



Innovative support for cross-border investments, an EIB perspective

René-Laurent BALLAGUY

Managerial Advisor at the EIB, Advisory Services

7th Annual Meeting of the EGTC Platform

Brussels, 9 October 2017

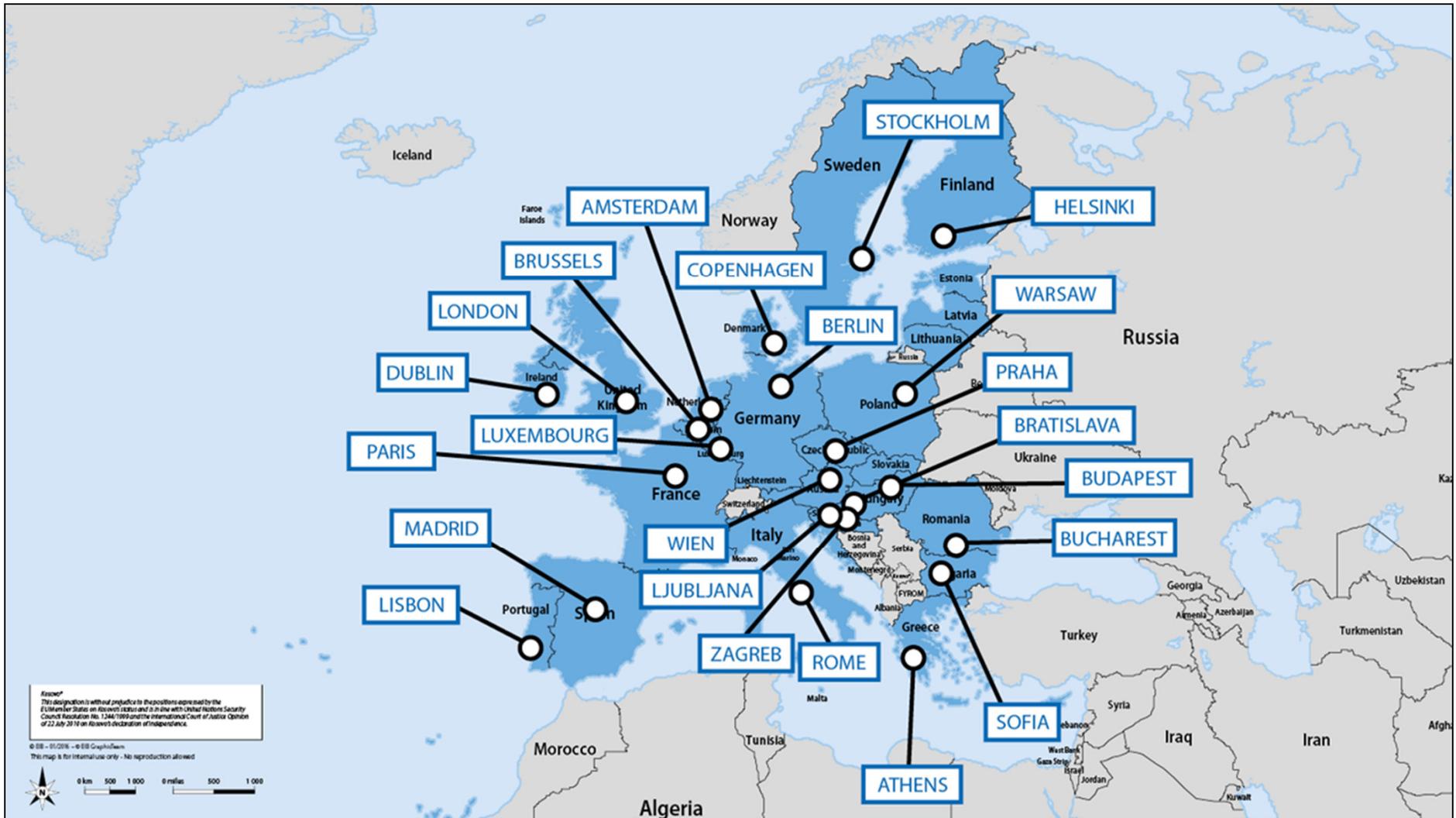
Outline of the presentation

- **What is and what does the EIB Group?**
- **Cross-border investments from an EIB perspective**
- **A window of opportunity for bringing together all stakeholders?**

