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Rivista di Storia delle Istituzioni Europee e Internazionali

Journal of History of European and International Institutions

CRISTINA BON, ANDREA SANTINI,

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Rivista semestrale
Half-yearly journal
Anno II, numero 1
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*Journal of History of European
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Instituta. Rivista di storia delle istituzioni europee e internazionali/*Journal of History of European and International Institutions*
Rivista semestrale/Half-yearly journal
Anno II, numero 1, luglio 2023

ISSN 2785-5872 (versione cartacea)

ISBN 978-88-3383-366-8 (versione cartacea)

ISBN 978-88-3383-367-5 (versione digitale)

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In attesa di registrazione presso il Tribunale di Milano

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Editore: Biblion edizioni

Via I. Nievo, 8 – 20145 Milano

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Sommario / Contents

Saggi / Essays

- 5 Cristina Bon, Andrea Santini, *Un momento hamiltoniano? Riflessione interdisciplinare comparata tra Stati Uniti e Unione europea sul problema del debito*
- 27 Ludovica Aricò, *La genesi di un core labour standard: l'Organizzazione internazionale del lavoro e la convenzione sull'età minima del 1973*
- 57 Jacopo Cellini, *The European Investment Bank and the Environment. The History of the EIB's Environmental Strategy from the 1970s to the 1990s*
- 77 Michael Selis, *The Hand of Friendship. NATO's Institutional Reform in the 1990s Analyzed Through New Narratives and Innovative Policy Measures Towards Central and Eastern Europe*
- 95 Nicola Melis, *L'Impero ottomano: uno stato tra "civiltà" e "barbarie"?*

Confronti e discussioni / Comparisons and debates

- 115 COLLECTION OF TEXTS AS SOURCES FOR RESEARCH AND LEGAL ACCESS TO TEXTS ACCORDING TO INTERNATIONAL COPYRIGHT LAW: Deborah Grbac, *Introduction*; Hermine Diebolt, *La numérisation des documents officiels de la Société des Nations : quelles opportunités pour le monde de la recherche ?* Deborah Grbac, *L'accesso ai contenuti di documenti ufficiali e periodici delle Nazioni Unite e il loro riuso. I dati testuali e l'eccezione del Text and Data Mining*
- 129 Leonida Tedoldi, *The Constitutive Process of European Central Bank: Issues and Problems of the Institutional Aspects*

143 *Abstracts and keywords*

147 *Contributors*

The European Investment Bank and the Environment. The History of the EIB's Environmental Strategy from the 1970s to the 1990s¹

Jacopo Cellini

1. Introduction

Banks and businesses were relevant actors in the genesis and evolution of the European Communities (EC) environmental policy, as a specific feature of the EC position was the issue-linkage between environmental and market objectives. The EC were first and foremost an economic community, committed to facilitating economic growth via the creation of a common market. Therefore, the development of an environmental policy had to be reconciled with that core objective.² While the historical literature has started to revisit the role of businesses in early international environmental governance, a focus on European integration and the banking sector is still lacking.³

This study's focal point is the European Investment Bank (EIB), which was established by the 1957 Treaty establishing the European Economic Community (TEEC) to be the Member States-owned lending branch of the European Communities. The body of literature on the EIB has grown consistently over the last fifteen years in the wake of the economic and financial crisis of the late 2000s,⁴ which

¹ This research was financed by a grant through the Starebei (STAgés de REcherche BEI) programme of the European Investment Bank Institute. I would like to thank all current and former EIB staff who I met and interviewed during this project for their help and availability, and especially Zuzana Kaparova, Birgit Olsen, Adina Relicovschi, Peter Carter, Hellmuth Bergmann, Jean-Jacques Schul, Constantin Christofidis, Gudrun Leithmann, Flavia Palanza, and Piera Laloux.

² S. Kingston et al., *European Environmental Law*, Cambridge, Cambridge University Press, 2017.

³ B. Huf et al., *Business and the Planetary History of International Environmental Governance in the 1970s*, "Contemporary European History", 31 (2022), p. 553-569; A.-K. Bergquist and Th. David, *Beyond Planetary Limits! The International Chamber of Commerce, the United Nations, and the Invention of Sustainable Development*, "Business History Review", *First View* (2023), p. 1-31.

⁴ M. Dumoulin et al. (ed.), *The Bank of the European Union. The EIB, 1958-2008*, Luxembourg, European Investment Bank, 2008, provided the first academic account of the Bank's history, though mostly told from an internal perspective. More recently, the book

drew increased attention towards the role of the bank in the European Union (EU) institutional setting. Scholars have focused on specific targets of the EIB lending activity, as well as on its contextualization into EC/EU economic governance.⁵

A few studies recently addressed the transition of the EIB from being the main financier of industrial development in the Community's less-advanced areas, to proclaiming itself the "EU Climate Bank", as announced in November 2019 and later articulated in the Climate Bank Roadmap of November 2020.⁶ To date, though, there is no historical account of the origins of this transition: the EIB's early approach to environmental protection and its involvement in EC environmental policy. This article aims to fill this gap using information gained through an extensive review of primary sources held at the Historical Archives of the European Union (HAEU) and the EIB's headquarters in Luxembourg, complemented with interviews with EIB current and former staff.

The paper consists of five sections: after the introduction, the second section provides a background of the emergence of the environment in EC policy preferences, the framework in which the EIB operated. Sections three and four focus on the activity of the EIB through an analysis of the papers held in the Bank's archives. Section five concludes the study by linking the historical analysis to current developments in the Bank's discourse and strategy, as well as situating the research findings in the literature on the EIB and the early stages of the EC/EU environmental policy.

edited by L. Coppolaro and H. Kavvadia, *Deciphering the European Investment Bank. History, Politics, and Economics*, Routledge, 2022, offered a comprehensive analysis of the Bank's origins and evolution in terms of its mandate, governance, structures, policy activity, and performance. See also D. Felsini, *Reassessing the Role and Identity of the European Investment Bank*, "The Journal of European Economic History", 3 (2022), p. 137-142.

⁵ N. Robinson, *The European Investment Bank: The EU's Neglected Institution*, "Journal of Common Market Studies", vol. 47/3 (2009), p. 651-673, and D. Mertens and M. Thiemann, *Building a hidden investment state? The European Investment Bank, National Development Banks and European Economic Governance*, "Journal of European Public Policy", vol. 26/1 (2019), pp. 23-43.

