

# European Investment Bank



Promoting European objectives  
for the Eastern Partnership in Transport

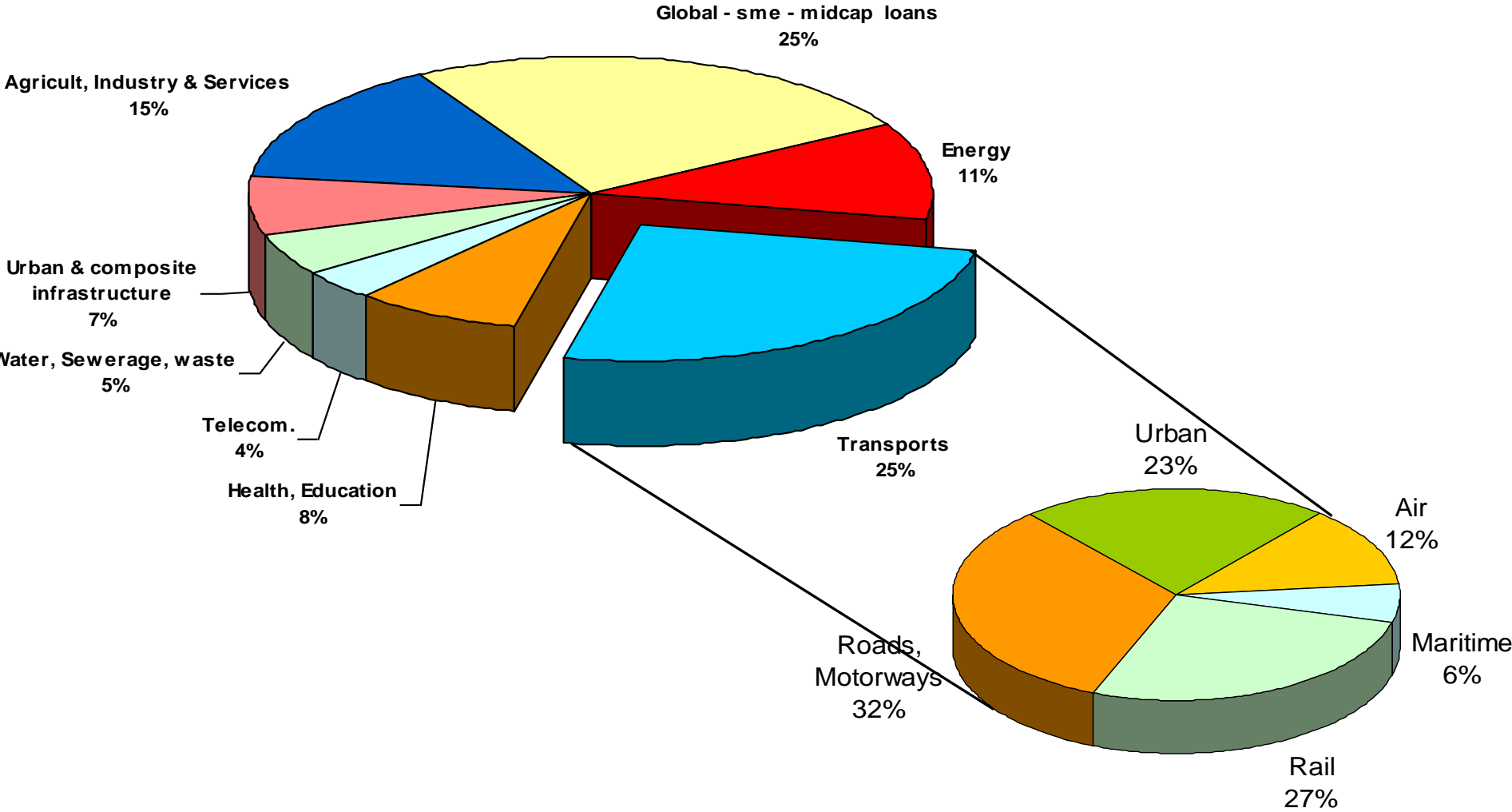
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1. Introduction to EIB
2. EIB's activities in Extended TEN-T
3. EIB's due diligence process

# Long-term finance promoting European objectives

- European Union's long-term lending bank set up in **1958 by the Treaty of Rome**
- Shareholders: **27 EU Member States**
- Governance
  - **Board of Governors** – EU Finance Ministers
  - **Board of Directors** - Member States & European Commission
  - **Management Committee** – EIB's executive body
  - **Audit Committee** – independent, non-resident

