Reassessing the Role and Identity of the European Investment Bank

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The President of the Commission Ursula von Der Leyen's State of the EU address (14 September 2022) introduced a new, or renewed, role for the Union in the fields of energy and innovation policies. The President spoke not only of diversification of energy supplies, but also of direct support to the development of new sources, such as hydrogen: "Hydrogen can be a game changer for Europe. We need to move our hydrogen economy from niche to scale. With REPowerEU, we have doubled our 2030 target to produce ten million tons of renewable hydrogen in the EU, each year. To achieve this, we must create a market maker for hydrogen, in order to bridge the investment gap and connect future supply and demand. That is why I can today announce that we will create a new European Hydrogen Bank that will help guarantee the purchase of hydrogen, notably by using resources from the Innovation Fund. It will be able to invest 3 billion euros to help building the future market for hydrogen: this is how we power the economy of the future."[1]

And again, she mentioned actions to make the EU more dynamic in the high-tech sectors in order to decrease its technological dependence. Overall, she presented a Union ready to invest in

[1] U. v Der Leyen, State of the Union 2020. *A Union that stands strong together,* https://ec.europa.eu/commission/presscorner/detail/en/speech_22_5493.

public goods for its citizens, in order to protect its cohesiveness and sovereignty.

So, new actions asking for new financial resources, a challenging issue that recurs as a pivotal element in the history of European economic integration. By financial resources I do not refer only to the so-called own resources, but to the whole set of instruments to counter adverse economic shocks, as the current ones, or to promote priority policies, as the European Green Deal, which means the wide range of funds that the European Union and bodies such as the European Central Bank and the European Investment Bank can mobilize on the financial markets. These resources and their mix must be adequate to the policies and interventions that the EU intends to implement. Although in recent years the discussion on this topic was dampened by slow unanimity decision-making and by weak intergovernmental responses, the multiple current crises are urging the EU institutions to enormously increase common resource schemes and to adopt shared decisions on how to use them, as showed by the Next Generations EU instrument.

The challenges posed by current events therefore suggest to scholars a reassessment of the role and of the very identity of one of the EEC/EU's main financial institutes, namely the European Investment Bank (EIB). The articles published in this Special Section investigate precisely the vision and action of the EIB, and the investments it allocated to various areas and sectors from its foundation to the present day. The transformation of its role corresponding to changing European strategies – according to the economic cultures and political priorities that inspired them over time – is also analysed. The articles are derived from the papers presented by the three authors, Renato Raffaele Amoroso, Donatella Strangio, and Serena Casu at the international conference *A new "organized and living Europe". 70 years since the Schuman Declaration: Processes and challenges on the path toward European integration* organized by AUSE (Associazione Universitaria di Studi Europei) in June 2021 at Tor Vergata University of Rome. The conference aimed at bringing into focus some fundamental issues which the Schuman Declaration and the subsequent creation of the European Coal and Steel Community placed at the root of Europe's integration, highlighting the accomplished steps and the open perspectives.

The ECSC, a construction of crucial political relevance in the history of Europe,[2] could also be considered as a giant design of industrial policy, focused on the two sectors of coal and steel.[3] Conceived by the doyen of French planning Jean Monnet, it was a project steeped in dirigiste culture, combining trade liberalisation with the regulation of the two sectors by pricing and investment measures. The new Community had an autonomous fiscal capacity, based on the power of the High Authority to raise the necessary funds by setting levies on coal and steel production and by issuing bonds on the financial markets to support collective investments in both sectors.

In 1957, with the birth of the European Economic Community (EEC), there was a crucial shift: developmental goals were entrusted to the "Common Market," which was considered as a "multiplier" of opportunities for the economies of the member States. In building the new Common Market, competition rules were stressed, and State aids were prohibited, even if tolerated over time. The "mixed economy" of the "Golden Age" reflected at European level in a correspondingly mixed approach. As to industrial policy – while other policies, as CAP (Common Agricultural Policy), were clearly defined and destined to be largely funded – the Treaty did not even mention it, tacitly entrusting it in the hands of the member States, which were eager to maintain control according to their own political and path-dependent approaches.[4]

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[2] T. Judt, *Postwar: A History of Europe Since 1945*, London, 2005.
[3] D. Spierenburg and R. Poidevin, *The History of the High Authority of the European Coal and Steel Community: Supranationality in Operation*, London, 1994; first published in French in Brussels, 1993.
[4] This "silence" allowed national governments to implement the internal structural adjustments that were potentially necessary for softening the severities of the process of integration, in cases where this had put national enterprises into troubles; thereby it preserved the consensus around the integration process, according to the classic argument by A. Milward, *The European Rescue of the Nation-State*, London, Routledge, 1992.

