EUR 809 million EIB Group support for COVID-19 resilience, education, water, energy efficiency and private investment in Romania


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- **EIB and EIF working with leading Romanian banks to strengthen COVID-19 economic resilience**
- **EIB streamlined university investment scheme already backing investment at Cluj Technical University and Bucharest Medical University**
- **Record disbursement for Romanian projects and strong pipeline of future hospital, education, road safety and water financing**

Higher education, water distribution, energy efficiency and private sector investment across Romania will benefit from more than EUR 809 million of new financing from the European Investment Bank and European Investment Fund agreed with Romanian public and private partners last year.

The European Investment Bank Group's engagement also included targeted financing to ensure that Romanian companies can continue to invest and better face business challenges caused by the COVID-19 pandemic.

"The coronavirus pandemic made 2020 a uniquely challenging year for Romania, Europe and the whole world. The European Investment Bank Group has made a crucial contribution to helping businesses across Romania better withstand the economic challenges of COVID-19 and enabling priority higher education, health, water and energy investment to accelerate. The close cooperation between the EIB Group and Romania has transformed economic opportunities, priority infrastructure and key services in our country. The strong pipeline of future EIB and EIF engagement in Romania will build on this impressive track record." said Alexandru Nazare, Romanian Finance Minister and Governor of the European Investment Bank.

"Ensuring that companies continue to invest and priority projects can proceed is crucial to reduce the impact of COVID-19 and build a better future. The excellent collaboration between Romanian public and private partners and colleagues from the European Investment Bank Group, including our technical and financial experts in Bucharest, have once again delivered transformational support for economic, social and climate investment in Romania. The EUR 809 million new EIB and EIF financing agreed in 2020 will benefit thousands of companies, students and households across the country in the years ahead." said Christian Kettel Thomsen, EIB Vice President responsible for Romania.

"In 2020 the EIF provided more than EUR 387 million of new financing for small businesses across Romania. This included new guarantee and equity transactions, support for ten local microfinance schemes and backing for a first-of-its-kind synthetic securitisation transaction in Romania, to scale up leasing finance. The EIF teams in Bucharest and Luxembourg remain committed to working with our Romanian partners to continue mobilising high-impact private investment in Romania." said Alain Godard, Chief Executive of the European Investment Fund.

Details of the EIB Group's highly important financial and technical support for long-term and priority investment were outlined earlier today by Christian Kettel Thomsen, EIB Vice President responsible for Romania, Alain Godard, Chief Executive of the European Investment Fund and Debora Revoltella, EIB Chief Economist.

EIB and EIF backing for priority investment discussed with Ministers

Confirmation of the reinforced EIB Group engagement in Romania follows meetings over recent weeks with Alexandru Nazare, Romanian Finance Minister and Governor of the European Investment Bank, and Ministers responsible for Investments and European Projects, Energy and Transport.

Strengthening private sector investment and COVID-19 economic resilience

Business investment, leasing by agriculture, manufacturing and service companies and ensuring more inclusive access to finance across Romania will be enhanced by EUR 633 million of new private sector support agreed between the EIB, EIF and leading Romanian financial partners.

This includes more flexible and increased financing for business investment, provided through local banks and financial institutions, to ensure that Romanian companies can better withstand business pressures and economic challenges resulting from the COVID-19 pandemic.

New EIB support for private sector investment in Romania also included EUR 100 million backing to expand warehouse and supply chain capacity across the country and new lending programmes to ensure that entrepreneurs and socially disadvantages communities can access finance.

The EIB and EIF also backed the first ever synthetic securitisation deal in Romania that will strengthen specialist leasing finance and enable Romanian companies to upgrade manufacturing equipment and transport fleets.

New report shows mixed impact of COVID-19 on business investment in Romania

New EIB economic research suggests that business in Romania has became more pessimistic about the short-term outlook, very similar to peers across the EU. Pessimism is greatest about the economic climate.

The European Investment Bank Investment Survey highlights that uncertainty about the future remains the most cited long-term barrier to investment (82%), followed by the limited availability of skilled staff (72%). Firms in Romania are more likely than EU peers to cite adequate transport infrastructure as a long-term barrier to investment (63% versus 40%).

The new investment survey indicated that business investment is focused on replacement of existing buildings and production equipment and tilted towards tangibles. Around a quarter (27%) of firms in Romania report abandoning or delaying investment plans as a result of COVID-19, fewer than the EU average (35%).

