

NBR-EIB Conference: Investment in Romania

Overview of EIB Group activities in Romania

Flavia Palanza

Director

Central and South East Europe Department
EIB Operations Directorate

Roger Havenith

Deputy CEO - EIF

Bucharest

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The EIB Group in Romania

1. General overview of the EIB Group
2. Recent EIB lending activity in RO
3. Project highlights 2016
4. Operational challenges in RO
5. EIB lending outlook in RO for 2017
6. EIF activity in RO
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1. General overview of the EIB Group – The EIB

The EIB: the European Union bank



- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States
- AAA rated.
- Over 2900 staff.
- 23 local offices in EU and 22 outside EU

Investing in Europe's growth

1. General overview of the EIB Group – The EIF



- ❖ Shareholders:
 - ❖ European Investment Bank (59.9%)
 - ❖ European Commission (28.1%)
 - ❖ 30 public & private financial institutions (12%)
- ❖ Strong capital base (EUR 4.5bn)
- ❖ AAA-rated by the three major rating agencies
- ❖ Over 20 years of market experience in SME financing
- ❖ Over 400 staff

1. General overview of the EIB Group – Key priorities

Environment



EUR
16.9bn

Infrastructure



EUR
19.7bn

Innovation



EUR
13.5bn

SMEs



EUR
33.6bn

Cohesion objective across all operations in EU, represented **EUR 17.9bn**, 27% of the EUR 67bn of EIB loans signed in the EU

EUR 83,7bn Group financing in 2016, of which 89% EIB and 11% EIF.

1. General overview of the EIB Group – Our activities

We help catalyse investment by

FINANCING	BLENDING	ADVISING
<p>Loans</p> <p>Guarantees</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budgetary guarantees to support higher risk investment (InnovFin, EFSI and SME Initiative)</p>	<p>Prepare, evaluate and support the implementation of projects (JASPERS)</p> <p>European Investment Advisory Hub (EIAH)</p> <p>Support for public/private partnerships (EPEC)</p>