⁶ See in particular H. Kavvadia, *The European Investment Bank's 'Quantum Leap' to become the World's First International Climate Bank*, "Politics and Governance", 9/2 (2021), pp. 185-195, and S. Casu, *Supporting the Economic Development: The European Investment Bank from the Fifties to the Green Deal*, "The Journal of European Economic History", 3 (2022), pp. 209-223. In the book edited by Kavvadia and Coppolaro, *Deciphering the European Investment Bank*, there is no specific chapter dedicated to the Bank and the environment.

2. *The emergence of environmental protection in European Communities policy preferences: from the Paris Summit to the Maastricht Treaty (1972-1993)*

Historians and academics in other disciplines are now writing the history of how environmental protection gradually became a hot topic in the European political and cultural debate.⁷ These studies have already produced a number of key methodological results, especially with regard to how environmental history must be situated within a global framework where a variety of institutional and non-institutional actors interact. Research has also demonstrated the EC/EU's transition from latecomer to frontrunner in environmental policy from the late 1960s to the present. Here, a short overview of the origins of the trajectory up to the Maastricht Treaty, which established an advanced European environmental policy, might prove useful for contextualizing the role the EIB played in this area.

2.1. *Institutions and actors at the origins of a European environmental policy*

The 1957 Treaty establishing the European Economic Community (TEEC) did not include any section on the environment. In the absence of binding legislation, European institutions became proactive in implementing environmental measures, especially the Commission, the Parliament and the Court of Justice. On one hand, the Court of Justice of the European Union (CJEU) repeatedly argued that the Commission was legally allowed to propose policy measures related to the environment, on the basis of the internal market article (then Art. 100 TEEC) or the so-called catch-all article about the implied powers of the EC (then Art. 235 TEEC).⁸ On the other hand the European Parliament (EP), which until 1979 was not a directly elected assembly and had few formal powers, used the activism and the policy entrepreneurship of its representatives to place the environment on the Communities' agenda.⁹

The real engine driving the implementation of the first steps of a European environmental policy, however, was the Commission. After the 1969 summit of the Heads of State and Government of the EC Member States (the forerunner of the European Council) in The Hague, which called for a relaunch of European integration and the extension of Community policies to areas beyond the economy, the Commission started to work on the definition of a common environmental pol-

⁷ See recently Ch. Wenkel et al. (eds.), *The Environment and the European Public Sphere. Perceptions, Actors, Policies*, Biggleswade, The White Horse Press, 2021, and A.-K. Wöbse and P. Kupper (eds.), *Greening Europe. Environmental Protection in the Long Twentieth Century. A Handbook*, Oldenbourg, De Gruyter, 2021.

⁸ I.J. Koppen, *The Role of the European Court of Justice in the Development of the European Community Environmental Policy*, Florence, EUI Working Paper, 1992.

⁹ J.-H. Meyer, *Pushing for a Greener Europe. The European Parliament and Environmental Policy in the 1970s and 1980s*, "Journal of European Integration History", 53/1 (2021), pp. 57-77.

icy. In February 1971, it set up an “environmental work group”, chaired by Italian commissioner for industrial policy Altiero Spinelli and composed of prominent EC representatives, including Commissioner for agriculture and vice-president Sicco Mansholt.¹⁰ Spinelli and Mansholt had different ideas on the implementation of an environmental policy. Spinelli, a committed federalist and co-author of the *Ventotene Manifesto*, which he wrote while in exile under fascism, claimed that economic development and environmental measures should go hand in hand, with a view to enhancing the well-being of European citizens and preparing the way for a stronger political union. Mansholt, a Dutch Social Democrat who had launched the Common Agricultural Policy, had a different view: he thought that unrestrained economic growth would ultimately clash with the finiteness of natural resources and cause irreparable harm to the planet and its inhabitants.

Notwithstanding their ideological differences, both members of the environmental working group agreed that the Commission should have authority over environmental matters. Spinelli lobbied actively in this regard in the run-up to the meeting of the Heads of State and Government, which took in place in Paris in October 1972. The Paris Summit mandated the Commission to formulate a number of proposals on the environment, thus basically initiating a European environmental policy. As per the Summit mandate, the proposals took the form of an action plan, which then became the first Environmental Action Programme (EAP). The first EAP (1973-1976) laid down the principles that would remain at the core of European environmental policy at least until the signing of the Single European Act (SEA) in 1986. These included the reduction of environmental degradation (especially water and air pollution), the maintenance of ecological balance, a rational use of natural resources, and the harmonisation of activities and standards across the European Communities to create coherence across Community and Member State policies. At the time, environmental action was mostly synonymous with anti-pollution action. The first EAP clearly stated that the polluters were responsible for the damage they caused, and were liable for compensation. The “polluter pays principle”, which would become one of the flagship measures of European environmental policy, attempted to reconcile the new attention to the environment with the crucial goal of the European Communities, that is facilitating the economic growth of the Member States via the creation of a common market. Industry had to consider the cost of pollution, or seek efficient solutions to avoid it while maintaining competitiveness on the markets.¹¹

¹⁰ L. Scichilone, *The Origins of the Common Environmental Policy. The Contributions of Spinelli and Mansholt in the ad hoc Group of the European Commission, 1969-1972*, in M. Rasmussen and A.-C. Knudsen (eds.), *The Road to a United Europe. Interpretations of the Process of European Integration*, Brussels, Peter Lang, 2009, p. 335-347.

¹¹ J.-H. Meyer, *Making the Polluter Pay. How the European Communities Established Environmental Protection*, in ID. and Wolfram Kaiser (eds.), *International Organizations & Environmental Protection. Conservation and Globalization in the Twentieth Century*,

In the subsequent decade, European environmental policy developed with legislation principally focusing on water, air, noise, waste and nature protection measures. It was not a linear and consistent process, as the strengthening of environmental policy measures was at times at odds with other flagship policies of the EC, especially the Common Agricultural Policy. More generally, the underlying tension between the imperative of economic growth and the constraints of environmental protection, sketched out in the debate between Spinelli and Mansholt, would characterise the early history of European and international economic governance, at least until the concept of environmental sustainability in the 1980s offered a way out of the dilemma.¹² In the European context of the 1970s, though, the expansion of environmental legislation was also supported by the rulings of the CJUE and the initiative of EP members, not to mention the growing awareness in civil society triggered by environmental catastrophes like the industrial accident in Seveso in 1976 or the 1978 Amoco oil spill in Cadiz. The first green parties were established in the 1970s, while networks and interest groups such as the European Environmental Bureau (EEB) – a network of Non-Governmental Organizations (NGOs) founded in 1974 – began to organise a modern environmental movement. They pushed European institutions to become more proactive in the environmental field and contributed to the process that led to the inclusion of environmental policy in the SEA.

