

# The EIB: Fostering Recovery in an Uncertain World



Bruno Rossignol

**Abstract** The European Investment Bank is Europe’s best kept secret. Although it is both the Bank of the European Union, owned by the 27 EU Member States, and has been operating since 1958, few EU citizens know it exists, and even fewer know that in almost 65 years the EIB has invested over €1.5 trillion for more than 14,400 investment projects, generating an overall investment of €4.8 trillion. The Oresund bridge between Denmark and Sweden, the Milhau viaduct in France, high-speed trains in Spain, solar farms in Italy and offshore windfarms in Germany... there is virtually not one large infrastructure project in the EU that has not benefited from EIB financing. The EIB is a unique institution with a lending capacity superior to that of the World Bank. It is a crowding-in bank that generally does not invest more than 30% of a given project and finances projects according to four main priorities: innovation, digital, and human capital; sustainable energy and natural resources; sustainable cities and regions; and SMEs. These projects are overwhelmingly in the EU: 90% of the projects the EIB supports are in EU countries. The EIB Group—made of the European Investment Bank and the European Investment Fund—is used to responding rapidly and efficiently to crises. This is what it did in 2008 during the subprime financial crisis, which was quickly followed by the European sovereign debt crisis, or when Europe was confronted to the migrant crisis, when the United Kingdom left the EU and the Bank lost one of its four major shareholders (with Germany, France, and Italy) and had to restructure its capital. Each time, the EIB Group took up the challenge by adapting, upscaling, and diversifying its instruments while cooperating with its many partners. It is no different today when the EIB Group is faced with the aftermath of the COVID-19 pandemic and the war in Ukraine, while

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“The findings interpretations and conclusions are those of the author and do not necessarily reflect the views of the European Investment Bank” and “This paper includes frequent verbatim quotes from the EIB website of which the EIB is aware and other public sources. The author has done his best to identify them in each single instance”.

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B. Rossignol (✉)

Head of Climate and Heritage Programme, European Investment Bank Institute, 98-100, Boulevard Konrad Adenauer, 2950 Luxembourg, Luxembourg  
e-mail: [bruno.rossignol@eib.org](mailto:bruno.rossignol@eib.org)

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having to finance Europe's transition to the ineluctable, indispensable, and urgent adaptation to a decarbonised society.

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## 1 Introduction

Ask any citizen in any of the 27 EU Member States whether he or she has heard of the European Investment Bank, and the answer will probably be a negative one. Nevertheless, the EIB is the Bank of the European Union, and its history is closely linked to that of the European project itself. First imagined between the two world wars, the idea of an institution for the financing of major infrastructure in Europe resurfaced in 1949 at the time of reconstruction and the Marshall Plan, when the French Minister for Finance Maurice Petsche (1895–1951) presented it to the Organisation for European Economic Cooperation.

The EIB was created by the Treaty of Rome establishing the European Economic Community (EEC) signed in Rome on 25 March 1957 and entered into force on 1st January 1958 (articles 129 and 120). Every Member State was to become a shareholder of the newly founded bank (article 129) whose statutes were established in a protocol annexed to the Treaty. And its role was so defined: “The task of the EIB 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. For this purpose, the Bank shall, operating on a non-profit-making basis, grant loans and give guarantees which facilitate the financing of the following projects in all sectors of the economy:

- (A) Projects for developing less-developed regions;
- (B) Projects for modernising and converting undertakings or for developing fresh activities called for by the progressive establishment of the common 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 (European Investment Bank 2020).

As well as contributing to the financing of projects of common interest, it also met the concerns of those who feared that the common market would accentuate imbalances in regional development or hasten the decline of certain industries. The EIB would thus mobilise capital to promote the cohesion of the European area and modernise the economy (European Investment Bank 2020).

Strengthening its shareholder base with every new enlargement of the European Union—the last shareholder, Croatia, joined in 2013, the EIB's capital base grew to €243 billion, rated AAA by the rating agencies (European Investment Bank 2021a). This capital base has allowed the Bank to raise money on the financial market allowing

it to finance projects mostly in the EU (90% of the EIB financing is for investment projects in EU countries). This is done through lending (for the public and private sectors or via intermediated loans for SMEs), equity participation or guarantees, blending (combining EIB loans and EC grants, for instance), and advising (making technical and financial expertise available to our clients to develop and implement investment projects and programmes, and to improve institutional and regulatory frameworks).

In almost 65 years of existence, the EIB has invested over €1.5 trillion for more than 14.400 investment projects, generating overall investment of €4.8 trillion. These are huge amounts which have greatly contributed to the EU's economic development, as per the Bank's statutes and as exemplified by the Bank's early focus on Italy.

