

THE FINANCING ACTIVITY OF THE EUROPEAN INVESTMENT BANK BEFORE AND AFTER THE CORONAVIRUS PANDEMIC

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Abstract. *EIB financing activity is a key driver of economic and social development in Europe and beyond. By supporting infrastructure, innovation, sustainability and social cohesion projects, the EIB contributes to creating a more resilient, competitive and sustainable economy with the objectives of stimulating economic growth, reducing regional disparities, supporting SMEs and promoting the green and digital transition. This article aims to analyze the evolution of EIB financing in two distinct periods: 2015-2019 (pre-pandemic) and 2020-2022 (post-pandemic), examining the allocation of resources by economic sectors and geographical regions.*

Key words: *financing, international relations, banking sector, transparency, coronavirus pandemic, sustainability.*

JEL Classification Codes: *B27, F33, F34*

1. INTRODUCTION

EIB was founded in 1958 by the Treaty of Rome as a financial instrument of the European Union. The Bank's original purpose was to finance infrastructure and economic development projects in the Member States, but as the EU enlarged, the EIB expanded its activities to support the development of the new Member States.

After the 2008 financial crisis, the EIB became a key player in supporting economic recovery through financing for SMEs and infrastructure projects and in recent years, the bank has focused its strategies on sustainable financing, supporting the transition to a green and digitized economy.

The European Investment Bank (EIB) is one of the most important pillars of the European Union's economic stability and development, playing a key role in financing projects that support growth, innovation and sustainability. As the EU's financing institution, the EIB provides access to capital for strategic projects in various sectors, helping to reduce regional disparities and strengthen the economic resilience of the Member States. In an economic context marked by multiple transformations, from the global financial crisis and climate change challenges to the COVID-19 pandemic and recent geopolitical tensions, the EIB's financing activity has been constantly adjusted to respond to the emerging needs of the European economy.

Between 2015 and 2019, EIB financing focused on infrastructure, renewable energy, support for SMEs and promoting economic cohesion. This phase was characterized by relative stability in terms of total lending, but also by a gradual transition towards a more sustainable economy. As the European Union has strengthened its commitment to environmental objectives, the EIB has started to reduce its financing of fossil fuel projects and increased its support for renewable energy and green mobility.



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After 2020, the COVID-19 pandemic imposed a radical shift in priorities, prompting the EIB to take swift action to support economic recovery. The Bank's funds were directed towards healthcare, digitization, supporting affected companies and strengthening the economic resilience of the European Union. During this period, the EIB has taken a key role in ensuring financial stability, providing support to SMEs and financing projects essential to adapt the European economy to new global realities. The Bank has also reaffirmed its commitment to the green transition, becoming a driving force behind the implementation of the European Green Pact and stepping up its financing for green energy and energy efficiency.

Thus, the analysis of the EIB's financing activity in these two distinct periods - before and after the COVID-19 pandemic - provides an insight into how the Bank has responded to major economic and social challenges. The study highlights both the strategic directions followed by the EIB and the concrete impact of its financing on the European economy. Based on this, we can better understand the Bank's role in supporting sustainable development and building a more resilient and competitive European economy in the long term.

2. THE EIB'S OBJECTIVES AND FINANCING STRATEGY

The European Investment Bank (EIB) defines its financing strategy in line with the European Union's economic needs and global challenges. Its role is to support projects that have a positive economic and social impact while ensuring financial stability, with objectives aligned with EU priorities and reflecting the dynamic changes in the global economic environment.

The EIB's main objectives are:

- ***Supporting economic development and employment***

The EIB acts as an engine for economic growth by financing job-creating projects and prioritizing investment in regions with high unemployment rates or less developed economies, thereby reducing disparities between Member States. Examples: financing SMEs, developing urban and rural infrastructure, supporting innovative industries.

- ***Reducing economic disparities between EU regions***

The EIB channels funds to less developed areas to boost their economic competitiveness through preferential loans for infrastructure projects and support for local businesses. Examples: financing modern public transport systems for smaller cities or digitization projects for SMEs.

- ***Green transition and the fight against climate change***

The EIB is committed to mobilizing EUR 1 trillion to finance green projects by 2030. Around half of the loans are targeted at initiatives that help reduce carbon emissions. Examples: financing wind farms, retrofitting buildings for energy efficiency and promoting clean transport.

- ***Support digitization and innovation***

Digitization is a key element of the European economic strategy and the EIB supports companies and governments in this process with a focus on financing 5G networks, cloud computing infrastructure, artificial intelligence and digitization of public services. Examples: financing fiber optic infrastructure in rural areas and supporting start-ups in technology startups.

