

European Investment Bank (EIB) - Annual Report 2010

2011/2186(INI) - 12/03/2012 - Committee report tabled for plenary, single reading

The Committee on Budgetary Control adopted the own-initiative report drafted by Iliana IVANOVA (EPP, BG) on the European Investment Bank (EIB) - Annual Report 2010.

Members welcome the 2010 Annual Report and encourage the EIB to continue its activities to support the development of the European economy and foster growth, stimulate employment, and promote social and territorial cohesion with a special focus on projects for less-developed regions. They support the bank in its commitment to focus on the “**knowledge triangle**” linking education, research and development, innovation.

The report notes that the EIB should use its resources and instruments in the best possible way to **fight the actual financial and economic crisis**.

EIB EU financing activities: the report recognizes the increased volume of the **structural programmes loans (SPLs)** in the light of the economic and financial crisis. It highlights the important role of these loans for the recovery and growth in supporting the public sector investments in some Member states. The EIB is encouraged to continue offering similar instruments not only for countries experiencing financial difficulties, but also to encourage countries with good financial discipline and convergence regions.

The report also notes that in terms of lending volume, Public Private Partnerships (PPPs) projects accounted, in 2010, for 32% of EIB financed Trans European Transport lending and welcomes the set up of the European PPP Expertise Centre.

The EIB is urged to:

- **publish an annual list of all final beneficiaries of loans** and other financial instruments in the same way as the Commission is bound to publish such a list of end beneficiaries of EU funds;
- **increase its support to the infrastructure networks in new Member States**, which is still relatively low compared to EU-15 Member States.

Members broadly support the cooperation between the EIB and the European Commission in developing innovative financial instruments to promote the objectives of the “Europe 2020” strategy as well as action to kick-start the crisis-hit economy and **climate action needs**. They especially support the Risk Sharing Finance Facility (RSFF), a joint initiative of the European Commission and the Bank that provides for lending to higher-risk, higher-reward projects.

(1) EIB support to SMEs: the report recognizes the fact that 115 000 SMEs received support from the EIB Group and that the EIB contribution amounts to EUR 10.0 billion in credit lines for lending to SMEs, while the European Investment Fund (EIF) provided SME guarantees and risk capital totalling EUR 2.8 billion in 2010. It welcomes the decision by the EIB to join the EBRD and the World Bank Group in the joint action plan by the international institutions to step up support for SMEs in Central and Eastern Europe during the period 2009-2010.

Members encourage the EIB's efforts to **ensure greater support for SMEs**. They support the new loan product for Mid-Cap enterprises and highlight its importance for boosting the European economic recovery. They call on the EIB to provide **advice to SMEs** and other beneficiaries, when appropriate, to

ensure the quality and effectiveness of the projects. The EIB is called upon to elaborate without delay **new, coherent and effective instruments for a better supervision of the financial intermediaries** collaborating with the EIB in supporting SMEs in Europe before the end of 2012.

(2) EIB activities outside EU: the report notes that, of the total of EUR 72 billion which the EIB lent in 2010, EUR 8.511 billion was lent to developing countries (of which 1.2 billion to Asia and Latin America (ALA), EUR 1 billion to the African, Caribbean and Pacific Group of States (ACP) (973 million) and to South Africa (50 million), EUR 2.55 billion to the Mediterranean countries and EUR 328 million to Central Asian countries), including EUR 657 million for projects in the fields of water and sanitation, health and education. It welcomes the EIB's focus on **climate change**.

Members take the view that the European Union guarantee instrument provided by the external mandate has a high added value and leverage. They encourage nonetheless the EIB to pursue own-risk facilities whenever possible while preserving the EIB AAA rating, and while ensuring the effective coordination of assistance activities undertaken by the European Commission, the EIB and other international and local partners.

