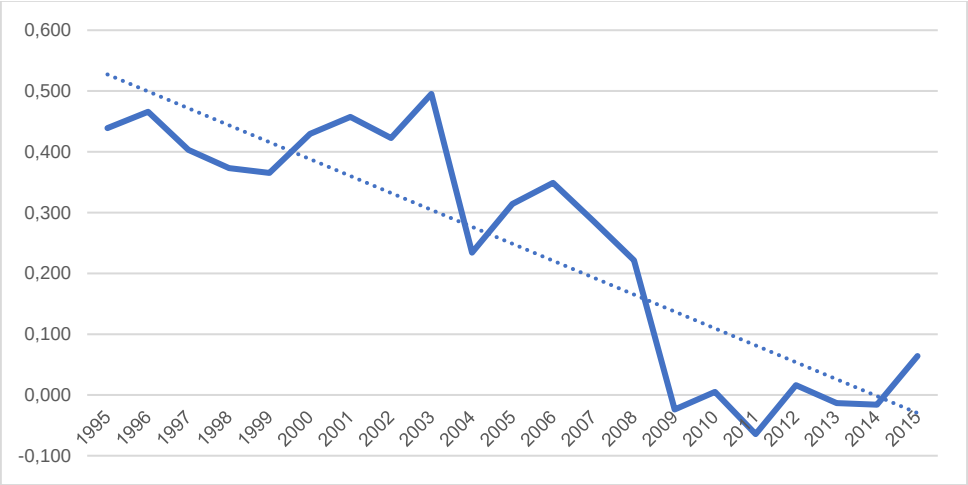


Source: Own elaboration

After analysing the EIB lending policy and the levels of CR of each EU Member State for twenty years, it could be said that, on average and for the period of interest (1995-2015), there is evidence of a positive linear correlation between the CR score of each State and the amount of loans it receives from the EIB. This means that, the higher the CR level of a State, the higher the amount of loans it receives from the Bank. However, this relation is not stable and varies over time, as it can be seen in both **Graph 4.2.4.** and **Graph 4.2.5.**, which shows the evolution of the Pearson correlation coefficient (PCC)[7]. The PCC is generally greater than 0, but it presents a downward trend, even becoming negative for some years (2009, 2011, 2013, 2014). In general, it could be said that the correlation between the variables was higher during the first nine years of the period of interest (1995-2003), substantially decreasing in 2004 and even more in 2008, which implies, somehow, that events as the 2004 enlargement or the beginning of the 2008 Great Recession could have considerably influenced in the results. The figures shown in **Graph 4.2.4.** coincide to what the PCC indicates; the slope becomes flatter with time, thus the correlation is less strong. In summary, it could be said that there exists a positive linear correlation between the level of CR and the amount of EIB loans received, a relation that was stronger at the beginning of the period, but that, with time, it has debilitated, even becoming negative for some years.

[7] The PCC *(ρ)* measures the linear correlation between two variables. It takes the values $-1 < \rho < 1$, where *-1* means total negative linear correlation, *0* no linear correlation and *1* total positive linear correlation.

Graph 4.2.5. Evolution of PCC between CR level and EIB loans



Source: Own elaboration

5. CONCLUSIONS

The relevance gained by the International Financial Institutions (IFI) is unquestionable. Having become key players in the international financial arena, these institutions do currently determine the path of numerous economies and regions. The World Bank and the IMF are notable examples to illustrate their present influence.

In the framework of the European Union, the European Investment Bank (EIB) is the IFI par excellence. Created in 1958, the EIB was envisaged with the purpose of being a key agent in raising funds in the world's capital markets, in order to help to boost the development of the least favoured areas of the Community. This IFI has become one of the most important multilateral lenders in the world and it has played a significant role in the process of European integration.

The EIB has been subject to debate since its foundation. Firstly, the centre of criticism was its character, being either a Bank or a Fund, which provoked the discord between its founding members. Subsequently, it was its lending policy, an aspect quite controversial and the focal point of this dissertation. Despite the studies of several scholars, the academic work on the Bank's modus operandi is yet quite scarce. This dissertation aimed at shedding some light on the EIB functioning, especially on its lending policy decision-making.

