Deciphering the European Investment Bank

History, Politics, and Economics

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Chapter 6

Small words, big changes: Understanding the European Investment Bank through its business model

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6 Small words, big changes

Understanding the European Investment Bank through its business model

Helen Kavvadia

Introduction

The European Investment Bank (EIB), known today as one of the largest multilateral development banks (MDBs) in terms of total assets and liabilities[1] and operating in some 160 countries worldwide,[2] was founded as a post-World War II European financing body for regional industrial policy and integration. As EIB shareholders and, initially, the sole beneficiaries of their activities, the then-six European member states created the bank with the rationale lucidly described in the EIB's first annual report:

> The Treaty instituting the European Economic Community (EEC) was signed in Rome on March 25, 1957; its principal object was the progressive integration of the economies of the six member countries: Belgium, Germany, France, Italy, Luxemburg and the Netherlands. During its preparation it was always evident that, by the very fact of the economic structures of the six countries, this integration would meet with a number of obstacles, among others: certain regions relatively less developed, with low productivity in various sectors, sometimes inadequate communications, future lack of electrical power, etc. To overcome these obstacles, as well as to give birth to the new activities and installations necessary on the scale of the Community, big investments have to be made. Actually, these countries together form one of the regions of the world where the rate of investment, expressed in relation to gross national product, is very high and where banking machinery is the most developed. But if care were not taken, the existence of inequalities of structure would give rise to the fear that the favourable factors might not in themselves be sufficient to enable the recessed sectors to be financed at the desired rhythm. The six member countries therefore decided to found a bank between themselves. At Community level, and along the line of action of the Community, this bank would be able to examine these new problems of financing in common and help to solve them.[3]

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Departing from the political intention of curing a market failure, the EIB was conceived *ab initio*, as a partnership of public and market forces, setting out to exploit concrete business opportunities. Endowed with public funds of 1 billion u.a.[4] in the form of its initial subscribed capital and enjoying positional advantages in all aspects of its operations[5] by virtue of its sovereign backing, the EIB was conceived as a "self-sustained" organization operating in the market. It would borrow from the capital markets to contribute to financing initially some

> EUR 30 thousand u.a. [which] seemed to [its shareholders] necessary, to be carried out by existing banking houses, at the side of which this … institution would bring an additional source of financing which might prove decisive. Its statutes have been drawn up in this sense.[6]

Thereupon, the EIB statutes were drafted to avoid distorting competition in the banking industry. By corollary, the EIB was destined to become a complementary source of finance, which, per guidelines handed down by its board of governors, can provide financing of up to 50% of the total project costs.[7] With its funding capped and the EIB arguably established as an additional, albeit "decisive"[8] investment financing source, the member states also initiated the mechanism for leveraging[9] European public funds, which was ramped up only after the 2000s and especially in the aftermath of the global economic crisis.[10] This judicious melange of the EIB's public and market operating capacities has inculcated the fundamentals for a "Janus Bifrons" organization.[11] The EIB's duality, assimilating public and private sector principles, as a European Union (EU) body and a bank,[12] has been so comprehensively described in the bank's statutes that the latter can be conspicuously considered as the descriptive part of the EIB's business model at a general level. Business models conceptualize organizations by articulating their setup[13] and interdependent activities, which transcend organizational boundaries and embed organizations in their contextual environment. These activity systems enable organizations "to create value and also to appropriate a share of that value,"[14] to perpetuate their functioning.[15] In 60 years, the bank's model allowed the EIB to sway between the institutional and banking poles of its idiosyncrasy on several occasions.[16] Nonetheless, the literature has focused predominantly on the EIB's institutional character, even when examining its functioning.[17] As an integral part of the EU economic governance, the analysis of the bank's activities from an institutional perspective is of prime interest.

However, delving into the EIB as a bank is equally important to decipher how European political objectives are operationalized through tangible banking activities. In this respect, business models offer an excellent vanguard point for such an analysis, as they are both comprehensive and laconic. Their schematic form allows them to serve as conceptual "maps,"[18] "story-telling narratives,"[19] and "typifications/…/that guide social action"[20] toward transformations while enabling the description of the change pathway and the alternations involved. As 'vital tools for articulating the "architectural" design,'[21] business models are ergo mostly used to achieve forward clarity and consensus in forward planning. Nevertheless, extending their reach for a "fore-and-aft" deployment allows an insightful longitudinal analysis of organizations, which goes beyond historical narratives[22] and informs about organizational functioning. Moreover, it provides an ease of overview and comparability through graphic illustration of organizational fundamentals. Relatedly, by comparing business models corresponding to organizational history's different turning points, as "snapshots" on a temporal axis, we can develop an insightful understanding of the co-evolutionary paths of both business models and through them, of the organization as a whole.[23] Using business models in retrospect within a historical institutionalism theoretical framework,[24] "critical junctures" serve as "footprints" for tracing the EIB's organizational evolutionary trajectory, this chapter attempts to examine how the bank's business fundamentals developed during 60 years (1957–2016). More concretely, the chapter seeks to answer the following questions: did business model changes occur to allow the EIB to adapt to policy and market circumstances, and, if yes, when? What are the eventual changes? What are the main driving forces of change?

Further to the identification of changes at points of disequilibria,[25] and in the absence of EIB's business models in the public domain,[26] this method is grounded on the casting of the EIB models corresponding to these points retrospectively. The method uses a business model archetype that has been devised to extend business models beyond their usual profit orientation[27] to suit not-for-profit institutions,[28] and which consequently caters to the EIB's institutional and banking nature. Having already been tested on the EIB,[29] this archetype reflects the structure and processes by which the EIB creates and delivers value over time through four main interlocking elements sheathing the EIB's duality. The element pair "strategic choices," which comprises the mission and prime objectives, and the "value network," including the main stakeholders, tallies with the EIB's institutional side. The other pair, "value capture," which encompasses resourcefulness and the borrowing market, and "value creation," which is associated with the lending market, correspond to the core of the EIB's bank side, relating to the liabilities and assets of the balance sheet, respectively. Initially seen as mere neologisms and "spin-doctor" prescriptions for practitioners at the start of their propagation during the "dot-com" era, business models have since developed into potent organizational analysis tools by being increasingly theorized and associated with different theoretical frameworks.[30] Using business models within a historical institutionalism framework, this chapter purports to enlarge the understanding of the EIB by accounting for not only the "what" and "why" concerning changes over time but also the "how." Historical institutionalism postulates that organizations' development can be deciphered by referencing their past developmental pathways.

At the moment of unprecedented challenges at the European and international levels, triggered by the conjunction of the twin climate and pandemic crises, the future response and capabilities of the EIB as a major economic player, called to bolster European initiatives,[31] are of interest to both academia and society. To shed light not only *on*, but also *inside* the EIB's organizational "black-box," this chapter builds upon the existing scholarly sources while relying largely on the primary sources, such as 13 versions of the statutes; extracts of relevant EU treaties for populating the business model archetypal canvas to depict the EIB case; statistical data existing in 43 EIB Annual Reports, 16 Activity Reports, and 16 Financial Reports during the period of 1957–2017 and other publicly available EIB documentation to refine the business model, identify the "juncture points," and triangulate the business model findings.

The analysis reveals the longevity of the EIB business model, which, despite being characterized by long periods of stability, demonstrates the bank's dynamic capabilities of pro-active sensing and calibration to its ever-changing institutional and market context. Its adaptability, demonstrated in two major business model revisions, follows a path-dependency of ambidexterity,[32] in the form of "tinker and tweak" changes introduced and tested at the pilot level before the actual reshaping of the business model. These changes have been set off by the market, rather than institutional imperatives, while the EIB has demonstrated activism in their institutionalization. This activism confirms the increasing politicization of the EIB, already heeded in extant academic works, and also divulges a parallel scaling up of the bank's business orientation.

The paradox is discussed in the next section, which also presents the analytical framework of the chapter. The body of the analysis unfolds in the ensuing subsequent three sections, with each elucidating a business model recasting at a particular "critical juncture." The concluding section summarizes the key findings.

