



European Union: The European Investment Bank

EIB
Page 1 of 6

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Summary

The European Investment Bank (EIB) is the financing arm of the European Union. The EIB finances major investment projects in the EU in the areas of telecommunication, energy, environment, health and socio-economic infrastructure. The bank lends to both public and private borrowers for investment projects in the European Union, in EU candidate countries and in developing countries. The bank finances projects that support EU investment policies and projects are often co-financed with EU regional development funds. Companies interested in obtaining a loan for large investment projects may contact the bank directly, while smaller loans are negotiable through commercial banks in the country of the project.

EIB: a multilateral development bank

The [EIB](#) was created in 1958 as a not-for-profit EU institution and is based in Luxembourg. The EIB's main task is to act as a source of investment financing for projects that further EU goals. The EIB primarily finances projects in the European Union, with a small portion going to EU accession countries and to developing countries in the African, Caribbean and Pacific region and in the Middle East. The EIB is the largest multilateral development bank in the world with loans totaling €72 billion in 2013; €64 billion of this went to projects in the EU and €8 billion outside the EU. The EIB is active in over 150 non-EU countries. In comparison, the European Bank for Reconstruction and Development (EBRD) loaned €2 billion in 2013 and the World Bank €23.5 billion.

EIB structure

The EIB Group consists of the EIB and the [European Investment Fund](#) (EIF). The EIF provides guarantees to financial institutions that cover credits to SMEs and invests equity in venture capital funds and business incubators that support early-stage SMEs. The EIF does not invest directly in SMEs but works through commercial banks. The Board of Governors comprises Ministers designated by each of the 28 Member States, usually Finance Ministers. The EIB's Board of Directors is responsible for deciding on loans, guarantees and borrowings, as well as ensuring that the Bank operates within the Treaty provisions. The Management Committee – the EIB's permanent executive body – controls current operations and makes recommendations to the Board of Directors. The Management Committee is made up of the EIB's president and eight vice-presidents. The current President is Werner Hoyer.

EIB loans for private projects

The two main financing tools of the EIB are individual and intermediate loans. Direct individual EIB loans typically cover large projects above € 20-25 million; the loan cannot exceed 50% of total project cost. For smaller projects, the EIB's intermediate loans are provided to major commercial banks and financial institutions in the Member States. The list of those [major partner banks](#) is on the EIB's website.

EIB activities in the European Union

About 89% of EIB loans in 2013 were destined for EU projects. Half of those EIB loans support projects that are also receiving a grant from the EU's Structural Funds, i.e. projects that fit into the programs of socio-economic development that have been approved by all Member States and the European Commission. The EIB assists the European Commission with the appraisal of a growing number of European regional development funds which cover a handful of sectors. The EIB also co-finances Cohesion Fund projects in the areas of environment and transport:

Environment: The EIB promotes environmental sustainability and development. To that end, the EIB, from 2009-2013, lent a total of €88 billion for environmental projects. More on the EIB's promotion of environmental sustainability can be found on its website: <http://www.eib.org/projects/priorities/climate-action/index.htm>.

Trans-European Networks: Major transport projects across the European Union are partly financed by Member States and the EIB. In 2013, the EIB lent €12.7 billion for European transport networks.

Technical assistance offered: the four "J" programs

The EIB participates in four specific joint financial engineering programs. These technical assistance instruments focus primarily on the efforts of the Member States that have joined the EU since 2004 in implementing the EU Structural Funds allocated to them as well as aspects of the Union's Cohesion Policy. These fall under the auspices of EU Regional Policy. Depending on their intended country or region, these funds act as financial engineering tools for major structural and societal projects. They have various objectives, from sustaining urban areas and development, to promoting entrepreneurial endeavors, for example.

Two programs are in place to help EU Member States absorb the funds they receive through the European Union Structural Funds programs, through co-financing major projects. These are known as **JASPERS** ("Joint Assistance to Support Projects in the European Regions") and **JEREMIE** (Joint European Resources for Micro to Medium Enterprises). The EIB, the European Commission and the European Bank for Reconstruction and Development (EBRD) jointly launched the JASPERS and JEREMIE programs.

1. Under **JASPERS**, a team of 50 experts in technical, economic and EU financial project analysis cooperate closely with regional development authorities to help new Member States develop projects that are eligible for financing under the EU Structural and Cohesion Funds. Fourteen EU Member States¹ are eligible under JASPERS, in addition to three EU Candidate Countries². EU Member States authorities are able to draw on the experience and expertise of the EIB and the EBRD, which contract external consultants who are experts in EU project development, for these missions. JASPERS is managed by a steering committee with members from the EIB, the EC (Directorate-General for Regional Policies or "DG Regio") and the EBRD. JASPERS is meant to be

¹ Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Greece, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

² The Former Yugoslav Republic of Macedonia, Montenegro, and Serbia.

a tool that regional development authorities can use to increase their chances of getting EU funds for their large projects. The project size threshold for major transportation infrastructure projects is above €50 million and above €25 million for environmental and other projects.