Attracting FUNDING for long-term growth

1. General overview of the EIB Group – The Investment Plan for Europe (EFSI)

**Persisting low growth in
Europe**



Investment & competitiveness gap

Limited long-term financing in the
market

Public budget constraints

Non-financial barriers to investment



**EU Investment Plan
for Europe
(EFSI)**

EU budget guarantee
EIB capacity to mobilise
additional investment
in the EU

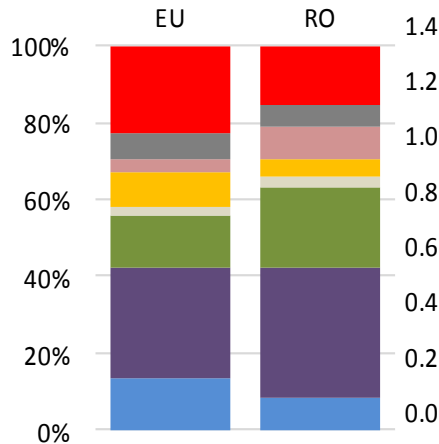


Target

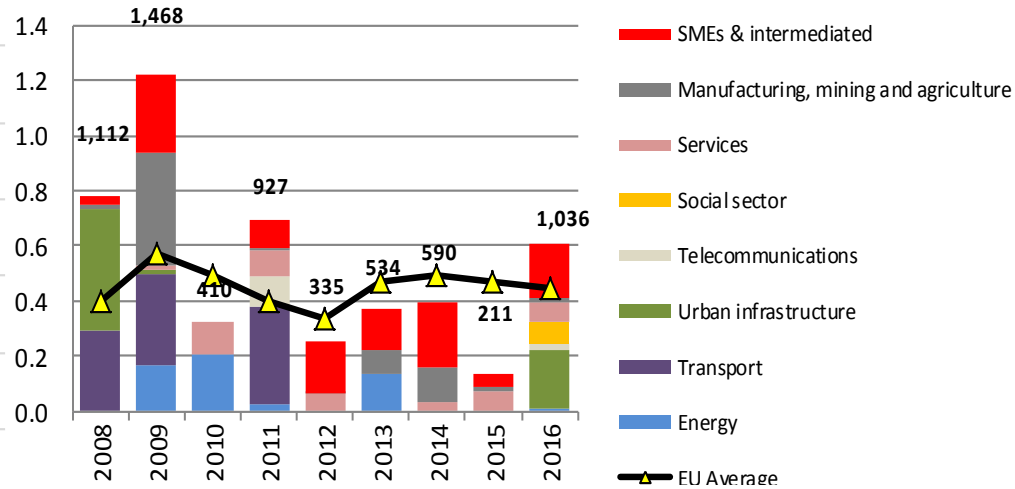
**EUR 315bn in investment across
the EU within 2016-2018.**

2. Recent lending activity in RO

Exposure, Dec-2016
% of total exposure



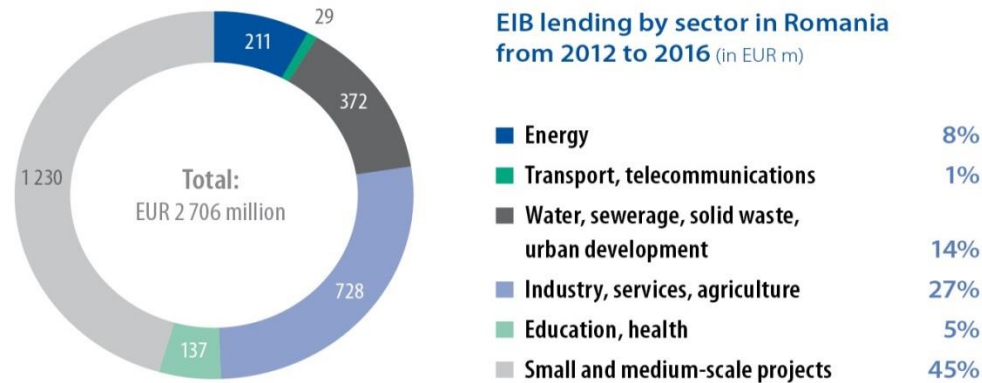
Signature flow
% of GDP, figures in EUR million



	RO	EU	FVA per 1 EUR (in cent)	
Exposure (EUR bn)	6.9	508.3	2015	2012
Exposure (% of GDP)	4.1	3.4	RO	15.1
			EU	5.1
				18.4

- In 2016, **EIB lending in the Romania** totaled EUR 1,036m, bringing EIB lending in Romania to EUR 2.7bn over the past five years (2012–2016).
- **Public sector lending represented 47%** and **private sector lending 53%** (banks 45% and corporates 8% respectively) over that period.
- Our activity in RO in relation to other CEE countries is below average in terms of private sector operations (banks/corporates), but **above for the public sector**.
- Signatures by objectives in 2016: **Environment (EUR 401m), Infrastructure (EUR 66m), SMEs (EUR 307m) and Innovation (EUR 263m)**.

2. Recent lending activity – by sector



The five year overview shows the sector distribution of EIB's total lending in RO of EUR 2,706m during the last five years:

- Support to SMEs represent the largest share (45% or EUR 1,230m).
- Support to industry, services and agriculture represents roughly one fourth of the portfolio (27% or EUR 728m).
- Energy, Transport, Environment and urban development and Education and Health sectors constitute the remainder of 28% or EUR 748m.

