



ICLC Conference



**The Impact of the financial crisis on banks specialising
in public finance and on their local partners**

The public finance banks experience

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The European Investment Bank

- The European Union's financing institution ...
 - Created by the Treaty of Rome in 1958, to provide long-term finance for projects implementing the EU's policies
 - Subscribed capital: EUR 232.4bn as of 1.4.2009
 - EIB shareholders: 27 Member States of the European Union
 - Lending EUR 57.6bn (2008); EUR 70 bn (expected 2009)
 - Priority Lending Activities
 - ❖ Environment + Energy
 - ❖ R&D Knowledge Economy
 - ❖ Trans-European Networks for Transport and Energy (TEN)
 - ❖ Small and Medium-sized Enterprises (SMEs)
 - ❖ Economic and Social Convergence of Member States



EIB Lending priorities

EU & accession (EUR Bn)	2007	2008	2009*	TOTAL
Cohesion & Convergence	18	17	24	59.0
Trans-European Networks TENs	9.3	8.9	12.7	30.9
Sustainable energy	8.7	10.1	12.7	31.5
Environmental sustainability	16.3	13.5	16	45.8
Innovation	10.3	10.7	13.6	34.6
Small & medium enterprises SMEs	5	7	11.5	23.5

* *prévisions*

Neighbourhood & partnership countries	3.5	3.5	5	12.0
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EIB and the financial crisis

Crisis Impact on Economies and Funding Conditions

- negative economic growth in most countries since 2008
- sharp reduction of tax revenues and restrictive fiscal policies as part of rescue packages
- unavailability of commercial bank LMT financing, in particular for PPPs
- unavailability of trade financing, performance bonds etc
- sharp widening of risk margins in an environment of total risk adversity

EIB response to the crisis

- Increase of EIB total lending volume by some 30% in 2009 & 2010
- Additional support for SMEs and mid-cap companies
- Increase of direct support to public investment with local authorities
- Increase of support to public finance banks re-financing public investment
- Additional lending within the energy and climate change package



New Instruments

- **Joint Assistance to Support Projects in European Regions (JASPERS)**
Technical Assistance
- **Joint European Support for Sustainable Investment in City Areas European Regions (JESSICA)** *Urban renewal studies & TA*
- **“Marguerite” 2020 European Fund**
Fund for Energy, Climate Change and Infrastructure
- **Loan Guarantee Instrument for TEN Transport (LGTT)** *Guarantee*
- **The European PPP Expertise Center (EPEC)** *PPP Taskforce*



EIB's approach to PPPs

Effects of the crisis on PPPs:

- Financings available reduced
- Syndicated loan market not operating
- Banks' margins increased
- Senior debt tenors reduced
- Lack of consistency in terms and conditions
- No viable capital market solution to replace the wrapped bond market



EIB's approach to PPPs

EIB's approach:

- Based on the evaluation of the benefits achievable
- No bias in favour of any particular procurement method
- Expertise & financial resources for “infrastructure” investment

Measures introduced by the Public sector:

- Direct guarantee to private sector
- Indirect guarantee to private sector
- Refinancing guarantee
- Public sector co-lending facilities

Differences between guarantees for poorly structured projects and guarantees which address reasonable lender risk on the largest deals



CONCLUSION

Huge needs of financing of local authorities/ debt increase/budgeting constraints

European banking system concentration: positive and negative aspects

Financial markets progressively improving but to a changed situation

Finally:

- **a renewed & strengthened partnership between EIB and public finance banks;**
- **Some new features of the public intervention and more sophisticated financing schemes with PPPs.**



EUROPEAN INVESTMENT BANK

Thank you for your attention

<http://www.eib.org>