Through the construction of country risk indices, this dissertation has tried to elucidate whether there is any economic or political motive behind the EIB lending policy. The results obtained show that, during the period of study (1995-2015), there was positive linear correlation between the two variables analysed, i.e. between the level of country risk a EU Member State had and the amount of loans it received from the Bank, implying that the higher the CR level, the higher the amount of funding attracted. Despite existing some exceptions to this assertion, it can be considered as a general tendency, which seemed to be stronger in the first years of the period, but that, in recent years, seems to have lost momentum. In any case, these findings provide a first approximation towards the reasoning of the Bank, however, they must be interpreted with caution, since the CR approach is based on the preferences of the researcher, which makes it very subjective and biased. Country risk is difficult to predict and assess, and it requires a lot of data, aspect which leads to problems of availability and reliability. There can be, as well, a problem of endogeneity due to the omission of relevant variables to the study. Nevertheless, the CR approach must not be underestimated. Country risk still play a key role in the decision-making related to any international activity. Many rating agencies and organisations, as Euromoney or Coface, do elaborate annual CR rankings which influence is highly remarkable. Due to the lack of a standardised methodology, subjectivity when analysing country risk is justified.

The findings attained by this study show, somehow, that the motivations and the objectives of the Bank are still in concordance to those agreed on its creation. However, it is important to question whether the modus operandi and the strategies adopted by the Bank are the most appropriate to the current times. Nowadays, the figure of the European Union and its institutions is highly questioned. The EU is facing numerous challenges as its image is criticised and Euroscepticism grows. Events as Brexit or the rise of Eurosceptic political parties in many European countries are good examples to show the current influence of these ideas. The EIB, instead of focusing its efforts on having a 'good image' and a good financial health, must not lose contact with reality and adapt its targets, goals and strategies to the current demands of the Union, its Member States and their citizens.

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7. ANNEX

Table 7.1. Allocation of 'Alternate Directors' nominations (Board of Directors, EIB)

	Directors	***Alternate Directors***
Germany	1	2
France	1	2
Italy	1	2
UK	1	2
Spain	1	1
Portugal	1	
Belgium	1	1
Luxembourg	1	
The Netherlands	1	
Denmark	1	2
Greece	1	
Ireland	1	
Romania	1	
Estonia	1	2
Latvia	1	
Lithuania	1	
Austria	1	
Finland	1	
Sweden	1	
Bulgaria	1	4
Czech Republic	1	
Croatia	1	
Cyprus	1	
Hungary	1	
Malta	1	
Poland	1	
Slovenia	1	
Slovakia	1	
EU Commission	1	1
Total	29	19

Source: EIB Statute (EIB 2013)

Table 7.2. Evolution of subscribed capital based on EIB Statutes (in millions)

	EIB 1957	EIB 1986	EIB 1999	EIB 2004	EIB 2007	EIB 2013
Belgium	86,5	1527	4924,7	7387,1	7387,1	10864,6
France	300	5508,7	17766,4	26649,5	26649,5	39195
Germany	300	5508,7	17766,4	26649,5	26649,5	39195
Italy	240	5508,7	17766,4	26649,5	26649,5	39195
Luxembourg	2	38,7	124,7	187	187	275,1
Netherlands	71,5	1527	4924,7	7387,1	7387,1	10864,6
Denmark		773,2	2493,5	3740,3	3740,3	5501,1
Ireland		193,3	623,4	935,1	935,1	1375,3
United Kingdom		5508,7	17766,4	26649,5	26649,5	39195
Greece		414,2	1335,8	2003,7	2003,7	2947
Portugal		266,9	860,9	1291,3	1291,3	1899,2
Spain		2024,9	6530,7	15989,7	15989,7	23517
Austria			2444,6	3667	3667	5393,2
Finland			1404,5	2106,8	2106,8	3098,6
Sweden			3267,1	4900,6	4900,6	7207,6
Cyprus				183,4	183,4	269,7
Czech Rep.				1258,8	1258,8	1851,4
Estonia				117,6	117,6	173
Hungary				1190,9	1190,9	1751,5
Latvia				152,3	152,3	224
Lithuania				249,6	249,6	367,1
Malta				69,8	69,8	102,7
Poland				3411,3	3411,3	5017,1
Slovakia				428,5	428,5	630,2
Slovenia				397,8	397,8	585,1
Bulgaria					290,9	427,9
Romania					863,5	1270
Croatia						891,2
Total	1000	28800	100000	163654	164808	243284
Currency	*U.A.* [8]	*ECU*	*EURO*	*EURO*	*EURO*	*EURO*