In fact, the first two EIB Presidents, Pietro Campilli (1958–1959), a former Minister for the “Mezzogiorno” and Paride Formentini (1959–1970) were Italian, and the EIB contributed to the building of the Southern heavy and basic industry and supported public and private capital investments in the iron and steel and chemical and engineering sectors. Between 1958 and 1972, more than 60% of the Bank's loans went to projects in Italy from heavy industry (iron, steel, and chemistry (Italy's biggest steel factory in Taranto...)) to dams and irrigation schemes (Metaponto...) (Bonatesta 2019a).

Since then, the Europe of Six has become the Europe of 28 then 27. National economies are now part of the single market, a single currency and a Eurozone have been created, and the EIB has become a feature in the economic life of every region of Europe and, often, beyond. The Oresund bridge between Denmark and Sweden, the Milhau viaduct in France, high-speed trains in Spain, solar farms in Italy and wind farms in Germany, there is not one large infrastructure project in the EU that has not benefited from EIB financing. Interconnectedness has been at the heart of its work throughout its history, and it continues to be so today. Across Europe, the Bank's investment draws the many countries of the European Union closer together. Outside the EU, its support for North Africa, the Middle East, and Europe's eastern neighbours creates growth and opportunity in these regions that, in turn, makes the Union's countries stronger.

The EIB is a unique institution, as it is both an EU body and a bank. It is governed by both public and corporate governance principles with four statutory bodies (those referred to in the EIB Statute):

Three decision-making bodies: the Board of Governors—comprising Ministers designated by each of the 27 Member States, usually Finance Ministers and responsible for determining the general directives of the EIB—the Board of Directors responsible for the strategic management of the Bank (European Investment Bank 2021b) and the Management Committee, its permanent collegiate executive body (European Investment Bank 2021c). In addition, there is one control body: the Audit Committee, which verifies that the Bank's operations have been conducted properly.

With a lending capacity superior to that of the World Bank, it is a crowding-in bank that does not invest more than 30% of a given project and finances projects according to four main priorities: innovation, digital, and human capital; sustainable energy and natural resources; sustainable cities and regions; and SMEs. Most of all, the Bank

improves lives all over the world. At a time when the value of multilateralism is being challenged, the EIB's work serves as a constant reminder of the power of integrated European efforts.

In a world where disease and war are shaping our economy, the EIB Group, made of the European Investment Bank, and the European Investment Fund, which is used to responding rapidly and efficiently to crises. This is what it did in 2008 during the subprime financial crisis which was quickly followed by the European sovereign debt crisis, or when Europe was confronted to the migrant crisis, when the United Kingdom left the EU and the Bank lost one of its four major shareholders (with Germany, France, and Italy) and had to restructure its capital. Each time the EIB Group took up the challenge by adapting, upscaling, and diversifying its instruments while cooperating with its many partners. It is no different today when the EIB Group is facing the aftermath of the COVID-19 pandemic and the war in Ukraine, while having to finance Europe's transition to the ineluctable, indispensable, and urgent adaptation to a decarbonised society. This is what this paper will describe.

## 2 The EIB—A Brief History

The Bank was founded in Brussels in 1958 as the Treaty of Rome establishing the European Economic Community (EEC) came into force. The members of the first management committee were appointed in February 1958, with Pietro Campilli, a member of several post-war Italian governments and a former Minister for the “Mezzogiorno” as President. On 21 April 1959, the first EIB loan was signed. The final beneficiaries of this transaction, carried out jointly with the International Bank for Reconstruction and Development—better known today as the World Bank—were three Italian companies: Sincat and Celene (to build a large petrochemical complex in Sicily), and Mercure (to exploit a seam of lignite in Lucania to produce electricity).

At that time, the EIB was endowed with a subscribed capital of 1.000 m units of account, of which 250 m was to be paid in. Units of account were expressed in gold and, as long as the US dollar was pegged to the gold standard, the value of a unit of account was equal to one US dollar. On 1 June 1959, Paride Formentini became the second President of the EIB. The charismatic Italian, former Head of the Banca d'Italia, would lead the Bank for 11 years, until September 1970. Both Campilli and Formentini thought that Europe could only exist if each of its regions enjoyed economic growth and that the new institution was not a fund, but a proper bank that could “only grant its loans or its guarantee to economically profitable projects while at the same time being an instrument of economic policy and, to that extent, having to make sure it coordinated its actions with the economic policies of the Member States of the common market” (Formentini 2008).

