REINFORCING THE CAPITAL BASE OF THE EIB TO SUPPORT JOBS AND GROWTH

A joint European Commission and European Investment Bank report to the European Council

Action by the European Investment Bank (EIB) and the European Commission can boost investment to support growth, jobs and innovation across Europe. A fully paid-in increase of EUR 10 billion in the capital of the EIB could support up to EUR 60 billion of additional financing over the next three to four years. This would unlock up to three times this amount from the other providers of finance to support a total of up to EUR 180 billion for investments. EIB additional lending would play a countercyclical role and it would be provided in all and only in the Member States. It would target regions and sectors where financial constraints are the most severe and where investment could be unlocked rapidly. This additional lending could be complemented by a blending of EIB loans with EU funds in order to maximise the growth and employment impact of the additional EIB activity.

Context

At the European Council meeting of 30 January 2012, Heads of States and Governments requested a number of urgent measures to be implemented by June to support job creation and growth in the EU. Among these measures, the Council requested the Commission and the EIB to consider possible options to enhance EIB action to support growth and to make appropriate recommendations, including possibilities for the EU budget to leverage EIB financing capacity.

Restoring growth and competitiveness leading to job creation requires boosting investment while public budgets are under severe constraints and access to finance is impaired for both firms and public authorities. While structural reform is an integral element of the growth strategy of the EU, support for economically sound investment in the sectors/regions most affected by financial difficulties and in areas identified by the Europe 2020 Strategy would provide short-term and long-term benefits.

How best to enhance EIB action?

The Commission and the EIB considered various options to enhance support to EIB investment in growth. Three major conclusions emerge from this analysis:

1. A capital increase with an actual cash payment by existing shareholders is the most natural and effective route to reinforce the capital position of the EIB and its lending capacity. This is the only way to provide an immediate and significant boost to EIB lending.
2. In the current budgetary period running to end-2013, existing joint risk sharing financial instruments between the Commission and the EIB to support SMEs, resource efficiency, infrastructure –including the project bond pilot initiative-

and innovation should be reinforced. This would increase the risk bearing capacity of the EIB, enabling the Bank to provide finance to high value-added projects across all Member States. In parallel, contributions from Member States' programmes co-financed by Structural Funds to joint financial instruments could leverage EIB lending. This would be important for growth and employment in countries in difficulties or under macroeconomic adjustment programmes.

3. In the 2014-2020 Multiannual Financial Framework (MFF), wider joint initiatives between the EU budget and the EIB (and other providers of long term finance) should be developed to support innovative financial instruments aimed at catalysing private investment. This would allow the EU budget and the EIB to unlock further financial resources in support of investment in the EU and to increase the leverage effect of EU budgetary resources.

What could the EIB deliver?

A capital increase of the EIB, with a EUR 10 billion paid-in contribution from its shareholders, would allow the EIB to expand lending by up to EUR 60 billion over the next 3-4 years in support of investment in all Member States including support for less developed regions in line with Article 309 of the Treaty. To achieve such a strong drive for investment in growth and job creation, the EIB will set up a "Growth and Employment Facility" targeting:

1. Innovation and skills: Acceleration of investment in R&D and innovation, with a focus on key enabling technologies and technological deployment as well as on the modernisation of education and vocational training systems;
2. Access to finance: Support for SMEs and mid-cap companies, the sector most exposed to the reduced financing of the European banking sector.
3. Resource efficiency: more resource-efficient and climate-proof solutions notably in the fields of energy and resource efficiency and renewable energy;
4. Strategic infrastructure: Acceleration of the deployment of broadband infrastructure necessary for high-speed Internet access and support to key strategic infrastructures in transport and energy;

Conclusion

Based on the above, the Commission and the EIB propose that the European Council

- Recommends to increase the capital of the EIB and that a payment of EUR 10 billion by its shareholders towards the capital increase should be made;
- Requests that the EIB Board of Governors decides the modalities for the capital increase in a timely manner so as to ensure that it comes into force no later than 31 December 2012;
- Agrees to expand existing joint EC-EIB financial instruments, including risk-sharing schemes, that allow synergies between the EU budget and EIB in support of innovation, SMEs, resource efficiency and infrastructure;
- Agrees that additional ways to enhance the ability of the EU budget and EIB resources to catalyse the mobilisation of finance from the capital market and other financial institutions should be developed further in the 2014-2020 MFF.