THE EUROPEAN INVESTMENT BANK

The European Investment Bank (EIB) furthers the objectives of the European Union by providing long-term project funding, guarantees and advice. It supports projects both within and outside the EU. Its shareholders are the Member States of the EU. The EIB is the majority shareholder in the European Investment Fund (EIF) and, together with the latter, makes up the EIB Group. Within the Investment Plan for Europe proposed by the Commission, the EIB Group is part of a broader strategy aimed at overcoming the large investment gap by relieving investors of some of the risk inherent in projects.

LEGAL BASIS

— Articles 308 and 309 of the Treaty on the Functioning of the European Union (TFEU). Further provisions regarding the EIB are contained in Articles 15, 126, 175, 209, 271, 287, 289 and 343 TFEU;


OBJECTIVES

According to Article 309 TFEU, the task of the EIB is to contribute to the balanced and steady development of the internal market in the interest of the Union. The EIB, in all sectors of the economy, facilitates the funding of projects that:

— Seek to develop less-developed regions;

— Seek to modernise or convert undertakings, or develop new activities which cannot be completely financed by means available in individual Member States;

— Are of common interest to several Member States.

It also contributes to the promotion of economic, social and territorial cohesion in the Union (Article 175 TFEU and Protocol No 28). In addition, it supports the implementation of measures outside the EU which support the development cooperation policy of the Union (Article 209 TFEU). Furthermore, it supports the implementation of the Europe 2020 objectives.

EIB activities focus on four priority areas: innovation and skills, access to finance for smaller businesses, climate and environment, and strategic infrastructure.
RESOURCES AND INSTRUMENTS

A. Resources

In the pursuit of its objectives, the EIB mainly has recourse to its own resources and the international capital markets (Article 309 TFEU).

1. Own resources

The own resources are provided by the members of the EIB, i.e. the Member States (Article 308 TFEU). The contribution to the capital by each individual Member State is laid down in Article 4 of the EIB’s Statute and is calculated in accordance with Member States’ economic weight. In order to strengthen the EIB’s role in financing the economy and supporting growth in the Union, the June 2012 European Council recommended an increase of EUR 10 billion in subscribed paid-in capital. The EIB Board of Governors made a unanimous decision (Article 4(3) of the Statute) on this increase in capital, which took effect on 31 December 2012. The subscribed capital increased to a total of EUR 242.4 billion, while the subscribed and paid-in capital increased by EUR 10 billion to EUR 21.6 billion.

2. Capital markets

The EIB raises the greater part of its lending resources from international capital markets, mainly through the issuing of bonds. It is one of the largest supranational lenders in the world. In order to acquire cost-efficient funding, an excellent credit rating is important. The major credit rating agencies currently attribute the highest rating to the EIB, reflecting the quality of its loan portfolio. The EIB generally finances one third of each project, but supportive financing can reach 50%.

B. Instruments

The EIB uses a wide range of different instruments, but mainly loans and guarantees. However, a number of other, more innovative instruments with a higher risk profile have also been developed. Further instruments will be designed, also in cooperation with other EU institutions. Financing provided by the EIB may also be combined with financing from other EU sources (inter alia the EU budget), a process known as blending. Besides financing projects, the EIB also operates in an advisory capacity.

Lending is mainly provided in the form of direct or intermediate loans. Direct project loans are subject to certain conditions, e.g. the total investment costs must exceed EUR 25 million, and the loan can only cover up to 50% of the project costs. Intermediate loans consist of lending to local banks or other intermediaries which, in turn, support the final recipient. The majority of lending takes place in the EU.

In order to create additional financing for large infrastructure projects in the EU, especially in the key sectors of energy, transport and information technology, the Europe 2020 Project Bond Initiative was created. The pilot phase of exploring concept feasibility began in summer 2012. It ran until the end of 2014, which was the deadline for approval of projects, and the financial close had to be reached by the end of 2016. Given its experience and knowledge, the EIB played a key role in this initiative. It implemented the pilot phase by providing ‘credit enhancements’ in the form of subordinated debt.
Instruments. As a result, credit enhancement mechanisms for project bonds have now been integrated into the Connecting Europe Facility for the 2014-2020 programming period and have become part of the EIB’s standard product offering.

In addition to providing long-term funding, the EIB also gives infrastructure project advice. For instance, its Joint Assistance to Support Projects in European Regions (Jaspers) instrument for new and future Member States gives technical, economic and financial advice for the whole project cycle in order to optimise the use of monies from the EU funds (European Regional Development Fund, Cohesion Fund, Connecting Europe Facility and Instrument for Pre-Accession Assistance).

GOVERNANCE AND STRUCTURE

A. Governance

The EIB has legal personality, in accordance with Article 308 TFEU. It is directed and managed by a Board of Governors, a Board of Directors and a Management Committee (Article 6 of the Statute). An Audit Committee audits the activities of the Bank (Article 12 of the Statute).

1. The Board of Governors

a. Composition

The Board of Governors consists of the ministers designated by the Member States (Article 7(1) of the Statute).

b. Role

The Board of Governors lays down general directives for the credit policy of the Bank and ensures its implementation (Article 7(2) of the Statute). According to Article 7(3) of the Statute, the Board of Governors is required:

— To decide whether to increase the subscribed capital;
— To determine the principles applicable to financing operations undertaken within the framework of the Bank’s tasks;
— To exercise the prescribed powers for the appointment and compulsory retirement of the members of the Board of Directors and of the Management Committee;
— To take decisions in respect of the granting of finance for investment operations to be carried out, in whole or in part, outside the EU;
— To approve the annual report of the Board of Directors, the annual balance sheet, the profit and loss account, and the Rules of Procedure of the Bank.