# EU total lending by sector 2001-2010: 458b€ (of which transport = 115b€)



## 2011 Key figures

➤ European Union:	EUR	53.8bn
➤ <u>Partner countries:</u>	<u>EUR</u>	<u>7.1bn</u>
➤ <b>Total lending:</b>	<b>EUR</b>	<b>60.9bn</b>
➤ Borrowings:	EUR	76.0bn
➤ Subscribed capital: (at 01/04/2009)	EUR	232.4bn

# European priority objectives – within the Union

- Cohesion and convergence
- Small and medium-sized enterprises (SMEs)
- Environmental sustainability
- Knowledge Economy
- **Trans-European Networks (TENs)**
- Sustainable, competitive and secure energy

# European priority objectives – outside the Union

- Private sector development
- **Infrastructure development**
- Security of energy supply
- Environmental sustainability
- Support for EU presence in Asia and Latin America via Foreign Direct Investment (FDI)

# EU Mandates

- Pre-Accession
  - Candidate Countries: Croatia, Iceland, Former Yugoslav Republic of Macedonia, Montenegro & Turkey
  - Potential Candidate Countries – Western Balkans
- European Neighbourhood
  - Mediterranean Partner Countries (FEMIP)
  - **Eastern Neighbours** & Russia
- Development
  - Africa, Caribbean and Pacific (ACP, PTOM)
  - South Africa
  - Asia and Latin America (ALA)