2.2. The constitutionalisation of environmental policy, from the Single European Act to the Treaty of Maastricht

Unlike most other international organizations, the European Communities had substantial decision-making powers, and thus quickly became an attractive target for NGO lobbying. Those powers, however, still lacked a clear legal basis. The EC based all of its environmental legislation on the fact that it affected «the establishment or functioning of the Common Market», and on principles stated in the Rome Treaties concerning «the protection of human or animal life or health [and] the preservation of plant life», or «the essential purpose of constantly improving the living and working conditions of [the] peoples» (quoted respectively from Art. 100, Art. 36, and Preamble TEEC). This did not prevent the EC from passing important laws such as the Bird Directives and the 1985 Directive on Environmental Impact Assessment, which would prove important for the EIB (we will go back to this below). At the same time, there were obvious limitations to the range of action of European institutions. Things changed in 1986, when the Single European Act (the first revision of the Treaties of Rome) added “Title VII – Environment” to the TEEC. Title VII of the SEA incorporated most of the provisions laid out in

New York, Berghahn, 2017, p. 182-210.

¹² Berquist and Thomas, *Beyond Planetary limits*, addresses the role of business interest in shaping international environmental governance and the concept of sustainable development.

the Commission's first EAP and its successors. A significant novelty was included in Art. 2, where it stated that «environmental protection requirements shall be a component of the Community's other policies». This principle of environmental integration, which would become a pillar of EU environmental policy, starts from the observation that decisions in other policy domains, such as transport, agriculture, industry or energy policy, have important consequences for the environment. This is why environmental protection requirements must be integrated into the definition and implementation of any Community policies and activities.¹³

The establishment of a Treaty basis for environmental policy led to a predictable expansion of environmental legislation and decision-making powers for European institutions. As the environment became more central in EC strategy, a number of new instruments were created to strengthen and implement environmental policy: in 1990, the Commission made a commitment to establish a European Environmental Agency (EEA), which after some delay became operative in 1993, with its headquarters in Copenhagen. The job of the EEA is to collect, verify and then provide the Commission with the background information needed to develop new legislative and policy proposals. Moreover, more funds were made available to finance environmental projects, which would then be grouped in 1992 into LIFE (*L'Instrument Financier pour l'Environnement*), a sort of structural fund for the environment. This was consistent with a general preference for incentivizing business to adopt environmental measures – especially pollution-avoiding practices – for economic reasons, rather than via direct regulation.¹⁴

The changes seen in the late 1980s were both quantitative and qualitative. In 1983 the United Nations established the World Commission on Environment and Development (WCED), tasked with proposing, among others, long-term environmental strategies for achieving sustainable development by the year 2000 and beyond. The WCED soon became known as the Brundtland Commission, named after its chairwoman, former Norway Prime Minister Gro Harlem Brundtland.¹⁵ The report presented by the Brundtland Commission in 1987, entitled *Our Common Future*, would contribute to shaping the discourse on the environment in the subsequent decades. The new concept of sustainable development, which had originated mainly from a heterogeneous international group of experts gathered around the UN Environment Programme, became widely discussed in international organizations and forums, until it was popularized worldwide by the 1992 UN Conference on Environment and Development in Rio de Janeiro (also called

¹³ N. Dhondt, *Integration of Environmental Protection into other EC policies*, Europa Law Publishing, 2003.

¹⁴ T. Delreux and S. Happaerts, *Environmental policy and politics in the European Union*, London/New York, Palgrave Macmillan, 2016, p. 153.

¹⁵ I. Borowy, *Defining Sustainable Development for our common future. A History of the World Commission on Environment and Development (Brundtland Commission)*, Routledge, 2014.

the Earth Summit), twenty years after the Stockholm conference. Although interpretations of its defining features and impact on policies still proliferate, the conceptualisation of sustainable development had the effect of shifting the discourse on the environment from a focus on pollution and nature conservation, to a more complex dynamic including the interaction of poverty with environmental degradation, the possibility of making environmental protection and economic prosperity mutually reinforcing, and the idea of development as something more than or different from the growth of GDP.¹⁶

These ideas found fertile ground in European institutions, which were following a similar path.¹⁷ In the same years of preparation for the Earth Summit, they also were working on a major revision of the Treaties, which led to the signing of the Treaty on European Union (TEU), or the Treaty of Maastricht, in 1992. The Treaty of Maastricht has been the engine behind the great expansion of EU environmental policy since the 1990s, as the environment became one of the core policy goals of the newly founded European Union. With the TEU, environmental policy gained a new and more prominent standing, thus marking the beginning of a new phase in the EU's approach to the environment.

3. The European Investment Bank and the environment: the origins (1972-1983)

3.1. The first steps of the Bank's approach to the environment: general strategy and internal procedures

The first document from the Bank's archives that deals with environmental issues dates July 2, 1971. It is a note from an engineer of the Economic and Research Department (Département des Etudes, ET after the French acronym) to the department's director, German Horst Otto Steffe: the German engineer, Ackermann, mentioned an article by the German newspaper "Der Spiegel", which harshly criticized a project financed by the Bank in 1969 for the modernisation of potash mines in Alsace because of its environmental impact on the Rhine river. Ackermann listed four other projects that could possibly be detrimental to the environment and the Bank's image, and shared «the impression that no particular importance had been attached to the issue of environmental protection in the Bank». ¹⁸ With Ackermann's request for immediate action, Steffe gave the engi-

¹⁶ For a consistent body of literature, the 1992 Rio Earth Summit was the peak of business influence over international governance frameworks for the environment and climate: see D. Levy and P. Newell (eds.), *The Business of Global Environmental Governance*. Cambridge, MA, MIT Press, 2006.

¹⁷ E. Seefried, *Developing Europe: The Formation of Sustainability Concepts and Activities*, in Wöbse and Kupper (eds.), *Greening Europe*, cit., p. 389-417.

