

Prizes for authors under the age of 30

Three awards were made for essays from authors under 30 years of age. The winners are Hendrick Hassheider, Daniel Piazzolo and Carsten Sprenger.

Private sector investment as a means of financing Trans-European Networks

Hendrik Hassheider

Summary

The provision of transport infrastructure has so far been mainly regarded as a matter for public authorities. However, the debt burden of most EU Member States suggests that there could be constraints to the financing of public sector infrastructure projects.

The essay examines if and how private sector involvement can contribute to solving this problem. An analysis of the possible market failures that could occur with transport infrastructure shows that greater involvement by the private sector can be achieved. Based on this, different models involving private sector participation are evaluated using criteria such as productive and allocative efficiency, the transferability of the model, and the contribution it would make to easing pressure on public finances. The article concludes with an analysis of how policy at the national and European levels can contribute towards increasing the share of private investment.

This essay has been published as **Economic and Financial Report No. 99/P1**.



Hendrik Hassheider is a Ph.D. student at the Institute for Transport Science of the University of Muenster, Germany.

The credibility and growth effects of EU institutions on Eastern Europe

Daniel Piazolo

Summary

This paper examines the additional advantages of membership of the Central and Eastern European countries in the European Union over the economic integration that has already been achieved. Besides receiving transfers, further reductions in trade barriers and guaranteed market access, accession will enhance the credibility of economic reforms in the Central and Eastern European countries through the establishment of institutions common to EU members.

EU membership requires the transition countries to bring their legal, political and economic systems into conformity with EU standards and to implement effectively the so-called *acquis communautaire*. This includes many institutions that are crucial for the functioning of a market economy. The paper discusses the experience of institutional integration between nations at different stages of development and investigates the economic impact of institutional reform. Furthermore, the paper proposes a model to estimate the possible growth effects of the *acquis communautaire* on the future Member States from Central and Eastern Europe.

This essay has been published as **Economic and Financial Report No. 99/P2**.



Daniel Piazolo is a researcher at the Development Economics and Global Integration Department of the Kiel Institute of World Economics, Germany. He has studied at the London School of Economics and at Yale University. He was also awarded the Daeyang Prize of the Institute for International Economics (Seoul) for his article "Trade Integration between Eastern and Western Europe: Policies follow the Market".

Direct investment and the eastern enlargement of the EU

Carsten Sprenger

Summary

Foreign direct investment has an important role to play in the process of convergence of Central and Eastern Europe with the European Union. The goal of this study is to estimate the scale, structure and medium-term potential of foreign direct investment flows to these countries. An empirical model of bilateral direct investment shows that the size of the source and target country markets, existing trade relations, and a common language have a positive effect, while geographical distance has a negative effect.

Poland, Bulgaria and Romania, where the difference between the actual (1997) and calculated hypothetical direct investment is still large, recorded much higher rates of growth than the other countries of the region. In Hungary and the Czech Republic, the calculated direct investment potential is already quite close to the actual level, especially for active investor countries such as Germany and Austria.

A qualitative comparison with other European integration processes, in particular the internal market programme and the admission of the countries of Southern Europe, suggests that entry could provide an additional stimulus for direct investment.

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Carsten Sprenger is a scholar in the Graduate Programme for International Affairs of the Robert Bosch Foundation. His first internship within that programme is at the EBRD.