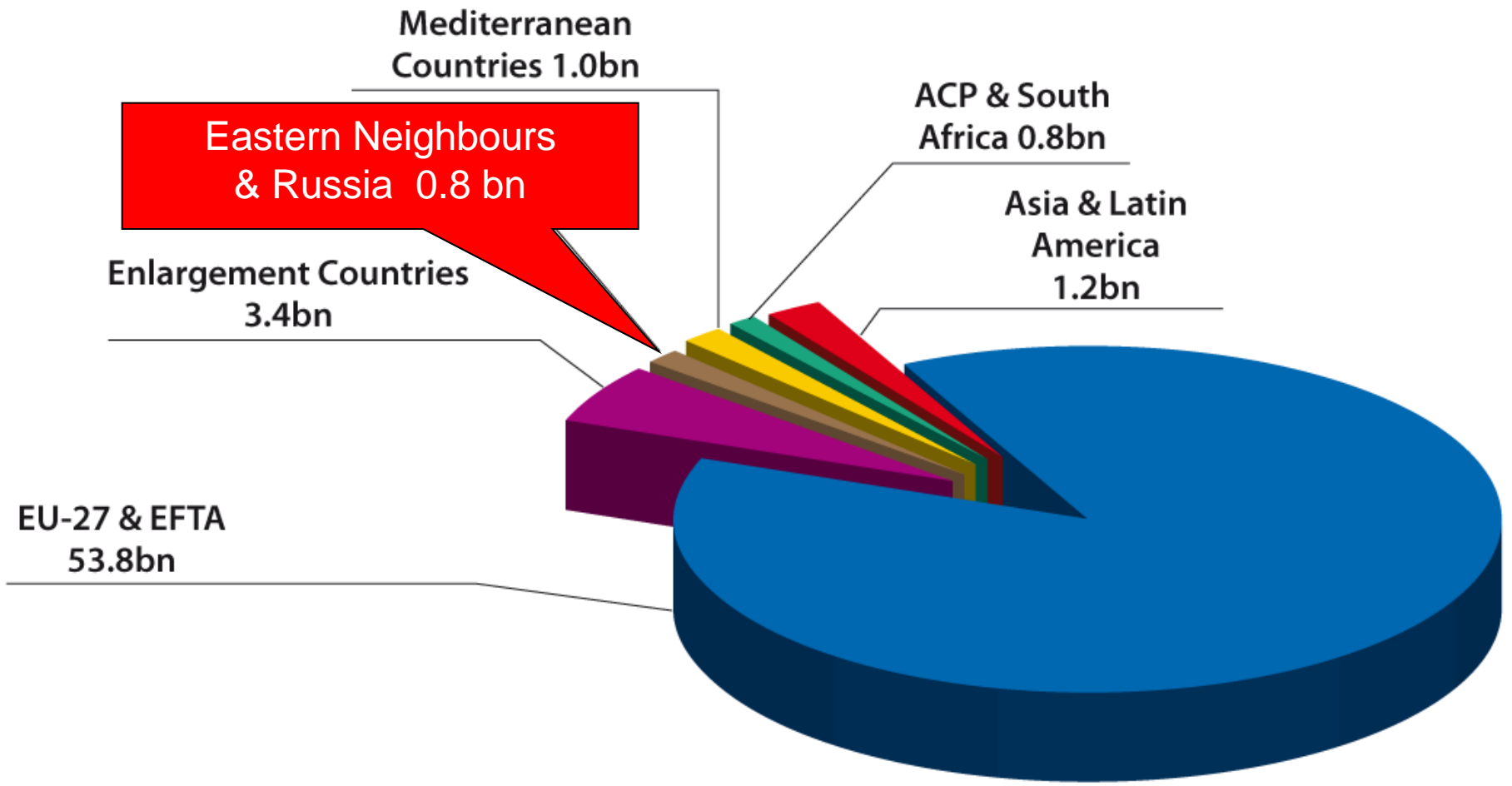


# EIB Financing in the Eastern Neighbours

- EIB can lend up to **EUR 3.85bn** during 2007-2013 for: “projects of significant interest to the EU **in social and economic infrastructure, including transport**, energy, environment and ICT. **Regional integration among partner countries**, including economic integration between pre-accession countries, neighbouring countries and the EU, is an underlying objective for EIB financing operations”
- Total loans of roughly **EUR 2.0bn** up to now
- Including two-thirds in the past two years



# EIB Signatures 2011 (in EUR)



# EIB value-added

- Supports **EU priority objectives**
- Mobilises on **competitive terms** the **large amounts** necessary to finance the building of infrastructure
- Offers **maturities tailored** to the project long construction & operating periods
- Has a **leverage** effect vis-à-vis other IFIs commercial banks and capital market funding
- **Assesses projects** thoroughly, promoting quality & soundness
- Assists financing through **technical assistance**



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# Role of the EIB in financing the TEN-Ts

- A **leading source of bank finance** for the TEN-Ts in the Union and Accession Countries
- From the inception of the policy in 1993 to 2010, loans amounting to **more than EUR 100bn** for the transport projects in the TEN were signed
- EIB loans financed about **15-20%** of TEN-T investment to date

# EIB Transport Lending Policy & guiding principles in transport

- EIB transport lending is driven by and in support of EU policies
- According to the revised EIB transport lending policy:
  - **Mobility will stay essential** for the free movement of people and economic growth. EIB strives for the most efficient, most economic and most sustainable way of satisfying transport demand
  - The EIB will **continue its strong commitment to the funding of TENs** as the backbone of transport investment in the EU and essential for the functioning of the internal market

## Policy response: Road

- ❖ Inside the EU27 => **TEN-T is an eligibility criteria**
- ❖ Neighbouring countries => **extended TEN-T is a definite plus**
- ❖ Infrastructure projects **must have high & robust ERRs**
- ❖ Except if project aims at:
  - ❖ Improving safety
  - ❖ Supporting CO2 emission goals
  - ❖ Assisting implementation of traffic management systems



# Policy response: Rail

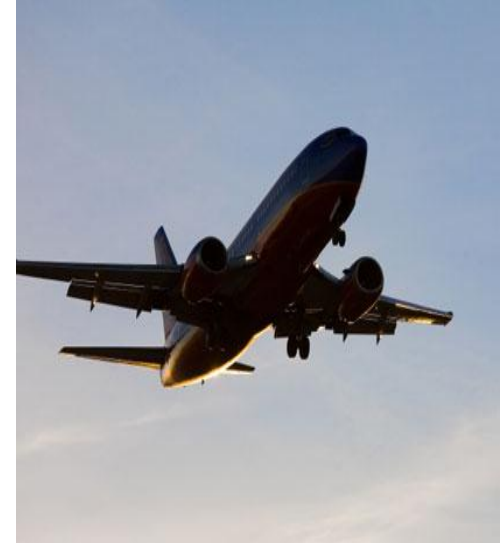
- **Rail infrastructure** also outside TENs is a priority
- **Trains/rolling stock** – full support
- **ERTMS** – full support