¹⁸ EIB Archives, Box 3.0124, Note from K. Ackermann to H. O. Steffe, July 2, 1971, my translation (the original document is in German). Following references, unless otherwise stated, come from the same box.

neer the green light to write a more elaborate memorandum, which he sent in the same month of July 1971 to the Management Committee (MC), the Bank's executive body composed of the President and three Vice-Presidents. The question of environmental protection, the memorandum stated, was gaining traction in the news and in international organizations, especially the OECD but also the European Communities (which had just set up the environmental work group). The Bank needed to take a stand in this field for three main reasons: its role as a European institution, the necessity to present a positive public image, and the long-term economic benefits, in view of possible legislative interventions by the EC.

A few days later, the Department of Technical Advisers (CT) urged the Bank to help companies realize anti-pollution measures, and to encourage technological research especially in the new sector of water pollution.¹⁹ This view was endorsed by the EIB's Department for Loans in Member Countries (PM): in a joint note of July 26, 1971, ET and PM asked the Management Committee to consider financing projects directed to environmental protection, especially in the water purification sector. The Bank's staff, as these records show, approached environmental issues early on, in line with the developments in the EC and in international organizations.

Other multilateral financial institutions were also a source of inspiration: in the fall of 1972 an economic research advisor from the Bank's research department, Jacquot, was invited by James Lee, environmental adviser of the International Bank for Reconstruction and Development (IBRD), also known as the World Bank, to a seminar on "Environmental Considerations in Economic Development Projects" to be held at the IBRD's European office in Paris. There, Jacquot grew acquainted with the state of the art of the other banks' environmental activities. The most advanced was the World Bank, which under President Robert McNamara was a leading actor in the field.²⁰ They had an in-house Environmental Service, Jacquot noted, as well as a thorough checklist to evaluate environmental projects. Moreover, the institutions represented at the seminar showed familiarity with international debates broadcasted by the 1972 Stockholm conference: They tackled the discourse on the environment in new terms, in relation not only to the protection of natural resources, but also to a more complex human environment, impacted by social and cultural factors.

External institutional examples and internal pressures from proactive members of the staff led the EIB management to take its first concrete measures. In February 1973, the Management Committee decided «to consider as eligible for loans from the Bank, under the title of common interest to several Member States, certain projects aimed at safeguarding the environment».²¹ The EIB executive

¹⁹ Note by CT director M. Goffi to the Management Committee, July 15, 1971.

²⁰ P.A. Sharma, *Robert McNamara's other war: the World Bank and international development*, Philadelphia, University of Pennsylvania Press, 2017.

²¹ Minutes of the Management Committee meeting, February 27 and 28, 1973, my trans-

body referenced one of the competences that the TEEC and the annexed Protocol attributed to the EIB, that is to finance projects of common interest to several Member States (as well as projects in less-developed regions, or for modernising/converting outdated activities). Consistent with the policies implemented by other European institutions at the time, the Bank found a way to develop an environmental strategy, notwithstanding the lack of statutory basis.

In line with this strategy, the first projects directed at environmental protection were financed in 1973 and 1974. The first concerned the installation of equipment for the control of exhaust fumes and dust emissions in a steel factory in North Rhineland-Westphalia, while the second dealt with the construction of a water purification plant to help reduce the pollution of the Rhine close to the cities of Ludwigshafen und Frankenthal, where German chemical company BASF operated.²² The latter project clearly concerned multiple Member States, as the pollution of the Rhine was increasingly framed as a European problem by the media and European institutions. The EIB's involvement in the former project was based on the interest of the European Coal and Steel Community (ECSC) for environmental protection in the iron and steel sector. Therefore, Community interest in environmental protection was considered as a justification for EIB financing.

In the following years, water purification and installation of anti-pollution equipment would remain the focus of the EIB's investments in the environmental field. Until the early 1980s, though, there was no significant increase in the Bank's commitment towards environmental protection. There were also no changes in the Bank's internal procedures: the EIB did not have environmental experts, and did not create a specialized environmental unit, on the model of the World Bank. The assessment of a project's environmental impact was a task of the engineers of the CT Department (technical advisers), who would usually dedicate a section of the project appraisal to "Environmental and economic interest", or "Project implementation and environmental aspects", when relevant. The appraisal file was the basis for the Management Committee's decision on the eligibility of the project, although other considerations concerning profitability and political appeal would often play a bigger role.²³ In case of favourable response, the European Commission would give its opinion on eligibility criteria, before the Board of Governor's final approval.

This system had the upside of streamlining the issue of environmental protection into any project under examination, as the Bank's representatives and official documents would regularly underline in the following decades. At the same time,

lation (the original is in French). EIB Archives, PV-CD-24-SG-9-1973, 27 and 28 of February 1973.

²² EIB archives, Projects 1973-7028 Stahlwerke Sudwestfalen (DE) and 1974-7015 BASF Grossklaranlage (DE).

²³ Interview with Mr. Jean-Jacques Schul, Head of the EIB's Technical Advisory Service from 1990 to 1995, September 5, 2022.

in practice there was no standardized and systematic procedure to assess the environmental impact, which was left to the expertise of individual engineers, and usually consisted of simply checking compliance with EC legislation in the field.²⁴

3.2. Pressures from outside and from within: a report of the European Environmental Bureau and its reception

As the Bank became a relevant actor in the dawning European environmental policy, it arrived on the radar of the European Environmental Bureau, the network of European environmental NGOs established in 1974. The EEB published a memorandum in December 1981 aimed at informing the Bureau's members about the activities of the EIB, which did not have a high public profile at the time. The tone of the document was neither hostile nor completely unappreciative of the Bank's efforts in the environmental field, but it did highlight some critical issues. In particular, the EEB invited the Bank to be more transparent in its environmental procedures, and urged to make the loans to non-European countries subject to the same stringent environmental conditions applied to the EC.²⁵

The EIB replied to the memorandum via a letter of President Le Portz to EEB Secretary General Hubert David in February 1982. Le Portz responded to the EEB's criticism with some general comments on the Bank's attitude towards the environment – «the EIB stands for economic growth but within a framework of respect for the environment and improvement in the quality of life» – and specific references to the Bank's records in environmental investments. In addition, the EIB President underlined how the memorandum had come out of the blue and contained some mistakes, which could have been avoided by a preliminary draft. This was in part the Bank's fault, since it had not invested much in public relations and communication of its activities up to that point. The letter was in fact anticipated by an internal document drafted by the AG Department (General Administration), which suggested the formulation of an official response to the EEB, together with a proposal for a meeting, which was later set for April 1982. Moreover, it claimed that the Bank should present its own stance on environmental matters in the next edition of the Bank's publication, EIB-Information.²⁶ This was the first step towards the Bank's more proactive and self-aware approach to presenting its environmental activity. In fact, the external pressure from a societal actor like the EEB contributed to convincing the Bank that it was time not only

²⁴ Interview with Mr. Constantin Christofidis, former EIB official, July 14, 2022.

