

17 March 2024

His Excellency
Alexander de Croo
Prime Minister of Belgium

His Excellency
Charles Michel
President of the European Council

Her Excellency
Nadia Calviño
President of the European Investment Bank

Joint Letter by Finland, Bulgaria, Czech Republic, Denmark, Estonia, France, Germany, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania and Sweden

Russia's illegal war of aggression against Ukraine has brought rapid, profound and long-lasting changes to the European security environment. We must continue to provide strong political, economic and military support to Ukraine for as long as necessary and the EU must increase its strength and capabilities in security and defence. In the coming months, we will be setting the EU's future strategic priorities amongst which, the security and defence sector will be one of the main issues.

Finland, Bulgaria, Czech Republic, Denmark, Estonia, France, Germany, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania and Sweden share the view that European Investment Bank's (EIB) financing for security and defence needs to be enhanced in line with EU's new priorities.

As regards investment financing in Europe, the EIB plays a key role and it also functions as the lending arm of the EU. Russia's war of aggression against Ukraine has led to an increased need for investments in the security and defence sector in Europe. In this context, inter alia the EIB's lending power is urgently needed.

As it stands, the EIB's financing for security and defence is, however, limited to dual-use projects. The EIB's Strategic European Security Initiative (SESI) and the recent EIF Defence Equity Fund are welcomed initiatives but these form only a very small share of the EIB's current activities.

We need to explore different possibilities that would enable the EIB to invest in defence related activities beyond existing dual-use projects. This would mean discussing and re-evaluating current definitions of dual-use projects and the list of excluded activities as well as reconsidering its defence industry lending policy and other restrictive elements. We stress the importance of discussing this matter in a manner, which takes into account the impact on EIB's risk profile and that safeguards EIB's financing basis.

In addition to enhancing EIB's own possibilities, an adjusted EIB policy could have a signaling effect, which could enhance private investments in security and defence and make it more acceptable for financial markets, private investors and banks. Hurdles for the private sector should be addressed urgently. To attract private investors, it is key to strengthen the business case of defence companies, which also requires improvements in our procurement procedures. Responsible investments go hand in hand with the credibility of the defence sector. Clarifications regarding the EU taxonomy and ESG reporting in relation to defence investment are needed in order to continue to reassure that there are no restrictions based on EU legislation as stated in the European

Commission's recent communication for a new European Defence Industrial Strategy.

The EU defence industry is a vital part of the European security. A credible defence industry in turn requires investments. This is why we must urgently discuss ways to enable further investment by the EIB in the security and defence sector while still being able to attract investors and potentially expand its investor base as well as uphold its credit rating.

Finally, strengthening the EU's defence technological and industrial base is important as regards the EU's competitiveness and further integration of the European defence market, this being also in line with the tasks of the EIB as defined in the Treaties.

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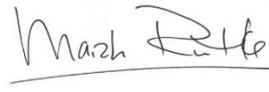
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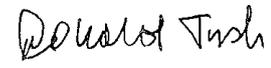
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