## Policy response: Air transport

- **Airports** - discussion same as for roads:
  - ERR must be strong taking into account ETS
- **Air traffic control:** Safety and traffic management considerations
- **Planes:**
  - Manufacturers: RDI (safety and energy efficiency)
  - Purchase: Limited – e.g. connectivity of EU territory



# Maritime transport

- **Ships and vessels** –  
Flag and EU routes
- **Ports** – full support
- **Shipping yards:** no



# Inland waterways

- **Barges** –  
full support but small
- **Inland waterways** –  
full support
- **Inland ports** –  
full support



# Intermodal terminals

- **Logistics** – full support
- Issue: open access and ownership



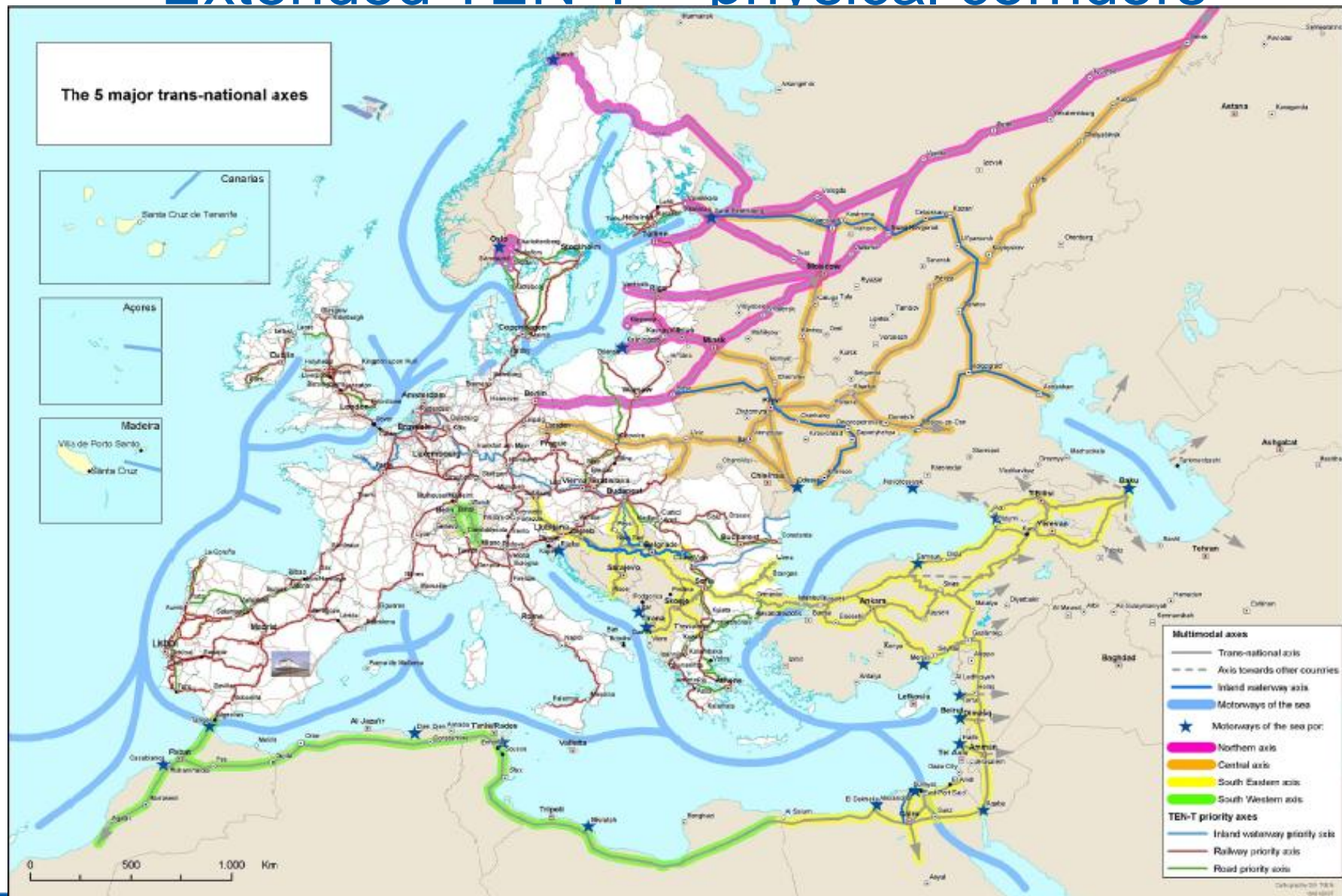
## Extended TEN-T

- ❖ Comprise major trans-European axes in neighbouring non-EU countries and regions
- ❖ Were defined at the 2005 [De Palacio High Level Working Group](#) that included EIB
- ❖ Basic extended TEN-T are not expected to change with the new EU TEN-T Guidelines