From 1959 to 1972, over 60% of EIB lending to Member States was granted to Italy contributing to the building of the Southern heavy and basic industry (iron, steel, and chemistry (Taranto...)) and supported public and private capital investments in

the iron and steel and chemical and engineering sectors. Of this, 43% went to infrastructure projects such as the Autostrada del Sole, connecting Milan with Naples, via Rome and Florence, and to dams and irrigation schemes (Metaponto...) (Bonatesta 2019b).

In 1962, following the launch of its first borrowing operation, the EIB was authorised to finance projects outside the European Community. This marked the beginning of the extension of EIB's activities around the globe to support emerging and developing economies, also in Africa, Asia, and Latin America (as of 1993 for these two continents). As an example, in 1965, the Bank financed the construction of a new packaging facility for bananas in Abidjan, Côte d'Ivoire, and in 1991, it was authorised to operate in South Africa.

In 1968, the EIB moved its headquarters from Brussels to Luxembourg. The first external offices were also inaugurated, starting with Brussels and Rome. Under its third President, Frenchman Yves Le Portz, the Bank focused mainly on financing strategic infrastructure, as well as on supporting the European industry in response to the energy crisis, such as financing of the original manufacturing facilities of the Airbus A300 in Toulouse and St. Nazaire, France, in December 1971. This was the beginning of a long partnership, as the EIB has been on board every new Airbus developed since the A300. Three new Member States, Denmark, Ireland, and the UK became shareholders.

In 1980, as the EIB relocated to its current site in a building typical of the "brutalist" style designed in 1974 by the prestigious British architect, Sir Denys Lasdun, it launched its first borrowing operation in European currency unit (ECUs), created to sail on the stormy seas of the international monetary system, following the end of fixed exchange rates of the post-war period. Under the chairmanship of its first German President, Ernst-Gunther Bröder, the Bank financed innovative European companies as well as strategic infrastructure that can connect the common European market has been a goal since the EIB's inception. Three new countries, Greece, Spain, and Portugal joined the EU.

The 1990s saw the fall of the Berlin Wall and the collapse of the Soviet Union, with the EIB starting to provide financing to Eastern European countries. The EIB was a founding member of a new institution, the European Bank for Reconstruction and Development, extended its activities to the Czech and Slovak Federal Republic, Bulgaria and Romania (1991) and two years later to the Baltic countries (Estonia, Latvia and Lithuania), and launched a pre-accession facility in 1998. Under the leadership of its first British President, Sir Brian Unwin, it created a subsidiary, the European Investment Fund the subsidiary of the EIB (1994) as a specialist provider of risk finance for small and medium-sized enterprises (SME) across Europe of which it became a majority shareholder in 2000, creating the EIB Group. Other shareholders are the European Commission, and a wide range of public and private banks and financial institutions. The number of shareholders expanded in 1995 with three new countries Austria, Finland, and Sweden joining the EU, and the Bank launched its first borrowing operation in euros, over a year before the new European currency was born on 1 January 1999. The lead managers of the issuing syndicate were the Caisse des Dépôts et Consignations, Paribas, and Warburg. This was a decade of

firsts: first operations in euros, first investments in Gaza/West Bank, first activities in South Africa.

In 1997, the Bank financed one of its many flagship projects, the construction of the Öresund bridge, connecting Copenhagen (Denmark) and Malmö (Sweden), a vital transport link in the Trans European Transport Network (TEN-T). Every day 75 000 people use the bridge, 45% of them taking the 35-min train ride.

During the 2000s, under the presidency of former Belgian finance minister Philippe Maystadt (2000–2012), the EIB became more involved in climate change. The Green European Council of Gothenburg (15–16 June 2001) asked the Bank to promote the sustainable development strategy. Coordinating its efforts with the European Commission, the EIB began supporting investments aimed at protecting the planet from the negative effects of climate change. What was true for lending was also true for funding, as the Bank issued the first Climate Awareness Bonds on the capital markets, the world's first Green Bonds in 2007. The funds raised are earmarked to match the disbursements to EIB lending projects in the field of renewable energy and energy efficiency.

On 2 June 2008, as the EIB inaugurated its new building, known as the East building, created by German architects Ingenhoven Architekten in association with Werner Sobek Ingenieure, the number of its shareholders had increased considerably, with Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Czech Republic, Slovakia, and Slovenia joining the EU in 2004 followed by Bulgaria and Romania in 2007. Little did it know that it was about to transform into a Bank for all crises, an institution able to support to the economic recovery with additional € 60 billion thanks to a special EIB capital increase in response to the financial crisis of 2008 and to kick start investment in the EU with the European Fund for Strategic Investment with the Commission; to help the EU face the refugee crisis of 2016 with the creation of a new Economic Resilience Initiative; to play a crucial role in Europe's response to the economic consequences of the COVID-19 pandemic in 2020 and to be part of the answer of the EU to the brutal invasion of Ukraine by Russia on 24 February 2022.