Scaling up politicization and business orientation congruently

Due to its dual idiosyncrasy, the EIB operates as a bank in the European institutional setup. Within this framework, the EIB's business fundamentals have been legally documented and are publicly available,[33] enabling the crafting of the bank's incipient business model in retrospect. The same applies to the amendments in the EIB's basic official documentation, corresponding to "critical junctures" identified in the bank's history. Particularly, the Treaty of Rome, establishing the EIB and annexing its foundational statutes to it as protocol, was the starting point to "substantiate" the archetype by filling in the EIB specifics for converting it into the bank's initial business model. The studious analysis of legal documents was followed by an evaluation of their clauses, for determining those relevant to the business model. The pertinent ones were culled out and appropriately typecast into the archetype's four interlocking elements, two of which resonate with the EIB's institutional side – "strategic choices" ("why") and "value network" ("with whom") – and the other two reflecting the EIB's banking side – "value capture" ("with what") and "value creation" ("for what"), relating to the liabilities and assets of the balance sheet, respectively. The "strategic choices" element connoting the rationale behind organizations not only allows the analysis of the EIB's institutional side but also forms part and parcel of the archetype's main merit. As unraveled through the review of widely ramified related literature, most archetypes do not dispose of a "logic" element, notwithstanding that "logic" and "value"[34] are the underlying concepts of business models. In this sense, the selected archetype has wider capabilities to account for the isomorphic attunement of organizations to their contextual setting, not only to describe but also to proactively provoke change, if necessary. In connection to this, the archetype is used in both essentialist and instrumental perspectives of the analysis.[35] The first refers to descriptive and explicative capabilities as static representations of reality, and the second concerns the transformational power of business models to trigger change and be a part of such change. In this vein, the method used attempts to describe and elucidate the evolution of the EIB and its business model, whose changes are synchronous with the bank's cusp points, following through a life-cycle curve (creation, extension, revision, and termination).

To identify and investigate the changes that occurred in the bank's business model, this study analyzed all the successive versions of the EIB statutes, along with the annual and financial reports of the bank for the period of 1957–2016; the goal was to identify "critical junctures" in the bank's evolution and assess the eventual change in the then prevailing EIB business model. Seeking hermeneutics through historical institutionalism's expounding mechanisms of organizational development – set-up, interaction, and cognitive effects – concerning the locking-in power structures, contextual embeddedness, and the role of organizational actors, respectively,[36] this analysis showed that the EIB's initial business model remained valid in the Glaserian sense. It also indicated that it displayed logical coherence, explanatory power, and relevance,[37] allowing the bank's evolution during its first 42 years, as a result of organic growth derived from increased demand; this demand is mainly attributed to sectoral and geographic expansions of its activity, in combination with the successive EU policy developments and territorial enlargements.[38] Etiologically, this germinates from i) the aforementioned historical institutionalism-related, self-reinforcing structures consisting of institutional, social, and cognitive processes,[39] which are particularly pertinent in "sticky"[40] and incumbent organizations;[41] ii) the inherent flexibility of the EIB business model, which, through the "interpretation" of the bank's basic legal documents could accommodate these changes; and iii) the business model conceptualization, which enabled the

EIB to weather overwhelming external changes in the international environment (e.g., the abolition of the gold standard and the oil crisis; as well as the internal organizational transformations, such as the turn of the EIB into a group, through the creation of the European Investment Fund (EIF) in 1994. The EIF, as an EIB subsidiary, marked the onset of EIB's inorganic growth. It was, therefore, only in the last 25 years that the EIB experienced significant changes in its business fundamentals. Two "critical junctures" have been identified in EIB's history, in the sense that these turning points interrupted extended periods of institutional stability, presented "windows of opportunity" for institutional innovation,[42] and increased returns to the organization.[43] These "critical junctures" in 1999 and 2010, consequently, entailed remolding the bank's business model manifested with small-word changes in the bank's official legal documentation, engendering though major changes in EIB activity. To spare the readers the tedium of the "transcription" of the three EIB statutes relevant to the business model archetype, the chapter briefly describes them in the next subsections and presents their diagrams in Appendices 6.1–6.3, wherein revisions are underlined for clarity. In contradistinction, numerous autopoietic adaptations of the EIB's functioning, which did not crystallize into EU treaties, as well as basic documentation amendments, are not considered as "critical junctures" because they did not imbue the EIB's business model.

From nonprofit-making in 1957 …

The EIB's duality is not simply evident but equally carefully balanced in the EIB basic legal documentation, with clauses arithmetically almost equal in the bank's establishing official documents. The institutional side mainly focuses on governance, encompassing "checks and balances," whereas the banking side lays the EIB's business fundamentals. Out of a total of 29 articles in the EIB 1957 statutes, six are concerned with institutional aspects, 13 cover operational issues, and 10 deal with a combination of both. The duality is conceptually well-elaborated, because institutionally, a multilateral agreement concerning the creation of a public bank necessitates meeting and safeguarding the interests of all participating member states; simultaneously, the significant financial commitment from the bank's part of founding shareholders – who in 1957 invested in the bank's capital of 1 million u.a., one-fourth of which was paid-in, partly in gold[44] – had to be wisely and prudently utilized. The clauses referring to the banking nature of the EIB concern all major banking aspects, including capitalization, other resources and gearing ratio, asset quality, risk management, and liquidity, as well as lending conditions and prerequisites. By contrast, information related to "value capture" components, such as revenue, margin models, pricing, and resource velocity (i.e., asset life) could not be traced in the public sphere. Although EIB is a public bank and operates on a "non-profit-making basis,"[45] such information falls under the bank's nondisclosure provisions. This constitutes a case in point, wherein the banking side's confidentiality prevailed over the institutional obligations for accountability and transparency; this also constituted the start of a general trend marking the EIB mainly after the 1990s. For the same reason, no specifics regarding "value creation" are available, such as norms concerning the bank's operation, or the "value network," such as technology and staff information. Inferentially, the details of unidentified points have not been included in the elaboration of the EIB's incipient business model without limiting the essence of the broad business fundamentals captured in the model.

The EIB's rationale, as described in the "strategic choices" of the business model, was founded on the

> task [to contribute to the balanced, as well as steady, development of the EU on a self-financing basis, using its own funds and the proceeds of capital market borrowings, in order to provide loans and guarantees for] specific projects … of some extent[46]

public or private, in all sectors, located within the member states' territories and, only exceptionally, beyond the EU borders.[47] As stated, the cornerstone of the EIB's business model is the bank's perpetual self-financing ability, which was also the determining factor for its EIB's founding shareholders to pursue the alternative of a bank over a fund when deliberating on the dilemma bank-versus-fund.[48] On these grounds, the EIB's "value capture" is firmly entrenched in the capacity to safeguard the bank's perennial resourcefulness through top credit ratings and hence advantageous funding terms, grounded on the bank's solid capitalization[49] and shielded with the "quality label" of its ownership, consisting exclusively of industrialized high-income countries and EIB's strong "brand," as a prudent lender with negligible nonperforming loans in its portfolio.[50] Additionally, EIB's minimal risk tolerance and conservative assets and liabilities management have been coupled with a drive for efficiency, as demonstrated in its lean organizational structure.[51] This Porterian "cost-efficiency" focus of the business model constitutes the EIB's own – organizational – contribution to its institutional capability to finance projects at finite interest rates, enabled by operating on a nonprofit-making basis, enjoying positional advantages, ensuring low costs of triple-A funding in the capital markets, and keeping add-on operating margins feeble. This process, being not only the bank's core tenet but also the quintessence for its everlasting functioning and relevance, has often been erroneously coined in EIB parlance as the bank's business model. This is possible because, unlike most business models, the EIB does not include any marketing aspects in its "value creation." However, this is not surprising, as projects were planned to originate from public administrations, the European Commission, other MDBs and Regional Development Banks (RDBs), and synergies with the banking community. The dearth of customer focus has been accentuated by the EIB's centralized operations, initially headquartered in Brussels and later in Luxembourg, physically being distant from customers and investors mostly located in the member states. Consequently, the EIB's establishing business model relies largely on its "value network" to develop its lending and borrowing, rather than any dedicated promotional strategy. The "value network" mainly consists of the bank's shareholders and their public administrations, investors, borrowers and guarantors, other partnering EU Institutions (with the Commission playing a predominant role), MDBs/RDBs, the banking community, and staff. Although less obvious, human resources have always played a significant and increasing part in the EIB's development, as the bank moved progressively into policy-making activism and advisory services. The selection of staff exemplifies the bank's dual nature, as people are "hired on personal ability and professional qualifications and equitably from member states" to ensure competence and commitment, respectively.[52]