# Eastern Neighbours – Major Axes to connect with the EU

- ***Motorways of the Seas:*** to link the Baltic, Barents, Atlantic, Mediterranean, Black & Caspian Sea areas
- ***Northern axis:*** to connect northern EU with Norway to the north and with Belarus and Russia to the east
- ***Central axis:*** to link the centre of the EU to Ukraine and the Black Sea & to the Caspian Sea through the inland waterway. A direct connection from Ukraine to the Trans-Siberian railway and a link from the Don/Volga inland waterway to the Baltic Sea are also included
- ***South Eastern axis:*** to link the EU with the Balkans & Turkey, the Southern Caucasus & the Caspian Sea, and the Middle East up to Egypt and the Red Sea

# Extended TEN-T – physical corridors





# TRACECA Strategy

- Adopted in Sofia in May 2006 for the horizon of 2015
- Priority given to:
  - **Projects on extended major TEN axes**
  - **Projects with cross-border implications for Member States**
  - Major projects favouring regional integration through increased connectivity
  - A new integrated approach to the Union's maritime policy was deemed of particular significance



# EIB financial contribution

- ❖ Large transport infrastructure networks
- ❖ Transport supporting development and integration

In EUR millions

	2011	2007-2011
<b>TEN-Ts &amp; Extended TEN-Ts</b>		
TEN-Ts	8 883	44 444
<b>Extended TEN-Ts</b>	<b>937</b>	<b>3 340</b>
<b>Total TEN-Ts &amp; Extended TEN-Ts</b>	<b>9 820</b>	<b>47 784</b>

# Transport Projects in Eastern Neighbours – 2007 - 2011

- ❖ Armenia: Yerevan Metro rehabilitation (10m€)
  
- ❖ Georgia: East-West Corridor (200m€ - to be signed)
  
- ❖ Moldova: Roads rehabilitation (2 proj.: 30m€ + 75m€)  
Chisinau Airport upgrade (20m€)  
Chisinau trolleybus (5m€)
  
- ❖ Ukraine: Roads rehabilitation (2 proj.: 200m€ + 450m€)  
Air navigation upgrade (60m€ - under appraisal)