In its sixty-five-year history, the EIB has grown exponentially. Its lending went from ECU 10bn in 1988 to annual lending near €45bn in the mid-2000s before jumping to €79bn in 2009 as a temporary response to the financial and economic crisis. It was €94.89 bn in 2021. This amount was split between the European Investment Bank (€65.36 billion) and the European Investment Fund (€30.50 billion). Of the total financing, €86.74 billion went to projects inside the EU, while €8.14 billion went to projects around the world. Around €360 billion of investment was supported, while 43% of total EIB financing was dedicated to green financing (climate action and environmental sustainability).

This surge in activity is based on a strong capital base, from less than ECU 30bn in the early 1990s, to €243bn on 1st February 2020 and an increase of the number of partner countries: the first agreements with non-Member States and non-European countries were made in the early 1960s. Today, the EIB works with more than 135 non-EU states which receive around 10% of our funding. Last but not least, though the EIB still has fewer staff than corresponding institutions like the World Bank, its

staff went from a workforce of 66 in 1958, to 1000 staff members in 1999 and close to 4000 today. All this has allowed the Bank to have considerable impact on the lives of citizens.

### 3 A Bank for all Crises

When the COVID-19 pandemic turned the world upside down at the beginning of 2020, the world learned to cope with a new normal. For firms and workers, this new normal meant more digitalisation, more remote working, more innovation.

According to EIB research (EIB 2022), the COVID-19 crisis accelerated the digital transformation of Europe's economy. Before the pandemic, cutting-edge digital technologies were primarily used by the most innovative and modern firms. The COVID-19 crisis, however, brought the digital transformation to the larger society—and made digitalisation integral to firms' survival.

Digital firms were better able to cope with the disruption unleashed by the pandemic, and they were less likely than non-digital firms to see sales decline significantly from 2020 onwards. Many of them used the crisis as an opportunity to accelerate their digitalisation.

But, while we were still working through the socioeconomic consequences of the pandemic, Europe and the world were confronted with the most dramatic uncertainty: war. Russia's invasion of Ukraine has led to significant humanitarian crises. Lives are being lost and livelihoods disrupted; cities are being destroyed, and all the countries neighbouring Ukraine are facing an unprecedented, massive inflow of refugees.

The economic impact of the war is severe: energy prices are soaring; inflation is growing, and shortages coming. Growth is slowing down, and business activity is facing considerable challenges in Ukraine, in neighbouring countries, in the entire EU, and beyond.

At the same time, we need to address our planet's climate and environment emergency. Like violent conflicts with authoritarian states, climate change is causing human suffering and costing lives. The war has made clear Europe's reliance on Russian fossil fuels, making it vulnerable to the whims of autocrats. It is forcing us to accelerate the transition towards a decarbonised economy. While it is too late to avoid all climate change, we must nevertheless stop it spiralling out of control, and we have to adapt to its unavoidable consequences.

Within this critical decade 2021–2030, we must:

- limit global warming to 1.5 °C above pre-industrial levels by the end of this century;
- adapt to the unavoidable impacts of climate change such as extreme weather events;
- combat environmental degradation;
- halt biodiversity loss;
- stop widening inequalities.

To achieve this, trillions of investment are required. According to McKinsey's research, the transformation of the global economy needed to achieve net-zero emissions by 2050 would require \$9.2 trillion in annual average spending on physical assets.

Being one of the world's main financiers of climate action and environmental sustainability, the EIB, the EU's climate bank, will play its part. Coming out of a pandemic which left it reeling, confronted with war in Europe and climate emergencies, floods in Pakistan, famine in Madagascar, heatwaves and drought in Europe and the US, it is fair to say that the world has probably never been faced with such radical uncertainty. What does this mean for the EIB Group?