The same proportion of firms in Romania (27%) also report continuing with investment plans albeit on a reduced scale or scope, i.e. well above the EU average (18%). Around one in ten firms face finance constraints, and reliance on internal financing sources remains high. Access to finance is more of an issue in Romania than in other EU countries and firms lagging with investments in digitalisation and energy efficiency face greater difficulties in successfully tapping external financing.

About Romania’s green transition potential, three-quarters of Romanian businesses (75%) say that climate change currently has an impact on their business, well above the EU average (58%) while, two-thirds of firms (66%) report already investing or planning to invest in climate related projects, in line with the EU average (67%). However, only 37% of firms managed to invest in measures to improve energy efficiency, well below the EU average (47%).

Accelerating investment to transform higher education in Romania

Last summer the EIB launched its first streamlined higher education financing scheme in Romania. This will help to improve teaching, research and innovation at institutions across the country for the period 2021-2025.

The first two loans have been agreed with the Technical University of Cluj-Napoca and the University of Medicine and Pharmacy “Carol Davila” Bucharest.

These will help to accelerate strategic development, enhance research facilities and strengthen education to benefit students and researchers in the years ahead.

The EIB is in discussions with other higher education institutions across Romania to support further investment and allow university investment to benefit from long-term financing and the EIB's unique technical experience supporting education investment across Europe.

Cutting heating costs in homes and schools

Last year the EIB continued its track record of supporting energy efficiency in Romania and agreed EUR 42 million of new financing toward the Energy Efficiency Investment Programmes of three districts in Bucharest.

In their entirety, the programmes aim to reduce energy use and cut heating bills for 900 residential buildings and 19 schools, and EIB's fresh funding supports the implementation progress. This new support will assist implementation of Romania's National Energy Efficiency Action Plan and the EU Resource Efficiency Initiative.

Strong pipeline for future EIB and EIF engagement in Romania

In the coming months new EIB expects to finalise support for construction of three new hospitals, a Regional Emergency Hospital in Iasi and new regional hospitals in Craiova and Cluj.

New schemes to improve road safety across the country, long-term financing to expand and update regional water infrastructure, following support last year for water schemes in Cluj-Salaj, and new initiatives to support business financing and municipal investment are also foreseen.

Building on track record of EIB Group engagement in Romania

Since 1991 the EIB and EIF have provided more than EUR 17 billion for transformational private and public investment across Romania.

[More details about EIB engagement in Romania]

[Full EIB Investment Survey 2020 results for Romania]

Christine Lagarde: Hearing of the Committee on Economic and Monetary Affairs of the European Parliament

Introductory statement by Christine Lagarde, President of the ECB, at the Hearing of the ECON Committee of the European Parliament (by videoconference)

Frankfurt am Main, 18 March 2021

Madam Chair,

Honourable members of the Economic and Monetary Affairs Committee,

Ladies and gentlemen,

I am very happy to appear again before the Committee in our first regular hearing this year.

Today marks the one-year anniversary of the extraordinary Governing Council meeting during which we decided to launch the pandemic emergency purchase programme (PEPP).

Standing where we are today, the economic situation looks brighter now than it did back then and we can expect it to improve over 2021. In the short term, however, the economic outlook for the euro area remains surrounded by uncertainty due to the dynamics of the pandemic and the speed of vaccination campaigns. The severe impact that the pandemic continues to have on not just the economy, but on all aspects of the lives of many Europeans, does not allow us to “celebrate” the anniversary of the PEPP. It is nevertheless important to look back and proudly acknowledge our collective efforts in shielding European citizens from even worse outcomes.

In my remarks today, I will focus on the euro area economic outlook and the ECB’s monetary policy stance in the light of the Governing Council’s decisions taken on Thursday of last week. I will conclude by discussing the policy mix required to secure a solid path to economic recovery.

The current macroeconomic outlook

The rebound in global demand and additional fiscal measures are supporting global and euro area activity. At the same time, persistently high coronavirus (COVID-19) infection rates, the spread of virus mutations, and the associated extension and tightening of containment measures continue to have a negative impact on euro area economic activity. As a result, real gross domestic product (GDP) is likely to contract again in the first quarter of the year after declining by 0.7 per cent in the fourth quarter of 2020.