The EIB Group at a glance

- **Largest multilateral lender and borrower in the world** (EUR 83.8bn in 2016)
 - **A quite simple economic model :**
 - We raise funds on the international capital markets
 - We pass on favourable borrowing conditions (due to an AAA rating and a not for profit model) to our clients
- **Some 450 projects each year** in over 160 countries and four main sectors: environment, infrastructure, innovation and SMEs
- **Headquartered in Luxembourg** and has 40 local offices
- **Around 3100 staff:**
 - Not only finance professionals, but also engineers, sector economists and socio-environmental experts
 - Almost 60 years of experience in financing projects

EIB Offices within the EU



EIB products and offer

We help catalyse investment by

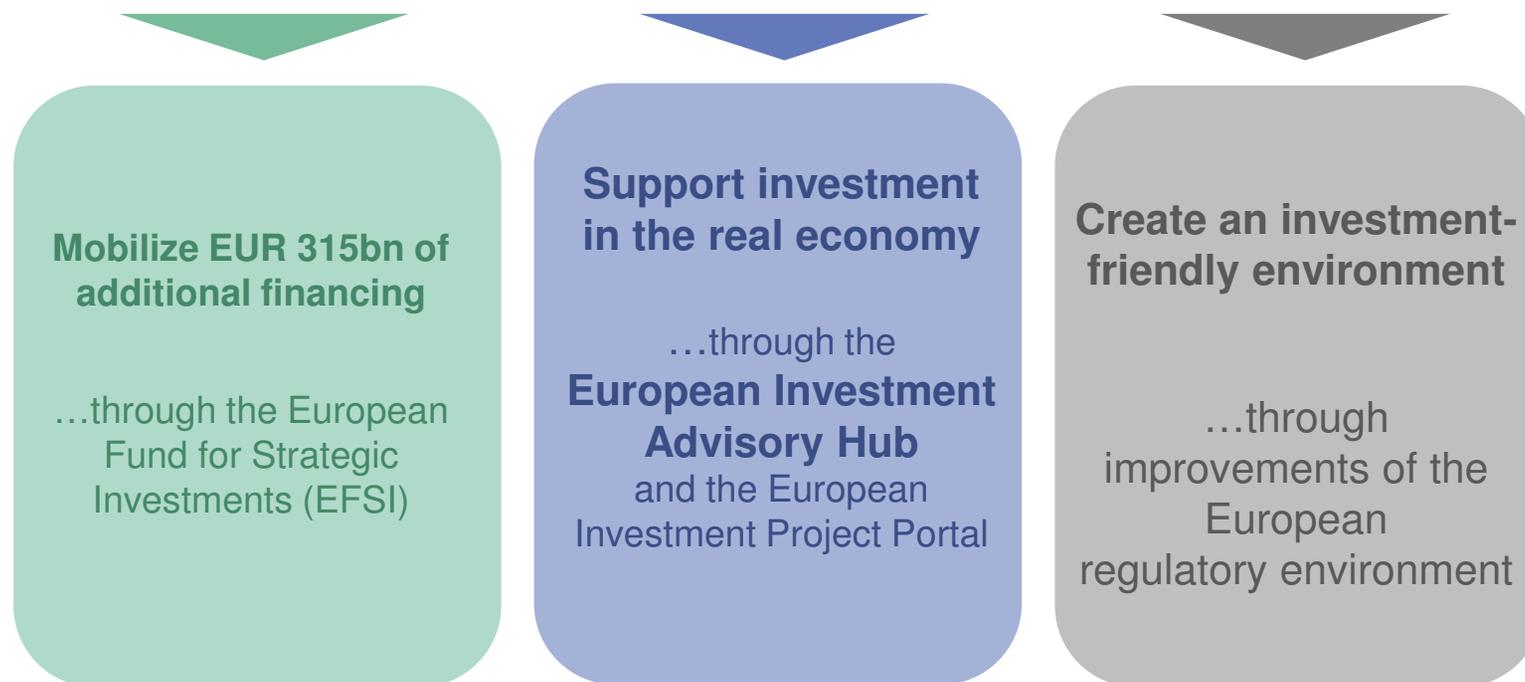
LENDING	BLENDING	ADVISING
<p>Loans</p> <p><i>But also:</i></p> <p>Guarantees & Equity participation</p>	<p>Combining EIB finance with EU budget</p> <p>Project Bond Initiative, IPE</p> <p>Higher risk projects for innovation (InnovFin)</p>	<p>Support for projects preparation and implementation</p> <p>Support to enhance the use of EU funds</p> <p>Support to improve access to finance</p>
<p>Attracting FUNDING for long-term growth</p>		