The EIB's dual nature is fully reflected not only in all constitutive elements of the bank's founding business model but also in its *modus operandi*. A clear case in point is the bank's due diligence process. This includes, as *a sine qua non* condition, the compliance of investment schemes with the EU objectives, which is internalized in the "strategic choice." Only if this institutional condition is fulfilled, can projects subsequently be appraised in terms of their financial, economic, and technical viability. In this sense, notwithstanding that the structure of the bank's statutes – mirrored in the EIB business model – is balancing the two sides of this "Janus Bifrons" organization, the operationalization of the business model has been skewed toward the institutional side. Being "shareholder-centric," the EIB business model is at the antipodes of typical banking business models, which are based purely on the market situation and are overly "customer-centric"[53] with an emphasis on account and relationship management. Shareholder interests infiltrate both sides of the EIB nature and all four elements of its business model. This partly instigates but also explains the EIB politicization trend, which develops on the one hand through activism around "opportunity windows" for a contextual "arbitrage" to "better serve" its shareholders while increasing its own influence;[54] in parallel on the other hand, in a typical agency dilemma, the bank seeks influence through autonomy by claiming the need for independent banking decisions grounded on technocratic parameters.[55] This politicization process is facilitated, if not bolstered, by the EIB's business model's flexibility. This allowed the EIB to address shareholders' demands, or serve shareholders better, occasionally for the banks' own "rational interests."

Three points in case demonstrate these three distinct alternatives, although, in practice, the alternatives are often forged together. First, this flexibility enabled the EIB to lend beyond shareholders' territory in 1970, in order to "deliver" to their call.[56] In doing so, the EIB served equally itself by increasing its territorial reach and clout, granulating its portfolio, broadening its activity range, and enriching its resourcefulness by collecting fees for the management of European and member states' resources made available to the bank for its development role.[57] Most importantly, this activity – being off-balance sheet – has been carved out almost risk-free, especially as the bank has additionally been offered an umbrella guarantee for these operations. This "de-risking principle" has been fleshed out over time, initially with the EIB lending under the New Community Instrument (NCI)[58] totaling EUR 6 billion, i.e., 17% of the EIB's annual lending from 1979 to 1989, as well as under the European Atomic Energy Community (Euratom),[59] reaching a further EUR 4 billion in the same period, as well as several later initiatives after 2015, such as the "Juncker plan," InvestEU, and the European Green Deal (EGD). Second, although the EIB was created to provide loans and guarantees, the latter was overlooked from 1970 until 1994,[60] when the activity spun off to the EIF.[61] Initially set up as a minority and subsequently as a majority EIB subsidiary, the EIF is an EIB initiative to serve its shareholders in the provision of guarantees, which was amongst the weightier issues in infrastructure financing at the time. This provision of guarantees was extensively tested prior to the EIF's creation, which was institutionalized five years after its establishment, through the business model's revision in 1999. Beyond serving its shareholders, with the establishment of the EIF, the bank also promoted its own rational interests by extending its influence within the European governance and the MDBs'/RDBs setup, as well as growing into a group within the banking community by developing a new form of co-optation with partner banks, increasing in this way also its revenue stream. Third, the bank's advantageous pricing[62] was based on the cost of funding, marked up by a margin to cover operating expenses, which was fixed at 0.15% up until 1995.[63] This flat margin has allowed "egalitarian" pricing, as the same rate is applied to all borrowers at any given moment[64]

> Irrespective of the currency used or of the Member State on whose territory the project is located, rates of interest are fixed by the Bank in accordance with the terms on which it can obtain loans on the capital market.[65]

The abandonment of egalitarian pricing, in conjunction with the repeal of the full transparency of lending rates – which were disclosed in all EIB annual reports until 1973 – has assuredly been in the bank's "own rational interests." Coupled with the resulting increased EIB's efforts to maintain confidentiality for its borrowers, price differentiation is paradigmatic of the EIB's increasing banking orientation and strives for agency autonomy.[66] By increasing the margins and adjusting its rates according to project and borrower profiles, the EIB also dissociated itself from its "non-profit-making" institutional basis, paving the way for its future banking-style project finance engineering and risk-sharing activity, through step-wise, doled-out changes. Interestingly, this banking orientation was developed largely through the bank's increased politicization and activism as a "policy and norm entrepreneur."[67] This is an oxymoron but not a paradox, as the politicization process serves the EIB's increasing banking orientation in two ways. On the one hand, it can be considered "market making" for the EIB, whose "non-customer-centric" business model hinges on its institutional side to build its assets for the "value creation." On the other hand, it nourishes the EIB's "value capture," through a stream of ever-increasing resources. This is succinctly evidenced by triangulating with EIB's business metrics for the period of validity of the foundational business model, which increased in terms of the following: a) resourcefulness through capital injections[68] and annual profitability,[69] which was appropriated in statutory and other reserves, and "retained" due to the EIB's nonprofit-making basis, strengthening the bank's capitalization; b) efficiency through large operations for economies of scale in lending and borrowing for squeezing overheads; c) resilience with a performing and solid loan portfolio, ensured through rigorous appraisals, increased risk diversification for lending and borrowing,[70] and risk coverage for non-EU operations; and d) effectiveness ensured by a constant preponderance to repeat operations, mainly for regional development, which averaged 70% of EU lending throughout the period.

… And nonprofit-maximizing in 1999 …

The EIB's establishing business model remained valid for 42 years under four presidents[71] and enabled the bank to face salient global challenges and successive changes in the EU orientation. It allowed the bank to evolve and grow through its flexibility to accommodate EU political requests and meet operational necessities. This double axis of increased politicization and business orientation heightened the EIB's prominence due to on the one hand the bank's participation in political developments and EU-led initiatives that were decided in successive European summits and had infrastructure as the main driver for growth and development.[72] On the other hand, the double axis heightened equally the EIB's prominence in the banking scene through emblematic mega projects, exemplified with the Channel Tunnel. Nevertheless, despite its flexibility, the incipient EIB business model could not accommodate the overwhelming challenges in the bank's lending-and-borrowing environment originating from its supply-side and engendered by the introduction of the euro. Already in the run-up period, EIB borrowing experienced eroding operating margins, which were reflected in the lending side, consequently creating new imperatives for both the bank's "value capture" and "value creation." From the borrowing perspective, the EIB met fierce competition, as the euro created a level-playing field for all participants in the capital market, while the opportunistic borrowing for arbitrage gains had vanished with the introduction of the single currency. In lending terms, the EIB's traditional public sector "clientele" was restrained by the Maastricht criteria, whereas, in the private sector, the EIB risked being "crowded-out" by other lenders, who could borrow at a lower price in the euro capital market, as well as by project promoters, who could borrow directly from capital markets and avoid banks. Lest it loses its relevance, the EIB made innovations on both sides of its activity by pioneering Euro-benchmark issues in the capital markets for an efficient large volume, resulting in low-cost borrowing, and by diversifying its lending toward risk-sharing, which was labeled by the EIB president Sir Brian Unwin as "the most urgent need."[73] The process has been facilitated, as the path had already been prepared and the ground had been tested under the bank's foundational business model. To fill the gap left by the public sector, the EIB turned to the private sector with risk-sharing operations while simultaneously starting and later beefing up public–private partnership (PPP) schemes. The EIB even moved quaintly into risk capital for small- and medium-sized companies acting "as a fund of funds"[74] in parallel to the EIF. This activity was nonetheless later passed to the EIF, for risk fencing and efficiency purposes, constituting yet another proof of the EIB business model's inherent flexibility. Additionally, this demonstrates the bank's own flexibility and politicization within the EU economic governance set-up to move as a "policy entrepreneur" and adopt "taking or leaving" policy initiatives. Risk capital is an egregious example, as it had already been previously proposed as an EIB activity, in the Commission's Memorandum on Industrial Policy adopted on May 3 1973,[75] albeit without the EIB ever developing it.