Consultants for JASPERS are hired under Framework Consultancy Contracts for specific assignments often “on call” or through short-term mission assignments for a maximum of 3 months. The rules developed in the EIB Guide to Procurement will be applicable to these consultancy contracts: (<http://www.jaspers-europa-info.org/index.php/contact-us.html>).

2. The **JEREMIE** program promotes the use of financial engineering instruments for SMEs to access financing through the work of the Structural Funds within the European Regional Development Fund (ERDF). The type of financial access sought here includes business expansion, access to investment capital, modernization and investments in sustainability: (http://ec.europa.eu/regional_policy/thefunds/instruments/jeremie_en.cfm).

3. **JASMINE (Joint Action to Support Micro-finance Institutions in Europe)**

JASMINE is a joint tool backed by the cooperative work of the European Investment Bank, the European Commission, and the European Investment Fund, which manages this micro-financing initiative through the JASMINE Technical Assistance Facility: (http://ec.europa.eu/regional_policy/thefunds/instruments/jasmine_en.cfm)

4. **JESSICA (Joint European Support for Sustainable Investment in Cities Areas)**

This tool is a joint initiative between the European Investment Bank, the European Commission, and the Council of Europe Development Bank. This instrument is targeted towards projects and policies that promote sustainable development of urban areas throughout Europe (i.e. infrastructure, cultural sites, redevelopment, education facilities, and promoting energy efficiency) (http://ec.europa.eu/regional_policy/thefunds/instruments/jessica_en.cfm).

EIB activities in EU candidate countries

Today, the EIB is active in the candidate countries of Albania, Macedonia, Iceland, Montenegro, Serbia and Turkey. The EIB has also been active in the Western Balkans since 1977 (Bosnia-Herzegovina and Kosovo). In 2013, loans to EU candidate countries totaled €2.9 billion, with Turkey being the largest beneficiary of the total funding for EU candidate countries (€2.3 billion). The EIB’s lending mandate for non-EU countries is granted through the EIB’s own “Pre-Accession Facility.” The EIB remains the largest international financier in this region.

EIB activities in developing countries

ACP (African, Caribbean, and Pacific countries)

The EIB has been an active development finance partner in the ACP and OCT (Overseas Countries and Territories) regions for over forty years, operating under cooperation agreements³ which focus on the reduction of poverty, on sustainable economic growth through the development of the private sector, and on delivering long-term social and environmental benefits in the regions. Since mid-2003, in addition to its Own Resources operations, the EIB is entrusted with the management of a revolving fund dedicated to the financing of private sector development, known as the “Investment Facility.”

Total EIB lending to the ACP regions in 2013 amounted to €712 million, with 66% of projects in support of financial sector operations. In addition to the loans signed, €54.7 million of grant funding was provided in the form of technical assistance and interest rates subsidies. Fifty

³ *The ACP-EU Partnership Agreement (“Cotonou Agreement”) and the Overseas Association Decision*

percent of projects were co-financed with other development finance institutions, demonstrating the EIB's focus on cooperation and collaboration with other partners as the best means to maximize the efficiency and results of the projects it finances.

To this end, the EIB also maintains a regional presence and coordinates with project promoters, donors, national authorities, EU Delegations and civil society. These representations cover the entire ACP region: West Africa and Sahel in Dakar, Central and Eastern Africa in Nairobi, Southern Africa and the Indian Ocean in Tshwane (Pretoria), the Caribbean in Fort-de-France and the Pacific in Sydney.

North Africa and Near East

The EIB has been providing technical and financial assistance to North Africa and Near East countries for more than 30 years. In 2002, the EIB financial arm in the Mediterranean was strengthened with the creation of the Facility for Euro-Mediterranean Investment and Partnership ([FEMIP](#)), which targets 9 countries in the Near East (Mashrek) and Northern Africa (Maghreb): Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Gaza/West Bank, Syria⁴ and Tunisia. Here, FEMIP gives priority to private sector ventures, whether local initiatives or foreign direct investment.

