

EIB Group 2024-2027 Strategic Roadmap



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EIB Group 2024-2027 Strategic Roadmap

The European economy has shown remarkable resilience during the past years, in a context of unprecedented shocks and strategic challenges. The COVID pandemic, Russia's aggression against Ukraine, the resulting energy shock, inflation and rising interest rates, the growing impact and urgency of addressing climate change and accelerated digitalisation... all these developments have put the EU to the test and have shown the vulnerabilities derived from dependence on carbon fuels, critical raw materials, key technologies and global supply chains.

In order to tackle all these challenges, the EU has reinforced coordination of policies in key areas such as health, energy, security and defence, and launched a massive investment and reform programme that has been instrumental to maintaining public investment and ensuring a fast recovery since 2020. Through coordinated actions and strong public financial support at the EU and national levels to the green and digital transitions, the EU continues to be an innovation and trade powerhouse, holding a world-leading position in green technologies, agri-food, bioeconomy and health.

The EIB Group has played an increasingly relevant role in supporting the resilience of the European economy. On top of the counter-cyclical support to investment, the balance sheet has grown to make riskier projects possible and to support technological innovation, the green transition, social and territorial cohesion, the European ecosystem of small and medium-sized enterprises (SMEs) and startups and the role of the EU in the world. This is thanks to the Group's strong financing capacity to leverage its own capital, mobilise private investment and implement large-scale EU mandates.

As in other past historic milestones, Europe is at a crossroads. The tectonic plates that have underpinned the global order since the end of WWII are shifting and a new global order is in the making. At the same time, a far-reaching technological revolution is ongoing. This is putting to the test Europe's traditional sources of security, stability, and competitiveness, as well as its leadership in shaping the global agenda, while other global players pull ahead with large-scale investment and subsidy programmes, and new geostrategic alliances take shape.

This scenario requires massive capital investments, changing our economic landscape and societies. There is a need to modernise the carbon-based industrial base, support manufacturing and industrial capacity, move to more energy-efficient means of transport and buildings and more sustainable agriculture techniques, and seize opportunities coming from artificial intelligence and the new digital economy. This will require massive mobilisation of private resources. Furthermore, there is a need to step up public investments in security and defence that compete with other welfare-enhancing policies at the core of the European way of life.

The current global scenario also opens up opportunities. Climate action is as much a responsibility towards future generations as it is a top priority for ensuring economic performance, security and strategic autonomy in today's world. The net-zero economy will grow exponentially over the coming decade, leading to a cleaner and healthier environment and reducing dependence on imported energy and raw materials, lowering electricity bills, making European companies more competitive and creating new jobs. Likewise, the digital revolution will increase productivity and allow for a more efficient use of resources, leading to further economic, social and territorial integration and boosting innovation.

There is a unanimous call for the EIB Group to play an even more important role in closing Europe's investment gap, to strengthen Europe's productivity, social and territorial cohesion, climate action, peace, security, and open strategic autonomy, and to respond to global challenges and reinforce its voice in the new geopolitical context. The EU needs to mobilise all available instruments to crowd-in the private sector and scale up investment in manufacturing and industrial capacity, innovation, and the deployment of new technologies. It must exploit the synergies between the different players in the public and private spheres to maximise the leverage and impact of every euro invested. The public sector has a key role to play by de-risking investments in research and development (R&D) and disruptive technologies and supporting the de-carbonization of traditional industries and SMEs, as well as and backing farmers and citizens in the process of adapting to and mitigating the impacts of climate change.

As an integral part of the EU family, the EIB must focus on contributing to the EU's top priorities, building on the Bank's strengths and deploying its full potential through more efficient processes, in close and strategic partnership with EU institutions, notably the European Commission, and in full consistency with the priorities set out in EU legislation. Targeting high-impact investments in a limited number of strategic areas, with a more proactive approach and a faster delivery process through one-stop shops, standard procedures and less red tape – and through active participation in industry alliances, important projects of common European interest (IPCEIs), etc., in areas such as semiconductors and net-zero technologies listed in the Net Zero Industry Act – the EIB can leverage its capital and existing and future budgetary programmes¹ to mobilise large volumes of public and private investment.