3. Project highlights in 2016

In 2016 EIB provided financing totalling **EUR 1,036m**, 2.5 times higher than the annual average of the previous 4 years – this level represents the “floor” that is expected to be maintained in the next years. Activity in 2016 included:

- ✓ **EUR 660m** co-financing of priority **EU 2014-2020 projects**
- **EUR 360m** under the Operational Programmes Competitiveness, Human Capital and Large Infrastructure
- **EUR 300m** in support of priority environment sector projects under the Operational Programme Large Infrastructure
- ✓ **EUR 57m** to support **energy efficiency** investments in urban centres, notably the Municipalities of Bucharest (Sectors 2, 4 and 6).
- ✓ **EUR 305m** of **intermediated financing** through seven partner financing institutions, of which **EUR 206m** in the framework of the **SME Initiative**, a joint initiative of the EIB Group and the European Commission intended to contribute significantly to sustainable growth and employment through the facilitation of credit at attractive terms to Romanian SMEs.
- ✓ **EUR 15m** to **Agricover Credit IFN** to finance smaller projects implemented by SMEs in the agriculture sector. The **first EIB transaction in Romania under the European Fund for Strategic Investments (EFSI), the financing component of the Investment Plan for Europe (IPE)**.
- ✓ **Project Advisory Support** worth some **EUR 19m** in favour of the **Ministry for European Funds** and the **National Public Procurement Agency (ANAP)**.
- ✓ **European Investment Advisory Hub** (part of the IPE) support worth **EUR 1.5m** in favour of the **Ministry of Health** to facilitate project preparation for the construction of 3 regional hospitals (Iasi, Cluj-Napoca and Craiova).

4. Operational challenges in RO

The EIB's investment **focus over recent years was marked by the lack of major public infrastructure investment and notable political instability**

➤ **Public sector :**

- **Lack of long term capex planning** and therefore scarcity of well-structured public sector master plans
- limited and **unpredictable “fiscal space”** available for borrowing from IFIs for public sector investments and **constraints on municipal borrowing** authorisation
- **uncertainty of availability of budget allocations** for project implementation and operation
- **lacking PPP legal framework** and therefore limited experience of the public administration in this area
- Compliance issues

➤ **Private corporate sector :**

- Lack of sizeable projects
- Compliance issues

➤ **Banking sector**

- Limited availability of long term financing.

5. Lending outlook in RO for 2017 - Strategy for 2017 and beyond

➤ Public sector

- ❖ EU funds co-financing of priority public infrastructure (Transport, Environment, Health, Education, Rural Development, small municipal infrastructure)
- ❖ Energy Efficiency (Residential and public building)
- ❖ Environment (water and waste water, including EFSI backed)
- ❖ Urban infrastructure

➤ Banking sector

- ❖ Deployment of the SME Initiative
- ❖ EFSI backed risk sharing structures
- ❖ EFSI backed funding, supporting innovation and employment for SMEs and Mid-Caps

➤ Corporate sector

- ❖ EFSI backed operations in energy, telecom and health sectors
- ❖ Direct lending to State-owned Enterprises for productive investments

