Annual report on the financial activities of the European Investment Bank

2018/2161(INI) - 29/11/2018 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted the report by Barbara KAPPEL (ENF, AT) on the Annual Report on the financial activities of the European Investment Bank.

Members congratulated the EIB on **60 years of successful operations**, during which it has invested **EUR 1.1 trillion** and financed **11 800 projects** in **160 countries** as the world's biggest multilateral borrower and lender.

They highlighted the opportunities for the EIB to shape markets in line with EU policy objectives and recognised the EIB's capability to **invest countercyclically** in order to address **underdevelopment and recession** resulting from the financial crisis and difficulties in accessing finance for SMEs and innovative projects.

They underlined the important role played by the EIB as the EU's bank, being **the only international financial institution that is entirely owned by EU Member States** and is fully guided by **EU policies and standards**.

Members called for the strengthening of the EIB's advisory activities and for it, together with the Commission, the Member States and national official promotional financial institutions, to address the systemic shortcomings that prevent certain regions or countries from taking full advantage of the EIB's financial activities.

General remarks

The committee welcomed the steps the EIB has taken to better measure the impact of its investments rather than only providing data on quantitative volumes of financing.

It urged the EIB to:

- pay extra attention to the **risk of crowding out private investment** now that economic conditions are normalising after the financial crisis;
- further invest in Member States in order to contribute to their **economic recovery,** particularly in the **innovation and infrastructure sectors**, where the investment gap is particularly severe.

Given that almost a third of EIB funding is dollar-denominated, exposing it to potential US sanctions, Members asked the EIB to start progressively reducing its funding in dollars.

Noting the possibility of **ECB supervision of its lending operations**, Members warned of the potentially major impact that could have on the EIB's nature, operation and governance.

Environment and sustainability

Members welcomed:

- the fact that in 2017 the EIB lent EUR 16.6 billion for projects supporting its **environment policy goals** and committed to climate loans more than 25 % of total lending across all its public policy areas, exceeding its initial commitment by 3.2 %;
- the EIB's first issuance of **Sustainability Awareness Bonds**, amounting to EUR 500 million, which will be dedicated to high-impact projects in support of the UN Sustainable Development Goals while ensuring the confidence of socially responsible investors through rigorous transparency and market standards;
- the fact that the EIB achieved its 25 % climate-relevant financing objective;

- the creation of the **Smart Finance for Smart Buildings initiative**, the aim of which is to make investments in energy efficiency projects in residential buildings more attractive to private investors through the intelligent use of EU grants as a guarantee;
- the fact that the EIB has recently started to invest in **social housing**.

The committee called on the EIB to:

- maintain loans supporting European energy policy objectives;
- further enforce projects connected with **climate change and environmental protection,** given that the EU is a signatory of the Paris Agreement and recalling the EU's commitment to reduce its emissions by at least 40 % by 2030;
- work with **small market participants and community cooperatives** in order to undertake **bundling of small-scale renewable energy projects**, thus enabling them to be eligible for EIB funding.

SMEs and mid-caps

The Committee urged the EIB to support smaller companies with smaller loans, in order to have a **bigger impact on a broader cross-section of the European economy**.

Accountability, transparency and communication

Members urged the EIB to:

- reflect on the reforms needed to ensure **democratisation of its governance, increased transparency and sustainability of its operations**;
- maintain **cost discipline**, to keep its management structure lean and efficient, and to ensure it does not evolve towards a top-heavy management structure;
- take all necessary measures based on lessons learned from the EFSI experience, and to maximise the results of the forthcoming **InvestEU programme**, paying particular attention to regional and social inequalities and to the Member States hardest hit by the economic crisis;
- continue strengthening its work with national promotional banks and institutions to ensure **outreach** and **further develop advisory activities and technical assistance** so as to support a **geographical balance in the long term**.

Members underlined the need to accelerate the work on building a **Capital Markets Union**, thus enabling the EIB to focus on filling the gaps where there are **market failures** and to provide financing for **high-risk projects**.

Lending outside the EU

Members stressed the importance of developing **economic resilience** in host and transit countries by supporting the **creation of jobs** and **construction of infrastructure** needed for the local population, as well as the displaced population.

They recalled that the EIB's activities must **reflect the EU's internal and external policies** and urged it to invest significantly in the **environmental transition** in the Eastern Neighbourhood countries. They also called for **funding to be divested** from projects posing serious risks to the environment and natural resources.

Tax Compliance

Members welcomed the progress that the EIB has made in adopting the highest standards with a view to preventing **tax fraud, tax evasion, money laundering and terrorist financing**, as well as tax avoidance and aggressive tax planning, by fully applying EU policies and standards. They called on the EIB to end cooperation with intermediaries, countries and jurisdictions that are on the EU's **list of non-cooperative jurisdictions for tax purposes**.

Brexit

Members urged the Brexit negotiators to agree on a deal regarding the gradual phasing-out of the UK from the EIB portfolio built up with UK participation, the reimbursement of the UK's paid-in capital, and continuation of the protections extended to the EIB and its assets in the UK. They also stressed that the **AAA-rating of the EIB** must not be affected by the withdrawal of the UK from the EU.