Furthermore, political leaders and experts, most recently in European Council conclusions and the “Letta Report: Much More than a Market” of April 18, 2024, are calling on the EIB to contribute to reinforcing the EU Capital Markets Union in order to channel EU savings to productive investments and support the growth of European innovating companies. Building on its large size, its solid, profitable and diversified portfolio, and its strong partnerships with other public banks and institutions, the EIB could pioneer the Capital Markets Union by exploring pan-European platforms and financial instruments as building blocks for scaling up and integrating Europe's capital markets and mobilising financing by institutional investors to close the investment gap in areas such as energy efficiency, building renovation, venture capital or insurance.

The 2024-2027 Strategic Roadmap outlines the eight key interrelated priorities and new programmes to contribute to closing Europe's investment gap, within an ambitious annual financing scenario at the level of the 2024 Group Operational Plan.²

This Roadmap provides a clear message regarding the EIB's commitment to closing the EU's investment gap, reinforcing the policy relevance of the Group as the financial arm of the EU. In order to send a strong message of confidence and stability to people, businesses, investors and financial markets.

¹ For instance, InvestEU, Next Generation EU, European Innovation Council, HorizonEU, cohesion policy, etc

² The current Group Operational Plan enables the EIB Group to provide up to EUR 95 billion of financing in 2024.

I. Building on the strengths of the EIB Group

With a total balance sheet of close to EUR 600 billion, a solid capital position, a AAA rating, and with more than 50% of investments supporting climate action and environmental sustainability, the EIB Group stands out as an extremely strong player within the global network of multilateral development banks. Total financing signed in 2023 was close to EUR 88 billion, 90% of which was inside the EU, with total disbursements above EUR 62 billion. Thanks to a very successful business model combining volume and risk, the EIB Group has a significant counter-cyclical and risk-sharing impact throughout the EU. With these investments, together with the important signalling effect to the market, derived from the Group's unparalleled technical expertise in the areas of major infrastructure, climate and innovation, the EIB crowded-in other private sector players, mobilising around EUR 320 billion in investment, to reach 400 000 companies and support 5.4 million jobs. In 2023, every euro of EIB capital deployed mobilised 40 euros of investment with a strong macroeconomic and structural impact.

Outside the EU, the EIB has a portfolio of operations in around 150 countries, taking risks on the basis of mandates and guarantees from the EU budget, where commercial financial institutions would not. On top of strategic global alliances, through large-scale projects with other multilateral and regional financial institutions, the EIB Group focuses its investments on a few specific policy areas, such as climate, health and innovation. This is in line with the EU's Global Gateway initiative and Europe's strategic priorities and contributes to ensuring a stronger role for Europe in the world, a stronger North-South dialogue, and stability, peace and progress throughout the world. Responding to EU priorities and acting hand in hand with the European Commission, the EIB Group has disbursed over EUR 2 billion in Ukraine since the start of the war.

Beyond the financing of large projects and intermediated lending operations by the Bank, the European Investment Fund (EIF), the Group's dedicated risk capital subsidiary, provides innovative debt and equity investments to support SMEs, startups and scaleups. This ensures that the EIB Group has a comprehensive product portfolio and the ability to provide innovative instruments, from loans and guarantees, to equity investments and venture capital, through direct and indirect investments (via public and private banks, investment funds and other financial intermediaries), with a growing role in closing the funding gap in Europe's capital markets.

All projects financed by the Bank are subject to a thorough measurement of additionality and impact, crowding in private investment and leveraging its capital and mandates from the EU budget. The EIB Group's leading technical expertise gets projects off the ground through risk-taking and highly valued advisory services, while ensuring strict assessment of sustainability from the economic-financial, environmental, and technical perspectives. Across its financing operations, the EIB Group is firmly committed to promoting and mainstreaming gender equality.

Thanks to a diversified and balanced portfolio, strong risk-management and smart use of capital, mandates and guarantees, the EIB has an extremely strong financial position,³ which needs to be preserved going forward. Building on its high-quality and balanced portfolio, stable profitability, and its policy relevance and shareholder base, the EIB issues around EUR 60 billion in debt every year with very good financing conditions, which are then passed on to its clients through patient capital, long-term investments and lower interest rates crowding in private resources. Keeping this business model is of the essence to maintaining the advantageous position of the Group in closing Europe's investment gap and making the ongoing green, digital and security transitions a shared success.

Throughout the last ten years, the EIB Group has played an increasingly important role in supporting investment, boosting research and technological innovation, and accompanying the European Commission in the implementation of EU policies. Mandates and guarantees from the EU budget have ensured the EIB's counter-cyclical role and delivered a higher risk-taking capacity, multiplying the effect on private investment. Going beyond its long-standing position as a large-scale investor in EU infrastructure, the EIB Group has consolidated its brand as the climate bank, developing innovative financing to support riskier projects and disruptive technologies and expanding investments and strategic partnerships outside the EU under EIB Global.