Higher risk-taking entailed a series of adjustments and resulted in a business model revision, as all four elements were recalibrated to allow the EIB to maintain its relevance and "competitive advantage" in the new tumultuous environment. Regarding "value capture," the EIB strengthened its resilience by increasing its reserves[76] and asset and liability management[77] while parallelly also further refining its due diligence procedures for risk management purposes. If successful, risk-sharing increases revenue streams, so the EIB turned from its nonprofit-making basis to a nonprofit-seeking basis through modulated risk pricing. In this line of increased banking orientation, the EIB tried to ramp up its "value creation" and "value network" capabilities to attract projects by promulgating "a catalytic role"[78] "to make things happen" and bring "added value"[79] in investment financing. Beyond attracting projects, this role provided important institutional benefits for the EIB by increasing the relevance of the bank in the economic governance setup and is another example of the bank's twin increase in politicization and banking orientation. In this vein, the EIB attempted to extract and partially "monetise" the benefits of being the sole MDB/RDB privileged to have a "sister organization," such as the Commission. Grounded in the know-how and prowess developed through its past cooperation with the Commission for lending within the EU under the NCI and Euratom, as well as under a series of mandates for lending outside the Union, the EIB strived to develop its funding in conjunction with structural funds, becoming what EIB president Maystadt concocted as "a policy-driven bank."[80] Nevertheless, this institutional synergy came with a price. Cofinancing with structural funds implied as a rejoinder increased political control and strengthened accountability and transparency imperatives. Nonetheless, the bank's operations were challenged in the market to such an extent that the EIB sacrificed a part of its autonomy previously fiercely defended; its tighter entwining within the European setup was seen as a means to weather the market Armageddon and allay eventual criticism for its differentiated pricing. At the same time, to safeguard some of its autonomy, the EIB – in a typical agency reaction – "showcased" a stronger adept profile by branding its "stamp-of-approval" ability. This ability was also used as a means of "masking" the bank's lower lending volumes resulting from the strained markets by "crediting" them to the EIB's deliberate choice of "quality over quantity."[81] Furthermore, by using its "investment" in qualified staff and expertise, the bank commenced providing technical assistance,[82] transforming itself from a "product-only" to a "product-and-service" provider. Consequently, it increased its revenues off-balance sheet through fees and improved its productivity, which had suffered from the curb in lending activity.

… To nonprofit-seeking in 2010

The EIB 1999 business model enabled the bank to maintain its role in the run-up to and during the establishment of the euro, despite the protean conditions in the financial and capital markets. Even when investment levels dulled, partly due to the macroeconomic adjustments for the European Monetary Union, and accessibility to alternative sources of finance multiplied, the EIB maintained its relevance through "a qualitative reorientation of its traditional operations."[83] Realizing that, in an environment of increased uncertainty and complexity, pricing alone is not pivotal for investment decisions,[84] the EIB mobilized its forces to strengthen both its institutional and banking capabilities, reinforcing each other in a dynamic interaction. In its banking realm, the EIB increased risk-taking in three ways: i) through "single signature loans" resting solely in borrowers' financial strength; ii) decisions on the terms and conditions of projects with a particular risk profile by the qualified majority of the board of directors; and iii) easing of the EIB's gearing ratio,[85] expressed as the maximum amount of finance to be granted in relation to the subscribed capital. Additionally, the bank increased its risk-sharing, while counterbalancing its "audacity" by adroitly derisking the increased risk, mainly through EU guarantees put in place through its institutional synergies. To ramp up its demand side, the EIB became a driving force for PPPs and a profiled expert adviser, for "shaping" projects to which it could ultimately lend. As a result, the bank served its institutional "masters" in their investment needs by providing alternatives to their then restricted public funding capacities, while scaling up the demand for its products[86] and improving its own resourcefulness. In return, EIB shareholders more than doubled the bank's subscribed capital[87] in this period, from EUR 62 billion in 1996 to EUR 164 billion in 2006. Meanwhile, the renewed emphasis on financing small- and medium-sized enterprises (SMEs), which started in 1967,[88] can be seen as a pre-emptive bid to "dampen" possible opposition from the banking sector, as the EIB increasingly moved into traditional banking while maintaining institutional privileges for subvening its pole position in a period of rough competition. Additionally, SME activity of some 30% of its annual lending in efficient repeat operations, reflected in double aggregate lending volume for a similar number of projects, improved productivity to EUR 3.1 million per staff member in 2006, up from EUR 2.4 million in 1996. As the business model revision in 1999 was deemed successful, changes in the EIB *modus operandi* were endorsed by successive European council decisions, such as those concerning the Lisbon Agenda in 2000, the European Action for Growth in 2003, and the Europe 2020 Initiative in 2009.

Nonetheless, investment in the EU remained flaccid before the outbreak of the global financial crisis in 2008, and it continued to pare down thereafter. The engendered recession led to an increase in financing needs coupled with a debt crisis and restrictive macroeconomic discipline imperatives, resulting in further dented demand for EIB loans. Public funding became scarce when old recipes of incentivizing investment could no longer be applied. With interest subsidies,[89] provided previously by the Commission and used in conjunction with EIB and NCI loans as a means to abet investment under the EIB incipient business model, being no longer available, the EIB sought the syncretism of EU grants with EIB loans as an alternative.[90]

This time, unlike the euro-related situation, the EIB's relevance was challenged from the bank's demand side as a result of the recession following the financial crisis. The foundations for a salvaging *modus operandi* had already been laid and tested under the EIB 1999 business model, through the bank's closer collaboration with the Commission in conjunction with the structural funds.[91] To scale up investment, conflating was not only strengthened but also took new forms through the establishment of the EIB, European Commission joint initiatives,[92] which was institutionalized as a pillar of EIB activity in the bank's revised business model in 2010. With further elaboration and extension of advisory services, this model formed the basis for the bank's three-pillar activity of lending, blending, and advising by intertwining EU budget resources and EIB finance. In terms of banking, the three pillars expand not only the bank's customer base but also its revenue streams from fees for mandates' management and advisory, risk-sharing operations, and other off-balance sheet operations.[93] The increase in off-balance sheet activity implied the adjustment of the EIB's "value capture" because riskier loans "consume" larger parts of resources, including capitalization,[94] while offering revenue, if successful. In the prospect of diversified and augmented revenue streams, the EIB turned to a nonprofit-maximizing basis. With the EIB's dual nature, the increased resourcefulness can be overtly seen as an effort to strengthen the bank's resilience, following the development of its new activities. However, the most important factor contributing to the EIB's resilience was the flexibility offered by the three-pillar activity.

The bank's "triscelic" functioning enabled the parallel implementation of the following five distinct lines of banking and the possibility of using them *ad voluntatem* to adapt to institutional and market conditions: a) wholesale banking for SME financing via banks, b) development banking for financing outside the EU, c) for-profit banking for risk-taking and risk-sharing operations, d) policy banking for EU priority projects' financing, and e) service banking for advisory. Succinctly, the EIB's revised business model underpinned tangibly the congruent increase in the bank's politicization and business orientation processes. While remaining "shareholder-centric," this model's stronger banking orientation marks it as the first to cater for an EIB "customer-centric" stance, exemplified in an enlarged office network around the world,[95] as well as the creation of a global relations management unit. In its effort to strengthen its "value network," the bank additionally closed ranks and intensified its synergies with other MDBs/RDBs and the banking community. To this end, the EIB's lines of SME credits via commercial and other intermediating banks contributed to buttressing indirectly their treasuries during a period of limited relevant EU support amid the global financial crisis and its aftermath. In this sense, the EIB's revised model enabled the bank to step up its counter-cyclical profile during these critical times twofold. On the one hand, indirectly through its undergird of the banking sector, and on the other hand, directly, through its financing of the real economy with higher leveraged products, which formed part of new initiatives, without an imminent need for a further business model recasting. Examples of such initiatives were the European Fund for Strategic Investments under the "Juncker Plan" in 2015 and its successor InvestEU, as well as the EIB's announced "pivot" to a climate bank within the EGD, and European COVID response measures under the Next Generation EU.[96] Nevertheless, a revision might still follow, given that the EIB business model revisions are introduced path-dependently with a time-lag inherence, incremental "modica of change" and only after being thoroughly tested.

