



Европейска инвестиционна банка
Evropská investiční banka
Den Europæiske Investeringsbank
Europäische Investitionsbank
Euroopa Investeerimispank
Ευρωπαϊκή Τράπεζα Επενδύσεων
European Investment Bank
Banco Europeo de Inversiones
Banque européenne d'investissement
Banca europea per gli investimenti
Eiropas Investīciju banka
Europos investicijų bankas
Európai Beruházási Bank
Bank Ewropew tal-Investment
Europese Investeringsbank
Europejski Bank Inwestycyjny
Banco Europeu de Investimento
Banca Europeană de Investiții
Európska investičná banka
Evropska investicijska banka
Euroopan investointipankki
Europeiska investeringsbanken

Ms Tara Kelly
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British-Irish Parliamentary Assembly
Leinster House
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Dublin 2

EXP BEI-EIB
B 002020 28.MAY 15

Luxembourg, 26 May 2015

Dear Ms Kelly,

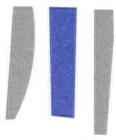
Let me thank you for your letter and the enclosed 'Report on the European Investment Bank' ("the Report"), prepared by Committee B of the British-Irish Parliamentary Assembly. We also thank you for the opportunity to take note of and respond to its findings.

As a general point, we should like to point out that some of the figures in the Report are out of date, for example, EIB lending in the UK and Ireland has increased considerably. In fact, in 2014 the EIB signed EUR/GBP 7/5.4bn of operations in the UK and EUR 0.9bn in Ireland, an increase of 21% and 37% compared to 2013. More specifically, however, we note that the Report contains twelve recommendations, six of which are directed at the EIB. As such, please find our response to each of those six recommendations below.

Paragraph 26, Page 8 – “We recommend that the EIB, national governments and devolved institutions do more to raise awareness of this additional source of funding”:

The EIB participates regularly in conferences and industry events to raise awareness of its activities in the UK and Ireland.

Over the last year, for example, the EIB participated in an event on “Supporting investment in innovation in the UK”, in May 2014, that was organized by the EIB in collaboration with the Department for Business Innovation & Skills (BIS), with HM Treasury, the Confederation of British Industry (CBI) and the British Business Bank.



In November 2014 we participated in “UK Businesses: Opportunities through the International Development Work of EIB”, organised by the EIB in collaboration with UK Department for International Development (DFID) and the UK Trade & Investment (UKTI) Aid-Funded Business Service Team (AFBS), and provided an overview of the EIB’s activities outside the European Union.

By way of further examples, Jonathan Taylor, the Bank’s Vice-President responsible for, inter alia, the UK and Ireland, regularly makes himself available for participation in conferences or similar events to explain the role of the EIB and its various activities. The same applies to the Head of the EIB Representative Office in the UK and other senior members of staff based in Luxembourg. There is an ongoing dialogue and engagement with the devolved administrations in Wales, Northern Ireland and Scotland which builds on the relationships that the EIB has established through past interactions and loan signatures. In fact, the Bank is keen to showcase specific loan signatures because of the exemplary effect these events have in highlighting concrete actions undertaken.

Additionally, the EIB is always accessible to participate in other events organized by the local authorities in the UK and Ireland to raise awareness of the EIB, as an additional source of funding, and to demonstrate the type of projects that we have funded locally.

Paragraph 33, Page 10 – “We recommend that the EIB inform the commercial banks of the type of activities these “on-loans” have been used for so that the commercial banks might have more confidence to allocate loans through an assessment of the project rather than on the basis of collateral”:

The EIB has regular contacts with commercial banks regarding the type of financial products and facilities available and how these might be deployed for the ultimate benefit of their clients. Indeed, some examples of these are provided in your Report. This requires a close and interactive partnership between EIB and the commercial banks to facilitate the rapid deployment of EIB loans to deliver economic impact by addressing the financing needs of small and medium size project promoters.