³ Such as InvestEU for strategic investments inside the EU, NDICI for activities outside the EU, EU4EU guarantees from Member States for Ukraine, and advisory mandates included the InvestEU Advisory Hub.

In parallel, the EIF has also consolidated its role as the EU body specialised in financing SME and venture capital investments in startups and scaleups.

The Strategic Roadmap foresees an indicative baseline annual financing scenario stabilised at the level of the volume expected under the 2024 Group Operational Plan for the 2024 to 2027 period. This scenario will have an increased impact thanks to renewed focus, streamlined processes and reinforced partnerships and alignment with EU policies, while maintaining a high-quality balance sheet, a profitable business model, a strong capital position, and prudent risk metrics.

II. Focus on eight policy priorities

Building on the eight, interrelated priority areas presented to finance ministers in February 2024, this Strategic Roadmap fully reflects the political guidance received, proposing increased focus on some of the existing programmes, as well as new programmes to be launched. In order to further calibrate the needs and identify the best tools to ensure the efficient deployment of new programmes, pilot projects and task forces involving key stakeholders will be deployed immediately after the Board of Governors meeting, in the areas of SME energy efficiency, Strategic Tech-EU, a pan-European agriculture programme including insurance, as well as on building blocks for the Capital Markets Union. Priority areas and new initiatives shall be accompanied by (1) one-stop shops within the Group (where applicable); (2) advisory service offering; (3) targeted products; (4) focus on key technologies (where applicable); and (5) clear outreach to clients and stakeholders about the initiatives.

1. Consolidate the role of the EIB Group as the climate bank

Financing the green transition and supporting climate action is the number 1 strategic priority of our time, to ensure Europe's sustainable growth, technological competitiveness, strategic autonomy, and security. Building on the strong expertise of the EIB in this field, a new risk-based project assessment process will be deployed to fast-track standard projects with low-risk counterparties and liberate resources to focus on more innovative or riskier areas. Investments in the area will be supported by EUR 45 billion under REPowerEU+ and two new flagship programmes, a water programme in support of the blue economy and an SME energy efficiency programme.

A successful energy transition is at the core of the ongoing modernisation and industrialisation process. Investment in physical infrastructure, such as interconnectors, grids, energy storage and renewables, will be reinforced, as will support for biodiversity, a circular economy, and nature-based solutions. Likewise, the EIB will step up its investments in R&D and its support to the whole value chain of key and emerging technologies for a net-zero economy, under the Group's climate and energy lending.

In order to support the new green economy throughout the EU, a pilot will be launched for a new SME energy efficiency programme to scale up existing technologies generating material energy efficiency savings and leading to profits and productivity gains throughout the whole entrepreneurial landscape. Beyond large individual projects, the EU needs to accelerate the deployment of mature technologies through standardised multi-beneficiary products channelled through the financial sector. This will reduce average costs, increase competitiveness, and potentially contribute to the issuance of new financial assets underpinning the EU's Capital Markets Union.

The water programme will concentrate and reinforce existing resources for investing in infrastructure and efficient water management technologies to deal with climate mitigation and adaptation to floods, drought and rising sea levels. Outside the EU, the EIB Group will cooperate with other multilateral financial institutions and, in line with EU mandates, will focus investment on a limited number of strategic infrastructure projects, especially in Africa and Central Asia, that can have the largest impact in bringing drinking water, irrigation and sanitation to millions of people.