Conclusions

The use of the EIB's business models in hindsight increased the understanding regarding the bank by following "Ariadne's thread" through the bank's organizational labyrinth. The analysis revealed the longevity of the EIB business model. Being sagaciously conceived and flexible *ab initio*, it could remain relevant for over six decades despite the bank's evolution. This enabled the bank's organic and inorganic growth and its progressive transformation from a limited number of specific policy foci, notably regional development and market-making activities, to multiple foci covering "smart, sustainable and inclusive growth." Mirroring both sides of this "Janus Bifrons" organization, the EIB business model allowed the synecdoche of the bank's dual nature, through its flexibility to accommodate the EU's political requests while also addressing operational imperatives. Despite ostensibly swaying its priority pendulum between the two poles of its dual nature, the EIB has been serving both by scaling up politicization and business orientation congruently. This is an oxymoron but not a paradox. Politicization and banking interests are inseparably entangled, in as much as with its operations, EIB predominantly delivers to its shareholders who need to be well-served with banking products, practices, and conditions that meet their aspirations. In turn, the EIB aplenty enjoys shareholders' support in terms of the elements of its business model. Its "shareholder-centric" model enables the bank to exploit "opportunity windows" and often acts as a "policy entrepreneur," in an increasingly politicized evolutionary path. Reflecting the chiasma of the bank's dual nature, both business model revisions in 1999 and 2010 enabled the EIB to grow and evolve by pursuing both institutional and banking interests. Although both revisions have emanated from banking aspects related to the supply and demand sides in response to economic challenges linked to the introduction of the euro and the global economic crisis, respectively, they have been shouldered institutionally, principally by the bank's shareholders. The two business model revisions, expressed "in small words" in the EIB statutes, brought about "big changes" but in a path-dependent time-lag inherent and incremental manner of ambidexterity. Outgrown by the banking side, they were the result of the EIB's activism and not institutional demands. In addressing shareholders' calls, the EIB has been ultimately working for its own rational interests. The fact that both revisions have been introduced and tested at the pilot level prior to their institutional endorsement through the business model recasting is evidence of the point. In this sense, both revisions have been a form of "hybridisation" of the EIB's establishing model, which enabled their smooth internalization and seamless operationalization in a layered fashion. Both revisions proliferated the EIB's inherent flexibility by accreting under one roof a range of banking activities, including risk-taking finance and advisory services. Inferentially, they offered the EIB a "head start" advantage over other MDBs/RDBs and the opportunity to play an increasingly "first-rank" countercyclical role – although not created as a "first responder" – in the EU economic governance set-up. With the spotlight bright on the EIB, being part of the European post-pandemic recovery and climate change initiatives, the bank can build on this flexibility and "deliver" without implicitly revisiting its business model anew for maintaining its relevance.

> For it is the ultimate event which generally determines men's judgment of everything precedent.[97]

Appendix 6.1:

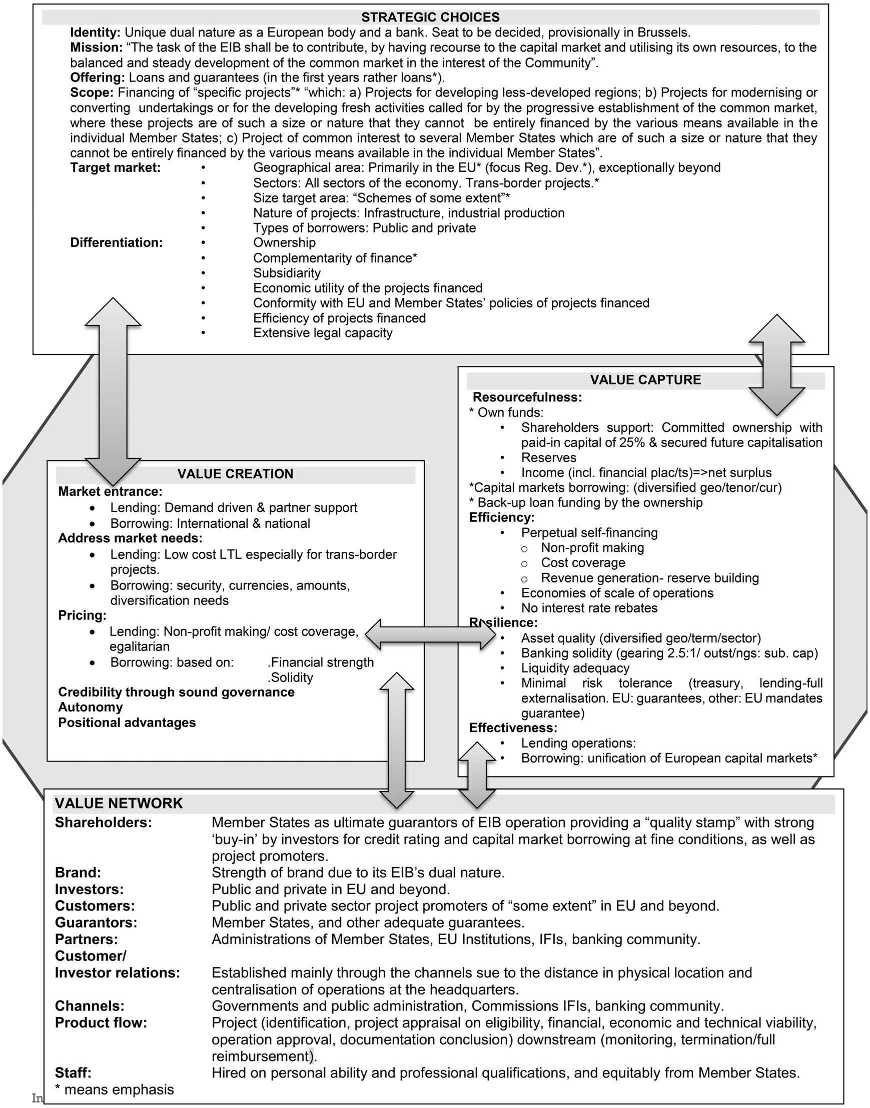

Figure 6.1 EIB's incipient business model diagram in 1957

Appendix 6.2:

STRATEGIC CHOICES

Identity: Unique dual nature as a European body and a bank. Seat to be decided, prov. in Luxembourg.
Mission: "The task of the EIB shall be to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the common market in the interest of the Community".
Offering: Loans and guarantees, and to a small extent risk capital for SMEs.
Scope: Financing of "specific projects" "which: a) Projects for developing less-developed regions; b) Projects for modernising or converting undertakings or for the developing fresh activities called for by the progressive establishment of the common market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States; c) Project of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States. In carrying out its task, the Bank shall facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Community financial instruments".
Group creation: Creation of EIF in which EIB is "a founding member".
Target market:
• Geographically: Primarily in the EU* (focus on "periphery")*, & beyond (derogation<10% av. overall activity).
•Sectors: All. Focus on TENs*, com/ness, human capital, environment , energy, SMEs, non EU.
•Size target area: "Schemes of some extent", as well as SMEs (via partner banks)
•Nature of projects: Infrastructure, industrial production
•Types of borrowers: Public and private
Differentiation:
•Ownership
•Complementarity of finance*
•Subsidiarity*
•Economic utility of the projects financed
•Conformity with EU and Member States' policies of projects financed
•Efficiency of projects financed
•Extensive legal capacity

VALUE CREATION

Market entrance:
- Lending: Demand driven & partner support
- Borrowing: Sustainable, presence, opportunistic

Address market needs:
- Lending: Low cost LTL especially for trans-border projects. Tailor made to customer, PPPs*, higher ceiling of lending, <75% of project cost
- Borrowing: Top rated, diversified, range of currencies, amounts , tenors etc
- Catalytic role* (finance & project implementation/quality)

Pricing:
- Lending: Non-profit seeking, MS non-discriminatory/ cost plus (modulated, risk pricing
- Borrowing: based on: .Financial strength .Solidity .Euro benchmarks

Credibility: Governance, control*, COP, perf. measurement
Autonomy

VALUE CAPTURE

Resourcefulness:
* Own funds:
  - Shareholders support: Committed ownership with paid-in capital of 6% & secured future capitalisation
  - Reserves
  - Income (fin. Placements, fees for managing EU & other resources, risk-sharing)=>net surplus
* Market bor/wing: AAA (diversified geo/tenor/cur/type of investor)
* Back-up loan funding by the ownership