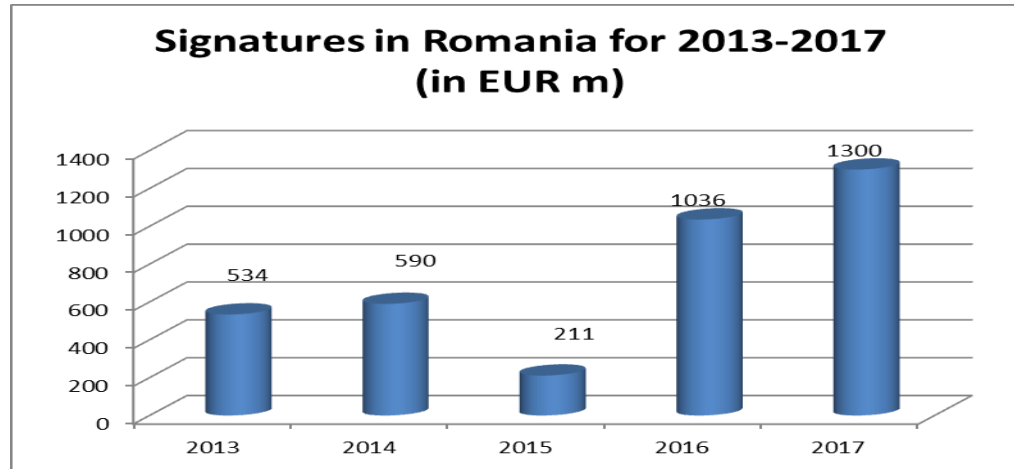
➤ Project Finance

- ❖ Health sector

➤ Advisory Services

- ❖ Health sector (regional emergency hospitals)
- ❖ Capacity building (project implementation support, public procurement)
- ❖ Public investment institutions and governance (PPP, NPI, Sovereign fund»)

5. Lending outlook in RO for 2017



- **Signatures** are expected to increase from 2016 level to c. **EUR 1.3bn**. Signatures will mainly concentrate in **the public sector**, of which **EUR 1bn** in support of Transport sector projects under the Structured Programme Loan “Romania EU Co-Financing of Transport 2014-20”
- The Bank will continue **lending to local authorities** in Energy Efficiency, Urban infrastructure and Environment sectors as well as to **regional water operators** under the 2014-20 OP, which would be partially backed by EFSI.
- Signatures with **financial institutions** are expected to reach some EUR 160m, partially EFSI backed (both funded and un-funded operations);
- In the **corporate sector**, signatures are focused on EFSI backed transactions totaling c. EUR 80m.

6. EIF activity in Romania

➤ Overall Activity

- From 2012 to 2016, EIF committed over EUR 280m in 34 transactions, catalysing investments of over EUR 735m.
- Major mandate:
 - JEREMIE 2007-2013 was implemented successfully and resulted in over EUR 600m financing extended to close to 7,000 Romanian SMEs.
- In 2016, EIF committed approximately EUR 60m in a total of 10 transactions, aimed at raising over EUR 154m in financing for SMEs:
 - 5 transactions were signed in micro-finance area, targeting mainly micro-enterprises.
 - 5 transactions supporting innovative SMEs and mid-caps, as well as SMEs active in the cultural and creative sector.

7. EIF Main projects

SME Initiative

- Signed in October 2016 with the Ministry of Regional Development.
- Uncapped guarantees for new portfolios of SME lending.
- 100m initiative supporting lending in both RON and EUR up to EUR 540m.
- Guarantee agreements with 4 financial intermediaries signed.
- Additional transactions approved.
- SME Initiative received high interest from financial intermediaries and demand has exceeded the available resources.

Competitiveness FoF (ESIF - Romania ERDF)

- EUR 59.3m mandate signed with the Romanian Government in September 2016.
- Provides equity funds for start-ups and early stage entrepreneurship accelerators and seed funds.
- Call for expression of interest was launched in December 2016 and the selection process is ongoing.

Investment Plan for Europe – European Fund for Strategic Investments - SME Window in Romania

- 3 transactions signed, targeting finance to risky SMEs, as well as innovative SMEs and mid-caps.
- Expected to mobilise investments of more than EUR 300m.
- 5 additional transactions at the pipeline stage.

8. EIF Investment Outlook

- In addition to the successful implementation of JEREMIE 2007-2013 and the launch of SME Initiative, EIF is committed to continue its cooperation and long-standing relationship with both local authorities and financial intermediaries.
- EIF is looking to further develop both debt and equity instruments in a number of areas and is currently in different negotiation stages for:
 - Additional equity and quasi-equity investments in support of SMEs in the growth and expansion stages of their development.
 - Developing Romania's significant agricultural potential by supporting small farms, capital expenditure and co-financing of agricultural subsidies.
 - Financial instruments in the area of micro-finance, to be funded by the European Social Fund.
 - Financial instruments in the field of energy efficiency.

Thank you!



**European
Investment
Bank**

The EU bank

A circular arrangement of twelve blue stars, similar to the European Union flag, positioned behind the text 'The EU bank'.