It appoints the six members of the Audit Committee (Article 12(1) of the Statute), as well as the members of the Board of Directors (Article 9(2) of the Statute) and of the Management Committee (Article 11(1) of the Statute).
2. The Board of Directors
   a. Composition
   The Board of Directors consists of 28 directors and 18 alternate directors. The directors
   are appointed by the Board of Governors for five years. Each Member State nominates
   a director, as does the Commission (Article 9(2) of the Statute).
   b. Role (Article 9 of the Statute)
   The Board of Directors takes decisions in respect of:
   — Granting finance, in particular in the form of loans and guarantees;
   — Raising loans;
   — Fixing the interest rates on loans granted, as well as the commission and other
     charges.
   It ensures that the Bank is properly run and is managed in accordance with the
   provisions of the Treaties and of the Statute and with the general directives laid down
   by the Board of Governors.

3. The Management Committee
   a. Composition
   The Management Committee consists of a President and eight Vice-Presidents,
   appointed for a period of six years by the Board of Governors on a proposal from the
   Board of Directors. Their appointments are renewable (Article 11(1) of the Statute).
   b. Role
   The Management Committee is responsible for the day-to-day business of the Bank,
   under the authority of the President and the supervision of the Board of Directors; it
   prepares the decisions of the Board of Directors, and ensures that these decisions are
   implemented (Article 11(3) of the Statute).

4. The Audit Committee (Article 12 of the Statute)
   a. Composition
   The Audit Committee consists of six members, appointed by the Board of Governors
   (Article 12(1) of the Statute).
   b. Role
   The Audit Committee checks annually that the operations of the Bank have been
   conducted and its books kept in a proper manner. To this end, it verifies that the Bank’s
   operations have been carried out in compliance with the formalities and procedures laid
   down by its Statute and Rules of Procedure (Article 12(2) of the Statute). It ascertains
   whether the financial statements, as well as any other financial information contained
   in the annual accounts drawn up by the Board of Directors, give a true and fair view of
   the financial position of the Bank (Article 12(3) of the Statute).

B. Structure
The EIB Group was established in 2000 and consists of the EIB and the European
Investment Fund (EIF). The European Investment Fund (EIF) was founded in 1994 and
was set up as a public-private partnership (PPP) with three main shareholder groups: the EIB, as majority shareholder with 62.2%, the Commission (30%), and several public and private financial institutions (7.8%). The EIF provides various forms of risk capital instruments, e.g. venture capital. The lending focus of the EIF is small and medium-sized enterprises (SMEs), and it uses a wide range of innovative instruments with the aim of improving access to finance for SMEs.

AN INVESTMENT PLAN FOR EUROPE

Since the onset of the global economic and financial crisis, the EU has been suffering from low levels of investment. The Commission communication entitled ‘An Investment Plan for Europe’ (COM(2014) 0903) provides guidance on how to revive investment in the EU, create jobs and foster long-term growth and competitiveness. The legislative framework for the new initiative was presented in the proposal for a regulation of the European Parliament and of the Council on the European Fund for Strategic Investments (EFSI) (COM(2015) 0010). The regulation was adopted on 25 June 2015. The EFSI is supposed to generate private investment via the mobilisation of public money and to create an investment-friendly environment. An initial EU guarantee of EUR 16 billion to the EIB, together with a EUR 5 billion commitment from the EIB itself, will mobilise private money, resulting in EUR 315 billion in additional finance for investment. The plan is not intended to replace existing EU and EIB programmes, but instead to complement them.

The EFSI Regulation also established the European Investment Advisory Hub (EIAH) which aims to provide advisory and technical assistance for the identification, preparation and development of investment projects. The EIAH is a partnership between the EIB and the Commission and both institutions contribute financially. It is established within the EIB, which is responsible for its management.

The EFSI 2.0 Regulation was adopted in December 2017 and entered into force on 1 January 2018. This regulation extends the duration of the EFSI (until the end of 2020), along with further enhancements to the fund and the EIAH. One of the key elements is an increase in the EU guarantee to EUR 26 billion and the EIB commitment to EUR 7.5 billion, with a view to mobilising EUR 500 billion of additional financing for investment.

ROLE OF THE EUROPEAN PARLIAMENT

Every year, a Parliament committee reviews the EIB’s activities and presents a report to a plenary session, to which the EIB President is invited. On 27 April 2017, Parliament adopted a resolution on the EIB Annual Report 2015. The resolution called for more detailed reporting on the economic, social and environmental impact, and added value, of its operations. The EIB was strongly invited to reinstate economic, social and territorial cohesion as a primary public policy goal. Parliament welcomed the EIF efforts to make the SME Initiative work and the Commission’s proposal to prolong the initiative until 2020. Parliament also invited the EIB to increase its intervention risk profile, especially when supporting SMEs or operations in economically disadvantaged
regions, while maintaining its triple-A rating. The EIB was also asked to correct the current geographical imbalances and sectoral concentration of the EFSI portfolio.

Under the existing regulation, Parliament approves the Managing Director and the Deputy Managing Director of the EFSI. The annual appropriations from the EU budget related to the guarantee fund are authorised by Parliament and the Council as part of the annual budgetary procedure. The EIB and the Commission have a number of reporting obligations towards Parliament, such as annual reports, ad hoc hearings and requests for information.

Parliament was involved, as a co-legislator, in the negotiations on the EFSI 2.0 proposal.

Dario Paternoster / Dražen Rakić
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