Moreover, potential beneficiaries of this financing (SMEs or others) will find on EIB’s web-page exhaustive information on the intermediated finance lines pen by the EIB and the relevant contact person at every intermediary bank (link: <http://www.eib.org/projects/priorities/sme/eu/index.htm>)



Paragraph 45, Page 12 – “We call on the European Investment Bank to review its processes to explore whether it is being as effective as it can be”:

The EIB is a constantly-evolving organisation, which strives to streamline its processes to effectively meet the needs of its clients

We are aware that we have a duty to act responsively and efficiently and in our processes we strive for simplicity and the application of best banking practices while ensuring accountability (this is enshrined in Article 12 of the EIB Statutes, as amended in July 2013, and monitored by the independent Audit Committee). In addition, our Operations Evaluation Division carries out ex-post evaluations of the EIB Group's operations. The objective is to assess operations with a view to identifying aspects that could improve operational performance, accountability and transparency.

Paragraph 45, Page 12 – “Good practice, such as in establishing a single point of contact, should roll out so that all countries can achieve the maximum benefit” and “The EIB's expertise ... should be made more readily available, so that it is not only dispensed in relation to a particular project”:

The EIB actively promotes knowledge management, both within and outside of the Bank. For example, in 2014 the Bank reorganised all of its advisory services and activities to bring them under a single organisational structure and leadership to ensure that synergies and best practices are better exploited.

Additionally, a European Investment Advisory Hub¹ (EIAH) will be established under the Investment Plan for Europe (see more about the EFSI below). This advisory hub will act as a single point of contact with the purpose of providing advice to investors, project promoters and public managing authorities on project identification, development and preparation and will provide its services at both EU and local level. The EIAH external website is due to go live in the summer of 2015.

Paragraph 45, Page 12 – “The most emphatic message we have received during this inquiry is that the Bank is risk averse. We call on the EIB to assess its levels of risk, the incidences of defaults on a loan, and explore how it might de-risk projects”:

The EIB's record of minimal loan losses has been sustained by its culture of prudence, its eligibility criteria which have largely excluded speculative or other high

¹ As defined in the European Fund for Strategic Investments Regulation.



risk forms of lending, and its insistence on high standards of project appraisal and due diligence. The EIB intends to maintain these fundamental policies in an environment that is increasingly volatile, competitive and complex.

However, good banking practices and prudence do not mean that the Bank is risk averse. Indeed, in recent years, the Bank has adapted to the increased market need for higher-risk lending. Two examples of higher risk initiatives are RSFF/InnovFin and EFSI.

InnovFin: through the Bank's previous 'Risk Sharing Finance Facility' (RSFF) and now through 'EU Finance for Innovators' (InnovFin), the Bank has increased its level of lending to riskier projects. InnovFin is a joint initiative launched by the EIB and EIF in cooperation with the European Commission under Horizon 2020. It consists of a series of integrated and complementary financing tools and advisory services offered by the EIB Group, covering the entire value chain of research and innovation (R&I) in order to support investments from the smallest to the largest enterprise. It is available across all eligible sectors under Horizon 2020, in EU Member States and Associated Countries and, by 2020, it is expected to make over EUR 24bn of debt and equity financing available to innovative companies to support EUR 48bn of final R&I investments.

InnovFin builds on the success of the former RSFF. During the 2007-2013 programming period, the RSFF financed 114 RDI projects to the tune of EUR 11.3bn and signed 29 guarantee contracts with a total guarantee amount of over EUR 1.4bn. Under the new 2014-2020 programming period, the EU and EIB Group have more than doubled their combined support for innovative firms in Europe. In addition to more financing being made available, InnovFin also offers a greater product range.

EFSI: a key element of the Investment Plan for Europe is the establishment of the European Fund for Strategic Investments (EFSI). EFSI aims to increase investment in infrastructure, innovation and the private sector by addressing the market failure in risk taking which is holding back investment. EFSI aims to unlock EUR 315bn of total investment by addressing market gaps and mobilising private capital.

Products under the EFSI include high risk loans and guarantees, subordinated and mezzanine debt and equity or equity-type investments. Each of these products has a different effect in mobilising other sources of funding but their common characteristic is that they enhance risk bearing capacity.



To close, we would like to take this opportunity to thank the Committee members for their Report and the Bank remains available for further clarification on any of the responses detailed above, if required.

Yours sincerely,

Werner Hoyer
President

Jonathan Taylor
Vice-President