3. FINANCING INSTRUMENTS USED BY THE EIB

The EIB operates not as a traditional bank but as a catalyst for strategic investment, using a variety of financial mechanisms to support the European economy. These are structured to provide access to finance for governments and companies of all sizes. The most important financing instruments used by the EIB are:

- ***Direct loans for strategic projects***

The EIB provides long-term loans for projects with major economic impact to Member States, local authorities or large companies. Example: financing the extension of the high-speed rail network to reduce journey times and carbon emissions.

- ***Guarantees to reduce investment risk***

The EIB provides guarantees to commercial banks lending to SMEs and start-ups, helping smaller companies access low-cost capital, stimulating innovation and growth. Example: the European Fund for Strategic Investments (EFSI) under the Juncker Plan, which has supported over 1 million SMEs.

- ***Venture capital and investment in emerging technologies***

The EIB not only provides loans, but also invests directly in innovative companies with fast-growth potential and prioritizes areas such as biotechnology, artificial intelligence and fintech solutions. Example: investing in European companies developing batteries for electric vehicles or storage technologies

- ***Public-private partnerships (PPPs) for infrastructure***

The EIB works with the private sector to finance and manage complex infrastructure projects such as highways, hospitals, research centers or public transport networks. Example: the construction and operation of modern hospitals in public-private partnerships in regions less developed regions.

These financing mechanisms enable the EIB to stimulate economic growth, reduce investment risks and support the transition towards a sustainable economy. In the following chapters, we look at how these strategies have been affected by the COVID-19 pandemic and what measures the EIB has taken to support economic recovery.

4. EIB PRE-PANDEMIC FINANCING ACTIVITY (2015-2019)

During this period, the EIB has consolidated its position as the European Union's main financing instrument, with a strong focus on growth, innovation, infrastructure,

Over the period 2015-2019, the EIB has channelled funds into a wide range of strategic sectors, aiming to boost the European Union's economic competitiveness. The most important financing areas were:

- ***Transport and energy infrastructure***

The EIB invested in the modernization of public transport, rail networks, ports and road infrastructure as well as in the energy sector, with the EIB supporting projects to diversify energy sources and increase energy efficiency.

- ***Support for SMEs and entrepreneurship***

The EIB provided financing to SMEs through partnerships with commercial banks, facilitating their access to low-interest loans. COSME and the SME Initiative were two of the main mechanisms through which the EIB supported small and medium-sized businesses.

- ***Health and education***

The Bank has invested in modernizing hospitals and universities, improving access to quality health and education services, and financed medical research and pharmaceutical innovation projects.

- ***Financing the digital economy and innovation***

The EIB has allocated significant funds for the development of digital infrastructure, including the expansion of 5G networks and data centers. Research and innovation projects received financial support for the development of emerging technologies such as artificial intelligence and blockchain.

Below we present an evolution of EIB financing by main sectors over the period under review.