The EIB Group—made of the European Investment Bank and the European Investment Fund—is used to responding rapidly and efficiently to crises. It did so during the 2008 Financial Crisis and the subsequent European Sovereign Debt Crisis. As the EIB was put under negative watch by rating agencies worried of the potential insolvency of some Member States and forced to reduce its activity, its shareholders agreed a special EIB paid-in capital increase in response to the financial crisis. In return, the EU Member States asked the Bank to lend an additional EUR 60 billion over three years. This has allowed us to increase our support for the economic recovery and has a considerable impact on the lives of citizens. In November 2014, the European Commission launched the Investment Plan for Europe, also known as the Juncker Plan, as a response to the crisis which had severely hindered the investment capacity of EU Member States. The European Fund for Strategic Investment (EFSI) was one of its key elements, providing loan guarantees that enable the European Investment Bank to support higher risk projects. EFSI is essentially an agreement between the European Commission and the Bank under which losses incurred from operations included in the EFSI portfolio are covered up to €33.54 billion, €26 billion of which is provided by the European Commission and €7.54 billion of which comes from the EIB's own funds. It initially aimed to mobilise €315 billion and was then extended to €500 billion by 2020. Over the years, thousands of projects benefitted from its financing, making Europe more modern, social, and green.

The fund has been operating since 2015. According to an independent evaluation (European Investment Bank 2021d), the EFSI guarantees had done a good job mobilising investment to address structural gaps, but the fund arrived too late to effectively help the European economy attract investment after the financial crisis. The guarantee provided by the fund helped the EIB Group mobilise more than €540 billion from 2015 to 2020, plugging investment gaps created by the 2008 financial crisis and, more recently, the COVID-19 crisis.

More specifically, the evaluation found that EFSI effectively harnessed public money and the EIB Group's financing and expertise to unlock private investment throughout the European Union; fostered cooperation between national promotional banks and the EIB Group, although this cooperation could be improved to take into account the needs and diversity of the different national banks; and transparently embedded the EIB Group's activities into overarching the EU policy.



### **3.1 *The Migrant Crisis***

In 2015, Europe was confronted to one of its greatest challenges ever faced by the European Union when following the war in Syria 1.3 million people came to the continent to request asylum. Political instability and conflict in the EU's neighbouring countries and beyond were and still are driving this mass movement of people. At the request of the European Council, the Bank developed a specific initiative, the EIB's Economic Resilience Initiative (ERI) to support economic resilience in the EU's southern neighbourhood and the Western Balkans regions, both of which have been significantly impacted by the refugee crisis on the EU's doorstep. The EIB tries to combine short-term humanitarian interventions with medium- and long-term efforts to ease the burden on community services and social infrastructure, whilst addressing the root causes of forced displacement and creating economic resilience in both host and origin countries.

The Bank focused on the socioeconomic aspects of the crises, helping communities to facilitate the acceptance and inclusion of the forcibly displaced, and supporting economic resilience, through initiatives such as investing in the private sector to create jobs and real economic opportunities.

ERI creates jobs and economic growth in the region by investing in key infrastructure and in private sector development. It may also help migration flows. ERI offers a package of loans and innovative financial products, while blending funds from the donor community with EIB financing. The initiative is implemented in close cooperation with EU countries, the European Commission, and other partners. The first countries to contribute to ERI were Bulgaria, Croatia, Italy, Lithuania, Luxembourg, Poland, Slovakia, Slovenia, and the United Kingdom, and 61 projects have been signed for a total of €5.2 billion in investment. The initiative is expected to provide a total of more than €15 billion in additional financing. Well over half of that went into private sector development. Lending through partner banks alone is set to benefit more than 11.800 smaller businesses and mid-caps, helping to sustain almost 221 000 jobs. Public sector investments amount to €1.4 billion.

The refugee crisis is a reminder of the interconnectedness of development issues, not only with geopolitics, but also with growth and investment policies in every country. As the EU's bank and the largest IFI lender for projects in the pre-accession and Middle East North Africa regions, the EIB will continue to assist EU Member States in addressing the refugee crisis in host countries, transit countries and countries of origin.

### **3.2 *The Migrant Crisis***

When the UK left the EU, the Bank lost one of its four major shareholders (with Germany, France, and Italy) and had to restructure its capital. Following the referendum on 23 June 2016, the UK government formally notified its intention to leave

the European Union on 29 March 2017 starting the withdrawal process under Article 50 of the Treaty. On 31st January 2020, the United Kingdom stopped becoming a member of the European Investment Bank, as part of its withdrawal from the European Union. A year ago, the Governors of the European Investment Bank, Europe's finance ministers had unanimously agreed last that the departure of the United Kingdom from the European Union would not affect the financing activity or have any impact on the EIB's business model.