Source: EIB Statutes (EIB 1957; EIB 1986; EIB 1999; EIB 2004; EIB 2007; EIB 2013)

[8] U.A.: units of account. *"The value of one unit of account shall be 0.88867088 grams of fine gold."* (EIB 1957)

Table 7.3. EEC–EU enlargement rounds

States acceding	Accession date
Denmark, Ireland, UK	1973
Greece	1981
Portugal, Spain	1986
Austria, Finland, Sweden	1995
Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia	2004
Bulgaria, Romania	2007
Croatia	2013

Source: Extracted from 'European Union Politics' (Pérez-Solórzano Borragán & Cini 2013)

Table 7.4. Variables for the determination of macro-risk

POLITICAL RISK	ECONOMIC/ADMINISTRATIVE RISK				SOCIAL RISK
	Regulatory risk	Economic structure	Economic stability		
Wars	Arbitrariness	GDP sector composition	Inflation	Unemployment rates	Social conflicts
Revolutions	Fiscal reforms	Population size	Productivity	Government debt	Riots, uprisings
Coups d'état	Monetary reforms	Inequality (GINI index)	Exchange rates	Government deficit/surplus	Strikes
Changes in the political regime	Bureaucracy	GDP per capita	Interest rates	External debt	Corruption
Elections	Trade restrictions	Trade trends	Economic growth	Banking system	Terrorism
Geopolitical location	Diplomatic activity		Balance of payments		Violence, delinquency

Source: Own elaboration based on works of Iranzo (2008) and López Gutiérrez (2016)

Table 7.5. Descriptive statistics of the variables of interest

Year	Variable	Observations	Mean	Standard deviation	Minimum	Maximum
1995	Gral gov gross debt	14	69,7	29,3	8,6	130,5
	Gral gov deficit/surplus	15	-5,6	3	-9,7	2,7
	Interest rates	15	9,3	2,7	6,9	17
	Unemployment	15	9,9	4,7	2,9	22,7
	Corruption	14	70,9	20	30	93
2005	Gral gov gross debt	25	49,1	27,2	4,5	107,4
	Gral gov deficit/surplus	25	-1,7	2,9	-7,8	5,0
	Interest rates	25	3,8	0,8	2,4	6,6
	Unemployment	25	8,1	3,2	4,3	17,7
	Corruption	25	66,7	18,6	34	96
2015	Gral gov gross debt	28	71,9	36,9	10,1	177,4
	Gral gov deficit/surplus	25	-1,7	2,9	-7,8	5,0
	Interest rates	27	1,9	1,9	0,4	9,7
	Unemployment	28	9,6	4,8	4,6	24,9
	Corruption	28	65,4	14,9	41	91
Avg 1995-2015	Gral gov gross debt	451	60	32,3	3,7	179,7
	Gral gov deficit/surplus	456	-2,7	3,7	-32,1	6,9
	Interest rates	451	4,8	2,3	0,4	22,5
	Unemployment	456	8,7	4,3	1,8	27,5
	Corruption	454	67,7	17,7	30	100

Source: Own elaboration based on data extracted from AMECO, Eurostat and Transparency International databases (EC 2017a; EC 2017b; TRANSPARENCY INTERNATIONAL 2017)