Looking ahead, the ongoing vaccination campaigns, together with the gradual relaxation of containment measures underpin expectation of a firm rebound in economic activity in the second half of 2021. Over the medium term, we expect the recovery in demand, as containment measures are lifted, to be supported by favourable financing conditions, and an expansionary fiscal stance.

This assessment is also reflected in the March 2021 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth at 4.0 per cent in 2021, 4.1 per cent in 2022 and 2.1 per cent in 2023, broadly unchanged compared with the December 2020 Eurosystem staff macroeconomic projections.[1]

The risks surrounding the euro area growth outlook over the medium term have become more balanced owing to better prospects for the global economy and progress in vaccination campaigns. However, downside risks remain in the near term, mainly related to the spread of virus mutations and the implications of the ongoing pandemic for economic and financial conditions.

Euro area annual inflation has picked up over recent months, mainly on account of some transitory factors. Headline inflation is likely to increase in the coming months, but some volatility is expected throughout 2021 reflecting the changing dynamics of the idiosyncratic factors which are currently pushing inflation up but which can be expected to fade out early next year.

Underlying price pressures are expected to increase somewhat this year due to current supply constraints and the recovery in domestic demand. Nevertheless, we judge that these pressures will remain subdued overall, also reflecting low wage dynamics and the past appreciation of the euro. Once the impact of the pandemic fades, the unwinding of the high level of slack, supported by accommodative fiscal and monetary policies, will contribute to a gradual increase in inflation over the medium term. Survey-based measures and market-based indicators of longer-term inflation expectations remain at subdued levels.

While our latest staff projection exercise foresees a gradual increase in underlying inflation pressures, the medium-term inflation outlook – with projected annual inflation at 1.5 per cent in 2021, 1.2 per cent in 2022 and 1.4 per cent in 2023 – remains broadly unchanged from the staff projections in December 2020 and below our inflation aim.

The ECB’s monetary policy stance and effectiveness

Against this background, preserving favourable financing conditions over the pandemic period remains essential to reduce uncertainty and bolster confidence, thereby underpinning economic activity and safeguarding medium-term price stability.

Let me further elaborate on our assessment of financing conditions. This is defined by a holistic and multifaceted set of indicators.

It is holistic because we consider a broad array of indicators, spanning the entire transmission chain of monetary policy from risk-free interest rates and sovereign bond yields to corporate bond yields and bank credit conditions. It is also multifaceted, because we take a sufficiently granular view that enables us to detect movements in specific market segments in a timely manner.

Last week, as it received a new round of staff projections, the Governing Council conducted a joint assessment of these multiple set of indicators against the evolution of our inflation outlook since the last projection exercise. We concluded that the increase in risk-free market interest rates and sovereign bond yields that we have observed since the start of the year could spur a tightening in the wider set of financing conditions, as banks use them as key reference points for determining credit conditions. Therefore, if sizeable and persistent, increases in those market interest rates, when left unchecked, may become inconsistent with countering the downward impact of the pandemic on the projected path of inflation.

Based on this joint assessment, the Governing Council announced that it expects purchases under the PEPP over the next quarter to be conducted at a significantly higher pace than during the first months of this year. While records of our weekly purchases will continue to be distorted by short-term noisy factors – such as occasionally lumpy redemptions – the step-up in the run-rate of our programme will become visible when ascertained over longer time intervals.

Purchases will be implemented flexibly according to market conditions and always with a view to preventing a tightening of financing conditions that is inconsistent with countering the downward impact of the pandemic on the projected path of inflation. In addition, the flexibility of purchases over time, across asset classes and among jurisdictions will continue to support the smooth transmission of monetary policy. If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full. Equally, the envelope can be recalibrated if required to maintain favourable financing conditions to help counter the negative pandemic shock to the path of inflation.

The PEPP is not the only tool the ECB is using to support favourable financing conditions over the pandemic period for all sectors of the economy.

The third series of targeted longer-term refinancing operations (TLTRO III) remains an attractive source of funding for banks. The TLTROs' built-in incentive structure ensures that banks have access to ample funding at very favourable conditions if they maintain their lending to the real economy. This supports bank-based financing conditions for firms and households. Likewise, the remaining monetary policy instruments in place – ranging from our key ECB interest rates to the Governing Council's forward guidance and the Asset Purchase Programme – make a crucial contribution to the ample degree of monetary accommodation that is necessary to support economic activity and the robust convergence of inflation to our definition of price stability.