Efficiency:
- Perpetual self-financing
  - Non-profit seeking
  - Cost coverage
  - Revenue generation- reserve building
- Economies of scale of operations
- No interest rate rebates

Resilience:
- Asset quality
- Banking solidity (gearing 2.5:1 sub. cap : outstandings)
- Liquidity adequacy
- Controlled risk tolerance (ALM, lending- EU: externalisation & credit risk pricing, other: EU mandates guarantee & EIB)

Effectiveness: (Added-value*,EU lending amounts stabilisation)
- Lending: Leverage and relevance in key priorities.
- Borrowing operations: Development of the euroarea market

VALUE NETWORK

Shareholders:	Member States as ultimate guarantors of EIB operation providing a "quality stamp" with strong 'buy-in' by investors for credit rating and capital market borrowing at fine conditions, as well as project promoters.
Brand:	Strength of brand due to its EIB's dual nature. EIB's "Stamp of approval"*.
Investors:	Public and private in EU and beyond.
Customers:	Public and private undertakings in EU and beyond.
Guarantors:	Member States, and other adequate guarantors.
Partners:	Administrations of Member States, EU institutions/.Commission*, IFIs*, banks*, EIF*, funds.
Rating agencies:	Rating attribution for capital market operations.
Cust./Inv. relations:	Established mainly through the channels sue to the distance in physical location and centralisation of operations at the headquarters.
Channels:	Governments and public administration, Commissions IFIs, banking community
Product flow:	Project [(technical assistance) identification, project appraisal on eligibility, financial, economic and technical viability, operation approval, documentation conclusion] downstream (monitoring, termination/full reimbursement, impact assessment).
Civ. Soc./ NGOs/media:	Accountability, transparency, corporate responsibility.
Staff:	Hired on personal ability and professional qualifications, and equitably from Member States.

* means emphasis
Underlined are changes introduced compared to the EIB initial Business Model of 1957.

Figure 6.2 EIB's business model diagram in 1999

Appendix 6.3:

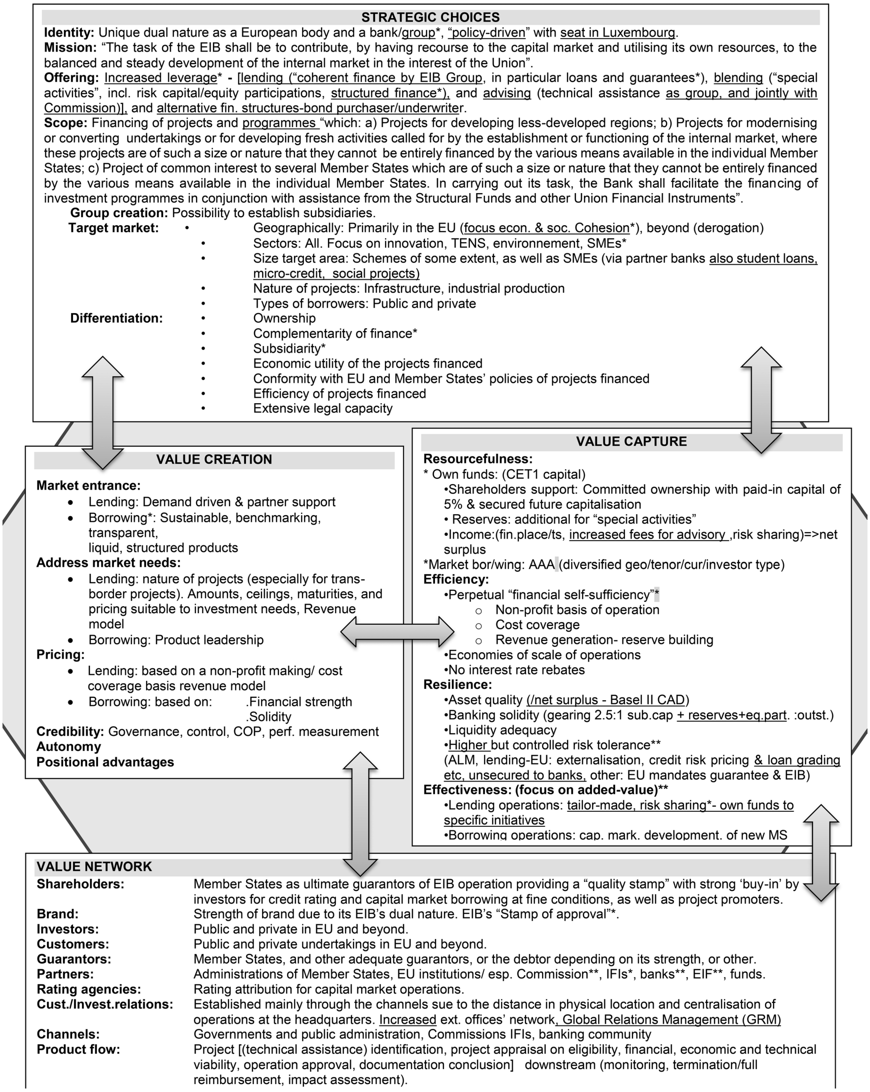

Figure 6.3 EIB's business model diagram in 2010

Notes

1. The EIB often presents itself as "the largest multilateral lender and borrower in the world," Werner Hoyer, "The Current Situation and Future Prospects for Europe's Economy," at Brookings Institute, Washington, 21 April 2017, based on author's calculations, the World Bank group is larger.
2. EIB, "Results Financing EIB Operations Outside the EU" (Luxembourg: EIB, 2013), 1.
3. EIB, "Annual Report 1957" (Brussels: EIB, 1958), 15.
4. Up to the introduction of the ECU in 1981, the financial statements of the EIB were drawn up in u.a. (0.88867088 grams of fine gold).
5. Privileges include access to public sector, EU ownership, and immunities for lending, borrowing, and administration, respectively.
6. Cf 3, 16.
7. The lending ceiling of 50% of aggregate project's costs (with 70% of cumulative Community loans and grant aid) was set in 1984. EIB, "Annual Report 1984," (Luxembourg: EIB, 1985), 22.
8. Increased to 70% under the Edinburgh Facility EIB, "Annual Report 1994," (Luxembourg: EIB, 1995), 22.
9. Ibid. By funding 50% of the project cost, the outturn investment realized with the EIB support was doubled (multiplier = 2), as average lending was about 30% (multiplier = 3). Under the "Juncker Plan," the aggregate EU multiplier was 15.
10. Beneficiaries were incentivized to implement EU policies, in a logic of consequentialism.
11. Helen Kavvadia, "Game Change or Name Change? Unravelling the European Investment Bank's Pivot to a Climate Bank Through its Business Model," in Helene Dyrhauge and Kristina. Kurze (eds.), *Making the European Green Deal Work: EU Sustainability Policies at Home and Abroad* (London: Routledge, 2022-expected).
12. The EIB claims a dual nature, EIB, "Annual Report 2001" (Luxembourg: EIB, 2002), 84. Confirmed also in Éric Bussière, Michel Dumoulin, and Émilie Willaert (eds.), *The Bank of the European Union: The EIB, 1958–2008* (Luxembourg: EIB, 2008) and Lucia Coppolaro, "Setting up the Financing Institution of the European Economic Community: The Creation of the European Investment Bank (1955–1957)," *Journal of European Integration History*, Vol. 15, issue 2, 2010, 87–104.
13. David J. Teece and Greg Linden, "Business Models, Value Capture, and the Digital Enterprise," *Journal of Organization Design*, Vol. 6, issue 8, 2017, 1–104.
14. Michael Morris, Minette. Schindehutte, and Jeffrey Allen, "The Entrepreneur's Business Model: Toward a Unified Perspective," *Journal of Business Research,* Vol. 58, 2005, 726–735; Scott. M. Shafer, H., Jeff Smith, and Jane C. Linder, "The Power of Business Models," *Business Horizons*, Vol. 48, 2005, 199–207; Christoph Zott and Raphael. Amit, "Business Model Design: An Activity System Perspective," *Long Range Planning*, Vol. 43, 2010, 216–226; John. Cantwell et al., "An Evolutionary Approach to Understanding International Business Activity: The Co-evolution of MNEs and the Institutional Environment," *Journal of International Business Studies*, Vol. 41, 2010, 567–586; Rita G. McGrath, "Business Models: A Discovery-Driven Approach," *Long Range Planning*, Vol. 43, 2010, 247–261; Sergio Cavalcante, Peter Kesting, and John Ulhoi, "Business Model Dynamics and Innovation: (Re)establishing the Missing Linkages," *Management Decision*, Vol. 49, issue 8, 2011, 1327–1342.