The traditional EIB approach in relation to CB investments

- **Around 100 cross-border projects financed by the Bank** since its creation (mostly major TEN-T projects in the transport or energy sector)
- **Evaluation of 11 cross-border TEN-T projects** (2006, available on line): substantial opportunities for the EIB to provide VA, acknowledgement that cross-border projects are prioritised by the Bank, potential JASPERS role at EU-wide level
- **A limited number of global loans** (with regional public sector banks) **or framework loans** (co-financing of INTERREG programmes)
- **Partial Involvement of the Bank in the framework of the macro-regions strategy** (e.g. Danube and Baltic) : project preparation support, pilot experiences for a limited period of time
- **Cross-border dimension also captured through Foreign Direct Investment** (more than 4600 FDI projects financed by the Bank since 2000, potential tech and know-how transfer beside financial aspects)
- Since 10 years, **advisory instruments** have also dealt with cross-border investments, in particular JASPERS (Meuse river), JESSICA (implementation of a Urban Development Plan at Alzette-Belval in Lorraine)

A renewed EIB approach in the context of the IPE

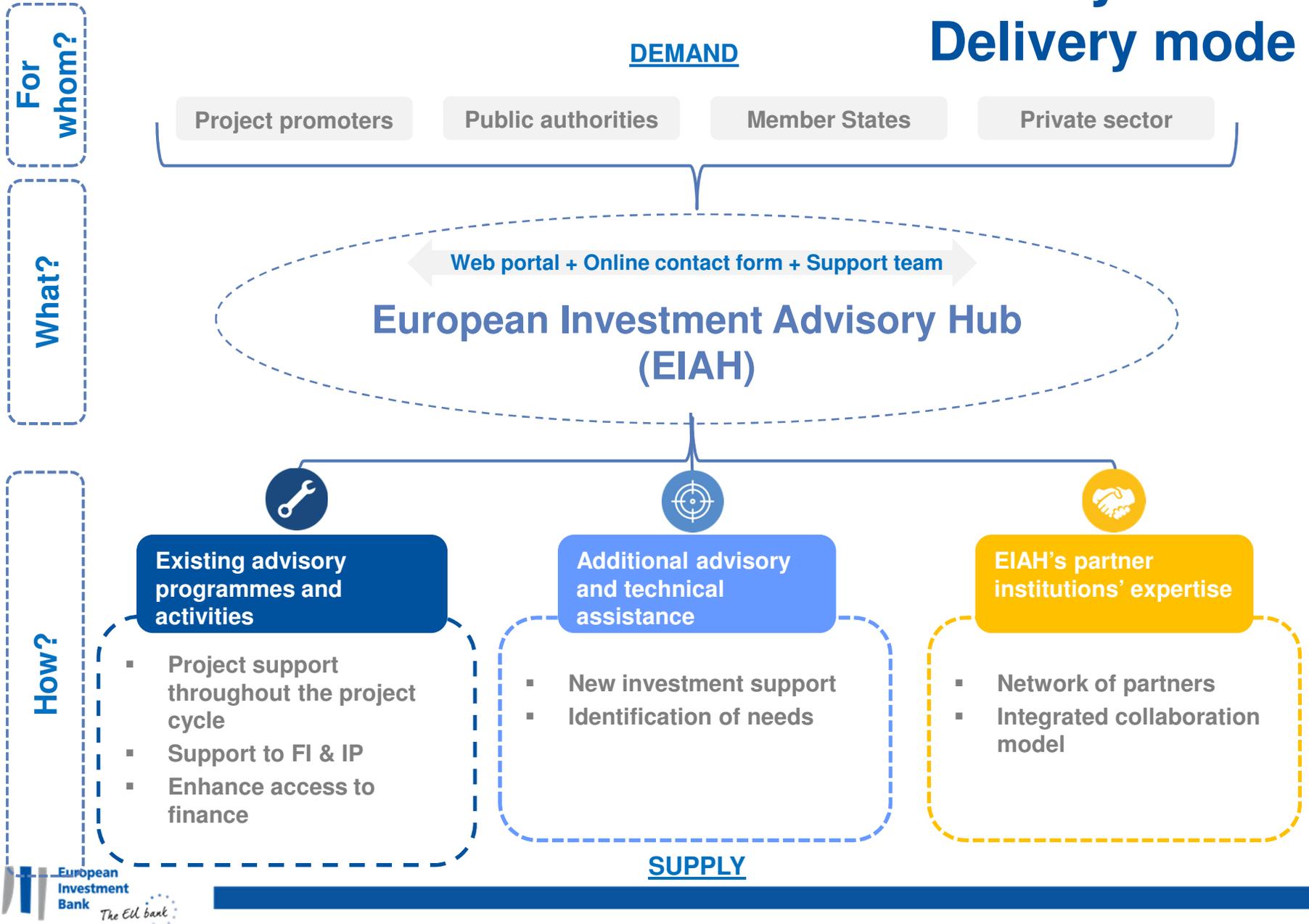
The 3 pillars of the Investment Plan for Europe