We will also continue to monitor developments in the exchange rate regarding their possible implications for the medium-term inflation outlook. We stand ready to adjust all of our instruments, as appropriate, to ensure that inflation moves towards our aim in a sustained manner, in line with our commitment to symmetry.

The path to a solid economic recovery

Looking ahead, decisive action in other policy areas to support the recovery remains essential and should build on the favourable financing conditions prevailing in the euro area.

When appearing before the European Parliament last month, I pointed out that the strength of Europe's crisis response over the last twelve months crucially depended on the strength of national and European responses across all policy areas: monetary, fiscal, supervisory and regulatory.

We should continue to rely on the same recipe when it comes to securing a path to a solid economic recovery.

An ambitious and coordinated fiscal stance remains critical. National fiscal policies should continue to provide critical and timely support to firms and households most exposed to the pandemic and the associated containment measures. At the same time, these measures should, as much as possible, remain temporary and targeted in nature to address vulnerabilities effectively and support a swift recovery.

By brightening economic prospects for firms and households, fiscal policy would also strengthen the transmission of our monetary policy measures. Fiscal policy can also act as a catalyst to transform our economies in the recovery phase. This is why the NextGenerationEU package should become operational without delay.

In the coming weeks, Member States should ensure a timely ratification of the Own Resources Decision and should finalise their recovery and resilience plans. The European Parliament can play an important role in making sure that these plans are well-designed and that they include productivity-enhancing structural policies to address long-standing weaknesses and accelerate the green and digital transitions.

All of us, across all policy levels, should ensure that we use the thrust of the recovery to transform our economies and make them fit for the world of tomorrow, for instance by reducing and preventing climate risks. The ECB is ready to play its part in line with its mandate. This morning we published the preliminary results of our first economy-wide climate stress test to help both authorities and financial institutions assess the impact of climate risks over the next 30 years.

Conclusion

When we announced the PEPP one year ago, the Governing Council declared that it would do everything necessary within its mandate and explore all options and all contingencies to support the economy through this shock.

Looking back at the past year, I think we can affirm that we have delivered on this commitment.

But there is no room for complacency – the ECB will continue to deliver on its mandate and support the recovery with all appropriate measures.

I now stand ready to take your questions.

ECB starts publishing compounded euro short-term rate (€STR) average rates on 15 April 2021

18 March 2021

- Compounded €STR average rates and compounded index based on €STR to be published as of 15 April 2021
- Average rates to cover 1-week, 1-month, 3-month, 6-month and 12-month tenors
- Publication via ECB’s Market Information Dissemination (MID) platform and Statistical Data Warehouse

The European Central Bank (ECB) will start publishing compounded €STR average rates and a compounded index based on the euro short-term rate (€STR) on 15 April 2021. Publication will take place on each TARGET2 business day at 09:15 CET and will include compounded €STR average rates for tenors of 1 week, 1 month, 3 months, 6 months and 12 months, as well as a compounded €STR index enabling the derivation of compounded rates for any non-standard tenor. The ECB is responding to market feedback in favour of having compounded rates based on the €STR published regularly by a trusted authority.

The rules for the calculation and publication of the compounded €STR average rates and index were published on the ECB’s website today and take into account the outcome of the public consultation on the design of the rates and index. The ECB would like to thank all those who responded to this public consultation.

The compounded €STR average rates and index will be published via the Market Information Dissemination (MID) platform and through the ECB’s Statistical Data Warehouse (SDW).

The ECB Guideline (ECB/2019/19) on the governance of the €STR and on the administration and oversight of the €STR determination process has been amended to cover the calculation and publication of the compounded €STR average rates and index.

More information about the €STR can be found on the ECB’s website.

For media queries, please contact William Lelieveldt, tel.: +49 69 1344 7316.

Notes

InvestEU programme adopted by Council

The Council today adopted InvestEU, the EU’s new investment programme.

The programme brings together various financial instruments currently available to support investment in the EU. Building on the success of the European fund for strategic investments, it aims at mobilising public and private investment in the EU through an EU budget guarantee of €26.2 billion that will back investment projects of financial partners, such as the European Investment Bank Group (EIB), national promotional banks and international financial institutions.