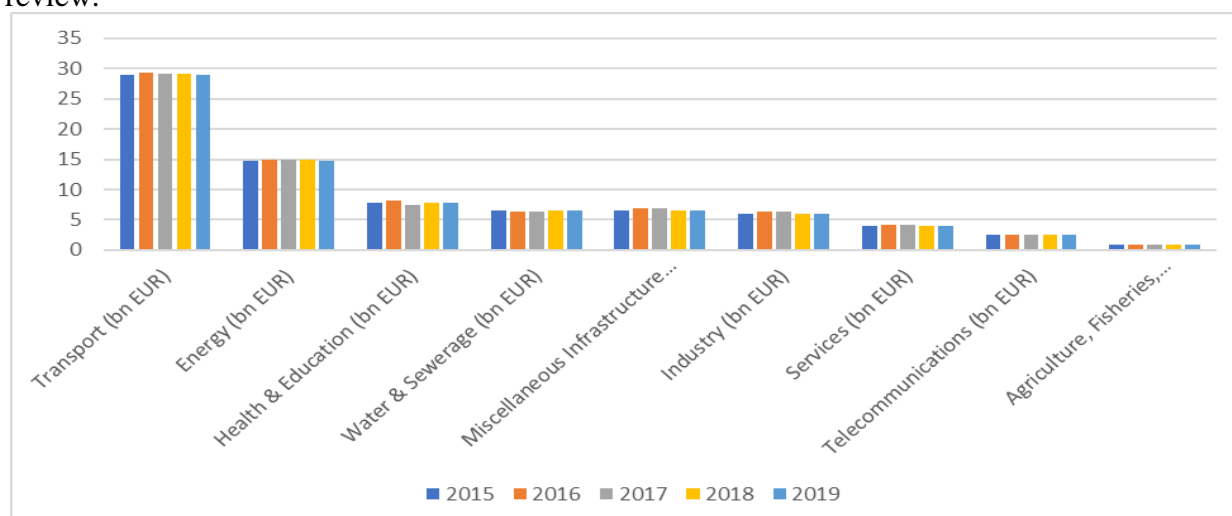


Figure no. 1 The distribution of EIB financing on the main sectors in the period 2015-2019
Source: made by the author based on data from EIB Financial Reports 2015-2019

Looking at the figures, the total volume of EIB financing was relatively stable between 2015-2017, ranging between EUR 76 and 84 billion annually. In 2018, funding fell sharply to EUR 55.6 billion, reflecting a refocusing of the investment strategy and a reduction of exposure in certain areas and in 2019, funding increased again to EUR 63.3 billion, marking a moderate recovery.

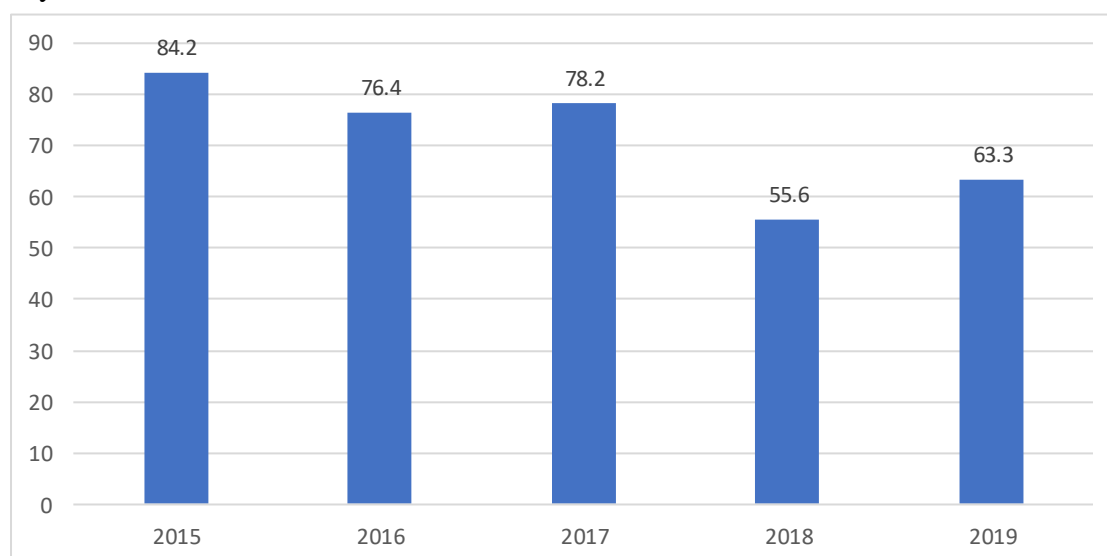


Figure no 2. The evolution of EIB financing in the period 2015-2019 (billion euro)
Source: made by the author based on data from EIB Financial Reports 2015-2019

The distribution of EIB funds has followed the principle of economic cohesion, targeting investments both to the EU's strong economies and to less developed regions. Thus Germany, France and Italy were among the main recipients of EIB funds, in particular for infrastructure and environmental transition projects. Countries such as Poland, Romania and Hungary received funding for infrastructure modernization and digitalization. Some investments were also earmarked for pan-European infrastructure projects, such as the interconnection of electricity and

transport networks (e.g. the Rail Baltica project, connecting the Baltic countries to the European high-speed rail network).

Western Europe thus received the largest share of EIB financing, with a steady increase from EUR 50.1 billion in 2015 to EUR 60 billion in 2019 reflecting the need to support developed economies in infrastructure modernization and energy transition.

Central and Eastern Europe benefited from increased financing, from EUR 18.3 billion in 2015 to EUR 23 billion in 2019, underlining the EIB's efforts to bridge economic gaps in the region.

In turn, Southern Europe received significant support, with an increase in funding from EUR 16.2 billion in 2015 to EUR 20.1 billion in 2019. This region was affected by the financial crisis and required investment for economic recovery and infrastructure.