The UK's share of the EIB's paid-in capital prior to Brexit represented EUR 3.5 billion, alongside EUR 35.7 billion of callable capital. The UK's callable capital disappeared on Brexit day and was replaced by the UK's liability on callable capital. On 1 March 2020, two member states, Romania and Poland, contributed additional capital, providing the EIB with a higher capital base than before Brexit. The EIB will reimburse the UK's EUR 3.5 billion paid-in share over 12 annual instalments following Brexit.

The UK will remain liable for the EIB's pre-Brexit operations. This liability will be reduced as the EIB's pre-Brexit (some €50 billion) exposure declines. Brexit had no impact on EIB's and EIF's AAA rating.

As EIB President Werner Hoyer (European Investment Bank 2019) then stated, "the EIB Group is an important benefit of European Union membership. In the UK, we have supported transformational investments, enhanced economic opportunities, helped small businesses, and improved social infrastructure since 1973. I look forward to a new kind of relationship, which should reflect our unique commonality of purpose, and the strength of the relationship between the United Kingdom and the European Union. This is a bond that will always remain especially strong and of fundamental importance to both sides".

In each of these crises, the EIB Group took up the challenge by adapting, upscaling, and diversifying its instruments while cooperating with its many partners. This is no different with today's crises.

### **3.3 COVID-19**

The EIB has been on the frontline of the European Union's global response to the COVID-19 pandemic and has rallied with international organisations such as the World Health Organization and the United Nations Children's Fund to take immediate action.

Emergency support from the EIB Group has enabled small and medium enterprises and innovative start-ups to invest despite extreme uncertainty. The EIB backed the creation of a €25 billion European COVID-19 guarantee fund in partnership with local lenders and national promotional institutions. This has enabled the EIB Group to scale up its support for European companies that were struggling because of the pandemic by up to an additional €200 billion—with a focus on small and medium-sized enterprises. As of August 2022, the EGF had already approved €23.8 billion, almost half of the fund's target for 2021, in support of European businesses struggling

with the economic fallout of the COVID-19 pandemic. The initiatives financed so far are expected to generate €187.4 billion in funding for the EU economy.

Here, the experience gained with EFSI (described above) was crucial. The fund's guarantees proved to be instrumental in helping the EIB Group quickly provide support to businesses and markets, according to the latest evaluation, which focuses on 2018–2020. The lessons learned from the flexibility of EFSI were also particularly useful. Money could flow where it was most needed. For example, some funds earmarked for infrastructure projects were redirected to small businesses. That flexibility enabled the EIB and EIF to meet market needs as they arose, which was particularly relevant during the COVID-19 crisis.

The EIB has also helped finance the development and purchase of COVID-19 vaccines, solutions to limit the spread of the virus, and other public health projects related to the COVID-19 crisis. The German company BioNTech benefited from €100 million to develop the first COVID-19 vaccine (European Investment Bank 2021e) and the EIB-financed vaccine production capacities in Dakar (Senegal) and in South Africa.

### ***3.4 Support for Ukraine***

The EIB has worked with Ukraine since 2007, in line with the European Neighbourhood Policy (ENP), the Eastern Partnership (EaP), and other EU bilateral agreements, financing 54 projects (investing in grain storage and equipment, improving urban transport or public buildings energy efficiency, etc.) for some €8 bn with 15 local partners.

As part of a coordinated EU and international response to the first war on European soil since the Second World War, the EIB has mobilised and deployed rapidly almost 700 billion euros of financial support through the EIB Solidarity Package for Ukraine to help the Government meet its urgent need for liquidity. This first part of the Ukraine Solidarity Urgent Response was followed by a second part of €1.59 billion announced in July to help Ukraine fix damaged infrastructure, restart municipal services, and support urgent energy efficiency measures in preparation for the cold season. As of October, €1.05 billion in immediate assistance to Ukraine had been disbursed. The remaining €540 million will be used to resume implementation of existing EIB-financed projects in Ukraine as they progress, excluding areas of active hostilities and territories not controlled by the Ukrainian government.

In addition, in cooperation with the European Commission, the EIB is providing further financing to enable the Government of Ukraine to continue providing critical public services for citizens that stayed in the country, ensuring that food, medical supplies, and fuel remain available, while also backing transport, energy, urban development, and digital projects.

The EIB has also announced a €4 billion support package for 2022 and 2023 to help cities and regions in EU Member States address urgent investment needs and meet the challenges of welcoming and integrating war refugees from Ukraine. The

new EIB programme aims to finance the development of key social infrastructure for the provision of public services to refugees, including housing, schools, hospitals, and kindergartens.

The EIB is continuing to work with European partners to explore further possibilities for supporting Ukraine and Ukrainian refugees. It stands ready to provide its experience, capacity, and know how to help Ukraine develop a comprehensive strategy for the reconstruction of the country ready to be implemented once the war is over.