Thanks to a multiplier effect, InvestEU is expected to mobilise more than €370 billion of additional investment over the next seven years, contributing to the economic recovery and the EU's medium- and long-term policy priorities, including the green and digital transitions.

> Mobilising investment in Europe is key for economic recovery and achieving our long-term objectives. InvestEU will have an important role in this regard, by helping to finance projects that contribute to building greener and more digital societies, support innovation and SMEs, and foster social inclusion. I am looking forward to a quick implementation process, so that the first projects benefiting from InvestEU can get off the ground as soon as possible.
>
> *João Leão, Portugal's Minister for Finance*

The EU budget guarantee will indicatively be divided between the four policy windows of InvestEU as follows:

- Sustainable infrastructure (for instance projects in sustainable energy, digital connectivity, transport and circular economy): 37.8%
- Research, innovation and digitalisation (for instance taking research results to the markets, projects in artificial intelligence): 25.1%
- SMEs (facilitating access to finance for SMEs): 26.4%
- Social investment and skills (for instance projects in education and training, social housing and healthcare): 10.6%

Investments of strategic importance to the EU can also be supported under all the policy windows.

In order to support the EU's green transition, at least 30% of the investments under InvestEU will contribute to EU climate action. A Just Transition Scheme, which is established horizontally across all policy windows, will support territories most negatively affected by the transition process towards the EU's climate objectives.

In addition, in order to receive funding, investment projects have to respect the 'do no significant harm' principle, ensuring that they do not harm the EU's environmental objectives.

InvestEU will also be able to provide capital support for SMEs negatively affected by the COVID-19 crisis, provided that were not already in difficulty in state aid terms at the end of 2019.

Member states will be able to use InvestEU to implement part of their recovery and resilience plans under the Recovery and Resilience Facility. In addition, they will also have the possibility to channel some of their structural funds to InvestEU to mobilise additional investment.

Next steps

The regulation establishing InvestEU is expected to enter into force at the beginning of April, after which the Commission will finalise the necessary procedures with the implementing partners.

Companies and project promoters should be able to start applying for funding by mid-2021.

8th Environment Action Programme: Member States ready to start negotiations with Parliament

Ambassadors of EU Member States today approved a mandate for the Council to start negotiations with the European Parliament in order to reach an agreement on the 8th Environmental Action Programme (EAP). The 8th EAP will serve as a guide for environmental and climate policymaking and implementation until 2030.

> For more than 40 years, Environment Action Programmes have ensured predictable and coordinated action for Europe’s environment and climate policies. The mandate approved today gives a clear message: member states want the 8th EAP to be an ambitious policy framework that steers our action up until 2030, delivers results and allows us to monitor our achievements in building a climate-neutral, green, fair and social Europe.
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> *João Pedro Matos Fernandes – Minister of Environment and Climate Action*

Member States added provisions in their position regarding the need to further define actions when the European Green Deal’s key actions have been put in place by 2024. The Commission proposal for the 8th EAP builds upon the European Green Deal and the list of actions detailed in it, and exceptionally doesn’t include a list of actions. Member states ask the Commission to carry out a mid-term review in 2024, followed by a legislative proposal in 2025, amending the 8th EAP, in order to allow the co-legislators to add the necessary actions to be taken from 2025 to 2030.

Member states also added several specifications to the new monitoring framework that will be set up in the 8th EAP to monitor progress in reaching its priority objectives. Member states added notably a requirement for the Commission to take stock annually of the progress achieved and to present a list of actions it has taken and the actions it plans to take to implement the priority objectives

Background

The 8th EAP aims at accelerating the green transition in a just and inclusive way, with the 2050 long-term objective of "Living well, within the planetary boundaries", already established in the 7th EAP. The six thematic priority objectives of the 8th EAP concern greenhouse gas emissions reductions, adaptation to climate change, a growth model that gives back to the planet more than it takes, a zero-pollution ambition, protecting and restoring biodiversity and reducing key environmental and climate pressures related to production and consumption.

Environment action programmes have led the development of EU environment policy since the early 1970s. The Council approved conclusions on a future 8th EAP on 4 October 2019, calling on the Commission to present an ambitious and focused programme for the period 2021-2030.

The European Commission presented its proposal for "a Decision of the European Parliament and the Council on a General Union Environment Action Programme to 2030" on 14 October 2020.