

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

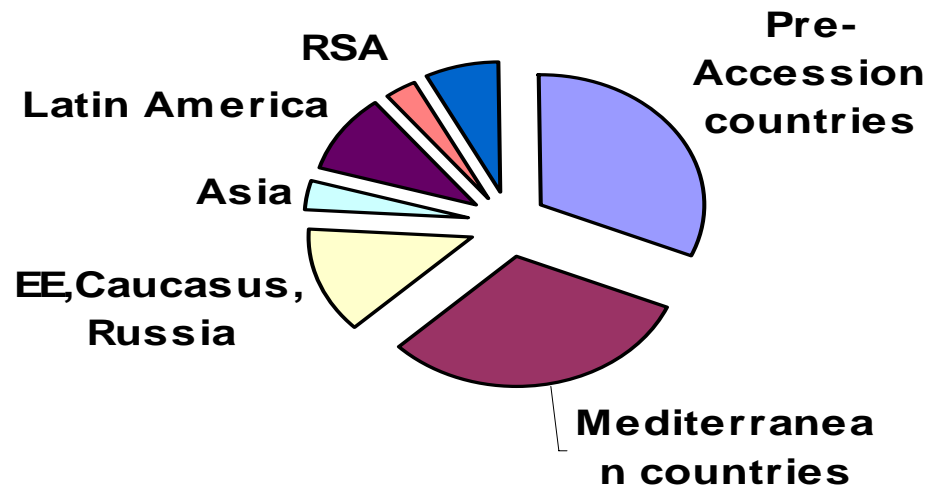
EIB (3)

- **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 (5) – Mandates outside EU



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**

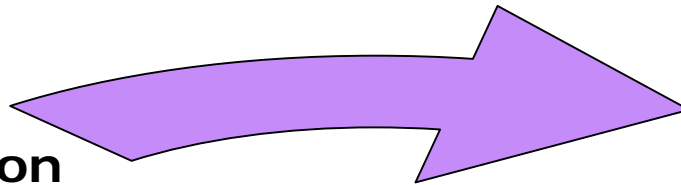
Transport Infrastructure Financing by EIB (3)

- **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**

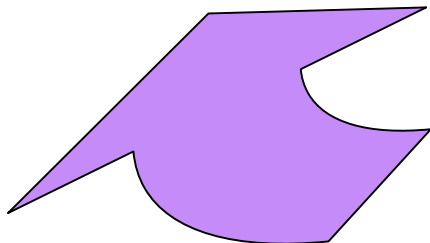
Lending criteria and appraisal (1)

The project cycle

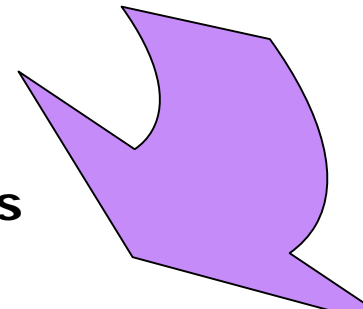
**Project selection
and
proposal**



**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**

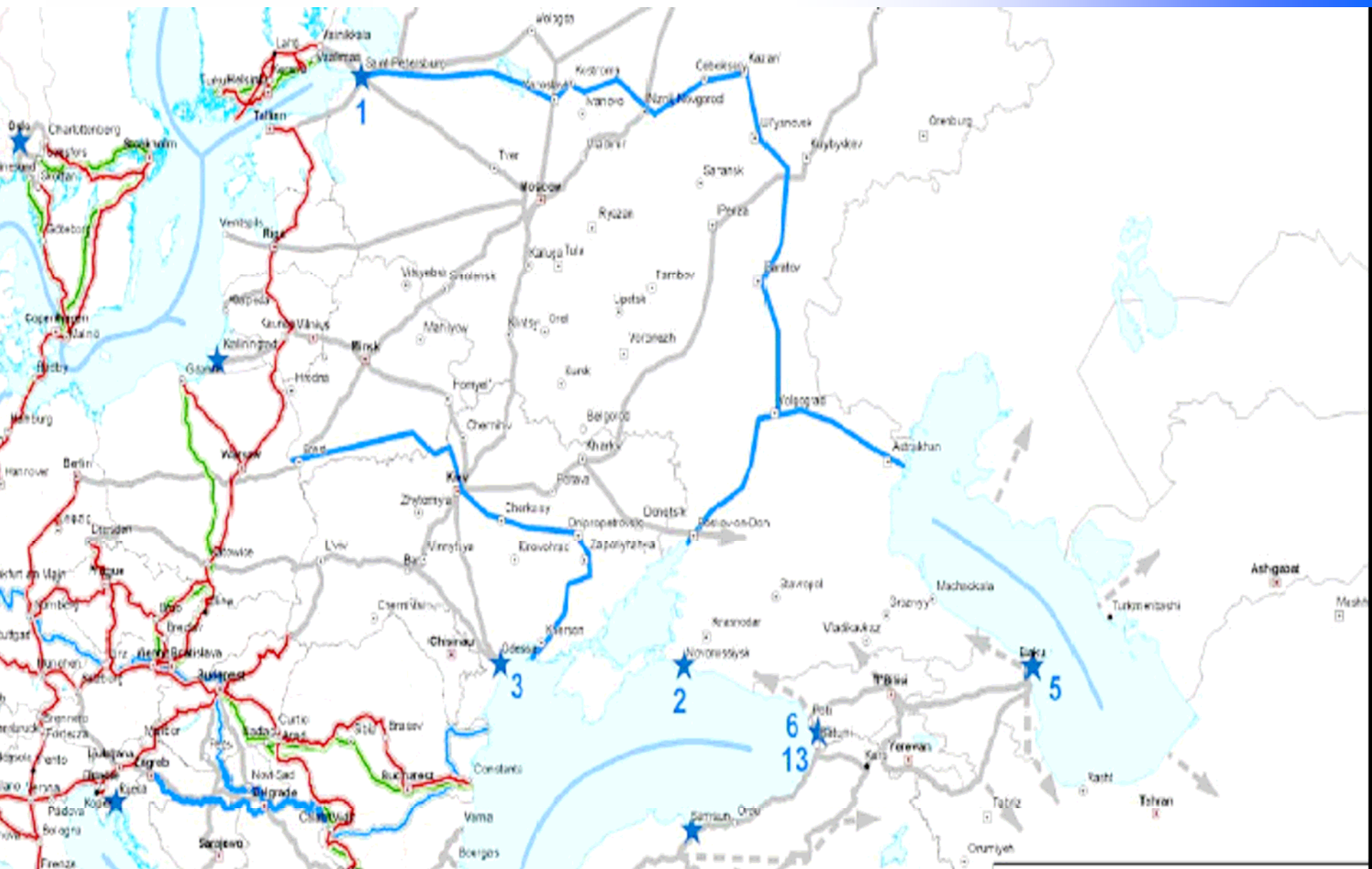
Instruments for assistance (2)

Technical

- **Project identification and development**
- **Feasibility studies**
- **Design**
- **Supervision**
- **Project Management**

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 Trans
corridor**



Further details:

www.eib.org