

Annex 2

The EIB's role in PPP's and Securitisation

While it is commonly assumed that the EIB acts essentially, if not exclusively, as a source of long-term funding for projects, it has historically performed a dual role, combining that of lender with that of advisor. Its advisory role in fact goes back some way in time and, without wishing to catalogue each case, the Bank has been working with the Commission (from the Christophersen Group of 1993/94), Member States (such as the UK Government Private Finance Initiative Task force also from the Mid '90's) and with Financial Institutions (as co-ordinator of the group of EU long-term credit institutions).

As infrastructure finance has grown in complexity and increasingly risk is being transferred from sponsoring authorities to concessionaires and their bankers, the EIB has matched this development in two important respects so as to maximise the economic contribution of projects financed by it and to protect its own financial strength. Firstly, the EIB has worked with the public sector and with the Commission to help prepare the legal and regulatory framework for long-term projects and PPP's, drawing upon the initial experience in one country but with careful adaptation to the requirements of another. Secondly, the EIB has sought to involve itself as early as possible in the tendering and negotiation of individual operations. As well as optimising the operation's financing structure and terms, the EIB's early involvement has served as an important signal to other market partners on the project's creditworthiness and on the basis of EIB's independent technical assessment on its feasibility and viability .

Arguably, the combination of advisor and lender could lead to ambiguity or conflict; in practice, because of the EIB's policy and not-for profit objectives, this has rarely, if ever, been the case. The EIB has been able to accumulate a range of experience across countries, sectors and structures which is unequalled by any other institution. Its partners have seen it as the keystone to a successful operation and its absence or withdrawal a warning signal to the market. Because the EIB is not engaged in infrastructure alone but covers other sectors (energy, R&D, SME's financing and venture capital through the EIF) approaches originally accepted in an entirely different context have been successfully transplanted and adapted to infrastructure.

In the TIF framework, the EIB's track-record in straddling frontiers, sectors and roles will be critical, notably ensuring the extension of viable financing models across the EU and the development of common platforms to achieve economies of scale, liquidity and an easier access to resources over a period of chronic pressure.