- A demand driven instrument to **support projects across the Union as well as cross-border projects**
- Possibility to **establish multi-country platforms to promote cross-border projects**
- **Key role of the Advisory Hub managed by the EIB**

What is the Advisory Hub?

Delivery mode



With EFSI 2.0. a stronger focus on CB projects and dimension

- **Reinforcement of additionality of the projects** supported with **cross-border infrastructure projects**, including related services, having been **specifically identified as providing additionality**
- To better address market failures or sub-optimal investment situations, projects supported shall typically have features such as (...) **cross-border characteristics** or “consist of **physical infrastructure linking two or more Member States** or of the extension of physical infrastructure or services linked to physical infrastructure from one MS to one or more MS” (art. 5.1)
- Support to motorways should be avoided, unless it is needed to support private investment (...) in **cross-border transport projects involving at least one cohesion country**
- **The EIAH** shall provide
 - targeted support on the use of technical assistance for project structuring, on the use of innovative financial instruments and on the use of public private partnerships
 - **support for the preparation of projects** (...) referred to Article 5(1), i.e. **having cross-border characteristics** (art. 14.1)
- On that renewed basis, the AS of the EIB
 - Has started to **participate in conferences and WG linked to CB issues**
 - Establish **contacts with different stakeholders** with a view to **develop new partnerships** , e.g. managing authorities of Interreg Ops, MOT, macro-regions, etc.

The current convergence of policies & instruments, a window of opportunity?

- **Convergence of policies**

(towards the recognition of the importance of CB dimension)

- Current **extension and enlargement of the IPE** (Reg. (UE) 2015/2017) via EFSI 2.0: priority character of CB projects reinforced whilst additional means provided
- EC Communication “**Boosting growth and cohesion in EU border regions**” mentions IPE as a potential contributor to the development of border regions
- **Academic & political recognition** of additional growth potential in CB regions (8%)
- **Next post-2020 MFF** represents a fertile ground for debate: future of regional and cohesion policy, role of the EIB, possibility to go beyond the grants vs loans debate

- **Convergence of instruments and budget lines**

(towards a possible enlargement of the financial means dedicated to CB projects and programmes)

- **Combination of EFSI and ESIF money** is currently operational (FI & Inv. Platforms)
- **Beyond ERDF** other SF such as EARDF are also envisaging the use of FI
- **Possibility to extend such FI to border regions** to be further explored (see below)
- **EIB Advisory potentially very supportive for CB projects** : such projects are often non-mature and complex projects requiring specific technical, legal or financial expertise that the EIB AS and the EIAH is currently offering

The possible convergence of stakeholders, a pipedream?

