

1994



# The Role of the European Investment Bank in Regional Development

EUROPEAN  
COMMUNITIES

 ECONOMIC AND  
SOCIAL COMMITTEE

Brussels 1994

**ECONOMIC AND SOCIAL  
CONSULTATIVE ASSEMBLY**

# **The Role of the European Investment Bank in Regional Development**

*EUROPEAN  
COMMUNITIES*

*ECONOMIC AND  
SOCIAL COMMITTEE*

Brussels 1994

**This publication is available in the following languages : Danish, Dutch, English, French, German, Greek, Italian, Spanish and Portuguese.**

**Cataloguing data can be found at the end of this publication.**

**Reproduction is authorized, except for commercial purposes, provided the source is acknowledged.**

**Catalogue No. : ESC-94-006-EN**

# CONTENTS

## PREFACE

### **OWN-INITIATIVE OPINION** of the Economic and Social Committee on the *Role of the European Investment Bank in Regional Development* . . . . . 1

1.	Introduction . . . . .	3
2.	The EIB in the new context of European Union . . . . .	4
3.	Consultation, cooperation, coordination and coherence . . . . .	6
4.	The EIB and the intermediary bodies . . . . .	8
5.	The intermediary bodies and the management of global loans . . . . .	9
6.	The intermediary bodies and their role in the new guidelines . . . . .	10
7.	The EIB and the promotion of investment by SMEs . . . . .	11
8.	The EIB and the new political, economic, social and monetary data . . . . .	13
9.	Final observations . . . . .	14

### **REPORT** of the Section for Regional Development and Town and Country Planning . . . . . 17

1.	Preliminary Remarks . . . . .	19
2.	The European Investment Bank: both an EC Institution and a bank . . . . .	19
3.	The EIB - an EC Institution linked to the other Institutions by virtue of its role in the Community . . . . .	25
4.	The EIB and its evolving role in regional development . . . . .	27
5.	The EIB and the new EC guidelines and new priorities for regional policy . . . . .	29
6.	Final observations . . . . .	31

## **PREFACE**

Quietly but effectively, the European Investment Bank has come to play an increasingly important role in recent years in the funding of Community regional investment.

Its activities have clearly had a major effect on the construction of Europe.

Recognition of these facts led the ESC in March 1993 to entrust its Section for Regional Development and Town and Country Planning with the task of preparing a report on the European Investment Bank's role in regional development.

On the basis of this report, the ESC went on to adopt an Own-initiative Opinion on the same subject on 23 February 1994 in the presence of the EIB President, Sir Brian UNWIN.

These two documents are contained in this brochure which the ESC hopes will help to give wider publicity to the European Investment Bank whose role and importance are bound to increase.

This is because the Maastricht Treaty has opened up new vistas for the Bank's activities and also because the Edinburgh, Copenhagen and Brussels European Councils - especially in conjunction with the growth initiative - have established new instruments and new tasks which, in turn, are paving the way for new discussions and ideas.

**OPINION**  
of the  
Economic and Social Committee  
on  
**The Role of the European Investment Bank in Regional Development**



On 23 November 1993 the Economic and Social Committee, acting under the fourth paragraph of Article 20 of its Rules of Procedure, decided to deliver an Own-initiative Opinion on

*The Role of the European Investment Bank in Regional Development*

The Section for Regional Development and Town and Country Planning, which was responsible for preparing the Committee's work on the subject, adopted its Opinion on 18 January 1994. The Rapporteur was Mr E. MULLER.

At its 313th Plenary Session (meeting of 23 February 1994), the Economic and Social Committee adopted the following Opinion by a majority vote, with one abstention:

**1. Introduction**

1.1. On 23 November 1993 the Committee authorized its Section for Regional Development and Town and Country Planning to issue an Own-initiative Opinion based on the Information Report on the European Investment Bank drawn up by the Section. This Report is to be regarded as constituting an integral part of the Opinion. The Opinion draws attention to the important role which the EIB can play in the process of European integration and the successful conclusion of EC policies, in particular regional development policy.

1.2. The Economic and Social Committee does not only have a duty to contribute, as effectively as possible, to ensuring that appropriate information is provided with regard to the role and operation of the EC Institutions. It is also duty-bound to take an interest in and to support improved coordination between EC, national and regional bodies and between the policies carried out at various levels in areas with a bearing - directly or indirectly - on regional development policy. The Committee's initiative will be useful at a time when a variety of new political developments have been agreed upon or are envisaged, namely: the reform of the Structural Funds; the establishment of the Cohesion Fund; the setting-up of the Committee of the Regions; recent developments in regional and structural policy in the Member States; the Treaty on European Union and its impact on economic and monetary union (EMU); the conclusions of the Edinburgh, Copenhagen and Brussels Summits, particularly in respect of the role of the EIB; the establishment of a European Investment Fund; the role which the Committee intends to play in future in the consultation and information fields; structural and regional development in the context of land-use planning and development in the EC in the run-up to the Europe of the 21st century; the establishment of the European Economic Area (EEA); and the applications to join the EC submitted by prospective Member States.

Furthermore, intervention by the EIB in support of the development of non-EC countries, as recommended by the Committee, in particular in its Opinion on Latin America<sup>1</sup>, is to

---

<sup>1</sup> Opinion No. CES 87/90, OJ C 705 of 26 March 1990.



be regarded as a factor which promotes stability and development and also helps, to a certain extent, to overcome a number of difficulties confronting the Community and its regions.

1.3. The above-mentioned Section Report, which provides a description and appraisal of a number of aspects of the role and operation of the EIB in the context of regional development, gives rise to a number of questions relating to the work and the future development of the EIB. A number of proposals and recommendations should be set out in this regard with a view to enabling this EC financial institution to attain optimum efficiency.

## **2. The EIB in the new context of European Union**

2.1. In the light of the various developments described in Chapters 3 and 4 of the Report, the present situation of the EIB is influenced to a considerable extent by both the measures arising from the recent Edinburgh, Copenhagen and Brussels Summits and a growing awareness of the possibilities provided by the EIB and the need to improve its interventions.

2.2. In this context mention should be made *inter alia* of:

2.2.1. The cooperation agreement in respect of the implementation of the financial mechanism for achieving cohesion (the future Cohesion Fund). This agreement, which was signed on 23 September 1993, should be seen as a step towards closer cooperation with a view to achieving greater complementarity between investments financed by the EIB and grants from the EC budget. It is to be hoped that the measures which have been adopted will highlight the need for a more wide-ranging coordination of the work of the various institutions and the need to achieve greater transparency in respect of all the parties involved.

2.2.2. Various views expressed by the Commission, in particular the memo entitled "Increasing the efficiency of the EC structural policies (1994-1999)", submitted by Mr Bruce MILLAN, Member of the Commission, to the informal Council of Ministers responsible for regional policy, held on 12 and 13 November 1993.