2. Accelerate digitalisation and deployment of the whole value chain of new technologies

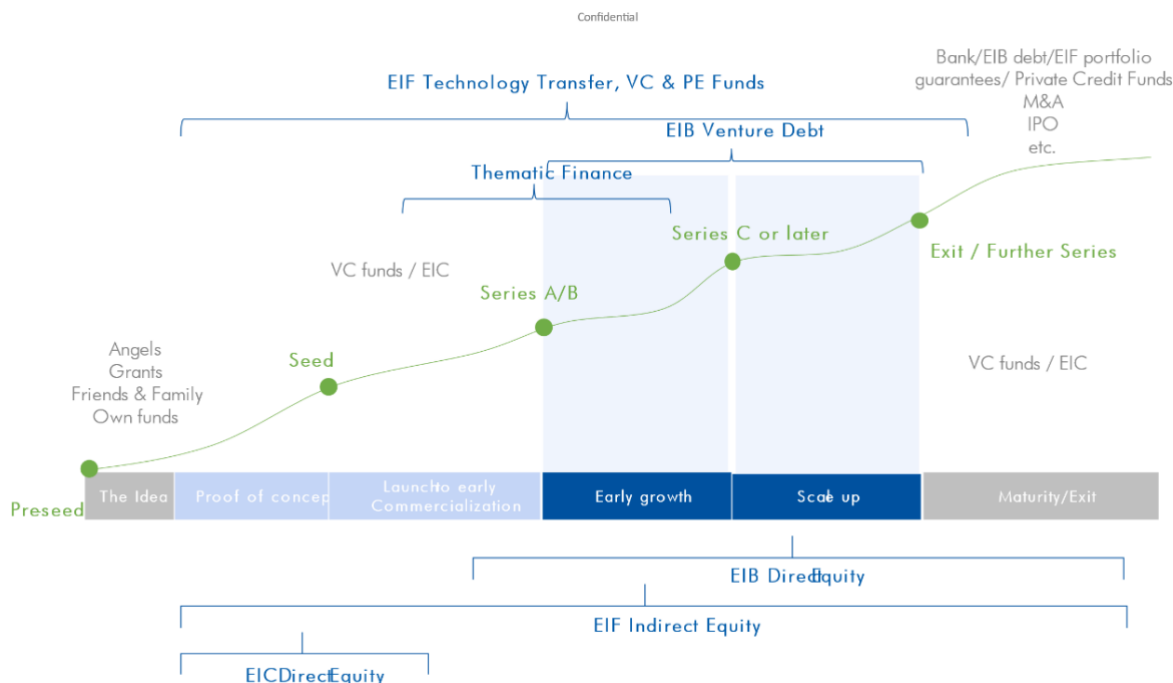
Through a new Strategic Tech-EU programme, the EIB Group will actively participate in the European Commission’s industrial alliances and initiatives, investing in the whole value chain of net zero and other key technologies (such as AI, chips, life science, neurotechnology, etc.), supporting disruptive technological innovation and promoting investment in Europe’s industrial capacity.

Investments in critical raw materials will be crucial to maintaining Europe’s strong manufacturing leadership and global competitiveness. In recent years, the EIB Group has been active in supporting significant investment in projects related to the decarbonisation of industry, electrification, digitalisation and manufacturing, all with a specific focus on innovation and increasingly with reference to their critical raw material supply chains. This focus will be further strengthened under the Strategic Tech-EU programme.

SMEs and startups have a central role to play in modernising the EU economy. Beyond existing instruments to support SMEs and the new dedicated Energy Efficiency for SMEs programme, the extension of the EIF-managed European Tech Champions Initiative can contribute to closing the capital gap for scaleups, leading to an increase in the size of private investment funds, thereby reinforcing European capital markets to cover the whole business cycle.

Through different grant and loan programmes, the EU is already providing valuable support to European innovative companies. There is clear scope for scaling up the EIB Group’s venture capital and venture debt activities, as well as partnering with other institutions, such as the European Innovation Council, to close existing gaps and maximise the impact of available instruments. Indeed, the EIF has solidified itself as a pillar of venture capital in European markets, and the EIB has pioneered the venture debt model, enabling the EIB Group to further support strategic areas such as deep tech, digitalisation, life sciences and clean tech. With this track record, EIB Group instruments can be rolled out further to close the investment gap in financing innovative companies across the full growth cycle.

Figure 1: Financing innovative companies across the growth cycle



3. Step up support to Europe's security and defence industry, while safeguarding the EIB's financing capacity and ensuring the highest environmental, social and governance standards

Under the Action Plan for Security and Defence, endorsed by the Board of Directors in May 2024, the EIB will adapt its lending policy to

- (1) update the definition of dual-use goods and infrastructure;
- (2) open its dedicated SME credit lines to companies active in security and defence;**
- (3) establish a one-stop shop and a task force to streamline access and speed up deployment of the EUR 6 billion in financing available under the Strategic European Security Initiative (SESI);
- (4) strengthen partnerships and collaboration with key stakeholders, such as the European Defence Agency; and
- (5) explore cooperation with the NATO innovation fund, with a view to improving access to finance for technology startups, in parallel to the deployment of the new EIF Defence Equity Facility.

