CHALLENGE
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What to look for at the EU bank in 2017-2019
The EIB, the EU bank, is the world's largest multilateral borrower and lender by volume, providing finance and expertise for sound and sustainable investment projects which contribute to furthering European Union policy objectives. The European Investment Bank Group consists of the European Investment Bank (EIB) and the European Investment Fund (EIF).

The Operational Plans for the EIB and the EIF for 2017-2019 set out the targets and priority areas for the Bank and the Fund in the medium term.

The EIB expects to sign between EUR 74-76bn annually. The EIF expects to commit to EUR 9.6-10.4bn in equity, securitisation and inclusive finance operations and guarantees annually.

**Targets by public policy area**

The Bank's activity is concentrated on four primary public policy goals as they best support growth, employment and competitiveness.
Energy

- **Ensuring competitive and secure supply**: Investing in EU projects of common interest such as energy grid investments.
- **Energy efficiency**: EFSI has allowed the Bank to extend its support to Near-Zero Energy Buildings, promoting new building standards that will become the norm after 2021.
- **Decarbonisation**: In addition to energy production, significant investment is also required in electricity networks to integrate renewable energy sources, increase energy storage capacities, and modernise and smarten electricity distribution grids.

Transport and mobility

**Energy-efficient, low-carbon and cleaner transport**

The transport sector accounts for 32% of final energy consumption in Europe. It is also responsible for 20% of total EU greenhouse gas emissions and is a significant contributor to air pollution – especially in urban areas. Our initiatives include:

- Support for acquisition of new ships or retrofitting them with technology to make shipping greener
- Air traffic management investments
- Facilitating the deployment of alternative fuel vehicles
- Invigorating efforts to launch low and/or zero-emission public transport fleets in cities and urban areas

**Strategic transport infrastructure**

The EIB prioritises less developed regions and is focused on missing links, bottlenecks for long-distance traffic, interoperability of border crossings and connecting points for passengers to transfer between different kinds of transport. The EIB is also able to provide support to regional aircraft and captive leasing companies as well as non-TEN-T infrastructure of strategic importance.

**Mobility for Europe’s cities**

In many towns and cities, increasing demand for transport has created an unsustainable situation: severe congestion, poor air quality, noise pollution and high levels of carbon emissions. The total cost of congestion in European towns and cities is estimated at EUR 100bn or 1% of annual EU GDP. The Bank finances investments in intelligent transport systems and technology that can provide better and more relevant travel information to transport users, enhanced traffic management and more efficient operations.

**Urban and regional development and renewal**

Lending will focus on urban regeneration, environmental infrastructure, resource efficiency, intraregional accessibility, social housing and wider inclusion, climate change mitigation and adaptation, enhancing the resilience of communities and regions to respond or adapt to unforeseen challenges such as migration or earthquakes, and smarter development involving innovation and new technology.

**Health**

Whilst the bulk of the funding is expected to go to the improvement of hospital infrastructure, it is likely that we will see an increase in demand for primary healthcare facilities and improved training for the staff working in the sector.

**Rural infrastructure development and agri-business support**

In supporting rural infrastructure and the biomass-based industry (with agriculture as a pivotal player), longer-term and more balanced sustainable growth of societies will be achieved, as it reduces migration pressure from rural to urban areas and improves food security.

> “If we marked each of the public sector operations we have financed over the last 10-15 years on a map we would not see individual projects spread around but whole systems of roads, railways, tramlines, pipelines or healthcare or educational services growing in front of our eyes. They constitute elements of a logical whole.”

Rafal Rybacki,
head of EIB Public Sector and Infrastructure Lending Operations
in Poland and the Baltic States
Supporting SMEs & midcaps

Significant differences in access to finance still persist between EU Member States and in those countries that have been most affected by the financial crisis. Many SMEs still seek improved access to specific financing, such as flexible working capital finance and equity-type funding. Small loans, taken up mainly by smaller firms, are typically charged a higher interest rate, reflecting the relatively higher cost of providing the loan and different risk characteristics.

The EIB is expected to focus on key priorities including innovation, youth employment, support for internationalisation and climate action, among others. The Bank is currently especially able to respond to the financing needs of many operators active in agriculture and food value chains.

"We will see much more structured finance deals in securitisation or risk-sharing guarantees for portfolios of loans that a bank has created or might be about to create. This will be a great support for SMEs and midcap companies."

Milena Messori,
head of Intermediated Finance for Micro, Small and Medium-sized Enterprises Division

In the context of EFSI, in particular, the Bank seeks to expand banking relationships to new intermediaries and to develop financing platforms to address new business segments, mainly in cooperation with national promotional institutions. The Bank also endeavours to expand its relationships with new non-bank intermediaries such as loan funds and crowdfunding platforms.

The EIB’s product range is further expanded to include guarantees/risk-sharing products, direct growth finance provided to midcaps, complemented by mezzanine securitisation tranches and investments in select SME and midcap funds in cooperation with the EIF.

Outside the EU, the EIB expects to continue supporting micro-enterprises and to promote local financial and private sector development through intermediated lending (also in local currency) and, increasingly, advisory services. The funds covering the needs of smallholders, producer organisations and rural micro- and small enterprises outside the EU often also address issues like migration and climate change mitigation and adaptation.

Protecting the environment

Water

Water resources, drinking water and wastewater management remain critical to Europe’s economy and the environment. From water supply to flood protection, the EIB remains the largest lender to the sector.

Waste

Increased investment in recycling and energy recovery from waste
- generates environmental and climate benefits
- conserves natural resources and energy
- reduces dependence on imported raw materials
- supports job creation and economic growth

The Bank will continue to support such investments to contribute to the EU’s transition to a circular economy. Where justified, the Bank will also finance facilities for residual waste treatment required to meet targets for diversion of bio waste from landfills.