This memo, which contains a number of interesting aspects, points out that "the results of the efforts made to dovetail loans and grants more smoothly have so far remained disappointing"; the memo goes on to point out that the new Article 198E of the Treaty could facilitate a process of loan programming coordinated with the work of the Structural Funds.

2.2.3. The Council Resolution of 22 November 1993 on strengthening the competitiveness of enterprises, in particular of small and medium-sized enterprises and craft enterprises, and developing employment in the EC<sup>2</sup>.

---

<sup>2</sup>

OJ No. C 326 of 3 December 1993.



### 3. Consultation, cooperation, coordination and coherence

#### 3.1. Procedures for cooperation and consultation with the other EC institutions

A number of improvements should be made in order to bring about more effective mobilization of the financial resources available on the capital market and with a view to achieving the goal of economic and social cohesion highlighted by the ministers attending the Regional Policy Council on 12 and 13 November 1993.

3.1.1. Within the framework of the EIB's relations with the Commission, the need for greater efficiency dictates that the Bank should be involved in a more systematic way in the Commission's work with regard to the Structural Funds.

This would make it possible, for example, to limit the occurrence of situations under which a measure deemed eligible under an operational programme to receive financial support from the Commission was, at a later stage, regarded by the EIB as not meeting the qualifying conditions for a loan.

The necessary measures should also be taken to extend the machinery for consulting the social partners (Article 4 of the Framework Regulation on the Structural Funds<sup>3</sup>) to include the EIB.

3.1.2. In the light of the experience which the EIB has acquired and put into practice in the field of investment policy and bearing in mind the general development of the Community, consultation of the EIB when new guidelines for various aspects of EC policy are being formulated would be beneficial for all concerned. Such a step would, however, require a degree of change in attitude on the part of the Bank itself, the Commission, the Council and the individual Member States.

The Economic and Social Committee, for its part, could consider the advisability of cooperating with the EIB at a particular stage in the consultation process and the procedures to be involved, particularly in view of the fact that the Committee does not usually have the opportunity to consider the work of the EIB and its policies.

The Committee is all the keener to remedy this situation in that, by virtue of its membership and role, the Committee is a consultative body which has an overview of all Community policies and, furthermore, it may act as a go-between with socio-economic groups concerned with regional development. In the general context of the role of the Committee and the opportunities for consultation which it can provide, attention is drawn to its recent Opinions on (a) the Community's internal market after 1992 and (b) a strategic programme on the internal market<sup>4</sup>.

---

<sup>3</sup> REG (EEC) No. 2081/93

<sup>4</sup> OJ No. C 201 of 26 July 1993 and OJ No. C 304 of 10 November 1993.

3.1.3. All the consultation procedures will therefore have to be reviewed in the light of the need to coordinate the increasingly diversified activities of the Bank.

A way will have to be found to reconcile and coordinate activities in connection with the Cohesion Fund, the European Investment Fund, the implementation of the EFTA financial machinery and the tasks for which the EIB has always been responsible, against the background of consolidation of economic and social cohesion in the Community. Furthermore, all these measures will have to be coordinated with the work of the Commission in pursuit of the same objectives.

3.2. A higher degree of integration of the EIB in EC regional policy and coordination with other EC policies.

3.2.1. Cooperation between the EIB and the various EC Institutions is described in Chapter 3 of the Report.

3.2.2. With a view to the operation of the European Union and the achievement of economic and social cohesion, decisions have recently been taken to create a number of new instruments. These new instruments highlight the need to intensify efforts to find new synergies between, on the one hand, bodies operating in the field of the Structural Funds and, on the other hand, the EIB which, under its mandate, helps to promote investment with a view to achieving EC objectives, i.e. regional policy objectives. Such synergies can only be achieved if they are based on cooperation and coordination machinery which is both well-defined and flexible. There is also a greater need for such synergy in the light of the conclusions of the European Council held recently in Brussels (see point 2.2.5. above).

3.2.3. Does such machinery exist and operate in an appropriate way, bearing in mind policy imperatives? In the Committee's view such machinery is inadequate.

The recommendations and indications set out in various EC documents cannot give rise to any other judgement. Reference may be made here to, inter alia, the above-mentioned memo of 12 and 13 November 1993 in which it is stated that direct association of the EIB in the implementation of **Community support frameworks** has remained limited; the memo also points out that steps should be taken to coordinate the programming of loans with the work of the Structural Funds and that relations between EC bodies and national partners are hampered by excessive bureaucracy within the Member States.

3.2.4. Whilst recognizing that there is a will to act and the real effort which has been made to bring about cooperation and coordination between the EIB and the other institutions, the Committee nonetheless holds the view that there are shortcomings at all levels; it particularly stresses the need to establish more direct and more transparent channels of consultation, cooperation and coordination at Member State level and on the part of economic operators at national, regional and local level within the Member States.

3.2.5. Two problems arise here: (a) the operation of national and regional monitoring committees and, more generally, (b) ex-ante assessments of projects and ex-post assessments of the results of the projects, in the light of the resources available and the impact of the measures on the various areas and goals of EC policy.

With a view to more effectively meeting the need for complementarity and coordination between the various types of investment - which differ as regards both their direct objectives and their scale - consideration could be given to the establishment of a form of "observatory". Such an observatory could identify and coordinate the links between resources made available by the EIB, the EC budgets and national budgets and measures taken to achieve an economic and social cohesion which is beneficial to and readily understood by the populations concerned. In the Committee's view this observatory could readily fit in with the existing machinery without giving rise to a new burden of bureaucracy and constituting a new charge on the budget.

#### **4. The EIB and the intermediary bodies**

##### **4.1. Role of the intermediary bodies**

Cooperation with other banks is a feature of the EIB's work, particularly in regard to global loans which enable the Bank to extend its activities to funding small projects.

The financing of small and medium-sized projects is an increasingly important activity for the EIB. For obvious reasons relating to operational efficiency, the EIB cannot however examine and manage such operations itself. For this reason the EIB has, since 1968, been involved in specific cooperation with specialized banks and financial bodies at national, regional and sectoral level; these "intermediary bodies" act as the EIB's partners in implementing a special procedure for granting loans, the "global loan" procedure.

Under this procedure a line of credit is opened for use by the intermediary body, which is responsible for administering the funds and allocating the sum involved between the projects which have been selected in agreement with the EIB, and which are in accordance with the conditions and objectives established at the time of granting the global loan.

##### **4.2. The criteria for selecting the intermediary bodies**

The criteria employed by the EIB for selecting intermediary bodies to receive loans relate mainly to the intermediary's financial situation and involve an appraisal of its ability to make good use of the loan, its experience, knowledge of the market, and its links with the economic sectors, objectives and regions involved, and whether its portfolio matches the type of investments to be financed.

4.3. It has been observed that such cooperation with financial bodies established in the various Member States is not progressing at an even pace; the level of progress depends upon the

requirements involved and the capacity of the banking networks. In those Member States where banks traditionally have more funds at their disposal, there is less need to resort to EIB loans. This may also be the case in regions and states where economic activity is low.