Total FEMIP lending in 2013 was €583 million for projects in energy infrastructure, environmental (water), transport, urban development, industry, risk capital, and credit lines sectors. The financial assistance can be broken down in the following overview:

- €304 million for projects in the Maghreb (Morocco, Tunisia, and Algeria)
- €249 million for projects in the Near East (Egypt, Lebanon, Jordan, Israel, Gaza/West Bank and Syria)
- €30 million for regional projects

While FEMIP continues to strengthen its cooperation with other donors in the region, it is also responsible for overseeing project implementation. To that end, the EIB has set up FEMIP offices in Tunis, Rabat and Cairo. Local FEMIP offices liaise with EU Delegations, international organizations, local authorities and the local banking sector. These FEMIP offices also help to set up technical assistance operations, as well as with the identification and appraisal of new projects.

EIB and its international partners

In 2004, the EIB and the Inter-American Development Bank signed a [Memorandum of Understanding](#) (updated in 2009) for improving coordination in project financing of common interest to the EU, the Caribbean and Latin America. In Asia and Latin America, the EIB was authorized to lend up to €3.9 billion during the 2007-2013 period to support capital investment projects implemented by subsidiaries of EU companies or joint-ventures between EU and ALA firms, or investments that result in environmental improvements or foster regional integration. The EIB also signed a [Memorandum of Understanding](#) with the World Bank and the European Commission aimed at enhancing donor coordination in the Middle East and North Africa, focused on a more complementary approach to aid programming.

⁴ Following EU sanctions in 2011, the EIB has suspended all loan disbursements and technical advisory contracts for projects in Syria.

EIB Project List: opportunities for sub-contracting

The website of the EIB displays a [list](#) where advanced stage projects (those that are in the last stage of approval but have not yet received official loan authorization) are posted. Companies may review this project list, as sub-contracting opportunities with loan recipients may arise. Companies interested in certain projects should contact the project promoter directly, not the EIB.

EIB Tenders

The EIB does not conduct the procurement process for the projects it supports. Once a loan is approved for a borrower, it is the responsibility of that borrower to conduct the procurement process to subcontract the work, services or supplies necessary for the project. The EIB verifies that a fair process of international tendering has taken place based on the bank's procedures.

EIB Guide to Procurement

In its [Guide to Procurement](#), the EIB outlines the policies it applies to projects that are wholly or partly financed by the bank and those that are financed under loan guarantees by the bank. Generally, the bank makes its loans conditional on international invitations to tender, through open international competition. However, different rules apply to loans made for projects within and outside the EU.

Various sources of EIB financing

EIB financing can stem from its "own resources" budget, from a third party financial instrument, or in conjunction with other institutions.

1. In the case of financing from its *own resources*, i.e. when funds are raised mainly through the Bank's borrowings on capital markets, firms originating from any country, including the United States, are eligible to bid on procurement contracts under international competitive procedures.
2. When the EIB uses *specific financing instruments* from the EC budget, it has to apply the procurement rules of that specific instrument. It also depends where the project is being developed: if within the EU, then the EU Public Procurement Directives will apply. If the project is developed in a country governed by an EU association or development agreement, the EIB will apply the rules of that specific agreement.
3. Under co-financing schemes

When the EIB *co-finances projects* with other financial sources or institutions, the loans may be characterized either as "joint" or "parallel" schemes.

- In "joint co-financing", which is a combination of EIB's own resources and an external budgetary instrument (which includes EC programs such as FEMIP or IPA for example), the eligibility of participants, as well as goods and services, is restricted to that of the corresponding external financing instrument. In the case of EC-funded programs in non-EU countries, tendering will generally be open only to firms, goods and services originating from EU Member States and the country (occasionally also the other countries in the same region) which is benefiting from the relevant agreement.
- In "parallel co-financing," two or more funding sources divide a project into precise parts with each funding institution financing a segment. In this case, the procurement rules specific to each funding institution will apply only to the part of the project that they finance.

Benefits of an EIB loan

In 2014, the EIB continues to enjoy “AAA” rating. The benefits of working directly with the EIB include the following: no user or management fee; free project appraisal by the EIB’s team of experts to assess project eligibility; a grace period for repayment; very long maturities, usually between 5 and 35 years; its catalytic effect on participation of other banking or financing partners.

For More Information:

The U.S. Commercial Service at the U.S. Mission to the European Union is located at Boulevard du Regent 27, Brussels BE-1000, Belgium, and can be contacted via e-mail Office.BrusselsEC@trade.gov; or by visiting the website: <http://export.gov/europeanunion/>. We acknowledge the assistance of Emily Schultz, intern, for the update of this report.

One can locate the nearest U.S. Export Assistance Center or Commercial Service offices throughout Europe by visiting <http://export.gov/europeanunion/>.

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