Non-EU countries received moderate but increasing financing, from EUR 5.4 billion in 2015 to EUR 7 billion in 2019, reflecting EIB support for EU economic partners.

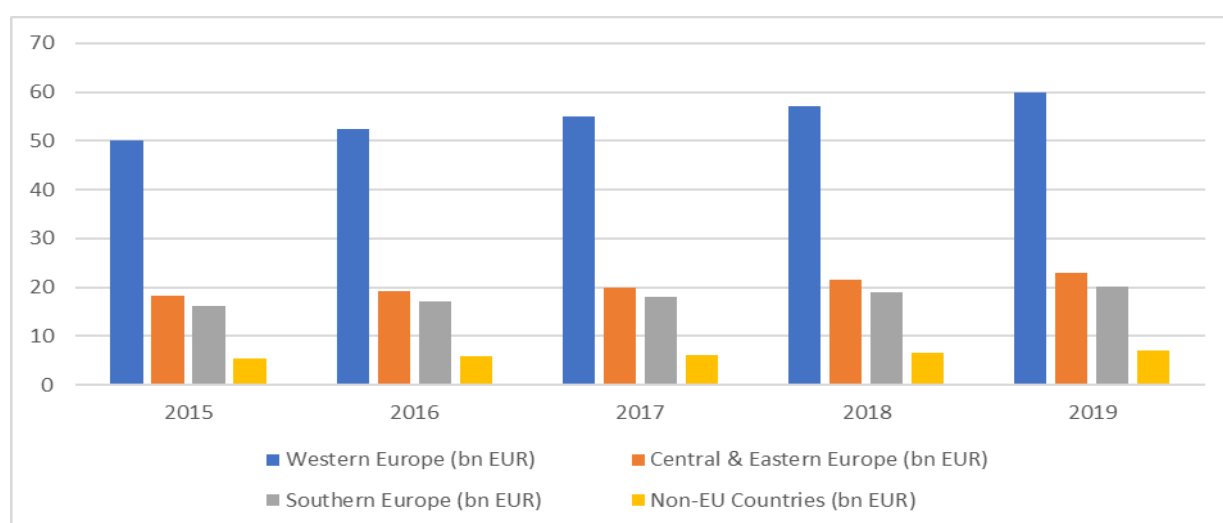


Figure no. 3 The distribution of EIB financing by geographic distribution in the period 2015-2019 (billion Euro)

Source: made by the author based on data from EIB Financial Reports 2015-2019

Overall over the period 2015-2019, the EIB provided financing totaling more than EUR 300 billion, supporting thousands of projects across Europe.

EIB financing had a multiplier effect on European GDP, stimulating private investment and attracting additional capital. It is estimated that each euro invested by the EIB generated on average €3 in private investment.

Projects financed by the EIB are also estimated to have helped create or maintain more than 5 million jobs in Europe during the period under review, with the biggest increases in employment in the construction, digitization and technology sectors.

At the same time, the EIB has been a key player in financing the transition to a greener economy, supporting renewable energy and energy efficiency projects, providing more than EUR 100 billion for sustainable energy projects over the period.

In 2019, the EIB announced that it would stop financing fossil fuel projects from 2021, a groundbreaking decision for the banking sector.

By 2019, more than 50% of EIB energy financing was allocated to renewable projects (wind, solar, hydroelectric) while also financing infrastructure for electric vehicles, green public transport and rail modernization.

5. IMPACT OF THE PANDEMIC ON EIB FUNDING (2020-2023)

Over the period 2020-2023, the EIB has refocused its resources on critical sectors such as health, SMEs and economic recovery, while developing new financial instruments to respond to the crisis. In the early months of the pandemic, the EIB reacted swiftly by launching special programs to support affected Member States and companies. These measures included:

- **European Guarantee Fund COVID-19.** In April 2020, the EIB set up a EUR 25 billion guarantee fund to mobilize up to EUR 200 billion to support affected companies, in particular SMEs and medium-sized companies, which were facing liquidity problems.

- **Increased funding for healthcare.** The EIB provided emergency loans for hospitals and medical research centers, supporting equipment procurement and vaccine development. In 2020-2021, more than EUR 6 billion has been allocated to finance medical infrastructure and vaccine production in Europe.

- **Support packages for SMEs.** The EIB provided special credit lines for SMEs, in cooperation with national banks, to prevent chain bankruptcies. In 2020, the EIB financed SMEs with more than EUR 14 billion, an amount that increased in the following years to support the economic recovery.

