



Working with the EIB in developing countries: Projects and financial products

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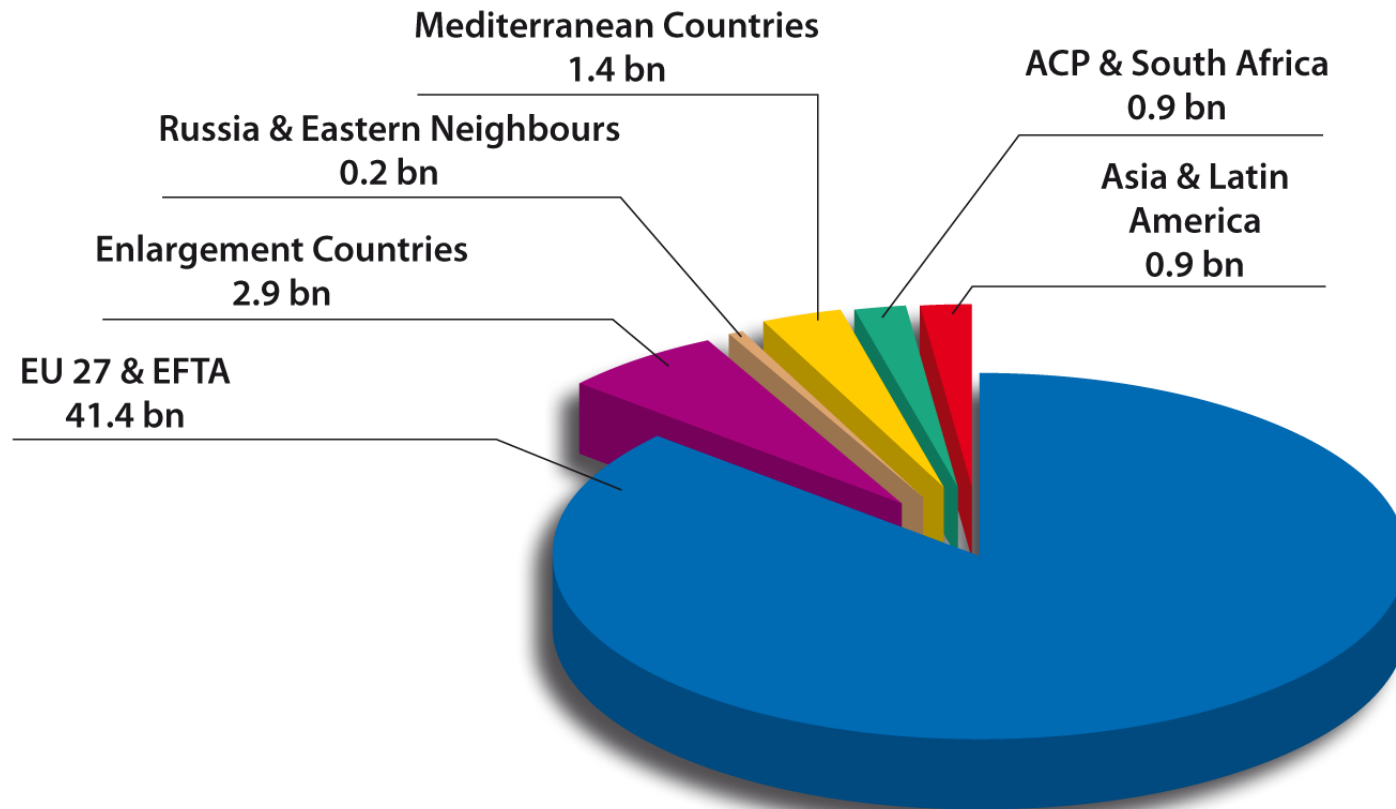
The European Investment Bank (EIB)

Long-term Finance Promoting European Objectives

- ❖ European Union's long-term lending bank set up in 1958 by the Treaty of Rome
- ❖ Shareholders: 27 EU Member States
- ❖ Key lending figures 2007:
 - ❖ European Union: EUR 41.4bn
 - ❖ Partner countries: EUR 6.4bn
 - ❖ Total lending: EUR 47.8bn



EIB lending in 2007 (in EUR billion)





External lending Mandate

- EIB can lend up to EUR 27.8bn during 2007-2013
 - Private sector development
 - Infrastructure development
 - Security of energy supply
 - Environmental sustainability
 - Support for EU presence in Asia and Latin America via Foreign Direct Investment (FDI)



The European Investment Bank (EIB)



Under EU Mandates:

- ❖ Pre-Accession
 - ❖ Accession Countries – Croatia and Turkey
 - ❖ Candidate Country – FYROM
 - ❖ Potential Candidate Countries – Western Balkans
- ❖ European Neighbourhood
 - ❖ Mediterranean Partner Countries
 - ❖ Russia and Eastern Neighbours
- ❖ Development
 - ❖ Africa, Caribbean and Pacific
 - ❖ Asia and Latin America



Pre-accession

Candidate and Potential Candidate Countries

- ❖ EIB can lend up to EUR 8.7bn during 2007-2013
- ❖ Priorities:
 - ❖ Projects supporting accession agreements with EU
 - ❖ Incorporation and implementation of *acquis communautaire*
- ❖ Loans of EUR 3bn in 2007 :
 - ❖ Transport
 - ❖ Energy
 - ❖ SME
- ❖ Total loans of EUR 8.9bn 2003-2007



Mediterranean Neighbours



Facility for Euro-Mediterranean Investment and Partnership

- ❖ Established October 2002
- ❖ EIB can lend up to EUR 8.7bn during 2007-2013
- ❖ Priorities:
 - ❖ Private sector ventures
 - ❖ Infrastructure projects
 - ❖ Investment in human capital
 - ❖ Schemes specifically targeting environmental protection