²⁵ See the EEB memorandum and follow-ups in EIB Archives, Box 1.1047, File 7.2.7(1). On the tensions between environmental protection and development see S. Macekura, *Of Limits and Growth: The Rise of Global Sustainable Development in the Twentieth Century*, New York, Cambridge University Press, 2015.

²⁶ The May 1982 issue of the EIB bulletin had in fact a long section (p. 1-7) dedicated to the Bank's approach to environmental protection. See HAEU, BEI-4030.

to invest on a dissemination campaign, but also and more importantly to properly assess and possibly review its internal procedures.²⁷ Peer pressure played a role in this development as well, as the Bank continued to learn from the experiences of other multilateral financial institutions. In February 1980, a large network of international development banks and institutions including the European Commission, the United Nations Development Programme, the World Bank and the Asian Development Bank had signed the Declaration of Environmental Policies and Procedures relating to Economic Development. The Committee of International Development Institutions on the Environment (CIDIE) was subsequently established to monitor the implementation of the Declaration. The signatories stated that environmental protection and economic and social development were not only compatible in the long run, but also interdependent and mutually reinforcing. They committed (although the Declaration was not legally binding) to institute common procedures for the systematic examination of all development activities, as well as providing technical assistance on environmental matters to developing countries. The EIB was not part of CIDIE at the start, but began to be included in its meetings in the early 1980s. It became one of the signatories of the Declaration during an official ceremony held at the EIB headquarters in Luxembourg in April 1983.²⁸

As it had happened one decade earlier, a mix of external and internal pressures and institutional examples led the EIB to take further measures to improve its environmental strategy. This started a process that would result in the 1984 Directives, which were meant to mark a new phase in the EIB's approach to the environment.

4. Greening the EIB? The slow evolution of the Bank's environmental strategy (1984-1995)

4.1. The 1984 Recommendations by the Board of Governors and their impact on the Bank's green financing

A Working Group (WG) on the environment was established in 1983, with the goal of drawing up recommendations for the Board of Governors, and met for the first time on July 26-27. It was composed of members of the EIB Board of Directors, including the Commission's Director General for Economic and Financial Affairs, the Italian Massimo Russo, and chaired by Dutch Minister of Finance Paul Arlman. The WG discussed a note prepared by the ET Department on July 7 that outlined the Bank's approach towards the environment and sug-

²⁷ EIB Chief Technical Engineer from 1976 until 1990, Hellmuth Bergmann, recalled the meeting of April 1982, to which he participated as the main speaker on the Bank's side, as a crucial step in the evolution of the EIB's attitude towards the environment. Interview with the author, July 5, 2022.

²⁸ See the documentation in EIB Archives, Box 1.1047, File 7.2.7(1).

gested two possible innovations, also with a view to aligning with the approaches of other multilateral development banks within the CIDIE network. The first proposal concerned the possibility of extending the eligibility criteria under the title of common European interest to projects that reduced the emissions of polluting substances, while the second suggested a more cogent application of the norms already in place, as well as a better coordination procedure with the Commission.

This internal note highlighted the gap that existed between the Bank's discourse and its practices, a problem that had already emerged in the exchange with the EEB. It also suggested a cautious approach to the problem. In fact, one of the most proactive members of the Management Committee on environmental issues, EIB Vice-President Horst Otto Steffe, expressed his dissent in writing.²⁹ The attitude of the WG was even more cautious. The minutes of the July meeting underline some disagreements between members, with some in favour of a stronger approach (like the German Federal Minister for Economic Cooperation Horst Moltrecht), and others who even assessed the Community environmental policy as «un peu trop exhaustive», since pollution issues should be addressed at national level.³⁰ In the end, President Arlman endorsed the report, but not the two mild concrete measures that were proposed. This inaction was symptomatic of the lack of initiative of the Bank's internal bodies, in the absence of a clear public profile for the institution.

Nonetheless, the recommendations made by the WG on the basis of the note of the ET Department resulted in the 1984 Decision by the Recommendations by of Governors, which updated the Bank's environmental strategy one decade after its first decision on the subject.³¹ The Bank decided to extend its eligibility criteria to a wide array of projects that substantially helped to protect the environment, including anti-pollution measures both at existing plants and new ones, regardless of their location. The Board of Governors also partly recovered one of the proposals made by the ET that allowed for additional financing, amounting up to 10% of the total cost, to fully finance the installation of anti-pollution equipment that exceeded the requirements under existing standards. Finally, the EIB committed to refraining from financing projects that seriously violated internationally accepted standards, and to join forces with other international financial organisations and institutions on environmental matters.

The 1984 Recommendations by the Board of Governors, then, did not cause a sea change in the Bank's environmental strategy, but rather represented an important public statement elucidating the institution's policy. As a consequence, EIB investments in the area of environmental protection started to grow steadily.

²⁹ Minutes of MC meeting of July 12-13, 1983, in EIB Archives, Extract of Management Committee meetings with references from 1972 to 1984, partially declassified.

³⁰ This was the position of the expert appointed by the Board of Directors, Du Rusquec. See the documentation in EIB Archives, Box 1.1047, File 7.2.7(1).

