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# EIB: 60 years of investing in Europe

Annual press conference

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**Check against delivery**

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Ladies and Gentlemen,

Happy New Year! Welcome to the annual press conference of the European Investment Bank, where we give a first account of our achievements this past year.

**60 years**

But this time I am not only talking about last year. This is a special year. This year the EIB is celebrating the sixtieth anniversary of its foundation. Enshrined in the Treaty of Rome, it came into existence in 1958 with a mission to contribute "to the balanced and steady development of the internal market in the interest of the Union." More specifically, the EIB was created to enhance cohesion across Europe, by financing projects in less-developed regions; to help modernize Europe's economy; and to fund projects of common interest to several Member States.

The Bank, like the EU project itself, has always evolved with the times. As the European Economic Community became the European Union, the EIB became the EIB Group with the establishment of the European Investment Fund. And together it has assumed the identity of the Union's financial arm, the EU Bank.

We have reached 162 countries. We have engaged in close to 12 000 operations globally, and disbursed over 1.1 trillion euros. This has mobilised up to EUR 3 trillion of investment - a very efficient use of EU resources.

This has been a very good deal for Europe, and an enormous benefit to the EU citizens. After all, only around 14 billion euros have ever been paid in, in cash, by the Member States – a little more than 1 percent of the total investment this Bank contributed to generate.

It's been a very good 60 years!

## Impact

We can prove these investments have had a tangible, sizeable impact on the European economy, and on the life of Europeans.

You can measure it a lot of different ways. Take the 11,000 MegaWatts of power generation capacity that we helped create last year, almost 100 percent of which was from renewables.

Or the 572,000 families in EIB-financed affordable social housing.

Our impact can also be measured in GDP and in jobs.

Our economists figured out a way to bring all this together using a model created by the Joint Research Institute in Seville. They found that EIB Group-supported investments in 2015 and 2016 alone will have created 2.25 million extra jobs after 5 years, and generated a 2.3 percent increase in EU GDP.

That's the short-term boost, but more importantly, these EIB-supported investments will have an impressive long-term impact on productivity and competitiveness.

After twenty years we estimate that those same investments will still support around 1.27 million extra jobs and that GDP that is 1.5% higher than it would have been in a baseline scenario.

I repeat, this is the macroeconomic impact of 2 years of investment.

## Results

But let's take a quick look at last year first. In total, the EIB Group signed more than 78 billion euros in financing in 2017.

I am especially proud that we managed to increase lending for **innovation** in various industries to a total of close to 14 billion. Innovation is at the heart of competitiveness and, ultimately, of sustained and sustainable growth. It is also an area in which Europe must close a significant gap between it and its main global competitors in terms of investment.

In 2017 close to 17 billion euros went to environmental projects, and 18 billion euros into infrastructure.

And the EIB once again met its target for climate action, with approximately 19 billion euros of financing, representing over 27% of 2017's total EIB finance. We had committed to 25%, we achieved more than 27%.

The largest share of our financing, close to 30 billion euros, went to small and medium-sized enterprises and midcaps. We estimate that this financing sustained 3.9 million jobs in more than 285 000 firms.

But what I really want to draw your attention to is this: in 2017 we approved more projects than ever – 901, a roughly 15% increase from the previous year. The average size of the projects we financed is smaller than previously. This means that we are enabling more and more firms and public entities to invest.

We are really combing through Europe to find companies with good ideas, companies with a business plan that will drive Europe forward.

And we are working on advisory assignments, mostly in cohesion countries, but not only, that may generate a total of up to 40 billion euros of investments.

And through our advisory services we are also reaching a wider range of project promoters – filling the gaps, and addressing the real needs of the market.

**EFSI**

A big part of why we are able to do this is the Investment Plan for Europe, the Juncker plan, and specifically the European Fund for Strategic Investment, one of the core elements of the Juncker plan, which is backed by an EU budget guarantee and the EIB's own funds to finance riskier investments.

By the end of 2017 we had approved 717 EFSI transactions, mobilising 257 billion euros, or 82 percent of EFSI's original 315 billion euro target, which we are well on track to reach in the coming months. More than 90 billion euros of that came in 2017.

We have supported thousands of companies and hundreds of thousands of jobs, and played an important role in Europe's recovery.

When we launched it in 2015, some called the plan's ambition to generate 315 billion Euro investments from a guarantee of 21 billion a delusion, mentioning "black magic" or financial wizardry. We said at the time that the multiplier of 15 over the basic guarantee was achievable. We are now vindicated. This has worked!
We welcome the decision by the European Parliament in December to extend this program to the end of 2020, with an increased goal of mobilising 500 billion euros.

**MFF**

EFSI is a great example of what the EIB, the EU bank, can do to help scarce public resources achieve more. It is a spectacular endorsement of the fact that the paradigm shift from grants and subsidies to loans and guarantees is a very strong tool in Europe's public policy toolkit.

More generally, I believe that what the EU Bank can do for Europe and Europeans has been underestimated.

Let me say something that should be there for all to see, but isn't: Europe has been and continues to be a very good - actually, a wonderful thing, for Europeans, and for the world.