- **The 2 categories of stakeholders managing CB projects/programmes**
 - On the one side, **local and regional authorities managing Interreg OPs** having a small budget to spend and dealing principally with small size and “soft” CB projects
 - On the other, **large financial institutions (including the EIB)** dealing mainly with large infrastructure CB projects (interconnection of Ten-T in particular)
- **Bringing together these 2 groups of stakeholders?**
 - **Possible combination (and co-financing?) of a series of small-middle size projects** with one (or 2) large scale project under the same framework or integrated programme
 - Major projects have often a **strong structuring impact** on their environment
 - Impact of such projects can be optimised when they are designed and developed in **coordination with smaller scale local projects**
 - All practitioners and experts of the regional policy acknowledge that **such an integrated approach usually better address local needs and specificities**
 - Good news is that these stakeholders are both **acknowledged experts** in their respective fields of intervention (good knowledge of local realities on the one side, good financial expertise on the other) and **long-lasting/established stakeholders**

Workable options

Outstanding questions

- **Short- or mid-term option**
 - **Identify a sufficiently mature large or mid-size CB project** which could serve as a real testing case for bringing together some of these stakeholders
- **Longer-term option**
 - To set-up a dedicated financial instrument or investment platform to **finance a cross border integrated programme** associating all these stakeholders
 - To be also validated through experimental/testing phase
- **Prerequisites to be gathered:**
 - **Initial goodwill and sufficient alignment of interests** among stakeholders
 - **Local or national leader** to support the project all along the process
 - Collective acknowledgement of a **possible failure**
- **Outstanding questions**
 - Institutional maturity and legal feasibility?
 - Real relevance/applicability of the integrated approach?
 - What sort of entity to manage a FI or an IP? Is EGTC a reasonable option?
 - Appropriate sectoral scope and geographical frame?
 - Existence of a business case: financial viability and sustainability of the model?
 - Compatibility with political agenda and local priorities?

Contact for more info

ballaguy@eib.org

Additional slides

A few examples of projects supported by the Advisory Hub

Renewable Energy projects

Following the request from a national government for help with the structuring and financing of several small-scale renewable energy projects, the Hub is providing support to develop the underpinning strategy and to clarify major issues (e.g. a proper demand analysis and cost-benefit analysis).



Broadband projects

The Hub is looking at various high-speed broadband projects in underserved areas, and is working to help assess/establish an investment and financing model that ensures sustainable implementation, as well as technical support.



Ecology programme in the Danube region

Request for project implementation/coordination support for a major ecology programme in the Danube region. A consultant will be engaged by the Hub to develop a roadmap prioritising the delivery of a series of critical sub-projects/actions and identify possible sources of funding.



Transport PPP-project in an EU member state

Promoted via the national roads agency, the project relates to a TEN-T axis road. Advisory input focused on techno-economic review of project documentation as well as support with PPP structuring.



Investment Platform

Definition

“means a special purpose vehicle, managed account, contract-based co-financing or risk-sharing arrangement or arrangement established by any other means by which entities channel a financial contribution in order to finance a number of investment projects.

Investment platforms **may include:**

- (i) National or sub-national platforms that group together several investment projects on the territory of a given Member State;
- (ii) Multi-country or regional platforms that group together partners from several Member States or third countries interested in projects in a given geographic area; or
- (iii) Thematic platforms that group together investment projects in a given sector.”

Article 2, EFSI Regulation N°2015/1017

Investment platforms

Key features

- Pooling of projects with thematic or geographic focus
- Flexible geographic scope- possibility to finance projects in a region, country, a group of countries incl. macro-region (multi-region platform)
- Flexible form: co-financing agreement, SPV, Fund, etc.
- Possibility for an EGTC to set up Investment Platforms not yet explored
- More efficient risk allocation between investors (lower transaction and information costs)
- Useful to pool or bundle small projects
- Possibility to combine EFSI and ESIF, EIB and/or other support (Member State, private investors)
- Cooperation with National Promotional Banks and Institutions under specific rules (explicitly envisaging a “regional cross-border platform”)
- EIB-AS and EIF-MM Services dedicated to the design of and support to local / regional Investment Platforms