³¹ See the text in EIB-Information, July 1987, p. 6, in HAEU, BEI-4052.

ly, doubling for four consecutive years in absolute numbers from 1984 to 1987 (from 155 million ECUs to 1.3 billion), and growing from 4% of all investments in 1984 to 25% in 1993, considering both own resources and New Community Instrument (NCI) resources.³² The Bank financed a wide array of projects, expanding its areas of intervention from air pollution control and water-related projects (which still accounted for the main share of the loans) to erosion and flood control, reforestation, urban and industrial waste processing, enhancement of the urban environment, and protection of cultural heritage.³³

In 1985 and following years, the Bank supported among its financed projects large water purification schemes in Central and Northern Italy, in particular in the river valleys of the Po, Arno and Tiber rivers. Urban and industrial development, as well as intensive agriculture, had heavily polluted these waterways, resulting in chronic deterioration in water quality. The projects financed by the Bank in conjunction with Italian institutions aimed at building sewage and treatment infrastructure so as to reduce pollution and thereby enhance the citizens' quality of life.³⁴ Water supply and sewerage schemes also attracted support in various counties in Ireland as well as in the UK. In 1987 financing was provided for works intended to safeguard the Community's cultural heritage, such as the restoration of the archaeological sites of Pompeii, Herculaneum and Stabiae and the Doges' palace in Venice (already financed in 1983). These projects contributed to protect both cultural landmarks and the urban environment, and also served to boost tourism, in line with the Community interest in the protection of the architectural patrimony and the strengthening of the cultural sector. Another major field of intervention, in line with the Bank's historical record, was in combatting atmospheric pollution, which at the time troubled European citizens especially in the form of black smoke and acid rain. The EIB funded several interventions at coal-fired plants to reduce polluting emissions, especially in Germany, where the regulations were particularly strict, but also in Greece and Italy. In the same years, the Bank increased the volume of loans outside the Community for projects aimed at improving water supplies, especially in Africa. In conjunction with other sources of bilateral or multilateral financing, the EIB supported the construction or improvement of existing water supply facilities in Brazzaville and Pointe Noire in the Congo, Lilongwe in Malawi, Harare in Zimbabwe and Cotonou and Porto Novo in Benin, as well as offering financing for sewerage and waste water treatment, with the goal of reducing the pollution risk and the ensuing consequences for the population's health.³⁵

³² Aggregate data from EIB Annual Reports, calculated by the author.

³³ For a detailed breakdown see the Annual Reports, and two important documents written by EIB officials: H. Bergmann, *La banque européenne d'investissement et la protection de l'environnement. Politique et projets financés* (1988), and H. Christie, *The Bank's involvement in environmental financing* (1990), in EIB Archives, Box 1.1168.

³⁴ See the 1985 Annual report in HAEU, BEI-30, p. 29, and the report *Wastewater Monitoring in the Po Basin* (1992), in HAEU, BEI-7123.

³⁵ See the 1987 Annual Report in HAEU, BEI-30, respectively p. 69 (projects outside the

The increase and broadening of green financing since the mid-1980s translated into the widening of targeted areas, both within and outside the Community. All Member States benefitted from projects dedicated to environmental protection, but one region in particular became the focus of the Bank's investments: the Mediterranean.³⁶ As well as cooperating with European institutions and financing dedicated projects in the interested countries, the EIB developed its own strategy towards the Mediterranean region in collaboration with the World Bank. Indeed, in 1987 the World Bank gauged the EIB's interest in participating in a joint evaluation study for a Mediterranean environmental protection program, with the goal of providing a scientific basis for mobilizing the financial resources required to implement the broad range of actions needed to tackle the Mediterranean region's environmental challenges.³⁷ The project resulted in a comprehensive study titled *The Environmental Program for the Mediterranean. Preserving a Shared Heritage and Managing a Common Resource* (1990), where the two institutions underlined how pragmatic action-oriented approaches were needed to halt and reverse environmental degradation in the region.³⁸ Following up on this assessment, the European Commission and UNEP launched the Mediterranean Technical Assistance Program (METAP), with the objective of supporting the development of environmental projects, strengthening the environmental management capacity and establishing sound environmental policies in the Mediterranean region. The World Bank and the EIB were associated with the programme to provide assistance with project preparation.³⁹

The EIB's cooperation with UNEP, the World Bank and other multilateral financial institutions also contributed to familiarizing it with the new vocabulary of environmental sustainability, which the Brundtland Report had introduced into the public debate in 1987. The first mention of the report and of the concept of sustainable development in the Bank's archival sources is in a note signed by EIB Chief Technical Engineer Bergmann after his participation to the ninth meeting of the CIDIE network in Washington, in June 1988. Bergmann wrote that the Brundtland report was «the first to acknowledge that successful protection and improvement of the environment is possible only if combined with economic growth in developed and developing countries», and that economy and ecology

Community) and 29 (atmospheric pollution).

³⁶ D. Strangio and P. Tedeschi, *Developing Mediterranean Europe. The EIB and the financing of Italy and Greece from the 1960s to the 1980s*, in L. Coppolaro and H. Kavvadia (eds.), *Deciphering the European Investment Bank*, cit., p. 50-70.

³⁷ See the first note of ET to MC on February 26, 1987 in EIB Archives, Box 1.1047, File 7.2.7 (2). The Management Committee approved the proposal on March 4, 1987.

³⁸ The EIB produced four newsletters, from 1990 to 1992, to update the public on the results of the programme: see HAEU, BEI-7113, 7114, 7115 and 7149.

³⁹ See the Activity reports for 1990 and 1991 and a *fiche d'information* on METAP in HAEU, BEI-7124, 7125 and 7126.

should be viewed as two sides of the same coin and not as conflicting elements. An endorsement of this approach was later given by EIB President Bröder in a speech at the meeting of heads of multilateral financial institutions in Berlin, in September 1988.⁴⁰

This considerable expansion of investments and initiatives in the field of environmental protection had the effect of raising the profile of the Bank, which again came onto the radar of environmental NGOs, after the first exchanges with the EEB in the early 1980s. Once more, external pressure had an instrumental role in accelerating the development of the EIB's environmental strategy.

4.2. Criticism and calls for change: the 1992 WWF's audit and the role of environmental NGOs

In the late 1980s, one of the major environmental NGOs in terms of resources and influence, the World Wildlife Fund for Nature (WWF), began to take interest in the EIB's strategies and activities. WWF was founded in 1961 to raise funds for the protection of endangered species and to preserve the wilderness from the impact of human activity. The NGO later expanded both its organizational structure – once large funds became available, especially from the 1970s – and its scope to cover all areas of environmental protection. In 1989 the organization set up a specialised advocacy office in Brussels on the initiative of British activist Tony Long, where it soon made contact with the EIB in order to assess its environmental policy. In early 1992 a WWF officer visited the Bank and met with representatives from CT and AG to collect information. The draft report “The Greening of the European Investment Bank” was circulated after a few months, and extensively commented upon by EIB high-level officials. When the report came out in late 1992, then, it was no surprise for the EIB; all the same, it created small shockwaves within the institution.

