Lending is our principal activity. We lend to clients of all sizes to support sustainable growth and jobs. Our assistance is often central to attracting other investors, be they international financial institutions, public or private banks. We can also provide quasi-equity operations, equity investments and investments in venture capital funds. Different financial instruments can be combined to support the same project as well as technical assistance.

**Loan pricing:** the EIB reference rate is the Bank’s market-driven standard interest rate for lending to projects with first-class borrowers/guarantors outside the European Union, which includes a small mark-up to cover the Bank’s administrative expenses.

The EIB is a non-profit-maximizing institution. It has a first-rate credit reputation and is a major international borrower on the financial markets. Hence, the Bank is able to offer competitive market rates to its clients, who can benefit from fixed or variable interest rates.

The EIB may consider variable remuneration, whereby the remuneration of the loan is linked to specific project-relevant parameters e.g. commodity price index, sales volume.

**Repayment** is usually made in equal six-monthly instalments. According to the specific characteristics of a project, other procedures, and grace periods on principal repayments, can be negotiated on a case-by-case basis.

Operations are subject to a **risk** mark-up, which is determined by:

- **a. the project risk:**
  - the economic/operational environment of the borrower or guarantor;
- **b. the loan structure:**
  - the structuring of the financing; and
  - the status/ranking of the security package proposed.

Depending on the financial instrument, **adequate security** may be required, such as guarantees provided by a bank or banking syndicate, a financial institution or a large diversified parent company with a good credit rating. Specific project-related guarantees or undertakings may be required from the borrower and/or ACP country concerned.

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**Available financial instruments**

Different financial instruments can be combined to support the same project. Their terms are adapted to the nature of each project and to the country’s economic situation.
Direct loans / senior debt

Junior/subordinated debt - This instrument is only available under the Investment Facility, which was set up precisely to support such higher-risk operations.

Intermediated loans - Lines of credit to financial intermediaries (commercial and development banks, microfinance institutions, etc.), for on-lending to final beneficiaries, particularly SMEs.

Quasi-equity operations - Loans can be conditional or participating/convertible. The type of loan depends on the servicing and/or on whether the duration is linked to variations of a well-defined indicator, the project’s financial return or the fulfilment of certain conditions relating to the performance of the project.

Equity investments and investments in venture capital funds

• Direct participation: acquiring stakes in a company through common shares, preferred shares, convertible loans/notes, warrants and profit or cash flow sharing. The threshold of operations is between EUR 5 million and EUR 20 million with a maximum of 50% of the total investment cost.

• Indirect participation: investment in private equity funds and, to a lesser extent, lines of credit to intermediaries for equity investments. Such investments also cater for small and medium-sized enterprises. The threshold of operations is EUR 30 million with a maximum of 25% of the total size of the fund.

Subsidies

Some projects might be eligible for subsidy elements, such as:
• Infrastructure projects that are a prerequisite for private sector development in post-conflict countries, least developed countries and post-natural disaster countries.
• Public/private sector projects which involve restructuring operations in the context of privatisations and present demonstrable social and environmental benefits.

Guarantees

We deploy guarantee instruments such as local currency loan and bond guarantees or asset portfolio guarantees and asset securitisation to mobilise local resources and alleviate foreign exchange risk for ACP counterparts, in particular those whose revenues are denominated in local currency. This is done through the Investment Facility, a revolving fund using reflows from EIB operations in ACP countries to finance new operations. It is the EIB’s risk-bearing instrument in the ACP regions.

Loans in local currency are limited to countries with a stable macroeconomic environment and good financial sector regulation and supervision; and companies or projects, primarily SMEs, generating most of their revenue in local currency.

The interest rate on the loan is set by reference to interest rates prevailing in the local market (typically corporate term deposit rates in local currency, or other benchmarks), adding the Bank’s administrative and risk mark-ups. Foreign exchange risks relating to an equity participation in a company are borne by the EIB.

Technical assistance - We can provide grant funding to finance project-related technical assistance covering the whole project cycle from identification to completion. This enhances the quality and success rate of projects, increases the efficiency of our investments and complements our financial offering.