4.4. Cooperation with the financial bodies has increased over the years and the EIB now has some 100 partner organizations throughout the Community.

The allocation of neither direct loans nor global loans is determined in advance. The volume of the global loans depends largely on demand which is itself dependent on the capital available on the market and the relative level of interest rates. As regards the volume of funds transferred, the EIB awarded global loans totalling ECU 3,258 m. in 1992; 8,788 loans have been granted on the basis of the global loans currently in operation, with a total value of ECU 4,071 m. Detailed information on the breakdown by country and by sector may be found in the EIB's Annual Report.

## 5. The intermediary bodies and the management of global loans

5.1. The intermediary body, which is, legally speaking, the party which contracts the loans from the EIB, has to undertake to use the global loan in accordance with instructions provided by the EIB. It also has to stand surety for the repayment of the loan.

The contract concluded in respect of the global loan specifies the amounts, the rate of interest, the duration of the loan and the currency involved. Subsequent loans granted within the framework of the global loan do not necessarily have to be in the currency of the global loan itself. The contract for the global loan also lays down a framework for the allocation of sums by the intermediary body. In practice multidisciplinary teams from the EIB (financial experts, economists, engineers) carry out an on-the-spot assessment of the ability of the intermediary bodies to distribute the loan; the system for monitoring the award of individual loans is selected in the light of this assessment. This monitoring may therefore take a number of different forms, depending upon the experience of the intermediary body and the confidence which the EIB has in that body. The EIB may therefore simply examine the list of applications for financing submitted by the intermediary body or it may decide to vet each individual dossier. On-the-spot visits are carried out when this is deemed necessary. There is also ex-post monitoring after the loan has been awarded to the final beneficiary: this monitoring involves examining the development of the projects which have been funded.

5.2. Individual contracts concluded by the intermediary body with the final beneficiary of the loan must be in accordance with the provisions laid down in the contract for the global loan. The interest rates charged by the intermediary body are, however, set by the intermediary itself; they generally reflect the conditions attached to the EIB loan, plus a margin for management costs and the banking risk borne by the intermediary body. It is the intermediary body which takes out the loan from the EIB and has to repay the loan and the intermediary body will therefore include the cost of the risk factor when calculating the interest rates on individual loans. Although the EIB is unable to stipulate any binding provisions as regards the interest rates to be paid by the final beneficiary of the

loan, the question nonetheless arises as to whether and to what extent the interest rate applied may be regarded as a form of competition between the intermediary bodies and may influence the EIB's decision to award a global loan to a particular intermediary.

The growing number of financial institutions and banks working in partnership with the EIB undoubtedly encourages competition, thereby helping to bring down the intermediary bodies' margins. The terms on which EIB global loans are made available depend on a number of other factors in addition to those mentioned above; these factors vary from country to country and are bound up with the general level of market interest rates and, where applicable, the provisions governing the coverage of exchange rate risks.

In addition to the favourable loan terms which promoters are able to obtain by borrowing from the EIB, special government measures to encourage investment in particular sectors, in the form of financial guarantees, fiscal measures or interest rate subsidies, may also help to make EIB loans an attractive source of finance for the final beneficiary.

The use of intermediary bodies may, however, have a number of drawbacks for SMEs. There is a belief that the terms offered under the current system continue to be less favourable than those which could be obtained by direct negotiations with the EIB, as practised by large undertakings and authorities.

5.3. In addition to the problems raised above, a more detailed examination should be made of the terms for guarantees and loan repayment procedures laid down by the intermediary bodies in respect of investors.

## 6. The intermediary bodies and their role in the new guidelines

6.1. The temporary loan facility which was adopted at the Edinburgh Summit, subsequently extended at the Copenhagen Summit, and which gives the EIB a greater role in the implementation of EC economic policies, has been extended to SMEs. The Community is to grant interest rate subsidies designed to reduce the interest rates on EIB loans to SMEs in the Community.<sup>5</sup>

It should be noted that, under its Statute, the EIB cannot grant interest rate subsidies. This does not, however, prevent another EC body from providing such subsidies, funded by the EC budget, for EIB loans.

---

<sup>5</sup> COM(93) 332 final - Proposal for a Council Decision on the provision of Community interest subsidies on loans for SMEs extended by the EIB under its temporary lending facility.  
 CES 1005/93 - Proposal for a Council Decision empowering the Commission to contract borrowings for the purpose of extending loans to Member States under the bridging facility (COM(93) 332 final)  
 CES 1002/93 - Proposal for a Council Decision on the provision of Community interest subsidies on loans for SMEs extended by the EIB under its temporary lending facility (COM(93) 332 final).

As the EIB loans to SMEs take the form of global loans managed by intermediary bodies, the latter are likely to have a role to play here since, by passing on the interest rate subsidies, they will be in a position to finance that part of the project cost which the EIB is unable to cover.

In the Commission's view financial intermediaries will have a major role to play with regard to the interest subsidy mechanism and it intends to ensure, in conjunction with the EIB, that the final beneficiaries of loans receive the full benefit of the Community's interest subsidies.

The practical procedures for collaboration with the EIB do not yet appear to have been defined and there are a number of problems in this respect.

6.2. The intermediaries are also affected by the decision to set up a European Investment Fund. This Fund will in fact act as a guarantee fund; it is to provide guarantees in respect of global loans granted to banks for allocation to SMEs.

The fact that these global loans are guaranteed by the European Investment Fund should have a bearing on the interest rate charged by the intermediary body. Since these bodies will no longer have to stand surety for the global loan, they should no longer incorporate the cost of the risk element in the interest rates charged to the final beneficiary, and the interest rate will therefore be correspondingly reduced.

6.3. If there is a desire to go further than the introduction of the abovementioned interest subsidies and to align the loan terms applicable to SMEs on the terms applied in respect of major projects and large companies, consideration should be given to the adoption by the EIB of similar financing methods to those employed by a number of investment banks in the EC Member States.

Here, too, the actual procedures in respect of the organization and implementation of these new principles have yet to be defined.

## **7. The EIB and the promotion of investment by SMEs**

7.1. The importance of SMEs for European integration and the internal market has been underlined on a number of occasions; numerous resolutions, declarations and action blueprints demonstrate the close link between SMEs and many EC policies. The pursuit of its policy on SMEs is undoubtedly one of the Community's main goals with a view to promoting economic and social cohesion and regional development. The recent annual report of the European Observatory for SMEs confirms the importance of this economic sector<sup>6</sup>.

---

<sup>6</sup> The European Observatory for SMEs - European Network for SME Research - EIM, P.O. Box 7001, NL - 2701 AA ZOETERMEER.



7.2. The opportunities which SMEs have to develop, or even their very survival, are to a large extent dependent upon the financing terms available to them when they are set up and the terms which may subsequently be offered to them.