Here in Europe, the war has made the need to protect our sovereignty and autonomy more urgent than ever.

But, amid the tragedy of war, there is a great opportunity: that the bold investments needed to become independent from Russian fossil fuels will also help us solve the biggest global challenge of ours.

### ***3.5 The EU's Climate Bank***

Looking at the world today, at the many urgent challenges, from the pandemic to the energy and food crises triggered by Russia's attack on Ukraine, one might be tempted to think that choosing between tackling these crises and the preservation of nature is a dilemma.

In fact, there should be no trade-offs. According to the World Economic Forum, \$44 trillion of economic value generation—over half the world's total GDP—is dependent on nature and the nature-based economy: forestry, water, oceans, and agriculture. Preserving and increasing the value of these assets, by conserving and restoring nature, is just smart economics.

To achieve this, trillions of investment are required. According to McKinsey research, the transformation of the global economy needed to achieve net-zero emissions by 2050 would require \$9.2 trillion in annual average spending on physical assets. The global shortfall is estimated at \$700 billion annually between now and 2030. Public funding and the support of philanthropies is essential. But, you cannot be successful without the private sector.

Being one of the world's main financiers of climate action and environmental sustainability, the EIB, the EU's climate bank, will play its part. The European Union is at the forefront of the global fight against climate change and environmental degradation. With the European Green Deal, the EU aims to make the European economy sustainable and inclusive. The EIB is an important partner in this new growth strategy, while playing a leading role in the implementation of the Paris Agreement and the Sustainable Development Goals.

In 2019, the EIB Board of Directors approved a new set of ambitious targets for climate action and environmental sustainability. The three key elements are as follows:

- (a) The EIB Group will support €1 trillion in investments in climate action and environmental sustainability in the critical decade from 2021 to 2030;
  - (b) The EIB will gradually increase the share of its financing dedicated to climate action and environmental sustainability to exceed 50% of its operations in 2025;
  - (c) The EIB Group will align all its financing activities with the principles and goals of the Paris agreement by the end of 2020.
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- (a) The EIB Group supports climate projects in three main areas: (1) climate mitigation projects, i.e. projects that reduce or prevent the emission of greenhouse gases. For example, this can be done by investing in research and development of low-carbon technologies, renewable energy, low-carbon transport solutions, and industrial decarbonisation. It also invests in (2) climate adaptation projects that anticipate the adverse effects of climate change and take appropriate action to prevent or minimise the resulting damage. Early and well-planned adaptation can save lives and money. Such investments include projects that reduce the risk of floods, develop resilient cities, and increase afforestation. The EIB Adaptation Plan supports the objectives of the European Union Adaptation Strategy inside and outside the EU. The EIB pledges to increase the share of adaptation support to 15% of the Bank's overall finance for climate action by 2025. This represents an almost three-fold increase, compared to adaptation finance over the past five years. The EIB will screen all projects it finances for the risks of climate change and ensure that they are adapted to future changes. A new advisory service called ADAPT will help public and private sector clients understand how climate change affects their operations. And (3) the EIB backs activities that promote sustainable management of natural resources, biodiversity, and the environment. EIB investments tackle the effects of climate change on vulnerable communities, protecting biodiversity, and promoting sustainable farming, thus preserving natural resources and making the environment safe for future generations.
  - (b) In fact, last year, we had already dedicated 51% of our financing, €27.6 billion, to climate action and sustainability projects. The EIB's operations accelerate green growth and the decarbonisation of economies. We focus on energy efficiency: the cheapest energy is the energy we do not use and the renewable energy. The Bank is the first financier of offshore wind farms in the EU, which help both reduce CO<sub>2</sub> emissions and strengthen our energy security. All of our actions contribute to sustainable social and economic growth.
  - (c) Beyond the existing 11 Environmental and Social Standards, applicable to all new operations, the bank has put in place a framework—The Climate Bank Roadmap—to ensure that the projects it supports—whether they be in energy, transport, industry or agricultural sectors—are aligned with the goals of the Paris Agreement (European Investment Bank 2021f). We have introduced a new approach for the alignment of counterparties. This applies to large companies active in high-emitting sectors and large financial institutions. Building on the European Union regulations, this requires large companies to disclose their alignment plans, including a mid-term carbon target. Such plans should also

address building resilience to future climate change. The EIB will work with clients to develop and publish these plans. This general approach, based on disclosure, is powerful. But, it also needs a bottom line for companies that intend to invest in very high carbon activities incompatible with the Paris Agreement. In general, the EIB will not support projects, including low-carbon ones, with companies that invest in activities such as the building of new coal-fired power plants or coal mines, or the destruction of carbon sinks. For the oil-production sector, if companies cannot commit to reducing oil production over time or if they continue to engage in incompatible activities, the Bank will only work with them on highly innovative low-carbon projects, such as carbon capture and sequestration, renewable hydrogen, advanced biofuels, or floating offshore wind.

