Transport infrastructure financing by the European Investment Bank

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Summary

- About the European Investment Bank (EIB)
- Transport Infrastructure Financing
- Lending criteria and appraisal
- Instruments for assistance in the project cycle
The European Investment Bank
EIB (1)

- Long term lending institution of the EU
- A European Community institution founded as part of the Treaty of Rome
- Shareholders are member states of the EU
- Objectives:
  - to further EU economic integration
  - to promote policies of common interest
The European Investment Bank
EIB (2)

- Follows sound banking principles
- Projects should be economically sound
- Borrowers should be able to reimburse loans
- First class guarantees are required
The European Investment Bank
EIB (3)

- Governors of Bank are Finance Ministers of EU
- Board of Directors make decisions
- Management Committee manages the Bank
- Headquarters in Luxembourg
- Banking department prepares loans
- Technical department provides advice
- Some 120 engineers and economists
The European Investment Bank
EIB (4)

- Annual EIB loan volume some 45 billion EUR
- Some 90% in EU, 10% outside EU
- Inside EU, no ceilings or quotas
- Outside EU, Bank operates in the context of Mandates conferred by European Council with budget guarantees
- Volume 2007-2013 of 27.8 billion EUR, of which
  - Eastern Europe, Caucasus and Russia  3.7 bn EUR
  - Asia 1 bn EUR
The European Investment Bank (EIB) – Mandates outside EU

- Pre-Accession countries
- Mediterranean countries
- EE, Caucasus, Russia
- Latin America
- Asia
- RSA
Transport Infrastructure Financing by EIB (1)

- Prime objective: Trans-European Networks
- All modes, environmental compatibility emphasized
- Neighbouring states: connections to EU
- Political framework: various EU initiatives
- Example: Palacio High Level Group on transport links with EU Neighbours
Transport Infrastructure Financing by EIB (2)

- TENS: in 2006, some 7.3 bn EUR, of which roads 43%, rail 38% and others 19%
- Example: Poland 300 mn EUR loan towards construction and repair of TEN motorways
- Example: Slovakia 50 mn EUR loan towards D1 motorway section Bratislava-Zilina
- Example: Austria 140 mn EUR loan towards railhub development on East-West corridor
Transport Infrastructure Financing by EIB (3)

• Pre-accession and neighbourhood states: in 2002-07 some 6.3 bn EUR for transport infrastructure
• Main areas: Turkey, Balkan countries
• Recent inclusion of eastern neighbours
• Example: Ukraine 200 mn EUR loan towards rehabilitation of motorway Kiev-Brody (along Pan-European Corridor III)
• Example: China 500 mn EUR loan towards expansion of Beijing International Airport
Lending criteria and appraisal (1)
The project cycle

Project selection and proposal

Appraisal and preparation of credit decision

Loan negotiations and approvals
Bank/National authorities
Lending criteria and appraisal (2)

- **Technical feasibility** – optimal technical solutions
- **Economic feasibility** – project must pass a Cost-Benefit Analysis
- **Environmental feasibility** – project must successfully undergo environmental assessment (EIA, SEA)
- **Financial feasibility** – project must be financially viable or have assured support
Lending criteria (3) some possible implementation models

- Classical public debt financing – sometimes cheapest!
- Structured financing – complex and requires appropriate frameworks
- Public private partnerships – useful, but no panacea example under discussion: St. Petersburg Ring Road
- Commercial financing - services
Instruments for assistance (1)

Financial

- Some projects require grants as well as loans
- Loans – maturities should be appropriate to nature of assets
- Grants sometimes required to provide basic infrastructure and provide the basis for commercial development
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Instruments for assistance (3)
Sources and mechanisms

- Multilateral – EU, World Bank
- Bilateral – but NB conditions
- Issues of donor coordination
- Existing cooperation mechanisms, e.g. TRACECA – 62 T.A. projects and 14 smaller investment projects funded by EU in East-West Transcorridor
Further details:

www.eib.org