Table 7.6. Country risk scores in the EU (1995-2005)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Austria	0,331	0,305	0,340	0,360	0,389	0,477	0,471	0,440	0,425	0,364	0,338
Belgium	0,468	0,471	0,576	0,548	0,590	0,624	0,650	0,573	0,596	0,394	0,475
Bulgaria	…	…	…	…	…	…	…	…	…	…	…
Croatia	…	…	…	…	…	…	…	…	…	…	…
Cyprus	…	…	…	…	…	…	…	…	…	0,479	0,497
Czech Republic	…	…	…	…	…	…	…	…	…	0,443	0,451
Denmark	0,171	0,147	0,152	0,123	0,144	0,316	0,348	0,335	0,336	0,158	0,122
Estonia	…	…	…	…	…	…	…	…	…	0,258	0,303
Finland	0,402	0,336	0,337	0,262	0,283	0,276	0,377	0,344	0,377	0,210	0,212
France	0,382	0,381	0,483	0,464	0,505	0,551	0,567	0,582	0,606	0,429	0,434
Germany	0,362	0,281	0,369	0,380	0,385	0,398	0,485	0,517	0,597	0,411	0,445
Greece	0,779	0,769	0,820	0,853	0,908	0,937	0,999	0,913	0,895	0,708	0,687
Hungary	…	…	…	…	…	…	…	…	…	0,643	0,700
Ireland	0,334	0,286	0,309	0,245	0,261	0,292	0,351	0,379	0,315	0,186	0,210
Italy	0,734	0,719	0,677	0,651	0,674	0,767	0,848	0,765	0,753	0,561	0,587
Latvia	…	…	…	…	…	…	…	…	…	0,439	0,428
Lithuania	…	…	…	…	…	…	…	…	…	0,408	0,384
Luxembourg	0,008	0,004	0,054	0,056	0,064	0,132	0,066	0,059	0,082	0,123	0,120
Malta	…	…	…	…	…	…	…	…	…	0,461	0,486
Netherlands	0,352	0,227	0,262	0,247	0,237	0,260	0,303	0,296	0,347	0,248	0,254
Poland	…									0,766	0,756
Portugal	0,460	0,410	0,427	0,409	0,412	0,507	0,597	0,519	0,554	0,455	0,495
Romania	…	…	…	…	…	…	…	…	…	…	…
Slovakia	…	…	…	…	…	…	…	…	…	0,616	0,583
Slovenia	…	…	…	…	…	…	…	…	…	0,334	0,353
Spain	0,687	0,671	0,650	0,585	0,559	0,620	0,634	0,561	0,566	0,348	0,335
Sweden	0,397	0,318	0,357	0,275	0,316	0,257	0,393	0,470	0,429	0,234	0,242
United Kingdom	0,299	0,297	0,361	0,277	0,288	0,287	0,359	0,342	0,431	0,290	0,335

Source: Own elaboration based on data extracted from AMECO, Eurostat and Transparency International databases (EC 2017a; EC 2017b; TRANSPARENCY INTERNATIONAL 2017)

Table 7.7. Country risk scores in the EU (2006-2015)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Avg 1995-2015
Austria	0,320	0,330	0,298	0,278	0,205	0,211	0,230	0,213	0,268	0,226	0,325
Belgium	0,434	0,451	0,435	0,375	0,305	0,311	0,307	0,275	0,320	0,309	0,452
Bulgaria	…	0,397	0,388	0,380	0,392	0,379	0,306	0,336	0,491	0,382	0,383
Croatia	…	…	…	…	…	…	…	0,515	0,618	0,543	0,559
Cyprus	0,385	0,316	0,278	0,294	0,278	0,362	0,417	0,506	0,703	0,487	0,417
Czech Republic	0,404	0,357	0,350	0,347	0,303	0,305	0,310	0,266	0,296	0,233	0,339
Denmark	0,085	0,073	0,103	0,128	0,115	0,134	0,144	0,088	0,061	0,131	0,163
Estonia	0,258	0,308	0,451	0,344	0,339	0,193	0,159	0,136	0,131	0,132	0,251
Finland	0,186	0,161	0,168	0,174	0,138	0,127	0,138	0,142	0,206	0,219	0,242
France	0,425	0,456	0,435	0,385	0,311	0,332	0,332	0,300	0,368	0,366	0,433
Germany	0,425	0,401	0,342	0,252	0,216	0,179	0,146	0,146	0,152	0,136	0,334
Greece	0,672	0,722	0,721	0,722	0,745	0,923	0,965	0,978	0,899	0,980	0,838
Hungary	0,743	0,721	0,703	0,526	0,501	0,500	0,392	0,417	0,454	0,395	0,558
Ireland	0,179	0,236	0,399	0,477	0,560	0,612	0,522	0,412	0,387	0,287	0,345
Italy	0,575	0,547	0,570	0,502	0,455	0,473	0,485	0,504	0,562	0,527	0,616
Latvia	0,362	0,416	0,527	0,706	0,680	0,471	0,347	0,309	0,348	0,304	0,445
Lithuania	0,341	0,339	0,437	0,655	0,483	0,504	0,354	0,325	0,326	0,265	0,402
Luxembourg	0,100	0,100	0,154	0,097	0,064	0,064	0,060	0,071	0,069	0,075	0,077
Malta	0,448	0,490	0,469	0,359	0,306	0,306	0,312	0,304	0,345	0,302	0,382
Netherlands	0,204	0,184	0,181	0,172	0,133	0,174	0,190	0,170	0,211	0,188	0,230
Poland	0,707	0,632	0,556	0,439	0,399	0,385	0,338	0,344	0,387	0,336	0,504
Portugal	0,470	0,506	0,388	0,483	0,465	0,573	0,560	0,538	0,602	0,507	0,492
Romania	…	0,633	0,591	0,517	0,425	0,422	0,351	0,367	0,411	0,354	0,452
Slovakia	0,582	0,551	0,485	0,469	0,429	0,439	0,426	0,391	0,412	0,384	0,481
Slovenia	0,309	0,290	0,273	0,272	0,247	0,358	0,330	0,550	0,465	0,377	0,347
Spain	0,320	0,348	0,506	0,550	0,486	0,580	0,636	0,586	0,617	0,588	0,544
Sweden	0,217	0,180	0,177	0,129	0,109	0,100	0,102	0,112	0,168	0,114	0,243
United Kingdom	0,301	0,360	0,365	0,346	0,279	0,320	0,353	0,265	0,333	0,301	0,323