# Horizontal Measures

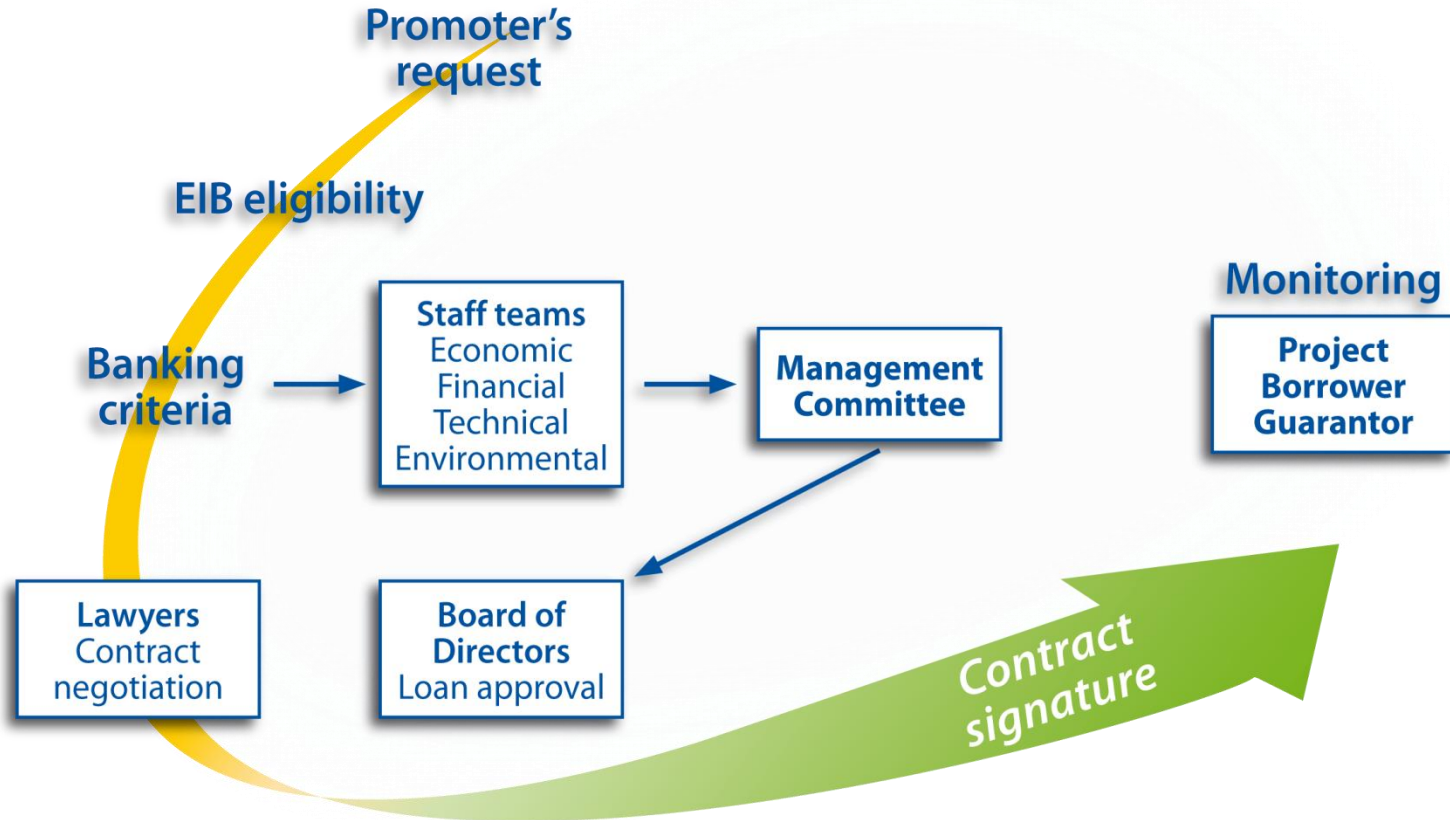
- Put in place technical, legal and administrative **interoperability of systems** with those in the EU
- Speed up **border crossing procedures**
- Implement new technologies like **traffic management and information systems** in all modes compatible with those in the EU
- Implement measures to **improve safety**, security and efficiency in all transport modes
- Apply international conventions, environmental & social impact assessment, public procurement procedures, etc.

# Way forward

- Strong EIB involvement in loan/grant blending mechanisms such as the Neighbourhood Investment Facility (NIF)
- Establishment of the “Eastern Partnership Technical Assistance Trust Fund” (EPTATF) in 2010 supporting EIB’s lending in the Eastern Partnership Countries including the transport sector
- A strong partnership with the EC and other major IFIs

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# The EIB project cycle



EIB project cycle

# Stages of Due Diligence Process

- **Pre-Appraisal** – preliminary assessment of the project's suitability
- **Appraisal** – assessment of the soundness of the project, taking into account technical, legal, environmental, social and other impacts of the projects
- **Negotiation** – signature of the contract
- **Monitoring** – verification of compliance with the contract and possible due diligence requirements

# Project Requirements

Projects should:

- ❖ Be eligible for EIB finance
- ❖ Be technically sound
- ❖ Be financially viable
- ❖ Show at least an acceptable economic return
- ❖ Comply with EIB social & environmental standards
- ❖ Comply with EIB Guide to Procurement
- ❖ Have adequate security

**=> A project assessment with many facets**



# Project Selection Process

- EIB participates in a working group to help select candidate projects for funding
- Starting point = a list of projects requested by EPCs
- The working group involves the EC & other major IFIs
- Main objective: to streamline long lists of projects
- And eventually to focus on the best candidates & more mature projects

**=> Still a work in progress...**

# Major screening criteria

- ❖ **Relevance**: in terms of project impact to economic integration & based on the Traceca network
- ❖ **Readiness**: the project has to be implemented within a reasonable timeframe
- ❖ **Soundness**: defined in terms of socio-economics relevance
- ❖ **Environmental impact**: to show that the project does not have a substantial or unmitigated negative impact on the environment

# Including Technical Assistance

- To ensure quality and timely delivery of project information
- To finance the necessary upstream studies and project preparation
- To strengthen the Promoter's implementation and operational capacities
- To guarantee future eligibility of projects (e.g. compliance with EU & EIB standards)
- **EPTATF can help**



# For more information

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