Furthermore, the EIB has created a Climate and Environment Advisory Council, consisting of leaders from academia, business, civil society, and international organisations, to provide independent advice and expertise on the activities that the EIB Group is carrying out to reach its climate action and environmental sustainability ambitions. Among the topics covered, the focus will be on the Climate Bank Roadmap and on our activities to support adaptation to the impacts of climate change, as well as the EIB Group Paris Alignment for Counterparties framework.

As President Hoyer recently said: “We have still a long way to go when it comes to climate. But, the result shows that the Bank is transforming faster than anyone could have expected into the EU’s climate bank.”

## **Financing**

And this is also valid for the way we finance ourselves. Every year, the EIB raises money by issuing bonds on international capital markets. Our global borrowing authorisation for 2022 is up to €50 billion reflecting our borrowing needs to achieve our operational targets and making the EIB a large issuer, larger than many EU Member States alone. The euro and the dollar are the main funding currencies, and the size of issuance is typically large (3 billion to 5 billion) with benchmark maturities ranging from 2 to 30 years and issued on a regular basis.

Our AAA credit rating allows us to raise funds at good rates, and these benefits are passed on to clients. For investors, EIB’s bonds are considered Level 1 High Quality Liquid Assets (HQLA) for Liquidity Coverage Ratio calculation under the Basel framework. In 2007, we pioneered the green bonds market by issuing the world’s first Climate Awareness Bond (CAB), allocated exclusively to climate change mitigating activities in line with the EU’s sustainability objectives. This has proven very successful, and the EIB has played a major role in developing the green bond market, which exceeded 600 billion euros of new issuance in 2021. We are the largest supranational issuer of green bonds, which support renewable energy, energy efficiency, clean water, and sanitation. In 2018, our first Sustainability Awareness Bond (SAB) extended this approach to other environmental and social policy objectives. At the end

of July 2020, the EIB remains the world's leading supranational green and sustainability bond fund, with more than € 38 billion raised in 17 currencies. In total, CAB and SAB proceeds have helped finance 312 projects in 71 countries around the world.

Together with other experts, the EIB contributed to the EU Sustainability Taxonomy and the EU Green Bond Standard. The EU Taxonomy is a tool to help investors, companies, issuers, and project promoters navigate the transition to a low-carbon, resilient, and resource-efficient economy. The EU Green Bond Standard, based on best market practice and the EU Sustainability Taxonomy classifications, aims to safeguard the robustness of the green capital markets. The EIB is committed to aligning its tracking methodology for climate action and environmental sustainability ("green") finance with the framework defined by the EU Taxonomy Regulation and the EU Green Bond Standard. It plans to align its CAB/SAB Frameworks with the EU Green Bond Standard (EUGBS), as retained and amended by the European Commission. The EUGBS requires that EU green bonds are allocated to economic activities that meet the requirements of the EU Sustainability Taxonomy (EUST). In sectors that are not yet covered by the EUST, the EIB uses its definitions within the spirit and logic of the EUST. In September 2018, we became the first issuer to retain these principles in our CAB/SAB documentation, thus establishing a direct link between sustainability lending and funding in the spirit of the EU Taxonomy Regulation.

## 4 Conclusions

Confronted with almost continuous uncertainty in the past 15 years, the EIB Group has stepped up to the plate and provided support to the EU economy, its companies, and its workers. It has diversified its financing instruments, such as EFSI (European Investment Bank 2021g), to improve the EIB Group's firepower in dealing with economic crises. It has extended financing outside Europe. And, as Europe intends to lead by example, it has transformed itself into the EU's climate bank.

Cognitive science tells us that our brains are hardwired to dislike uncertainty. Research shows that we get significantly more anxious and upset when we do not know what is about to happen than when we know for certain that something bad will happen.

The EIB's economists, engineers, and financial officers have had plenty of reasons to be anxious and upset. They have adjusted. And they have delivered. How should we adjust the way we think about the future to allow for the current wave of uncertainties and prepare for the upcoming ones, particularly those related to the climate transition, will be the most difficult question ever tackled by the EIB.

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