The Committee has drawn attention in a large number of Opinions<sup>7</sup> to the difficulties which SMEs have in securing financing and access to the capital market. The Committee welcomes the Commission decision to draw up a Communication on the financing problems faced by small and medium-sized enterprises; this Communication will undoubtedly shed light on the difficulties which SMEs have experienced in this field.

The conclusions drawn from this Communication - following the consultation procedure in which the Committee is involved - could pinpoint possible EIB action to improve the financial situation of enterprises. This action could take the form of the introduction of a series of different financing arrangements, such as risk capital schemes.

7.3. At present the EIB helps to finance investments by SMEs through funds drawn on its global loans. The EIB's 1993 Annual Report pointed out that out of a total of 8,788 loans made available under the current global loans, 4,782 were awarded to SMEs in assisted areas (total value of the loans: ECU 1,463.1 m.), while 2,529 loans were made available to SMEs outside the assisted areas (total value of the loans: ECU 802.8 m).

The criteria used to identify SMEs are those generally applied at EC level; they cover the number of employees (with the exception of the hotel industry), and net fixed assets. Furthermore, SMEs do not qualify for EIB loans if part of their capital is held by a large company.

A more detailed study should be made of the repayment procedures and whether they are flexible enough to meet the specific financial characteristics of the SMEs which are being set up or expanded.

Attention is also drawn to the fact that, in addition to financing large infrastructure projects in connection with the trans-European networks, the European Investment Fund (EIF) will also act as a guarantor in respect of the financing of investments by SMEs. The modest level of resources allocated to the EIF is, however, a matter of regret.

7.4. It would undoubtedly be beneficial to improve the systems of "ex-post" assessments with a view to drawing more accurate conclusions - which would nonetheless still be only approximate - in regard to the economic justification and the social value of EIB assistance and the value of the current system of allocating loans as part of global loans.

---

7

For example:

Opinion on Enterprise Policy - a New Dimension for SMEs OJ No. C 102 of 18 April 1991;

Opinion on the Role of Mutual Guarantee Systems (MSG), in financing SMEs in the Community (OJ No. C 169 of 6 July 1992);

Opinion on SMEs and craft industries (OJ No. C 332 of 16 December 1992);

Opinion on Enterprise Policy - SMEs (OJ No. C 161 of 14 June 1993).

7.5. Leaving aside for the moment the measures currently being implemented such as the European Investment Fund and the system of interest rate subsidies referred to above, the question arises as to how and to what extent EIB assistance for SMEs could be improved.

Economic interest groups, at least those in certain Member States, appear to have difficulties with the arrangements for intervention by intermediary bodies, in particular in respect of global loans. The answer is certainly not to replace the intermediary bodies by setting up branches of the EIB in the Member States, or by taking action which would run counter to the principles of the market economy.

A number of new guidelines could be established, in accordance with the policy on the SME sectors, by improving arrangements for briefing the economic actors concerned at EC, national, regional and sectoral level, by strengthening coordination between the Commission and the EIB, between the enterprises and credit institutions concerned and between trade organizations and the public authorities. For example, the Commission Reports (Directorate-General for Regional Policy) detailing structural funds action in the various Member States could also systematically list EIB interventions. Similarly, the Commission's current high-level representations to the banking industry could also embrace the problems of financing enterprises in general and the scope for cooperation with the EIB in particular. The Member States could also review some aspects of their investment aid policy, fiscal policy, regional policy and land-use policy, with a view to possible cooperation and coordination with the work of the EIB. Finally, the SMEs and their trade associations could endeavour to establish soundly-based, effective mutual guarantee companies, which would not only help to facilitate access to loans, but could where appropriate effectively carry out the role of the intermediary bodies with regard to global loans.

## **8. The EIB and the new political, economic, social and monetary data**

8.1. It is not possible for the Committee to examine in detail in this Opinion the future prospects for the EIB's role, this role being laid down by the Treaty of Rome and subsequently confirmed by the Treaty on European Union.

It is, however, clear that new guidelines within the prescribed framework are beginning to emerge, particularly in the wake of the Edinburgh, Copenhagen and Brussels Summits.

On 23 September 1993, a cooperation agreement in respect of the "Financial Instrument of Cohesion" (future cohesion fund) was signed between the EC Commission and the EIB. Reference should also be made here to the above-mentioned Council Resolutions of 11 November 1993 and the conclusions of the informal Council of Ministers responsible for regional policy and land use, held on 12 and 13 November 1993.

8.2. Individual loans and loans allocated under global loans awarded on the basis of "horizontal criteria" are currently furthering a variety of objectives of interest to the Community. In addition to regional development objectives, the following objectives are also being promoted: trans-

European infrastructures and networks, the environment and living conditions, energy and industrial objectives, including international competitiveness and small and medium-sized enterprises. The objectives of Community interest currently "covered" by the EIB will probably undergo changes of emphasis and changes in the fields involved in the light of the following factors: the major changes which have occurred in recent years (opening-up of the former Eastern Bloc states, the upsurge in migration); economic stagnation and downturn in the EC, together with the attendant adverse effects, such as growing unemployment; the enlargement of the Community; the establishment of the European Economic Area (EEA) and the prospect of political union and monetary union in Europe. The question which therefore arises is whether the EIB will be involved directly in the consequent restrictions on and changes in the process of European integration, and whether the Bank will be able to respond satisfactorily without detriment to its specific role as an investment bank. It is thus likely that the EIB will undergo a major adjustment process and care should be taken here to avoid making the existing bureaucratic procedures more unwieldy.

8.3. Insofar as, under the provisions of the Treaty, the EIB is to act as an investment bank, it is primarily the responsibility of the Member States to encourage economic operators to avail themselves of the EIB's services in pursuance of the Member States' economic and social policies and, in particular, their policies for boosting growth and employment. In this same context consideration could be given to the possibility of making available loans under different terms, depending on what it is hoped to achieve by means of the loan.

8.4. In view of the increasing number of changes which will have to be introduced in a variety of areas of EC policy, it would be opportune to carry out an in-depth, overall appraisal of the role of the EIB.

## 9. Final observations

9.1. In this Opinion and the accompanying Report on the subject the Committee is endeavouring to bring about:

- a) a greater awareness of the role and activities of the EIB since ESC members may pass on the information contained in this report to a wider audience, provided that the parent socio-economic groupings give the report adequate publicity;
- b) an improved insight into the scope for EIB intervention and the restrictions on such intervention, and more direct awareness amongst the economic interest groups involved: SMEs, area authorities and, more generally, the social partners;
- c) the first steps towards closer coordination between the EIB and the Committee, particularly in terms of responding to the sometimes critical attitude taken with regard to the EIB's operation and with a view to securing a broad consensus and providing appropriate information, when necessary, in connection with the formulation, implementation, monitoring and assessment of new policy guidelines;

- d) effective consultation with regard to the various questions touched upon in the preceding chapters.