15. Due to its dual nature, such value can be material and immaterial (i.e., influence and financial benefits, respectively) ensuring its autonomous functioning.
16. É. Bussière et al., "The Bank of the European Union: The EIB, 1958–2008."
17. Stephany Griffith-Jones, Alfred. Steinherr, and Anna. Fuzzo de Lima, "The European Investment Bank: A Useful Inspiration for Emerging Countries?" in José A. Ocampo (ed.), *Institutions: A Helpful Inspiration for Developing Countries?* (New York: Economic Commission for Latin America and the Caribbean and Department of Economic and Social Affairs, United Nations, Seminar on Regional Financial Arrangements, 2006); Nick. Robinson, "The European Investment Bank: The EU's Neglected Institution," *Journal of Common Market Studies,* Vol. 47, issue 6, June 2009, 651–673; Stephany. Griffith-Jones et al., "Shifting Europe from Austerity to Growth: A Proposed Investment Programme for 2012–2015," *Policy Brief in Foundation for Progressive Studies*, 2012; Stephany Griffith-Jones and Judith. Tyson, "The European Investment Bank and SMEs: Key Lessons for Latin America and the Caribbean," *CEPAL – Serie Financiamiento del Desarrollo,* Vol. 236, 2013; Judith Clifton, Daniel Diaz-Fuentes, and José Revuelta, "Financing Utilities: How the Role of the European Investment Bank Shifted from Regional Development to Making Markets," *Utilities Policy,* Vol. 29, 2014, 63–71; Daniel Mertens and Matthias Thiemann, "The European Investment Bank is Becoming Increasingly Politicised," LSE blog, available at https://blogs.lse.ac.uk/brexit/2019/02/20/the-european-investment-bank-is-becoming-increasingly-politicised; Moritz Liebe and David Howarth in this volume; Daniel Mertens and Matthias Thiemann in in this volume.
18. Alexander Osterwalder, Yves Pigneur, and Christopher, Lucia Tucci, "Clarifying Business Models: Origins, Present, and Future of the Concept." *Communications of the Association of Information Systems*, Vol. 16, issue 1, 2005, 1–25.
19. Peter Keen and Sajda. Qureshi, "Organizational Transformation through Business Models: A Framework for Business Model Design," University of Nebraska at Omaha*, Information Systems and Quantitative Analysis Faculty Proceedings & Presentations*, Paper 43, 2006.
20. Markus Perkmann and André Spicer, "What are Business Models? Developing a Theory of Performative Representations," *Sociology of Organizations*, Vol. 29, 2010, 269–279.
21. D. J. Teece and G. Linden, "Business Models, Value Capture, and the Digital Enterprise," 4.
22. William. M. Foster et al., "The Strategic Use of Historical Narratives: A Theoretical Framework," *Business History*, 2016, 1–25.
23. Desirée Pacheco et al., "The Coevolution of Institutional Entrepreneurship: A Tale of Two Theories," *Journal of Management*, Vol. 36, 2010, 974; John. Cantwell et al., "An Evolutionary Approach to Understanding International Business Activity: The Co-evolution of MNEs and the Institutional Environment."
24. Helen Kavvadia, "Using Business Models in Hindsight: Theoretical Underpinnings and Empirical Illustrations in a Business History Perspective," *Fulbright Review of Economics and Policy,* Vol.1, Nr. 2, 2021.
25. Giovanni Capoccia and R., Daniel Keleman, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," World Politics, Vol. 59 No.3, 341–369.
26. As a simple reference in EIB documentation: EIB, "EIB Group Operational Plan 2016–2018" (Luxembourg: EIB, 2016); European Parliament (EP), "Motion for a European Parliament resolution on the European Investment

Bank – Annual Report 2013," 2014/2156 (INI), Brussels, 2014; Román. Escolano, "Speech on the EIB," *Fourth edition of the Financial Meeting EIB, CECA & AEB*, Madrid, 12 May 2016; EIB, "Annual Report 2010" (Luxembourg: EIB, 2011), 1; EIB, "Annual Report 2011" (Luxembourg: EIB, 2012), 3. The only more detailed verbal description in European Commission (EC), "Report and Recommendations of the Steering Committee of "Wise Persons", European Investment Bank's external mandate 2007–2013," *Mid-Term Review* (European Commission), 2010, 19.

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28. Helen Kavvadia, "Using Business Models Beyond Business," *World Journal of Business and Management*, Vol. 7, issue 1, 2021, 27–43.
29. Helen. Kavvadia, "The European Investment Bank and the Asian Infrastructure Investment Bank: Incumbents and Challengers in the Field of Regional Development Banking" in Judith. Clifton, Daniel. Díaz Fuentes, and David. Howarth (eds.), *Regional Development Banks in the World Economy* (Oxford: Oxford University Press, 2021).
30. Grounded in Harold Leavitt, "Applied Organisational Change in Industry" (Chicago: Rand McNally, 1965); Michael E. Porter, "Competitive Advantage: Creating and Sustaining Superior Performance" (New York: The Free Press, 1985). Theorized in P. Keen and S. Qureshi, "Organizational Transformation through Business Models: A Framework for Business Model Design"; Jonas. Hedman and Thomas Kalling, "The Business Model Concept: Theoretical Underpinnings and Empirical Illustrations," *European Journal of Information Systems*, Vol. 12, 2003, 49–59.
31. In 2019, in association with the European Green Deal, the EIB announced its metamorphosis to a "Climate Bank," ending its fossil fuel lending after 2021. Upon the outbreak of the COVID-19 health and economy crisis, the bank was solicited to support the post-pandemic economic recovery through the Next Generation EU.
32. Charles A. O'Reilly and Michael. L. Tushman, "Ambidexterity as a Dynamic Capability: Resolving the Innovator's Dilemma," Working Paper 07-088, March 2007, available at https://www.hbs.edu/ris/Publication%20Files/07-088.pdf; Kathleen Thelen, "The explanatory power of historical institutionalism." In Renat. Mayntz (Eds.), Akteure-Mechanismen-Modelle. Zur Theoriefähigkeit makro-sozialer Analysen (Frankfurt: Campus Verlag, 2002), 91–107.
33. The establishing Treaty of Rome (Art. 129 and Art.130), and six successive EU Treaties, stipulate that amendments to the EIB statutes require prior ratification by all the EU member states; EIB, "Annual Report 1991" (Luxembourg: EIB, 1992), 5.
34. P. Keen and S. Qureshi, "Organizational Transformation Through Business Models: A Framework for Business Model Design," 44.
35. P. Ahokangas and I. Atkova, "Unveiling the Janus Face of the Business Model"; L. Doganova and M. Eyquem-Renault, "What do Business Models do? Innovation Devices in Technology Entrepreneurship," *Research Policy*, Vol. 38, issue 10, 2009, 1559–1570.
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37. Barney G. Glaser, "Theoretical Sensitivity: Advances in the Methodology of Grounded Theory" (Mill Valley, CA: Sociology Press, 1978).

