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The Bank promoting European objectives

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EIB and EU budget combine forces to support the Union's policies

To bolster the funds required to promote the Union's political priorities, the European Investment Bank (EIB) and the European Commission are combining their resources for the 2007-2013 financial perspectives.

Enhanced cooperation between the Commission and the EIB led to the introduction in 2006 of new joint financial instruments and facilities for the period covered by the new 2007-2013 financial perspectives.

To support its policies, the Union has more budgetary and bank resources available than ever before, increased by the leveraging effect of the budget on the funds raised by the EIB on the capital markets (around EUR 50bn per annum).

The new Inter-Institutional Agreement concluded by the Council, the Parliament and the Commission in 2006 has for the first time introduced three new joint Commission/EIB financial instruments in support of research, innovation and European transport networks:

- Up to EUR 1bn from the 7th framework programme's research budget, plus EUR 1bn from the EIB's reserves, will help to provide around EUR 10bn in risk financing for some EUR 30bn's worth of investment in research and innovation;
- EUR 500m from the trans-European transport networks budget, plus EUR 500m from the EIB's reserves, will serve to complement the PPP financing packages totalling some EUR 20bn for investment in these networks;
- EUR 1bn from the competitiveness and innovation programme (CIP) budget, plus EUR 1bn from the EIB's surpluses, will provide venture capital and guarantees in support of innovative SMEs for investments totalling some EUR 30bn.

At the same time, three new joint initiatives will lead to better use of the Structural Funds and provide the Member States with new opportunities to leverage them in a sustainable manner:

- JASPERS (Joint Assistance to Support Projects in European Regions): a joint EIB, European Commission and European Bank for Reconstruction and Development (EBRD) initiative, assisting EU Member States to prepare major infrastructure projects which will be supported by the EU's Structural and Cohesion Funds;
- JEREMIE (Joint European Resources for Micro-to-Medium Enterprises): a joint EIB, EIF and European Commission initiative to improve SMEs' access to finance. JEREMIE will enable EU Member States and regions to use part of their structural funds to obtain a set of financial instruments designed to support micro and small and medium-sized enterprises;
- JESSICA (Joint European Support for Sustainable Investment in City Areas): a new European Commission policy initiative, supported by the EIB, to help authorities in EU Member States to exploit financial engineering mechanisms in support of investment in sustainable urban development in the context of European cohesion policy.

With regard to the EU's external policies, the EIB has been entrusted with a new mandate by the Council whereby it will lend some EUR 28bn guaranteed by the EU budget over the same period 2007-2013 (see briefing note on external mandates).

Furthermore, a new Trust Fund has been jointly established by the Commission and the EIB to finance infrastructure in Africa (see briefing note on support for partner countries) and another is being prepared under the new Neighbourhood Policy.

All these new financial products and facilities offer new prospects for heightened cooperation between the European Commission and the EIB. From the policy and strategic dialogue when defining the broad guidelines to the implementation of individual projects, all synergies between the two institutions will be exploited in order to boost the effectiveness of their financial and human resources. In addition to the

individual agreements for each instrument, a general legal, administrative and budgetary framework is being developed along with procedures for exchanging information, mutual consultation and working together.

To further enhance the consistency and effectiveness of financing outside the European Union, cooperation is also being stepped up with all multilateral and bilateral financial institutions.

To be effective and consistent outside the Union, EIB and EU budget financing is also to be coordinated more closely with European bilateral agencies (agreements with AFD, KfW and EDFs) and international financial institutions (EBRD, World Bank), as it is important to avoid any form of duplication between these public institutions and to ensure, on the contrary, that they work together and complement one another.

In the interests of efficiency and to keep costs down, the aim is (i) to attract maximum resources from the private sector, (ii) to ensure that support for European policies and priorities is consistent and (iii) to maintain as united a front as possible in favour of sound conditionality of financing, especially with regard to governance and environmental protection.

This heightened collaboration between financing institutions is already being achieved through a number of cooperation agreements (memorandums of understanding) to which the European Commission is often also party. These agreements were consolidated in 2006, particularly with the EBRD. The light institutional structures of the Trust Funds will also be the preferred forum for dialogue and cooperation.

Inter-institutional cooperation has also taken the form of new initiatives in the environmental field, particularly the fight against climate change, with the joint creation of Carbon Funds, and a common charter concerning the European Principles for the Environment applicable to financing.

For further information on the EIB, visit its website www.eib.org.

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