9.2. These questions may be grouped together under the following broad subject headings:

- a) improving information on the operation of the EIB by using appropriate instruments and existing information networks, such as the Euro-Information Centres;
- b) the endeavour to find procedures for securing coordination and complementarity between the work of the EC Structural Funds, the investment aid policies of the Member States and EIB interventions;
- c) the designation of the Committee as a forum for information, consultation and deliberation for trade organizations interested in the problem of financing enterprises and the EIB's role in investment finance;
- d) a proper understanding of the frequently observed imbalance between, on the one hand, the EIB's scope for intervention and, on the other hand, the amount of funds which could be used by the Member States in the implementation of their regional policies, and the search for greater convergence in this respect;
- e) the establishment of a system for the provision of information and cooperation between the Commission, the EIB and the Committee at the various stages in the implementation, monitoring and assessment of new regional development measures;
- f) discussions on ways of improving (a) financing conditions for SMEs and (b) their opportunities of securing finance, bearing in mind: the role of the intermediary bodies and the way in which they operate; the arrangements for repaying and guaranteeing loans; the system of evaluating EIB interventions; and the scope for upgrading the role of mutual guarantee companies. The Commission should support the establishment of such companies and the EIB could also perhaps help to promote cost-effective operation;
- g) the procedures under which the intermediary bodies, which specialize in the financing of SMEs, may have recourse to the European Investment Fund in respect of the provision of guarantees covering loans to SMEs, given the special role played by SMEs in stimulating growth.

In pursuance of the conclusions of the European Summit in Brussels and the proposals made by the Council, consideration will also have to be given to how the system of interest subsidies for SMEs is to be implemented. In the Committee's view the goal should be to introduce agreements between the intermediary banks and eligible enterprises which include clauses providing for a subsidy applied to a predetermined rate of interest.

9.3. In the light of this Opinion and the accompanying Report, the Committee believes that preparations should be made forthwith to organize a symposium, the topics of which would be determined in agreement with the Commission, the EIB and possibly with the Committee of the Regions. The aim would be to establish a form of dialogue at the Committee which could help to provide a better understanding of one of the key aspects of European integration and to formulate appropriate solutions. This symposium would be important for two reasons: it would on the one hand, provide the first opportunity for cooperation between the ESC, the Committee of the Regions and the EIB and it would, on the other hand, prompt an appraisal of relations between institutions having different roles and approaches.

**R E P O R T**  
of the  
Section for Regional Development and Town and Country Planning  
on  
**The Role of the European Investment Bank in Regional Development**

---

Rapporteur: Mr E. MULLER

---



## 1. Preliminary Remarks

1.1. There is a need to secure greater transparency and understanding of the goals and the operation of the Single Market through the provision of appropriate information and consolidation of the effectiveness of EC action and policies. Against this background the Committee decision to draw up an Information Report on the role played by the European Investment Bank (EIB) in the building of Europe in general and in the development of the regions of Europe in particular, should help to publicize an EC Institution which, in view of its nature and role, is in a position to demonstrate a level of efficiency frequently found wanting in the implementation of EC policy overall.

The Committee took the decision to draw up the Information Report on 25 March 1993. Following this decision the Committee's Section for Regional Development set up a Study Group (Chairman: Mr CONNELLAN; Rapporteur: Mr E. MULLER) which held meetings on the following dates: 6 July, 6 September, 25 October and 14 December 1993. The work of the Study Group culminated in the drafting of the present Report. In the light of the new guidelines adopted, in particular at the Edinburgh and Copenhagen Summits, the Committee instructed the Section, at its meeting on 23 November 1993, to draw up an Own-initiative Opinion on this subject.

The Study Group wishes to express its thanks to the representatives of the European Investment Bank for their very valuable assistance in the course of the drafting of this Report.

1.2. The primary purpose of the Report is to provide improved information -in particular for socio-economic groups in the Member States - on the EIB as an EC investment-finance body, the way in which it operates and the scope of its action.

## 2. The European Investment Bank: both an EC Institution and a bank

### 2.1. The EIB as an EC Institution

The EIB was established under Title IV of the EC Treaty (Articles 129 and 130). The new Articles 198d et. seq. set out in the Treaty of Maastricht define the EIB's role and its position in the context of the Community Institutions.

The statute of the EIB is set out in a protocol to the EEC Treaty. Its role is primarily that of a public institution which contributes by economic means towards the achievement of the eminently political goal of European integration, in accordance with the priority economic objectives defined by the Community.

### 2.2. The EIB as a bank

The EIB uses banking channels and banking resources to carry out its role and it is thereby closely linked to the realities of the market, which are in turn influenced by macro- and micro-economic factors.



The basic parameters governing the EIB's work, namely (a) its specific task of promoting balanced integration in Europe and (b) market forces not only serve to justify the Bank's special situation and autonomous status amongst the EC institutions, they also highlight the need for the Bank to operate with sufficient flexibility to adjust its work to developments in the Community and the economic environment. In view of these two factors it is therefore right to say that the EIB has to demonstrate both stringency in the management of its affairs and flexibility in its interventions. In contrast to the operations in the field of regional policy of the structural funds, which receive budgetary allocations, the EIB does not finance investments by means of grants. The EIB neither has to contend with budgetary restrictions, nor does it benefit from the advantages of the budgetary system. In carrying out its public role, it is bound rather by market requirements and the possibilities offered by the market.

2.2.1. The main goal of the EIB is to promote the harmonious development of the regions of Europe.

The role of the EIB, which was defined in the Treaty and has developed in line with the needs of EC policy is being extended to embrace other tasks which have only an indirect bearing on regional development, such as financing investments in energy projects, the development of advanced technologies, trans-European networks (TEN), protection of the environment and living conditions. It is also taking on tasks which, as demonstrated by the conclusions of the Edinburgh and Copenhagen Summits, go beyond the current framework for the Bank's activities. This observation appears to be an important one from the point of the view of the future development of the EIB against the background of the expected changes in EC policy. The extension of the EIB's basic activities may prompt questions with regard to the Bank's effectiveness, its structure and, more generally, the advisability of making modifications and the scope for such modifications.

2.2.2. Attention is drawn to the important role played by the EIB in channelling savings towards investments of EC interest; the EIB should also exert a positive influence at the level of the EC Member States and in respect of investors in a number of other ways:

- by helping to improve conditions on capital markets and investment financing conditions in a number of Member States, thereby benefiting investment and economic development. The duration of its loans and the level and fixed nature of its interest rates are key benefits offered by the EIB;
- with regard to economic activity, the EIB may create a knock-on effect by virtue of the volume of financing which it carries out and the diversity of its interventions may send out a signal to governments and economic sectors. Attention may also be drawn to the fact that the EIB is in a position to select those investments which are beneficial to the EC, by setting aside ill-conceived investment plans and those which it would not be viable to co-finance, thereby boosting the confidence rating of the projects which it decides to co-finance.