Rural infrastructure

Climate change is having a significant impact on agriculture and the food market. Notably soil fertility, cropping patterns and water availability are impacted, which in turn are affecting food security.

The EIB will continue to facilitate investments in agriculture and forestry that directly target climate change mitigation or adaptation and support the provision of environmental public goods such as landscapes, farmland biodiversity, climate stability and greater resilience to natural disasters. In the agricultural value chains the EIB will continue to support resource- and energy-efficient projects that contribute to the production of goods that are healthier, more nutritious and/or have a lower environmental footprint.
Supporting SMEs & midcaps

EIB activities are aligned to two over-arching EU policy goals:

- Contributing to economic and social cohesion and convergence within the EU, European Free Trade Association and pre-accession countries (30% across total Group financing);
- Action on climate change adaptation and mitigation (26% across total Group financing).

We will see much more structured finance deals in securitisation or mezzanine tranches. This will be especially true for midcap companies. This can be achieved through intermediary vehicles such as loan funds and crowdfunding platforms. The EIB will seek to support a larger variety of clients and projects. Both bigger and smaller investment projects can have a very decisive local impact by creating employment and providing patent social, economic and environmental benefits for the citizens.

Investment Plan for Europe

The EIB Group remains on track towards mobilising EUR 315bn of additional investment with the European Fund for Strategic Investments (EFSI) as envisioned by the Investment Plan for Europe. This has resulted in more risk being assumed by the Bank to reduce investment gaps. After a positive evaluation by the European Commission, the extension of EFSI is proposed.

“Thanks to EFSI, the Bank is able to support a larger variety of clients and projects. Both bigger and smaller investment projects can have a very decisive local impact by creating employment and providing patent social, economic and environmental benefits for the citizens.”

Birthe Bruhn-Léon, EIB Director, Ibberia Department

In 2017, the EIF expects to launch a minimum of five dedicated joint investment programmes with national promotional institutions which will introduce a suite of innovative investment solutions to the market. These initiatives should allow the EIF to actively engage with partners by exchanging best market practice and discussing joint investment opportunities.

The EIF will continue to collaborate with the European Commission on key EU regulatory initiatives including anti-tax avoidance initiatives, work to boost tax transparency and to create a level playing field for all businesses in the EU. Moreover, the EIF and the EC will jointly assess the possibility to extend EIF activity to new sectors (such as energy and skills) and to increase activity in support of EU policy priorities such as social impact.

Moreover, the EIF will also seek to source new opportunities to crowd in further funds to support SMEs and small midcaps. Mobilising private capital from institutional investors (e.g. sovereign wealth funds, family offices, pension funds, foundations and corporates) would ensure more sustainable and long-term support for the market.

Strategic objectives of the European Investment Fund

The EIF will remain firmly focused on the delivery of risk finance for small and medium-sized enterprises (SMEs) and small midcaps in Europe. Upon the planned extension of EFSI in 2018, the EIF will be able to maintain a steady trend in volumes. This will be achieved through different mandates focusing on innovation, competitiveness, social entrepreneurship, cultural and creative sectors, and microfinance.

“Thanks to EFSI, the Bank is able to support a larger variety of clients and projects. Both bigger and smaller investment projects can have a very decisive local impact by creating employment and providing patent social, economic and environmental benefits for the citizens.”

The EIF’s work will remain anchored in the goal of serving the European economy. Empowering entrepreneurs from every walk of life will remain a key priority going forward.

Maria Leander, EIF Secretary General

Outside Europe

The European Commission has also proposed an increase in the guarantee levels of the 2014-2020 External Lending Mandate to help the EIB implement the Economic Resilience Initiative for the Western Balkans and the Southern Neighbourhood to address the migration situation. The Bank also expects to play a significant role in the External Investment Plan, especially through technical expertise and advisory capacity in countries where the needs are greatest.

“The EU needs to proactively address external challenges that have or will have an impact on its own future. The world has become more complex and over recent years new situations have led to more important risks or opportunities for Europe. This calls for us to support at a faster pace the resilience and development of partner countries. The EIB has demonstrated how well placed and flexible it is to respond to these challenges.”

Lionel Rapaille, EIB head of Public Sector Operations in the EUs Eastern Neighbouring Countries
Fostering innovation and human capital

Research and innovation

More than ever before, growth and prosperity in Europe depend on further refining our skills, expanding our knowledge and translating these skills and knowledge into new products and services. To stay competitive, highly-skilled people and greater investment in science, technology and innovation, especially in midcap private sector companies, are required.

Three key technologies are expected to make the most widely felt impact:
- Digital technology
- Biotechnology
- Material science

Innovation in bio-economy

Total turnover of agriculture/bioeconomy in the EU is estimated at EUR 2tn and accounts for around 22 million jobs, or 9% of the total EU workforce (in 2013), most of which are in rural and coastal areas. Investments here promote sustainable and resource-efficient production and use of renewable resources from land, fisheries and aquaculture. Agriculture/bioeconomy also has the potential to support the EU transition to a circular economy.

Research and innovation in energy

Meeting long-term energy and climate targets will require new technologies that are not currently commercially available, as well as smarter and highly efficient ways to use energy.

“While the EU needs to strive to boost its economic competitiveness and increase investment in innovation, we should also celebrate the successes we have and the innovation capacity Europe retains in many fields from medical to space technology and from chemical to high-tech mechanical engineering.”

Elina Kamenitzer,
EIB head of Corporate Lending for Germany and Nordic Countries