- ❖ Total lending in 2007 reached EUR 1.4bn plus EUR 2.2bn for Turkey
- ❖ Total loans of EUR 13.1bn 2003-2007 including Turkey



Russia & Eastern Neighbours

- ❖ EIB can lend up to EUR 3.7bn during 2007-2013
- ❖ Loans of EUR 230m in 2007 for :
 - ❖ Transport, energy and telecommunications infrastructure on priority TEN axes were there are cross-border implications for a Member State
- ❖ Total loans of EUR 315m 2003-2007



Africa, Caribbean & Pacific



- ❖ Cotonou Agreement mandate
- ❖ EIB can lend up to EUR 3.8bn via EIB own resources & Investment Facility (2003-2008)
- ❖ Loans of EUR 756m in 2007 for:
 - ❖ Industry and services
 - ❖ Energy and infrastructure
 - ❖ SMEs
- ❖ Total loans of EUR 2945m 2003-2007
- ❖ Republic of South Africa Mandate :
 - ❖ EIB can lend up to EUR 0.9bn during 2007-2013
 - ❖ Focus on infrastructure projects of public interest and private sector support
 - ❖ Loans of EUR 113m in 2007
 - ❖ Total loans of EUR 698m 2003-2007



Asia and Latin America

- ❖ EIB can lend up to EUR 3.8bn during 2007-2013
- ❖ Support for EU presence in Asia and Latin America through Foreign Direct Investment and transfer of technology
- ❖ Environmental sustainability (climate change mitigation)
- ❖ EU energy security
- ❖ Loans of EUR 925m in 2007 for:
 - ❖ Infrastructure
 - ❖ Industry
 - ❖ SMEs
- ❖ Total loans of EUR 2745m 2003-2007



Mediterranean Neighbours

Facility for Euro-Mediterranean Investment and Partnership

The EIB instruments

- ❖ Long term loans either guaranteed either by the State or minimum BBB+ rated guarantor
- ❖ Quasi-equity (participating, conditional or convertible loans)
- ❖ Equity (direct or indirect)
- ❖ Technical assistance grants



Eastern Neighbours

The EIB instruments

- ❖ Long term loans either guaranteed either by the State or minimum BBB+ rated guarantor
- ❖ Technical assistance grants through the NIF



The EIB instruments

An extended range of flexible financial instruments denominated in EUR, other widely traded currencies or even local currencies

- ❖ Long term loans with flexible security packages
- ❖ Quasi-equity (participating, conditional or convertible loans)
- ❖ Equity (direct or indirect)
- ❖ Guarantees
- ❖ Blending of loans and EC grants for cross-border infrastructure



The EIB instruments

- ❖ Long term loans either guaranteed either by the State or minimum BBB+ rated guarantor

What are the main features of an EIB loan?

- Loans and guarantees (up to 15 years, exceptionally 25 years)
- Fixed & variable rate loans in USD, EUR, JPY, GBP
- Direct loans are USD 20-100m; indirect loans (through local banks) less than USD 20m
- Loans are project-linked, oriented to the financing of the fixed asset component of an investment
- Financing max. 50% of total project costs (complementing other sources of financing)
- Infrastructure, energy, industry (but not necessarily limited to)

Who can borrow from EIB?

- **Private sector companies:**
 - with or without EU participation
- **Banks:**

Credit lines with to support projects of European interest (on-lending to eligible final beneficiaries)
- **Public sector borrowers:**

Implementing a project which promote EU interest (including support of EU presence and contribution to climate change mitigation)

What are the main benefits of a EIB loan?

1. Attractive interest rates (based on EIB's AAA rating and not-for-profit-status)
2. Long maturities (15 yrs, exceptionally up to 25 yrs)
3. Coverage of selected political risks
4. Exemption from withholding tax
5. Benefits of a EU institution involvement: "stamp of approval" that the project complies with relevant standards
6. Catalytic effect on participation of other banking or financial partners

What are EIB's security requirements?

- Bank/corporate guarantee (min. BBB+/Baa1) for private sector projects to cover the commercial risk of the project (the political risk* is carved out from the guarantee agreement); lower rated security can be considered on a case-by-case basis or
 - Sovereign guarantee for public sector borrowers; loans to sub-sovereign borrowers without sovereign guarantee can be considered on a case-by-case basis.
- * Political risks include the obligations of the guarantor (including the risks of non-transfer of currency, expropriation, war and civil strife and denial of justice upon breach of contract.



Climate Change Technical Assistance Facility (CCTAF)

- Advanced funding in the form of a conditional loan
- Reimbursable once a project has been registered by the CDM Executive Board
- Funding available for some or all of the carbon asset development activities
 - from carbon credit pre-feasibility study to validation and registration
- Activities are undertaken by consultants, under the supervision of the Bank; project promoter may assume some tasks



Carbon Fund for Europe (CFE)

- Co-sponsored and managed by IBRD and EIB
- Subscribed participation 50 m EUR
- Sovereign and private participants
- Purchase of project-based Carbon Credits
 - Buys CERs or VERs
 - Carbon Finance Business Unit of IBRD responsible for carbon development and purchase
 - Up to 40% Post-2012
- No explicit links to projects financed by IBRD or EIB



The other EIB Carbon Funds

- ❖ EIB/KfW Carbon Purchase Programme for 100m EUR focused on SMEs as buyers
- ❖ Post 2012 Carbon Fund for 150-200m EUR being prepared together with other IFIs
- ❖ Multilateral Carbon Credit Fund (MCCF) together with EBRD; subscribed participation 150m EUR; Purchase from projects financed by EBRD or EIB in EBRD borrowing countries



Thank you!



For more information...

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