4. Contribute to a modern cohesion policy

By building on the significant impact of cohesion policy, which has stimulated growth and innovation throughout the EU, the EIB Group can contribute to leveraging and maximising the impact of existing resources under the current MFF to respond to current economic, social and demographic challenges. Europe's regional map is changing as a result of long-term demographic trends driving populations towards faster growing cities and away from the countryside, and in response to the changes in digital and physical connectivity, the modernisation of industry, the need for new skills and a shift in relative energy prices due to the deployment of renewables.

Through reinforced synergies with cohesion policy funds, the Next Generation EU Recovery and Resilience Facility and other EU programmes, the EIB will contribute to the cross-reinforcement of investments and reforms, innovative financial instruments, and public-private partnerships. In addition, the EIB can support further integration of trans-European networks by mobilising investments in digital and physical infrastructures to harmonise rail transport and increase efficiency.

5. Support agriculture and the bioeconomy

Through renewed focus and a streamlining of processes, the EIB will step up its financial support for adaptation and mitigation of the impact of climate change in this key sector. Large investments are needed to reinforce resilience, move to a more efficient and sustainable value chain, develop the bioeconomy and the circular economy and support local communities.

Furthermore, a new pan-European agricultural programme including insurance will be explored, building on national schemes to pool risks, provide stability and support the efficient management of growing climate risks across different Member States.

6. Reinforce Europe's social infrastructure

Investment in education, training, upskilling and reskilling, health, and energy efficient and accessible housing is central to increasing productivity and contributes to strong and resilient societies and sustainable growth.

Through the deployment of standardised off-the-shelf financial products in energy efficiency and building renovation, the EIB could pioneer the scaling up of financial support and impact, building on its partnerships. A pilot project will be launched to test the viability of a new originate-to-distribute model, to channel the savings of institutional investors working closely with national promotional banks and governments, the European Commission, multilateral financial institutions, regional and local authorities, the financial sector, building companies, institutions, homeowners, etc.

This innovative model could contribute to the integration of EU capital markets, catalysing large-scale investments throughout the EU to support technological innovation as well as national and EU programmes

addressing the important social and political priority of renovating buildings and city centres to have more energy efficient, sustainable and quality housing for the benefit of EU citizens and the economy as a whole.

The EIB Group is well placed to act as a catalyser and accelerator of European investments in education and training and there are opportunities to further expand investments in the health sector, including through advisory services.

7. Focus on high impact investments outside the EU

The EIB is in a unique position to support EU policies throughout the world due to its strong role within the network of multilateral development banks, its strong financing capacity and the leveraging of EU mandates and guarantees. Building on this, the EIB will support and lead pilot projects and initiatives to deepen cooperation within the network of global financial institutions. In order to increase the efficiency of investments outside the EU, there will be a strong focus on streamlining processes, mutualising standards, harmonising mandates and contracts, country platforms and project portals, sharing risk management information (through the GEMS project), mobilising private investment, etc.

It is clear that financing needs will increase to support the reconstruction of Ukraine, ensure a successful EU enlargement process, and deepen partnerships with our Eastern and Southern Neighbourhoods. Furthermore, there is scope for increasing the impact of strategic alliances and large-scale projects, in line with the EU's Global Gateway strategic agenda with the rest of the world. Going forward, the EIB will continue to reinforce its core position within the global community to support Europe's strategic priorities and the role of Europe in the world. This includes strengthening North-South dialogue and contributing to stability, peace, security and prosperity throughout the world.

8. Pioneer the Capital Markets Union

There is unanimous agreement on the need to deepen the EU's Capital Markets Union. In parallel with ongoing political and legislative initiatives, the EIB can pioneer pan-European financial instruments by mobilising public and private funds. It can leverage actions by different national and European players in the areas of green finance, energy efficiency in housing and building renovation, insurance and digital bonds.

Engagement with key stakeholders will proceed as a matter of priority with a view to launching pilot projects and other concrete initiatives in this area. The development of standardised financial instruments could have a scaling-up impact on the ground and mobilise the savings of institutional investors to the benefit of the European economy. Building on the successful experience of the European Tech Champions Initiative, work will begin to support scaleups and bridge gaps in financial support throughout the business cycle. This will include improving the conditions for institutional, retail, and cross-border investment in equity, as well as exit options for European scaleups, as per the 17-18 April European Council conclusions.