Source: Own elaboration based on data extracted from AMECO, Eurostat and Transparency International databases (EC 2017a; EC 2017b; TRANSPARENCY INTERNATIONAL 2017)

Note: No data available for variables *'gral gov gross debt'* Denmark (1995-1999), *'corruption'* Luxembourg (1995-1996) and *'interest rates'* Estonia (2011-2015).

Table 7.8. Evolution of GDP per capita[9] in the EU (1995-2015)

	1995	2000	2005	2010	2015	Avg 1995-2015	CAGR 1995-2015
Luxembourg	40312	52816	64486	83100	91921	65390	4,20%
Denmark	27044	33349	39275	44502	47833	38373	2,90%
Sweden	22867	31769	34688	42855	45617	35004	3,50%
Ireland	14699	28490	40917	37812	55106	34478	6,80%
Netherlands	22095	28141	33438	38515	39956	32692	3%
Austria	23138	26611	30760	36792	39388	31053	2,70%
Finland	20097	26325	31335	36536	38228	30636	3,30%
United Kingdom	17397	30116	33393	29646	39626	29853	4,20%
Germany	24377	25983	28288	33673	37127	29380	2,10%
Belgium	21844	25202	29739	34533	36599	29313	2,60%
France	20696	24400	28067	31539	32796	27535	2,30%
Italy	15751	21764	25601	27264	27094	24069	2,70%
Spain	11805	15935	21313	22903	23178	19407	3,40%
Cyprus	11671	15568	20363	23268	20807	18752	2,90%
Greece	9909	13231	18134	18643	16237	16259	2,50%
Slovenia	8186	11020	14612	17694	18693	14310	4,20%
Portugal	9079	12485	15105	16686	17330	14303	3,30%
Malta	7488	11270	12734	15923	21475	13372	5,40%
Czech Republic	4408	6488	10689	14868	15836	10671	6,60%
Estonia	2004	4404	8288	11038	15420	8522	10,70%
Slovakia	2845	4138	7304	12445	14511	8280	8,50%
Croatia	3683	5328	8467	10476	10392	7934	5,30%
Hungary	3424	5017	8981	9832	11147	7792	6,10%
Poland	2840	4872	6452	9393	11183	6935	7,10%
Lithuania	1412	3569	6321	9049	12851	6800	11,70%
Latvia	1665	3636	6131	8481	12324	6768	10,50%
Romania	1268	1818	3763	6260	8071	4199	9,70%
Bulgaria	1313	1751	3114	5169	6292	3482	8,20%
EU-15	20074	26441	31636	35667	39202	30516	3,40%
EU-28	…	…	…	…	27394	20556	…

Source: Own elaboration based on data extracted from AMECO database (EC 2017a)

[9] GDP at current prices per head of population.