


# Operation of the European Investment Bank

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## Operation of the European Investment Bank

Within the framework of the task set out in Article 267 of the Treaty, the European Investment Bank (EIB) grants loans in support of investment projects that promote the achievement of the objectives of the European Union.

Projects requiring funding may come from all sectors of the economy and the Bank's borrowers may belong to either the public or the private sector.

### Applications for loans or guarantees

Applications for loans or guarantees may be submitted to the EIB by:

- potential promoters (private or public companies),
- commercial banks,
- public authorities, international or national development finance institutions.

Applications for global loans are made directly to banks and financial intermediaries operating at national, regional or local level. Only applications for individual loans may be sent directly to the EIB without any particular formalities. The European Investment Fund (EIF) is the single point of contact for venture capital operations. When granting a loan to an undertaking or to a body other than a Member State, the Bank makes the loan conditional either on a guarantee from the Member State in whose territory the investment will be carried out or on adequate guarantees. The aggregate amount outstanding at any time of loans and guarantees granted by the Bank must not exceed 250 % of its subscribed capital. The Bank protects itself against exchange risks by including in contracts for loans and guarantees such clauses as it considers appropriate.

### Project appraisal

Projects submitted to the Bank are examined for their eligibility and to evaluate their economic, technical and financial characteristics. This appraisal is confidential.

As for the eligibility of a project, the Bank examines whether the project conforms to those Community objectives which the EIB is responsible for promoting. The appraisal also evaluates the 'value added' to the project by the Bank's funding.

The Bank's evaluation likewise focuses on the following criteria:

- the practical viability, economic interest and timetable for the implementation of the proposed investment,
- respect for the environment and adherence to the regulations on calls for tenders,
- the cost of the project, its funding scheme and the quality of the financial and technical partners involved in the project,
- the financial situation of the promoter, the expected cash flow and the guarantees provided.

### The financing decision

The EIB seeks the opinion of the Member State concerned and of the European Commission. These opinions must be delivered within two months and are a precondition for the signing of the finance contract.

Following the appraisal phase, the project is submitted for examination and approval by the Management

Committee and then by the Board of Directors, whose task is to take a financing decision.

Where the Board of Directors or the Commission delivers an unfavourable opinion, the Management Committee may not grant the loan or guarantee concerned unless its decision is unanimous.

Once the financing contract is signed by the promoter, the loan amount is paid in one or more tranches, depending on the funding requirements associated with the state of progress of the project.

### **Project monitoring**

The EIB monitors projects throughout their implementation and operational phases. It monitors the loan servicing, examines whether the use of funds is consistent with objectives and forecasts and keeps abreast of the progress made by the promoter and its partners. The Bank then ensures that the practical implementation of the project is in conformity with the contract and evaluates the outcome of the investment.

### ***Ex post* evaluation**

The EIB's 'Operations Evaluation Department' evaluates projects financed by the Bank and in so doing contributes to improving current and future operations and enhancing transparency. Its recommendations are laid down in reports which are published for their general interest.

Every project completed is subjected to *ex post* analysis by the Projects Directorate as part of the self-evaluation system set up by the Bank. All projects attracting budgetary funds (including a guarantee from the Community budget) are subject to possible control by the Court of Auditors of the European Union.