By selecting an area of operation and expertise at micro-economic level, the EIB may also help to bring about a more effective investment policy at macro-economic level;

- in respect of the extension of the ecu market.

The question arises as to whether the EIB does indeed exercise such an influence.

## 2.3. A bank with decision-making and financial autonomy

### 2.3.1. Administrative structure

2.3.1.1. The EIB's decision-making bodies and their duties are defined in the Statute of the EIB.

- The Board of Governors comprises one minister from each Member State (usually the Minister of Finance). It lays down general directives governing the credit policy of the Bank, which are in conformity with the development of EC policies. It takes decisions on increases in the Bank's capital and appoints members of the Bank's other constituent bodies.
- The Board of Directors comprises 22 directors and 12 alternates appointed by the Board of Governors for a renewable term of office of five years. The Board of Directors takes decisions in respect of the granting of loans and guarantees, the raising of loans and the fixing of interest rates, in accordance with the directives laid down by the Board of Governors.
- The Management Committee is responsible for the day-to-day running of the Bank. It comprises the President of the Bank and six Vice-Presidents appointed by the Board of Governors for a renewable term of office of six years.
- The Audit Committee, the statutory control body, consists of three persons appointed by the Board of Governors by virtue of their competence in the field. The Audit Committee is assisted by an internal audit department. The Bank also uses the services of an external auditing firm.

### 2.3.2. Financial Structure of the Bank

2.3.2.1. The EIB's capital has been increased on several occasions and currently stands at ECU 57,600 million. The capital is subscribed by the Member States. Only a small part of the capital is paid up (7.5% of the capital subscribed), the remaining part taking the form of guarantee capital. The EIB also holds statutory reserves, set at 10% of the capital subscribed and additional reserves.

The EIB's own funds comprise the capital paid up by the Member States and the Bank's accumulated reserves.

2.3.2.2. The EIB borrows most of its funds on the capital markets and takes advantage of the best loan conditions. Its high credit rating enables it to take out loans under the best conditions currently available on the market. As it is non-profit making, the EIB charges a margin of only 0.15% to cover its operating costs.

Under Article 130 of the EEC Treaty "the Bank shall, operating on a non-profit-making basis, grant loans and give guarantees which facilitate the financing of ... projects ...".

It should be noted that although it has not sought to maximize its profits, the EIB's financial management has been so successful that it has been able to achieve an increase in its reserves far in excess of the prescribed rate of the statutory reserve. Following a decision taken by the Bank's Board of Governors, the surplus reserves have been gradually transformed into paid-up capital which has meant that since 1991 the Bank has not had to seek new funds from the Member States. In the light of the considerable budgetary difficulties faced by the Member States this is a fact which should be highlighted.

2.3.2.3. In view of the growing need for finance to help bring about completion of the internal market, there has been a considerable increase in the activities of the EIB. The increase in the annual volume of loans from ECU 3,500 million in 1980 to ECU 7,900 million in 1985 and ECU 17,000 million in 1992 demonstrates not only the EIB's leading position as an EC financing institution of worldwide importance but also highlights the Bank's key role in promoting structural development in the EC.

2.3.3. The EIB makes available loans for financing investments and guarantees, in accordance with the rules set out in the Treaty of Rome and defined in greater detail by the Statutes and the directives and decisions issued by the Board of Governors, which adopts the eligibility criteria. EIB loans are granted only in respect of investments which promote (a) economic development in less-favoured areas, (b) the modernization or redevelopment of enterprises, and (c) the establishment of new activities in response to the gradual introduction of the single market or in respect of investments which are of common interest, i.e. investments which further the key objectives of EC policy.

In order to qualify for a loan, projects must meet conditions in respect of economic, technical, environmental and financial soundness. Applications are examined by multi-disciplinary teams drawn from the EIB's staff.

2.3.3.1. The EIB's Annual Reports give a detailed insight into the scope and development of the EIB's activity. By way of an example, the EIB Annual Report shows that loans from own resources within the EC totalled ECU 16,066 m. in 1992 and ECU 63,404.5 m. in the period 1988 to 1992.

2.3.3.2. The EIB grants long-term loans. Loans usually run for between seven and twelve years for industrial projects, but they may extend to twenty years or more in the case of infrastructure

projects. The Bank may allow borrowers to defer repayment of the principal. Loans may be paid out in one or more currencies.

Loans are generally made available at a fixed rate of interest. Under certain conditions they may be granted at a rate of interest which is subject to review or at a variable rate of interest. These latter terms are being applied ever more frequently.

It should, however, be noted that the EIB is not authorized to grant loans or extend guarantees in respect of the total financing of a project. As a general rule, loans cover a maximum of 50% of the cost of the investment. The EIB does not give interest rebates.

2.3.3.3. Special rules and procedures are followed in the case of projects financed outside the EC.

2.3.3.4. Large-scale projects are financed on the basis of individual loans arranged directly with the borrower (public or private) or indirectly through financial intermediaries.

Smaller-scale projects, promoted in particular by SMEs, are usually financed on the basis of global loans. The EIB's Annual Report for 1992 points out that the target areas for global loans have gradually been extended in order to take account of changing requirements and the diversity of EC policies.

Between 1991 and 1992 however there was a small fall in the number of global loans and the overall sum involved. Global loans are awarded to national and regional intermediary bodies, which are usually banks or financial institutions.

## 2.4. Projects and programmes - complementarity between sources of finance

2.4.1. The main ways in which investments which further the objectives of EC policy may be financed are by means of funds provided from budgets (the EC budget or the budgets of the Member States) and loans taken out on the capital market.

2.4.2. Whilst financing by the Structural Funds is based on programmes drawn up according to set rules, the economic, technical and financial characteristics of the projects financed by the EIB may be assessed and verified on a case-by-case basis, this being in line with the provisions of Article 130 of the EEC Treaty which defines the role of the EIB.

2.4.3. The existence of these two separate approaches does not, however, preclude simultaneous or successive intervention by the Structural Funds and the EIB in a specific Community Support Framework (CSF) or operational programme. Such joint intervention may occur, for example, in the case of broad-ranging projects where complementary funding is necessary for a variety of practical reasons.



### **3. The EIB - an EC Institution linked to the other Institutions by virtue of its role in the Community**

3.1. The EIB, which forms an integral part of the Community's institutional structure, has its own decision-making and administrative bodies and enjoys complete operational autonomy. In view of the EIB's special role and the contribution which it is called upon to make, its work has to be coordinated with that of the other EC Institutions.

Whilst some forms of cooperation are organized on an institutional basis, determined primarily by the Statutes of the EIB, operational cooperation has evolved on a day-to-day basis.

#### **3.2. Cooperation with the Commission**

At institutional level the Commission is represented on the EIB's Board of Directors by one full member and an alternate. These members are usually chosen from amongst the Directors-General of the Commission's DGs with which the EIB has the closest relations (economic affairs and regional policy).