38. "The EIB's theatre of operations has expanded in tandem with successive enlargements of the EEC and in keeping with Community policies, the goal being to accommodate the needs of the various Member States." EIB, "Annual Report 1987," 1.
39. Anjaly Sastry, "Archetypal Self-Reinforcing Structures in Organizations: A System Dynamics Perspective of Cognitive, Social, and Institutional Processes," in R. Joel. Rahn (ed.), "*Proceedings of the 16th International System Dynamics Conference,"* Albany, NY, July 1998, available at https://proceedings.systemdynamics.org/1998/PROCEED/00003.PDF.
40. Cf 32.
41. Eric.Ries, "The Lean Startup: How Today's Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses" (New York: Crown Business, 2011).
42. Giovanni Capoccia and R. Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," World Politics, Volume 59, Number 3, April 2007, 341–369.
43. Cf 36.
44. EIB, "Statute" (Brussels: EIB, Statute, 1958), Art. 5, available at https://www.cvce.eu/en/obj.
45. Treaty of Rome, Art. 130, available at https://www.cvce.eu/en/obj.
46. Ibid.
47. The EIB activity beyond EU (enabled under Art. 18 of the statute), started in Greece in 1960, with its legal justification based on trade provisions (Treaty of Rome, Art. 131–136). It was regulated under the Treaty of Maasstricht (Art. 182).
48. EIB, "Annual Report 1958," 16.
49. Despite borrowing being part of its business model, incipiently the EIB operated exclusively on owners' funds for four years.
50. Non-accrual loans at 0.4% (as a percentage of disbursed loans in 1996) have been in line with EBRD 0.3%, WB's IBRD 2.2%, and IFC 4.9%; Chris. Hurst and Eric. Perée, "Only a mid-life crisis? The future for IFIs in an integrated world," in "International Financial Institutions in the 21st century," EIB Papers, Vol. 3, No. 2, 1998, 11–29.
51. The EIB financing outside the EU has been provided mainly off-balance sheet and with the support of EU and/or member states' umbrella guarantees for ceiling amounts EIB finances in a given country and/or region within a specific time period, coined as "mandates" under EIB's "Special Action."
52. EIB, "Annual Report 1963" (Luxembourg: EIB, 1964).
53. Jay.Galbraith, "Designing Organisations" (San Francisco: Jossey-Bass, 2002).
54. Helen Kavvadia, "The European Investment Bank's Quantum Leap to Become the World's First International Climate Bank," *Politics and Governance*, Vol. 9, issue 2, 2021, 185–195.
55. Nick Robinson, "The European Investment Bank: The EU's Neglected Institution," 652.
56. For serving "the interest of the Community"; EIB, "Statute" (Brussels: EIB, 1958), Art.18, available at https://www.cvce.eu/en/obj.
57. Appeared as "Management commissions," up to 1986, and as "Commissions receivable, incl. Community institutions and Member States" thence; EIB, "Annual Report 1986" (Luxembourg: EIB, 1987).
58. EIB, "Annual Report 1979" (Luxembourg: EIB, 1980).
59. Ibid.
60. Mainly for German banks with operations in municipalities in France and Italy, nuclear power stations, and a coking plant in Germany; EIB, "Annual Report 1976" (Luxembourg: EIB, 1977).

61. Facility to finance infrastructure and the establishment of EIF (Amsterdam EU Council, 1992); EIB, "Annual Report 1991."
62. Market-to-market cost plus markup.
63. Cf 59.
64. EIB, "Annual Report 1957."
65. EIB, "Annual Report 1970" (Luxembourg: EIB, 1971).
66. Fighting against being subject to the European Anti-Fraud Office (OLAF); European Court of Justice, Opinion on Case C-15/00 dated 03/10/2002, available at: https://curia.europa.eu/juris/document/document.jsf?text=&docid=47731&pageIndex=0&doclang=EN&mode=lst&dir=&occ=first&part=1&cid=317846.
67. Cf 15.
68. Seven EIB capital increases (till the business model in 1999), brought the subscribed capital from 1 billion u.a. to EUR 100 billion.
69. Annual profit increased by 180 times in 40 years.
70. Geographical lending concentration from 60% in one member state (Italy in 1967), paired down to less than 20% (in any single member state in 1990). Non-EU lending remained at an average 10% of aggregate lending. Sectoral distribution varies as to demand and EU priorities. Concentration per sector is rather stable (14%–40%), while becoming from industry/private rather infrastructure/public sector intensive. Borrowings in large benchmark issues were increasingly diversified (countries and currencies, with the USD and the ECU being consistently dominant).
71. Starting with Campilli and revised under Sir Brian Unwin.
72. Edinburgh in 1992, Copenhagen in 1993, Essen in 1995 and Amsterdam in 1997.
73. EIB, "Annual Report 1998" (Luxembourg: EIB, 1999), 2.
74. Following the Amsterdam Council, the EIB's Amsterdam Special Action Programme (ASAP), created a special SME window for high-technology and high-growth SMEs, which could be backed by recourse to the annual EIB surpluses, up to ECU 1 billion; Jacques. Lilli, "The Role of Public Organisations in Risk Capital – The European Investment Bank," in *The Euromoney Venture Capital & Private Equity Yearbook* (London: Euromoney, 2001), 39–41, 39.
75. Isabelle Musnik, "La politique des prêts de la banque européenne d'investissement dans la Communauté Economique Européenne," *Mémoire DES*, Vol. 240 (Paris: Université de Paris I, Panthéon Sorbonne, 1976), 94.
76. Statutory reserves from 1 million u.a. in 1957 tripled to EUR 6,201 million in 1996. Provisions for risks in loans/guarantees from 31 million u.a. in 1967 reached EUR 500 million in 1996. A EUR 50-million fund for general banking risks was created in 1995; EIB, "Annual Report 1995" (Luxembourg: EIB, 1996).
77. In 2002, operational risk aligned to Basel II; EIB, "Annual Report 2002" (Luxembourg: EIB, 2003).
78. The term was first used in EIB, "Annual Report 1991."
79. As a measure of effectiveness (fulfillment of objectives and COP priorities agreed with EU policy makers through EIB's borrowings).
80. EIB, "Annual Report 2001."
81. EIB, "Annual Report 2004" (Luxembourg: EIB, 2005), 1.
82. Ibid.
83. EIB, "Annual Report 2000" (Luxembourg: EIB, 2001).
84. "Obtaining bank debt against adequate traditional security is not generally a problem"; EIB, "Annual Report 1998," 2.
85. EIB, "Four ways in which the Lisbon treaty changes things for the EIB," 1 December 2009, available at: https://www.eib.org/en/press/news/four-ways-in-which-the-lisbon-treaty-changes-things-for-the-eib.

86. Advisory leads usually to bankable projects eligible for EIB financing.
87. Subscribed capital increased twice through recourse to reserves, which converted into paid-in capital, did not burden the public finances in 2003 and 2009; EIB, "Activity Report 2003" (Luxembourg: EIB, 2004).
88. First operation: 5 million u.a. – TSKB, Turkey; EIB, "Annual Report 1966" (Luxembourg: EIB, 1967).
89. Interest rate subsidies, instituted in 1979, on the same year as NCI, "at a rate of 3% per annum on certain loans in conjunction with the EMS ... may be granted for loans from the Bank's own resources and for loans granted from NCI resources in support of certain investment projects implemented in the less prosperous Member States effectively and fully participating in the EMS"; EIB, "Annual Report 1979."
90. Blending grants with loans results to a similar effect with an interest rate subsidy at net present value, with grants paid upfront and not throughout loans' term.
91. Massimo Ponzellini, "Introduction," in "International Financial Institutions in the 21st century," EIB Papers, Vol. 3, No. 2, 1998, 7–9.
92. The EIB technical assistance commenced within the Mediterranean Environmental Technical Assistance Programme (METAP), in cooperation with the World Bank, the Commission, and the United Nations Development Programme (UNDP); EIB, "Annual Report 1993" (Luxembourg: EIB, 1994). Under the 1999 business model, the EIB started allocating a part of the structural funds for financial engineering in support of SMEs (JEREMIE) or for urban social development (JESSICA). The third initiative (JASPERS) offers free technical assistance for the identification and implementation of infrastructure projects that are eligible for financing from the structural funds.
93. Started in 1964 with lending outside the EU, included 26 items in 2016; EIB, "Activity Report 1964" (Luxembourg: EIB, 1965). Fee income increased from EUR 2,794,000 in 1976 to EUR 180,451,000 in 2016; EIB, "Financial Report 2016" (Luxembourg: EIB, 2017).
94. Structured finance loans are considered 100% risk weighted assets, thus, the balance sheet should keep for them a Cooke ratio of at least 8% (all Tier 1 equity).
95. From two offices in 1976 (Brussels and Rome), to 45 by 2017.
96. Cf 9.
97. Demosthenes, Olynthiac the third, in Thomas Leland, D., D. (transl.), *All the Orations of Demosthenes: Pronounced to Excite the Athenians Against Philip King of Macedon* (London: W. Johnston, 1757), 105, available at https://play.google.com/store/books/details?id=EWFGAQAAMAAJ&rdid=book-EWFGAQAAMAAJ&rdot=1.