The report calls on the EIB to **inform the European parliament about its financing operations in the Mediterranean region**, supported by the external lending mandate, to demonstrate the development impacts of its lending and provide a report to the European parliament before the end of 2012. It calls on the EIB, together with the Commission and in close dialogue with the recipient countries, to come up urgently with a **proposal for a banking facility** that is more effective than the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) in order to underpin the effectiveness of the role performed by the EIB in the Mediterranean countries with regard to SMEs, microcredit, etc.

The report highlights the role of the EIB's financing for **Public-Private Partnership (PPP) projects mainly within the EU**, and notes EIB's intention to explore the potential for PPPs in the Mediterranean countries. The EIB should adopt clearer definitions, data quality and consistency in the EIB in relation to the PPP projects.

As regards the EIB's activity outside the EU, Members call on the Bank to only engage in lending outside the Union after having made sure that the trade rules between the country where the lending occurs and the Union include the principle of **reciprocity in the application of social, environmental and health standards**.

(3) EIB management and control mechanisms: Members recall the necessity of a **European prudential supervisory system** under which the EIB should be subjected to the same prudential rules as credit establishments; such prudential control should oversee the quality of the EIB's financial situation and ensure that its results are accurately measured and the profession's rules of good conduct are observed. They reiterate the call to subject the EIB to prudential regulatory supervision.

The committee urges the EIB Group, nevertheless, to continue implementing autonomously **best prudential banking practices** in order to maintain its strong capital position and to contribute to the growth of the real economy. It calls therefore, for the EIB to undergo a stress test in order to verify the resilience of its portfolio.

The EIB is called upon to **clarify its stance on the so-called EU Project Bonds** or other innovative financial instruments based on cofinancing between the EU and EIB budgets. The report believes that the Commission should introduce EU Project Bonds that should become operational as soon as possible, preferably before the 2014-2020 budget period.

Members consider that requirements regarding environmental, social, civil rights and transparency standards should be respected in all innovative financing instruments. They, however, express concern

about the lack of transparency regarding the way ‘global loans’ are allocated and monitored in terms of tax governance. They recall that the EIB should ensure that recipients of its loans do not avail themselves of tax havens or use other harmful tax practices such as abusive transfer pricing which may lead to tax evasion or avoidance.

(4) EIB's responsibilities and future role: Members welcome the fact that in 2010, the EIB increased the funding available for climate related projects in areas such as energy efficiency, renewable-energy, transport, forestation, innovation and adaptation to climate change to EUR 19 billion (30 % of the total loans granted within the EU), up from EUR 16 billion in the previous year.

The EIB is called upon to:

- fund projects that meet stringent **environmental requirements**;
- make a more ambitious contribution to the **decarbonisation of the transport sector**;
- draw up a **grey list** – for study purposes – of projects involving technologies which, although they may meet European minimum standards, fail to reach average European environmental standards;
- continue to apply more stringent conditions to projects using **fossil fuels**;
- ensure that the benefits of **EIB-funded projects in developing countries** also accrue to local communities, which, where appropriate, should be consulted about investment projects likely to have an impact on their area;
- increase funding for projects related to **water resource management**, giving particular emphasis to European countries in the southern Mediterranean area and with a particular concern for the sustainability of supply;
- support projects designed to promote **biodiversity** and the management of water resources;
- continue to apply stringent conditions to **coal- and lignite-based energy production** projects that remain eligible for EIB support in line with EU security-of- supply policy objectives;
- participate in financing of investment projects which aim to support **research, development and innovation** in those countries and regions which in case of external asymmetric economic shocks are disproportionately affected;
- link its financing projects to strive to contribute to **poverty reduction** and the achievement of the Millennium Development Goals, human rights, corporate social responsibility, decent work and environmental principles and good governance.

Lastly, Members call on the EIB governing bodies to consider the possibility of the European Union becoming a shareholder in the Bank, in addition to the Member States, as this would, in its view, reinforce the cooperation between the EIB and the Commission. They call on the EIB to support the confidence-building efforts in those Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area, by participating in investment projects in these countries and by providing guarantees that mitigate the increased country risk.