Someone recently said: "A strong, united Europe is a necessity for the world because an integrated Europe remains vital to our international order. The European Union -- remains one of the greatest political and economic achievements of modern times."

I completely share this sentiment. The only problem with these words is that they were not uttered by a European leader, but by Barack Obama, the former American President. In these troubled days it would be a rare thing for a European politician to express such pride and passion for European integration.
And yet we should remind Europeans of the importance and magnitude of Europe's achievements much more often than we actually do.

The resources we have at our disposal are constrained, not least by the impending departure of the United Kingdom. So we, in Europe as a whole, need to step up our efficiency.

This means more emphasis on financial instruments!

For this reason we are engaged in extensive dialogues with Member States, the European Commission and the European Parliament to make Financial Instruments more effective in the European Union's Multiannual Financing Framework post 2020.

**Development finance**

The need for this kind of paradigm shift towards financial instruments is perhaps clearest in the area of development.

As an example, to achieve the UN sustainable development goals, we must close an annual financing gap of around 1 trillion euros for infrastructure in developing countries. Countries are currently filling only 10% of this gap, mostly in grants. Obviously, it is not enough. And public budgets will never be enough to meet the sustainable development goals alone. Never, ever.

At the same time, institutional investors globally hold **66 trillion euros** of assets under management, yet less than 3 percent of pension fund portfolios invest in any kind of infrastructure. It is even less for developing countries. Increasing this proportion to 5 percent, with a focus on developing countries, could largely close the financing gap for the sustainable development goals. This is the private investment we will try to mobilise.

Ladies and gentlemen, the effects of climate change are very real and form a part of what is at the root of migratory pressures.

Indeed, Migration is a serious challenge that has directed the spotlight on the need to do more, and give people everywhere the prospect of stability and prosperity.

We need to turn international assistance into a global compact for prosperity. This is the ambition which underpins the sustainable development goals.

On this note, we have begun a discussion with our Board, EU Member States, and the European Commission on establishing a dedicated structure within the EIB Group, not a new institution, that is fully devoted to development finance.

The EIB is already the EU's key instrument for development banking. Our investment outside the EU makes us one of the largest multilateral development banks, with an annual financing volume of roughly 8 billion euros.
In 2016, at the request of the European Council, we quickly set up the Economic Resilience Initiative for the Western Balkans and the Southern Neighbourhood in the aftermath of the first round of the migration crisis. The results are already impressive. Around 1.5 billion additional euros have been approved for over 20 projects.

The EU Bank is living proof that multilateralism, partnership and cooperation work. And we plan to do better. We will continue to help Europe by ensuring Europe helps others. And we will organize ourselves to make sure we reap every bit of efficiency and effectiveness we can squeeze out of our operations.

**Demand – Investment Report**

Despite improvements in economic indicators, there is still a need for more investment inside Europe too.

The 78 billion euros of projects we signed last year represent about 150,000 euros of investment every minute. So, while I have been speaking to you today, the EIB has invested – on average – almost three million euros.

But sheer volume is not the key here!

I told you we combing Europe for investment potential. One way in which we do that is our annual Investment Report.

On the macro-level Europe's performance has improved. The EU has now experienced 19 consecutive quarters of GDP growth; and the pace of growth in 2017 surpassed official expectations. The EU's unemployment rate is at 7.4 percent, still of course much too much, having fallen almost every quarter from its peak of 11 percent in early 2013. And investment has recovered to near pre-crisis levels.

However, our Investment Report shows us that

- Investment in infrastructure is still lagging, particularly in those countries hit hardest by the financial crisis and subsequent fiscal constraints. Investment in infrastructure is still 20% below pre-crisis levels.
- A full third of local municipalities say they haven't been investing enough in infrastructure.
- EU investment in key areas – such as research and development, climate and environment, and strategic infrastructure – remains below levels required if we are to meet the targets we have set ourselves in these areas. The same is true of security and defence.
- Likewise, there is a need for targeted support for SMEs, in particular small firms, young firms and innovative firms that invest in intangibles and cannot offer much collateral for bank financing.
- Because of our continent's demographic challenges, innovation is the only path to higher productivity, employment and competitiveness.

There is a common belief that in the 'good' years, one should save for the 'more difficult years. In fact, in the 'good' years one should **invest** for the 'more difficult years.

The demand is clearly there. The EIB is making investments that go a long way toward meeting this demand, and we are developing new ideas that will encourage others to join us. We are the crowding-in institution of the EU.

**Forward-looking conclusion**

So – I look forward to 60 more years of progress through cooperation and cohesion: doing more for those who need more, and bringing real value, real progress for everybody.

We will strive to get better and better!

In the second phase of EFSI, SME financing as a proportion of the total will increase from 26 percent to 40 percent. We will be more active in dual-use technologies for both defense and civilian applications.

We will achieve more in development finance and in support of the sustainable development goals. We will make the European economy more innovative, cohesive, and competitive.

In its first 60 years the EU Bank has delivered investments worth over a trillion Euros based on a cash contribution by the Member States of 14 billion. This is not the case for any other bank. It’s an excellent deal.

And I assure you we will build on that, increase our impact and increase our relevance during my second term as President, which is just now starting.
Thank you very much, and I welcome your questions!