The pandemic has forced the EIB to re-focus its priorities, allocating more resources to directly affected areas such as:

- **Funding medical research and vaccine production.** The EIB has financed pharmaceutical companies involved in the development of vaccines against COVID-19, such as BioNTech and CureVac, with a significant part of the funds being used to expand vaccine production capacity in Europe.

- **Supporting hospitals and healthcare.** The EIB worked with the Member States to modernize hospitals and equip them with medical equipment as well as to set up testing centres and laboratories to combat pandemics.

- **SME financing to safeguard jobs.** SMEs were among the hardest hit by the economic restrictions imposed during the pandemic and through its lending programs, the EIB facilitated access to finance for small and medium-sized businesses, helping to safeguard more than 1.5 million jobs in the EU.

The pandemic has led to significant changes in the volume and destination of EIB financing. In 2020, EIB financing increased to EUR 66.1 billion, reflecting the emergency measures taken during the COVID-19 pandemic, and in 2021 and 2022, financing remained at a similar level at EUR 65.4 billion and EUR 65.1 billion, indicating a stabilization of investment policy. The evolution of EIB financing over the period under review is presented in the following figure.

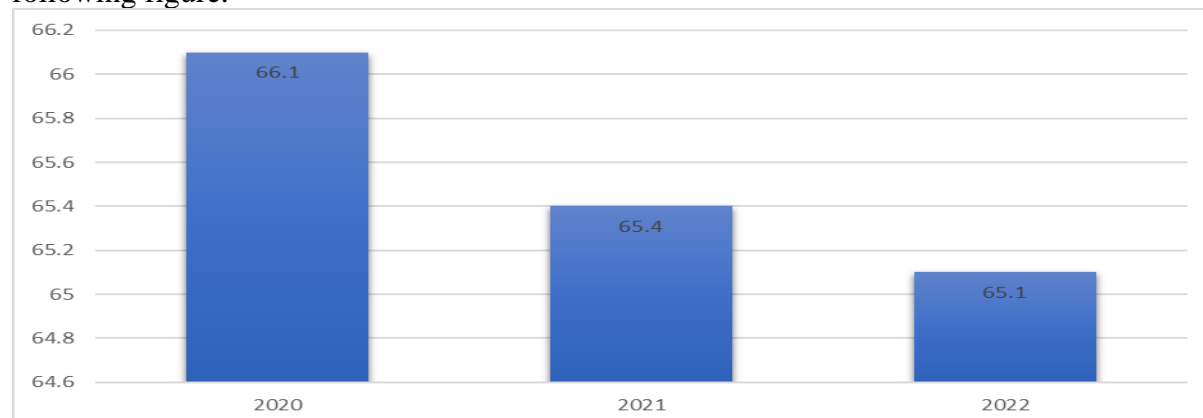


Figure no 4. The evolution of EIB financing in the period 2020-2022 (billion euro)

Source: made by the author based on data from EIB Financial Reports 2020-2022

While before the pandemic, green infrastructure and green energy were the main areas financed, 2020-2021 saw a steep increase in lending to health and SMEs and after 2022, the EIB refocused its funds on green transition and digitalization in line with the EU 2030 targets. The pandemic accelerated already existing trends such as digitalization and sustainability and the EIB reinforced its strategy to become a "climate bank", taking a central role in financing the green transition.

The evolution of EIB financing by sector is shown in the figure below.