The Bank also has to seek the Commission's opinion in respect of each project for which an application for a loan is made. In cases of differences of Opinion between the Commission and the Bank, the final decision on whether to allocate a loan is taken by the Board of Directors. The decision is taken on the basis of a unanimous vote, with the Commission Representative abstaining.

The Commission may call upon the EIB's Board of Governors to provide an interpretation of the directives governing the Bank's credit policy or to add additional provisions to these directives.

It should be noted that although applications for loans are usually forwarded directly to the Bank, they may also be made via the Commission or the Government of a Member State.

In addition to these statutory contacts, a large number of formal and informal links between the Commission and the EIB have come into being. Representatives of the Bank take part, either as observers or more active participants, in meetings of the various bodies and working parties operating in its field.

The EIB is involved in the implementation of the various forms of intervention by EC activity, particularly in respect of the Structural Funds. The EIB is also involved, working in cooperation with the Commission, in the definition of Community Support Frameworks (CSF) and the operational programmes for implementing these measures. As it is represented on the monitoring committees, the Bank is also able to play a part in monitoring this work and assessing the results.

### 3.3. Cooperation with the Council

There is no institutional framework for relations between the Council and the EIB.

Relations with the Council are mainly at the level of the EIB's Board of Governors. By virtue of its membership the Board of Governors has close ties with the ECOFIN Council, since the same ministers normally sit on both bodies. The ECOFIN Council is consulted in the case of EC development aid agreements which involve EIB loans requiring a specific decision by the EIB's Board of Governors.

Representatives of the Bank also attend Council meetings at which the subject under discussion directly or indirectly concerns the granting of loans.

### 3.4. Cooperation with the European Parliament

There are no statutory provisions governing the relations between the EIB and the European Parliament. The EIB is not subject to parliamentary scrutiny even though it takes part in the inter-institutional dialogue.

MEPs requiring particular information about the EIB may either (a) submit questions in writing to the Commission or the Council or (b) enter into direct contact with EIB bodies or departments in cases not involving official questions.

In practice, members of the EIB's Management Committee take part, either on their own initiative or at the request of the European Parliament, in working meetings or fact-finding meetings organized by the EP Groups or Committees. There are also contacts between the staff of the two Institutions.

Although the Bank's headquarters are in Luxembourg, contacts with the various Institutions are facilitated via an EIB office in Brussels.

### 3.5. Cooperation with the Court of Auditors

The Court of Auditors has no jurisdiction over the management of EIB operations financed from its own resources. These operations are subject to the specific supervisory procedures of the EIB which, as mentioned above, has its own internal supervisory body: the EIB Audit Committee. With the aid of an outside auditing firm, the Audit Committee verifies the conformity of operations and inspects the Bank's books on the basis of on-the-spot documentary verification of the Bank's files.

Where the Bank provides loans on behalf of the Community it reports regularly to the Commission, which in turn reports to the Court of Auditors.

### 3.6. Cooperation with the EC Court of Justice

The Board of Governors may submit to the Court of Justice disputes between the Bank and Member States, where the latter fail to fulfil their statutory obligations.

The Court of Justice is also competent to hear disputes with regard to the deliberations of the Board of Governors when action is brought by a Member State, the Commission or the Bank's Board of Directors. The body is also competent to hear actions alleging irregularities in the proceedings of the EIB's Board of Directors brought by the Member States or the Commission.

In the case of disputes with lenders, borrowers or third parties, cases are heard by national courts since the Bank has a service address in each of the Member States.

Contracts in respect of operations outside the EC do however generally contain a clause stipulating that the EC Court of Justice shall have jurisdiction.

The Court of Justice is also competent to adjudicate on disputes between the Bank and members of its staff.

### 3.7. Cooperation with the Economic and Social Committee

Although there are no formal links between the EIB and the Economic and Social Committee there are ongoing contacts between the two Institutions. One example of these contacts is that EIB delegates take part in the work of the various ESC working parties in fields of interest to both the EIB and the Committee.

Although the ESC is asked to issue Opinions on draft Directives and Regulations concerning regional development policy, it has not had an opportunity, except at occasional briefing sessions, to comment on the work and policy of the EIB - a key player in shaping regional policy.

3.8. This raises the question as to whether the EIB is able to influence the formulation and implementation of EC policies in general, and regional policies in particular.

The EIB should, of course, maintain its decision-making autonomy as regards financial management and its relations with the other EC Institutions.

## 4. The EIB and its evolving role in regional development

4.1. It was to take account of one of the EC's fundamental objectives that the Member States set up the EIB in 1958 under the Rome Treaty, namely: the harmonious development of the Community by reducing disparities between the various regions and the backwardness of the least-favoured regions. In addition to the promotion of regional development investment per se, the EIB pursues this goal by financing projects in the following fields: communications, infrastructure, trans-



European transport and telecommunications networks, the strengthening of industry's international competitiveness and EC-wide industrial integration, the provision of improved financing for SMEs, environmental protection, the improvement of living conditions and energy supply. In the case of these projects their eligibility for EIB loans is dependent upon whether they promote, either directly or indirectly, one of the above-mentioned objectives, irrespective of the area in which the project is to be carried out. This has been the objective pursued by the EIB, mirroring the Community's regional policy as it has evolved in the wake of successive enlargements.

4.2. Since its establishment the EIB has allocated two-thirds of its total loans to development projects in less-favoured areas. The Bank provides assistance not only to regions covered by the CSFs but also to a number of regions benefiting from national or regional aid schemes endorsed by the EC.

#### 4.3. The various stages

Since its establishment in 1958, the EIB has seen a considerable expansion of the work which it carries out in furtherance of the role attributed to it by the EC Treaty, which has in turn been amended in the meantime.

4.3.1. Prior to the establishment of the European Regional Development Fund (ERDF) in 1975, the EIB was the sole source of EC funding for regional development projects, apart from the redevelopment loans made available under the ECSC Treaty. With the establishment of the ERDF, the loans raised on the capital markets and made available by the EIB were complemented by grants from the EC budget.

4.3.2. **The Single European Act (Article 130a-d)** and the declared aim of strengthening economic and social cohesion led to reform: the doubling of the resources of the Structural Funds by 1993, strengthening of the synergy between EC and national measures, and an increase in cooperation between EC financial instruments. The EIB's Board of Governors decided to play a part in the implementation of these reforms.

In a Decision dated 19/20 July 1993, the Council revised the following instruments: the Regulations reforming the Funds; Regulation (EEC) No. 2052/88 on the role of the Structural Funds, their effectiveness and coordination between the interventions of these funds and the interventions of the EIB, and other existing financial instruments; and the Regulation implementing the latter framework Regulation (Regulation No. 4253/88).

4.3.3. As part of the measures undertaken to strengthen economic and social cohesion, attention should be drawn to the Commission's Communication of 23 December 1988 referred to in Point 2.4.5. above and the principles set out in that Communication.

