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Policy proposals to relaunch growth in the EU

I have been asked two questions. One, 'Is the EU response to the current crisis fit for purpose?' The second: 'What are the challenges for the recovery?'

I have a clear answer to the first. I was pleasantly surprised that decisions were taken relatively quickly and with resolve, first on the national and then on the European level. As I sat in the Eurogroup alongside colleagues from the ESM, ECB and others, our dear friend Christine Lagarde called for a European response that is 'fat, fast and flexible.' Moreover, purely national responses represented a challenge to the integrity of the internal market, the cornerstone of the European project.

Of course, the contribution that national central banks and national governments could offer was very different. We had countries who really rolled up their sleeves and addressed the issues while others had to offer a more modest response. For the European internal market, this is a real danger, hence the imperative for a European response. And this is where our institution's value lies: in our ability to deliver and support such a European response.

So far, the EIB Group – namely the European Investment Bank and our subsidiary the EIF, the European Investment Fund – has responded via three main channels. Firstly, by promptly mobilising financing principally for SMEs and corporates, as well as supporting the public health sector impacted by the pandemic. Secondly, supporting the crisis response outside the EU, through what we call the Team Europe effort. I will come back to that later. Thirdly, we have responded through the pan-European European Guarantee Fund (EGF).

At the outset of the crisis we committed our resources for an urgent crisis response. In the first instance that meant

we accelerated investment projects already identified to unlock additional financial resources for the real economy. I insist on saying the real economy because this is the difference to the financial crisis 10 years ago. At that time, we had a crisis of national budgets and fiscal soundness. This time we have a crisis of companies in the real world, which are largely sound, healthy and able to survive if they can overcome a short period of liquidity shortage. This was the first thing we needed to do.

To complement the acceleration of our financing we increased the financing share of an investment project that the EIB could finance. Crucially we reinforced our financing activities in the parts of the economy most affected by the crisis, mainly by providing access to finance for SMEs and for healthcare and biomedical sectors.

Concretely, to give you an idea of the scale of this, since the start of the COVID-19 crisis response up to the end of August, we have approved investment projects worth €18.4 billion inside the European Union. The majority of operations are dedicated to SME and mid-cap financing with a 74% share, followed by the health sector.

Let me give you some examples of how the companies we are supporting alongside our partners at the European Commission are now in the forefront of our common effort to find cures, and treatments.

CureVac, is a highly promising biotech company developing a prophylactic against severe acute respiratory syndrome, and coronavirus too. Here we are providing €75 million equity investment.

Pluristem is a company active in cell therapies that could help address complications from COVID-19. We provided €50 million of financing.

BioNTech is perhaps the most promising development, together with Pfizer, a biopharmaceutical company at the forefront of developing next-generation immunotherapies and working on a COVID vaccine, which we are supporting with €100 million of debt financing. But, as I've mentioned, we are not limiting our crisis response to investment projects within the EU. We are a global institution, active in more than 160 countries around the world, including in many fragile and vulnerable states and of course in our immediate neighbourhood. As part of the Team Europe effort, led by the European Commission, we are providing around €6.7 billion euro in much needed support for developing countries in emerging markets in the fight against the virus and its impact: ensuring a unified EU response internationally.

As of today, we have approved more than 22 operations outside the EU, totalling around €2.5 billion euros supporting EU policy objectives.

The developing world is in many ways least able to cope with the impacts of this virus. But beyond our response to the pandemic, we must give more attention to these policies as a clear expression of EU external policy, strategy and values.

We need to act as Europeans, and as far as the EU institutions are concerned in the sphere of external policy, we should make sure that we are in the driving seat. We should not be at the mercy of partners who might veto for instance our ambitious EU decarbonisation strategy and climate goals.

The third element in our crisis response formed one of the three pillars of the European response package - the pan-European Guarantee Fund ('EGF').

EGF aims first and foremost to support solvent companies across Europe hit hard by the coronavirus pandemic. An off-balance sheet vehicle composed of up to €25 billion in guarantees by EU Member States, it will enable the EIB Group to support up to €200 billion in financing, allowing the EIB Group to go beyond its traditional financing activities and support companies who need it most. This does involve taking more risk. But this is the cost of having more impact. The implementation of the fund is now underway. The first projects have been approved. One example is the EIB portfolio risk sharing, a flagship product that will be fully delegated to financial intermediaries targeting SMEs and health entities through guarantees.

Let me turn to the question of the recovery. The Covid-19 pandemic has shown us the urgent need for a massive rollout of digital infrastructure – exposing weaknesses and highlighting opportunities for a growth in European competitiveness. The recovery needs to be digital, and it also must be green. We cannot afford to let ourselves be diverted from the challenge of tackling climate change and the environmental.

Last year we redefined our Energy Lending Policy to end support for fossil fuel related energy projects. Going forward we will ensure all our operations are Paris aligned by the end of 2020, devoting more than 50% of investments for green projects by 2025 and supporting €1 trillion of investment in climate action and environmental sustainability by 2030. We are about to roll out our Climate Bank Roadmap which will outline our climate policy on a sectorial level. Like the Energy Lending Policy last year, this has potential to be a real game changer for the market.

We need to think structurally. We need to increase European competitiveness to stimulate higher growth and investments. Digitalisation as well as investment in innovative climate action can help us to do this. I can only agree with Mario Draghi's recent statement that the big issue for the EU today is, more than ever, to channel funds into improving productivity. The reduction of productivity growth over the last 10 years – far before the coronavirus crisis – is a warning sign.

Building back better is now a widely, maybe overused phrase. But I truly believe that we have plotted a course, armed with truly European strategies that will, if we can act decisively and together, bear fruit and leave us more resilient and more competitive as a Union. ■