The WWF study aimed to assess the EIB's environmental procedures, now that the Bank had become «the largest international financing institution of its kind».⁴¹ The first part of the report presented an accurate portrait of the EIB's mission and operations, while the second addressed the critical issues in the institution's environmental strategy. Three main problems were identified: the Bank did not disclose enough information about the procedural framework of a project's environmental review; the consultation between the EIB and the Commission on the environmental aspects of project lending appeared to be superficial and incomplete; and there was no general review of the impact and effectiveness of the Bank's environmental lending. Following up on this assessment, the WWF made nine recommendations to the EIB, starting from the request to review and update the 1984 Board of Governors' Recommendations, to include the development

⁴⁰ See Bergmann's report and Bröder's speech in EIB Archives, Box 1.1047, File 7.2.7 (2).

⁴¹ The report can be consulted in EIB Archives, Box 31.CO19.

and implementation of procedures for systematic environmental assessment for all lending activities, and a commitment to the goal of sustainable development. Furthermore, according to the report, the Bank should evaluate the quality and impact of its environmental projects in a broader effort to become more accountable to the public.

It was not the first time that the Bank had to deal with this kind of criticism – some of the issues had already been outlined in the EEB's memorandum one decade earlier – but this time it came from an NGO with wide and growing visibility. The report ignited a discussion within the EIB which would eventually lead to concrete changes in the Bank's environmental strategy. In fact, while some saw no need to submit a reply to the WWF, since the EIB did not make policy and thereby should not be the target of lobbying, others made the case for a thorough reflection on and proper response to the report's criticism, both to maintain good relations with NGOs and to act on the relevant observations.⁴² In particular, on July 15, 1993 the CT Department submitted a long note to the Management Committee concerning the WWF report and the Bank's environmental policy.⁴³ The note proposed five actions: the first was the updating of the 1984 Decisions to account for the developments in European environmental policy after the Treaty of Maastricht, as well as the publication of a specific text on the environment and a re-elaboration of the environmental check-list. The second and the third proposals concerned strengthening the evaluation of proposed projects and the assessment of the EIB's financed environmental projects. The last two recommendations dealt with communication activities: the EIB should broadcast better its environmental action in its yearly reports and other publications, and generally adopt a more transparent attitude such as those taken by other international financial institutions within the CIDIE network. Finally, the Bank's staff defended its long-standing decision not to create a specialized environmental unit. At the same time, they asked for a better coordination between departments, also with a view to dealing more proficiently with NGOs. How most of these suggestions would be implemented can be seen in the major organizational restructuring that took place in the years leading up to the mid-1990s. While pressure from NGOs was not the only factor to accelerate those changes, it certainly played a role, as demonstrated by the Bank's reaction to the WWF report.

⁴² The first position was outlined by Head of the Department for Operations outside the Community Michel Deleau in an internal note dated January 12, 1993: EIB Archives, Box 1.1502.

⁴³ EIB Archives, Box 1.1502, Note CT/93. The note had been elaborated after consultation with PM, PA, ET, JU and AG departments.

4.3. Inputs from the Commission and the opening of a new chapter after the Treaty of Maastricht

Article 21 of the EIB Statutes, first annexed as Protocol to the Treaties of Rome, set out the role of the Commission (then of the European Economic Community) vis-à-vis the EIB. The Commission had the right to appoint one member of the Board of Directors and could act as intermediary in the applications for loans or guarantees. Furthermore, it was entrusted with the task to give its opinion, within two months' time, on the eligibility of applications presented through the intermediary of a Member State, or by private enterprises. In cases where the Commission submitted an unfavourable opinion, the Board of Directors could only grant the loan or guarantee by means of a unanimous vote (with the director appointed by the Commission abstaining), and only with the previous approval by the Management Committee. Finally, the Commission had a less formal but crucial role as the initiator of EC legislation, which would then constitute the framework and orient the political priorities of the Bank's decisions.

Despite these provisions, the institutional relations between the EIB and the Commission had been less than tight until the mid-1970s; relations started to improve only after the late 1980s.⁴⁴ The cooperation was strengthened in particular by the Treaty of Maastricht, which explicitly mentioned the EIB as a crucial actor in implementing some of the core goals of the newly founded European Union, by enhancing economic and social cohesion. In 1989 the EIB and the Commission reached an agreement on the working methods in the area of environment. The new procedures aimed to facilitate a smoother flow of information and increased dialogue, which was deemed necessary given the growing responsibilities of the Commission in the field, and the increased number of loan applications with potential environmental implications presented to the Bank.⁴⁵ In particular, the framework changed when the 1985 Environmental Impact Assessment (EIA) Directive became operational in July 1988. The Directive applied to the assessment of the environmental effects of public and private projects in a wide array of sectors – from extractive industries to agriculture, from energy to chemical industry, from food to textile and infrastructure – and had been long-discussed by European institutions. This was clearly relevant to the EIB's procedure for ap-

⁴⁴ Critical comments on the state of the relations between the two institutions were made by EIB presidents Le Portz and Bröder in the 1970s and the 1980s: see the letter from Le Portz to Commission's President François-Xavier Ortoli, June 9, 1976, in EIB Archives, Box CA-692-11, and the letter from EIB President Bröder to Commission's President Jacques Delors, June 5, 1986, in EIB Archives, Box 6.1320.