In this framework, the EEC – whose budget was based on the contribution of member States – established the European Investment Bank, entrusted with supporting industrial growth, especially in backward areas, and funding projects of common interest to promote convergence among the economies of the member States.

EIB was thus born as the investment arm of the Community to promote convergence between its various regions and has been an instrument of cohesion and solidarity since its inception.[5] In this respect, both Amoroso and Strangio analyse the action of EIB in Southern Italy. Amoroso illustrates the international debate about the extraordinary intervention for the "Mezzogiorno" – explicitly mentioned in the 1957 Treaty – and links it to the birth of the European Investment Bank. Strangio applies a comparative approach to underline the Bank commitment in those regions which, due to historical legacies, were not able to autonomously activate a self-propelling mechanism of growth.

In the 80s, the Single European Act, while launching the achievement of the European Single Market within 1993, placed cohesion as central to its objectives, and generated a series of policies and instruments whose aim was to close the differences in levels of development and standards of living between the various areas within the Community.[6] Again, EIB played a relevant role with its special loans, allocated to small and medium-sized enterprises, recognized as the real backbone of European economies in a phase of decline of big business.[7]

Over the years, the Bank – operating on the market according to

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[5] This mission is reflected in the Bank's shareholder base and operating model: each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession https://www.eib.org/en/about/governance-and-structure/shareholders/index.htm

[6] A. Jakubowski, "The European Investment Bank Loans, Regional Economic Growth and Cohesion in the European Union", in L. Coppolaro and H. Kavvadia (eds.), *Deciphering the European Investment Bank: History, Politics, and Economics*, Routledge, 2022.

[7] D. Felisini e F. Mosconi, "L'impresa europea: un pilastro del modello economico dell'Unione Europea", in O. Garavello (ed.), *Il modello sociale europeo*, Bari, Cacucci, pp. 21-50

profitability criteria and aiming at "the development and full use of European resources" in supporting European businesses – has visibly been able to adapt its actions to the changing strategies of the EU and to expand the range of instruments used to achieve its purposes. An important example lies in the EIB evolution from being a bank mainly supporting basic industries (oil, chemical, steel) and manufacturing activities to act as "a climate bank", as Serena Casu highlights in her article. The author emphasises the Bank's capability to transform its mission, in tune with the profound changes in the very concept of economic development, now inspired by the principles of sustainability. In 2007, EIB was the first institution in the world to issue green bonds.[8] In 2015, at the Paris Climate Conference, the Bank announced its Climate Strategy. In 2019 it committed to stop funding fossil fuel projects by the end of 2021, planning to invest 1 trillion euros in climate-related projects by 2030 including a just transition. A Climate Bank Roadmap has been elaborated to provide a detailed operational framework for its activities on climate action and environmental sustainability in the years 2021-2025. The Roadmap, approved by the Council, presents the guidelines for climate finance that now supports the European Green Deal, the resourceful set of initiatives by the Commission with the overarching aim of making Europe carbon-neutral by 2050.

Once again, EIB plays a key role in an extraordinarily ambitious and multifaceted plan, that proposes a new model of sustainable development and strengthens the EU's global actorness.[9] But then again, the Bank can no longer be regarded as the mere investment arm of the EU. As it is known, EIB is not funded through the EU budget, instead it raises money on the international capital markets by issuing triple-A rated bonds, so it has become a pivotal element in long-standing political attempts to increase the invest-

[8] The EIB and Climate Change, Luxembourg, EUR-OP, 2010.
[9] "Financing the Green Transition: The European Green Deal Investment Plan and Just Transition Mechanism", European Commission, 15 May 2020.

ment firepower of the Union.[10] With a capital-base around €243bn in 2020, the dimension of its financial activities (annual lending passed from €45bn in the mid-2000s to €64bn in 2019) has huge effects on EU policymaking. Therefore, EIB is assuming a growing role and a stronger personality within European institutions and economic governance.[11]

[10] D. Mertens and M. Thiemann, "Building a Hidden Investment State? The European Investment Bank, National Development Banks and European Economic Governance", in *Journal of European Public Policy*, 2019, Vol. 26 (1), pp. 23-43.
[11] N. Robinson, "The European Investment Bank: The EU's Neglected Institution", in *Journal of Common Market Studies*, 2009, Vol. 47 (3), pp. 651-673; H. Kavvadia, "The European Investment Bank's 'Quantum Leap' to Become the World's First International Climate Bank", in *Politics and Governance*, 2021, Vol. 9 (2), pp. 185-195.