III. Financing scenario

The Strategic Roadmap foresees an indicative baseline annual financing scenario at the level of the 2024 Group Operational Plan. Well above 50% of investments will be in the green transition and more than 45% will go to cohesion policy, in line with existing commitments. Proposals under the eight policy priorities are expected to be further developed in close cooperation with shareholders within the Board of Directors. Financing amounts and programming of the Group's activities, including the business mix and the level of higher-risk activities, are subject to the annual Group operational planning process.

Across all policy priorities, the EIB Group, and especially the EIF, will continue to provide strong support for European SMEs, which are the backbone of the EU economy. Support for SMEs and startups should be maintained at around EUR 20 billion per year with a balanced combination of investments in high-risk and more mature projects. This will be achieved through the Group's existing lending, equity and guarantee instruments, as well as by launching new dedicated programmes targeting SMEs, with a focus on energy efficiency, agriculture or water. On top of investments through loans, guarantees and other forms of debt financing, the Strategic Roadmap foresees an annual investment of EUR 7 billion in equity, also with a view to scaling up European startups active in disruptive technologies.

Under this Strategic Roadmap, more than half of annual investment volumes inside the EU will be delivered under flagship programmes. These include existing programmes like InvestEU or REPowerEU+, as well as new flagship ones such as the Strategic Tech-EU programme (including an extended European Tech Champions Initiative and a strong focus on critical raw materials), the water programme, SME energy efficiency programme and the pan-European agriculture programme, including insurance. The remaining amount of the annual investment volumes would be delivered under the Group priorities, as defined in the annual planning.

With a solid AAA rating, a strong risk management framework, moderate leverage and a CET1 ratio of around 32%,⁴ the Group has the financial strength required to maintain or increase its annual investments. The Group has ample capital headroom, which has been growing over time. The EIB Group has consistently been profitable (more than EUR 2 billion in 2023), which has helped to increase capital headroom and build reserves. This central scenario would not require an injection of fresh capital, provided that the current business model is maintained with the appropriate combination of large volumes, sound risk management, and profitability to build up reserves and ensure the AAA rating.

The implementation of the Strategic Roadmap will allow the EIB Group to maintain its very high policy relevance. In order for the EIB to keep a strong capital position, the Strategic Roadmap foresees the maintenance of an appropriate volume of mandates and guarantees from the EU budget and the launching of the process to remove the gearing ratio from the EIB Statute.⁵ This is compatible with the Group capital sustainability policy, which ensures that the Bank's business is sustainable, and that its AAA rating is preserved and strengthened by a projected increase of the Group's risk adjusted profitability and capital generation over time. The strategic partnership with the European Commission and the EU budget is indispensable for EU policies to be deployed through highly impactful projects at scale inside and outside the EU while maintaining the EIB's strong financial position.

IV. Reinforcing efficiency and impact

In parallel with these actions, an internal efficiency project will lead to a stronger and more agile EIB Group, more client centric and able to deliver and scale up necessary activities in the coming years, building on a network of strong partnerships. This can be done by moving the focus further from volume to impact and from project screening to policy driving, and by leveraging partnerships and upgrading processes and systems with a strong risk management framework, to enable efficient use of capital, as a modern and agile organisation.

Major reform projects are being deployed to shorten time to market, with a target of a 30% reduction by the end of this year and a 50% reduction over the coming three years. Implementation of these reforms is being accelerated to cut bureaucracy, enable one-stop shops and synergies within the group and beyond, digitalise, automate and streamline internal procedures, improve cost efficiency, move to a risk-based approach in project analysis, reduce reporting, and harmonise mandates, contracts and requirements through a single rulebook approach.

The EIB Group remains fully committed to strengthening its cost control and to improving its cost-to-income ratio, including through the introduction of the new Chief Financial Controller function.

The EIB Group acknowledges the important role of the Audit Committee and the Review and Evaluation Process (REP) team and remains fully committed to implementing the findings put forward in the Review and Evaluation Process Assessment Report. Adherence to best banking practices under the supervision of the REP process is, and will remain, a core pillar of the Group's governance.

Finally, the 2024-2027 Roadmap is based on reinforcing partnerships and mutual reliance with trusted partners. By a full exploitation of synergies with European institutions and multilateral development banks, the EIB Group can become a more impactful, more agile and more efficient tool for the European Union and its Member States.

⁴ The average CET1 ratio for European Central Bank (ECB) supervised banks is around 15%.

⁵ In line with G20 recommendations, the process was launched to remove the gearing ratio from the statutes of other multilateral development banks including EBRD and World Bank.

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