⁴⁵ See the letter of October 24, 1990 from Jan Brinkhorst (DG for Environment, Nuclear Safety and Civil Protection), and Thomas O'Dwyer (DG for Coordination of Structural Policy, and Member of the Board of Directors of the EIB), and related follow-ups, in EIB Archives, Box 1.1168.

praising projects, which in fact became sharply focused on checking compliance with this legislation.⁴⁶

The inputs from the Commission witnessed the growing complexity of the EIB's operational framework in the early 1990s. Combined with external pressure from NGOs, as well as the need for the Bank's management to evolve to adapt to a more prominent role within the EU institutional setting, they led to a change in the EIB's environmental strategy and internal structure, which from a historical perspective can be considered as the opening of a new chapter. From an organizational viewpoint, in 1995 the former ET and CT Departments were merged into a new "Projects Directorate" (PJ), «so as to maximise multidisciplinary skills» in «the analysis of projects and their technical, environmental and economic monitoring».⁴⁷ The internal "battle" between economists and engineers to lead the new directorate was won by the former, as British economist Herbert Christie, previously head of the ET Department, was appointed to the job. Contextually another British economist, Peter Carter, became the first environmental coordinator of the EIB, with a view to centralizing the management of environmental issues. Finally, on the initiative of the former ET coordinator Jean-Jacques Schul, an "Operations Evaluation Unit" (EV) was created, in order to analyse the impact (including the environmental impact) of the financed projects and evaluate the Bank's contribution to the implementation of EU policies.

These changes were accompanied by another long-time request of NGOs and the EIB staff, that is, the updating of the 1984 Board of Governors Recommendations. In 1996 the Bank published an "Environmental Policy Statement", where it summarized and outlined its environmental commitment. The document confirmed the basic features of its strategy, which consisted of evaluating all financed projects in environmental terms and entrusting the environmental appraisal not to an environmental unit, but to the collective responsibility of all members of any project team.⁴⁸ The publication of the Environmental Policy Statement in 1996 is an appropriate closing point for this study, since it highlights the centrality gained by the environment in the Bank's strategic priorities, and underlines the evolution at the level of the discourse that allows us to connect it with the current features of the EIB's environmental commitment.

⁴⁶ The importance of the EIA Directive for the appraisal process has been confirmed in all the interviews with EIB staff.

⁴⁷ 1995 Annual Report, HAEU, BEI-38, p. 70.

⁴⁸ Environmental Policy Statement, HAEU, BEI-7117, in part. p. 4 and 9.

5. Conclusions: the origins of the EU Climate Bank, between narrative and implementation

Recent literature on the EIB highlights how the Bank gained new prominence in the EU institutional framework by becoming less of an implementation agency and more of a policymaker, especially following the economic and financial crisis that hit Europe in the late 2000s. A case in point of this trajectory is the self-proclaimed transformation into the “EU Climate Bank”, announced by the EIB in November 2019.⁴⁹ The alignment with the goals and strategy of the EU Green Deal positioned the EIB at the forefront of one of the major economic and political challenges of our times, and revealed its ambition to make a more proactive contribution to EU policy. Although this change in the discourse and public image of the Bank surprised many observers, it did not come completely out of the blue, as the 1996 Environmental Policy Statement testifies. The document highlighted a political commitment by the EIB towards an issue that was becoming a high priority for its stakeholders (the EU Member States) and the European Union. This statement, in turn, was the outcome of the long and uneven path taken by the EIB since the early 1970s, when the Bank first started to deal with the issue of environmental protection.

In tracing back the historical origins of the Bank’s approach to the environment, this article updates the existing literature by painting a richer and more complex picture of the EIB’s evolving strategy. As the analysis shows, four main factors pushed environmental issues onto the EIB’s agenda to the point that they became strategic and political priorities. The first was the evolution of EC environmental legislation, which set the stage for the EIB’s involvement in the field. The first steps taken by the Commission in the beginning of the 1970s, following up on the initiative of other international organizations, as well as important pieces of legislation like the 1985 EIA directive, and finally the decisive push given by the Treaty of Maastricht in the early 1990s, activated a response by the Bank, which began to dedicate a growing share of funding to environmentally-related projects. The second factor was the external pressure of societal actors who called on the Bank for a greater commitment and a more transparent approach in dealing with environmental issues. The exchanges with the EEB and the WWF and the subsequent evolution of the EIB’s approach attest to the influence exerted by non-governmental organizations, in the context of increased media focus on the environment by the media and European society at large. The third factor was the “institutional example” provided by other multilateral financial institutions such as the World Bank, as contact with them through bilateral cooperation and international networks introduced the EIB to different internal procedures and green

⁴⁹ H. Kavvadia, *The European Investment Bank’s ‘Quantum Leap’*, cit., p. 185-95; D. Mertens, M. Thiemann, *The Politicization of the European Investment Bank. Managing hybridity and resource dependence in European economic governance*, in L. Coppolaro and H. Kavvadia (eds.), *Deciphering the European Investment Bank*, cit., p. 140-164.

investment strategies, as well as to critical new concepts such as environmental sustainability. Finally, the fourth factor was the proactive attitude of some of the Bank's management and staff, who contributed to effect a change in the Bank's organizational structure and public discourse, as evidenced by several internal memoranda from the 1970s to the 1990s.

The combined effect of these different inputs laid the groundwork for the evolution of the EIB into the EU Climate Bank. Archival research and interviews with current and former EIB staff permitted these dynamics to be brought to light; they might have otherwise remained hidden under the surface of public statements and quantitative data. The research also illustrated that below the level of public discourse, there was a gap between the rhetoric and its implementation. The EIB's claim to be a leader in terms of environmental procedures and the pursuit of a green agenda, which emerges frequently already in the period under investigation, was not supported by hard evidence. One sees this in the Bank's exchanges with environmental networks and NGOs, but also in its internal documents and interviews, which highlight how the process of "greening the Bank" encountered several obstacles and was judged as insufficient or incomplete by the most engaged members of its staff. The Bank's claims about its environmental leadership are a question for research that also persists with regard to more recent developments: is the current narrative supported by data and followed up in practice? How so?⁵⁰ As this article shows, quantitative data on green financing is not the only measure to assess the institution's commitment to the environment.

Finally, this historical investigation offers a contribution to the academic debate by bringing together two very active fields of research, environmental history and the history of European integration, through the analysis of an often-neglected EU institution like the EIB. As these research findings and recent literature demonstrate, the development of the EC/EU environmental policy was a multifaceted process, influenced by institutional and non-institutional actors, whose interplay is key to understanding the nuances of its historical unfolding. The role of banks in this history needs to be further explored, as their strategic decisions and investment policies would play a significant role in determining the balance between economic growth and environmental sustainability, an equilibrium now at the core of the EU policy-making.

⁵⁰ One possible follow-up of the analysis would need to focus on a more recent time frame, to assess continuities and discontinuities and verify the hypothesis of a politicisation of the Bank's environmental commitment.