

Powers and responsibilities of the European Investment Bank

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URL:

http://www.cvce.eu/obj/powers_and_responsibilities_of_the_european_investment_bank-en-f1e046a3-a7cc-4d1d-a487-ec89bf209734.html



Last updated: 06/07/2016

Powers and responsibilities of the European Investment Bank

Pursuant to Article 267 of the Treaty establishing the European Community (EC), the task of the European Investment Bank (EIB) is to contribute, by having recourse to the capital market and utilising its own resources, to the balanced and steady development of the common market in the interest of the Community. For this purpose, the Bank, operating on a non-profit-making basis, grants loans and gives guarantees which facilitate the financing of the following projects in all sectors of the economy:

- (a) projects for developing less-developed regions;
- (b) projects for modernising or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market, where these projects are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States;
- (c) projects of common interest to several Member States which are of such a size or nature that they cannot be entirely financed by the various means available in the individual Member States.

In carrying out its task, the Bank facilitates the financing of investment programmes in conjunction with assistance from the Structural Funds and other Community Financial Instruments. The Bank cooperates with all international organisations active in fields similar to its own.

Financing facilities

The EIB offers various financing facilities to support projects:

- global loans: loans for small- and medium-sized enterprises (SMEs) through an intermediary;
- direct loans (also known as individual loans);
- venture capital;
- Structured Finance Facility (SFF).

Global loans

Global loans are credit lines made available to banks or financial institutions, which onlend the proceeds for small or medium-scale investment projects, worth up to a maximum of EUR 25 million, undertaken by SMEs or by local authorities.

The EIB provides global loans up to a maximum of EUR 12.5 million for between 5 and 12 years, or 15 years in exceptional cases. To complement EIB financing, the intermediary also advances funds.

Individual loans

The EIB provides individual loans to promoters in both the public and private sectors.

The amount is to be agreed directly with the Bank if the investment exceeds EUR 25 million. Maturities are up to 12 years in the industrial sector and 20 years, or more in exceptional cases, for infrastructure projects.

Venture capital

Since the Amsterdam European Council of June 1997, the EIB has been deploying throughout the European Union a venture capital facility designed to strengthen the equity base of high-technology SMEs and those

with strong growth potential. Operations under this heading encompass financing for venture capital funds, security packages for such funds and conditional and subordinated loans.

On 7 December 2000, the EIB and the European Investment Fund (EIF) signed a Master Agreement providing for the transfer of the management of all existing EIB risk capital investments to the EIF.

Structured Finance Facility (SFF)

In order to match the types of funding to the requirements of projects with a high-risk profile and to pursue its equity financing and guarantee operations in favour of large-scale infrastructure schemes, the EIB has established a Structured Finance Facility (SFF).

The aim of the SFF is to furnish value added for priority projects by complementing the commercial banks and capital markets.

Financing within the European Union

Within the European Union, projects considered for EIB financing must contribute to one or more of the following objectives:

- the strengthening of economic and social cohesion and the economic development of the disadvantaged regions;
- the improvement of health and education infrastructure and services (enrichment of human capital);
- the development of transport, telecommunications and Trans-European Network (TEN) infrastructure of benefit to the Community;
- the protection and improvement of the natural and urban environment;
- securing the energy supply base and conserving energy;
- increasing the competitiveness and integration of European industry;
- the development of small- and medium-scale enterprises;
- information technology and communication networks;
- research and development;
- diffusion of innovation.

Financing outside the European Union

The EIB participates in implementing measures in the sphere of economic and social development of the developing countries, their smooth and gradual integration into the world economy and the campaign against poverty (Articles 177 and 179 of the EC Treaty).

The Bank cooperates actively with banking and financial institutions in the countries to which its operations extend.

The Bank participates in implementing development aid and cooperation policies through long-term loans from own resources or subordinated loans and risk capital from EU or Member States' budgetary funds.

It operates in:

- the countries of Central and Eastern Europe and some Mediterranean countries which have applied for accession;
- the countries of the Euro-Mediterranean Partnership with sights set on the establishment of a Customs Union by 2010;
- the African, Caribbean and Pacific (ACP) States, South Africa and the overseas countries and territories

(OCTs);

- Asia and Latin America;
- the Western Balkans.

Budgeting of the EIB:

The BEI's budgeting is implemented through biannual activity plans approved by the Board of Management. In April 2009, the activity plan for 2009–2011 was ratified. Its priorities are as follows:

- support for small and medium-sized enterprises as well as for mid-cap companies of intermediate size;
- protection and improvement of the environment, including climate change and renewable forms of energy,
- implementation of the Innovation 2010 initiative;
- development of trans-European networks and network access;
- operations in countries with emerging economies and developing countries.

The programme also includes concrete measures to lessen the effects of the current economic and financial crisis .

In 2009 as in 2010, the total volume of BEI lending will increase by 30 % (EUR 15 billion) compared with preceding years. This increase will generate additional investments totalling approximately EUR 72 billion in 2009 and in 2010.