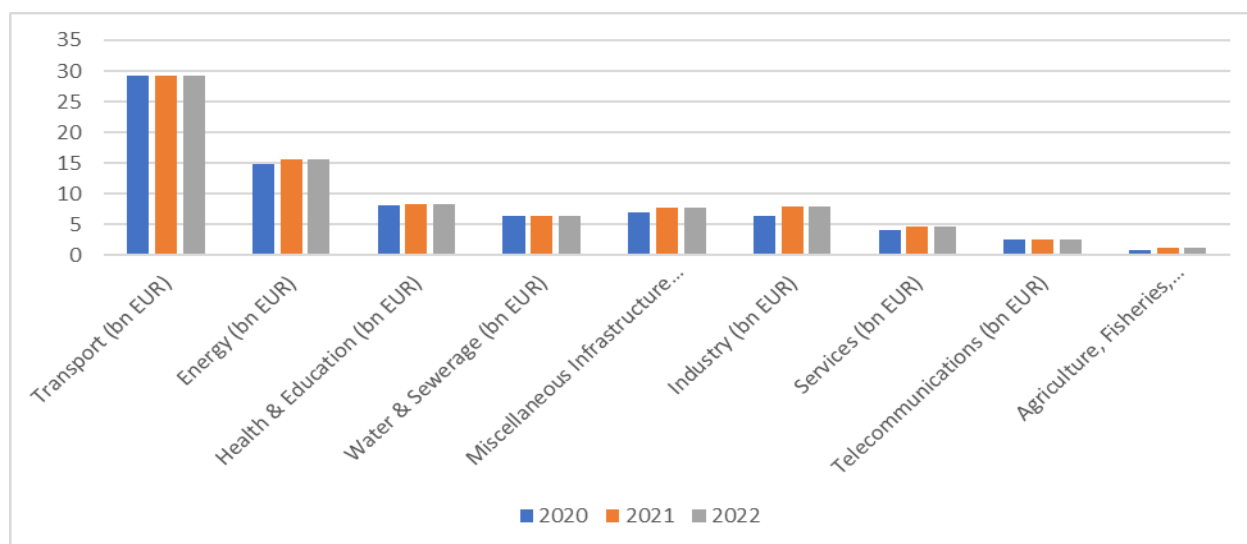


Figure no. 5 The distribution of EIB financing on the main sectors in the period 2020-2022

Source: made by the author based on data from EIB Financial Reports 2020-2022

In terms of the evolution of EIB financing by region over the period 2020-2022, Western Europe continued to be the main beneficiary of EIB financing, increasing to EUR 67.2 billion in 2022, due to investments in post-pandemic economic recovery and green transition.

Central and Eastern Europe saw an increase in financing, reaching EUR 28.2bn in 2022, indicating strengthened support for economic development and digitization of the region and Southern Europe benefited from a steady increase in financing, reaching EUR 25.5bn in 2022, reflecting investments in infrastructure and sustainability.

Non-EU countries continued to receive support, with financing increasing to EUR 9bn in 2022, underlining the EIB's commitment to its global economic partners.

6. CONCLUSIONS

The financing activity of the European Investment Bank has proven to be a key pillar for the economic and social development of the European Union, with a considerable impact on infrastructure, sustainability and innovation. Over the period 2015-2019, EIB financing has been predominantly directed towards developing transport and energy infrastructure, supporting SMEs and economic cohesion between Member States. This phase has been characterized by a relative stability in funding, with a slight decrease in 2018, but also by a gradual reorientation towards green transition initiatives.

With the onset of the COVID-19 pandemic, the EIB recalibrated its priorities, responding swiftly to the economic and health crisis by allocating substantial funds to healthcare, digitization and support to affected companies. During the COVID-19 pandemic, the EIB was one of the main financial actors supporting economic recovery. The COVID-19 European Guarantee Fund mobilized up to EUR 200 billion for SMEs, to finance the European healthcare

system, including research and vaccine production, to stabilize financial markets and prevent major economic crises.

Over the period 2020-2022, lending stabilized at a high level, reflecting the Bank's commitment to support economic recovery and help create a more resilient economic model. Central and Eastern Europe received more post-pandemic investments, indicating a more balanced EIB strategy in reducing economic disparities in the EU. Non-EU countries continued to benefit from support, but on a smaller scale compared to regions within the EU.

A major trend in the EIB's evolution has been an increasing focus on sustainability, with the Bank taking a leading role in financing the environmental transition. Phasing out support for fossil fuels and directing resources towards renewable energy, energy efficiency and sustainable mobility projects demonstrates a profound paradigm shift in line with the objectives of the European Green Pact. At the same time, digitization has become a priority, with the EIB increasingly investing in emerging technologies, digital infrastructure and cybersecurity to ensure Europe's competitiveness on the global stage. Thus, green transition and digitalization will continue to be a priority for the EIB in the coming years, aligning with the EU 2030 objectives and the EIB's post-pandemic strategy reflects a balance between economic recovery, regional resilience and long-term sustainability.

In spite of economic and geopolitical challenges, the EIB has consolidated its role as an economic stabilizer and accelerator of technological and environmental progress. Through a well-defined strategy, the Bank has succeeded in supporting both the developed economies of Western Europe and the less advanced regions of Central and Eastern Europe, contributing to the economic cohesion of the European Union. In the coming years, the EIB is expected to continue to be a key player in the implementation of the EU's digitization and sustainability strategies, consolidating its status as a leading financial institution in the transition towards a green and digital European economy. Going forward, the Bank will continue to be a key partner in the implementation of the European Union's strategy for a green, digitized and fair economy.

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