4.3.4. The signature of the Treaty on European Union further underlines the EIB's role in promoting economic and social cohesion (see Article 198e). The underlining of the EIB's role in

promoting cohesion points to the development, alongside the EIB's traditional activity, of new interventions - which clearly need to be defined - as a result of the increased cooperation with the Commission and the Council.

4.4. EIB involvement in regional development may be outlined as follows:

- investments in all areas eligible under the Structural Funds (Objective 1, Objectives 2 and 5b);
- action on the basis of more flexible criteria allowing aid to be targeted locally in line with the Objectives, and action in areas covered by other specific measures or by national aid arrangements;
- measures with an indirect effect on regional development and relating to infrastructure financing (communications, energy, environment, SME investment, etc.).

4.5. The EIB's Annual Reports, periodic bulletins (EIB-Information) and other publications provide detailed information on the financing of direct and indirect investment in regional development<sup>2</sup>.

## 5. The EIB and the new EC guidelines and new priorities for regional policy

5.1. Measures have been taken recently to improve specific EC regional development policy instruments, e.g. the reform of the Structural Funds<sup>3</sup>.

5.2. These innovations in regulations and procedures are a response to a new situation and new needs. Taking a wider view, however, it is worthwhile looking at some factors which, at the Community's present stage of development, may have or will definitely have an impact on how regional policy is adapted to new needs and equipped with appropriate instruments (including the EIB).

5.3. The consultative document (Green Paper) on the Future of Community Initiatives under the Structural Funds<sup>4</sup> rightly notes some fundamental changes over recent years:

- the creation of the Internal Market means that new ways have to be found to boost European industry;

---

<sup>2</sup> See memo of 26 January 1993. "The EIB and regional development", Chapter 2: Activities 1989 to 1992.

<sup>3</sup> Cf. CES 601/93 - COM(93) 303 final.

<sup>4</sup> COM(93) 282 final.

- all the Member States are affected by economic recession, higher unemployment and budgetary difficulties;
- all the Community's regions are feeling the pressure of competition and economic and social change. Hence the problem of weaker or backward regions has to be seen in perspective;
- as a result of the political changes and economic difficulties in the countries of Central and Eastern European, the Community is confronted by problems which, in various respects, have to be seen in the context of regional development and a revamped regional policy;
- the same applies to preparations for the admission of new Member States.

5.4. A number of factors will eventually give a new direction and new priorities to Member State regional policy in general and, more specifically, to EC regional development policy, its scope, ways and means. These factors are: the promotion of rural development areas; living conditions in urban areas; the need to promote inter-regional and trans-border cooperation in various areas of Community policy; awareness in the Member States and regions of the problems of balanced development based on carefully thought-out regional development plans; the setting-up of the Committee of the Regions; and the quest for improved economic and social cohesion.

5.5. New discussions and consultations should make use of the expertise of the EIB in an appropriate way and in agreed areas. Bearing in mind the experience in investment policy which the EIB has acquired and the general development of the Community, there are grounds for believing that it will be beneficial if the EIB is consulted when new guidelines for the various areas of Community policy are being formulated. Such a step would require a certain change of attitude on the part of the Bank itself and the Commission and the Council. Furthermore, the Economic and Social Committee could consider whether and in what way it could collaborate with the EIB at an agreed stage.

5.6. The Conclusions of the Presidency - Edinburgh, 12 December 1992 - provide interesting information on the role and contribution of the EIB as regards the mobilization of the necessary financial resources to ensure that the strengthening of economic and social cohesion in the Community is carried out on a sound economic basis.

With a view to promoting a revival of the economy the European Council took a number of measures which would provide the EIB with new challenges.

As part of the structural measures, the Council confirmed the provisions in the Maastricht Protocol on cohesion which stipulated that the EIB must continue to devote the greater part of its resources to promoting cohesion; the Council also encouraged the Bank to provide more loans for States benefiting from the cohesion fund and for Objective I regions. The Council therefore underlined the complementary role to be played by the Bank in issuing loans and the importance of those loans to underdeveloped regions.

In addition to its assistance for purely structural objectives, the Council called upon the EIB to introduce, in collaboration with the Commission, a temporary loan scheme, with a budget line of ECU 5,000 m. designed to speed up the financing of infrastructure projects. The establishment of a European Investment Fund is also planned. The decision to establish this Fund was made by the EIB Governors but the decision will, however, make it necessary to amend the Bank's Statute. The new Fund will have operational autonomy and will have a separate legal personality and separate accounts from those of the EIB. It will have its own management personnel.

The European Investment Fund will have a capital of ECU 2,000 m. subscribed by the EIB, the EC and public and private banks. The Fund's interventions will be designed to facilitate the financing of large infrastructure projects within the framework of trans-European networks and the financing of investments benefitting SMEs.

Initially at least, the Fund will in actual fact serve as a guarantee fund. Its interventions will take the form of financial guarantees and it will operate on the basis of banking criteria. In the field of networks, the guarantees provided by the Fund will supplement, or indeed replace, the guarantees provided by public authorities, thereby facilitating private financing. As regards assistance to SMEs, the guarantees provided by the Fund will mainly be allocated in connection with the global loans granted to banking institutes; the project's viability will be the criterion for providing guarantees.

5.7. As part of the Agreement on the European Economic Area (EEA), it was decided to introduce a financial instrument to promote development and restructuring measures in Greece, Ireland and Portugal and in the Objective 1 regions of Spain. The management of this instrument was entrusted to the EIB under a cooperation agreement between the EIB and the Commission signed in June 1993 and supplemented by a further agreement providing for coordination of the use of the abovementioned financial instrument and the implementation of the EC Structural Funds.

## **6. Final observations**

6.1. This Report sets out to provide a brief description of a number of the EIB's fields of operation. Detailed information on the investment activities of the EIB may be found in the Bank's Annual Reports and Information Notes.

6.2. The need to provide information which is readily accessible to economic agents and investors became apparent in the course of the drafting of this Report. The Report also highlighted a number of problems and matters of concern which should be looked at in greater detail. The Own-initiative Opinion drawn up by the Committee represents a first step in this direction.

European Communities - Economic and Social Committee

***The Role of the European Investment Bank in Regional Development***

1994 - 32 pages

DA, DE, EN, ES, FR, IT, NL, PT, GR

Catalogue no. : ESC-94-006-EN

**This publication deals with the Own-initiative Opinion of the Economic and Social Committee on the Role of the European Investment Bank in Regional Development as well as with the Report of the Section for Regional Development and Town and Country Planning on the same subject.**

---

ECONOMIC AND SOCIAL COMMITTEE  
Directorate for Communications  
Public Relations Division

Rue Ravenstein 2  
B - 1000 Brussels

Tel. 519 90 11  
Fax 513 48 93

Telegrams ECOSEUR  
Telex 25 983 CESEUR

Catalogue Number : ESC-94-006-EN