

## THEORETICAL CONSIDERATIONS CONCERNING EUROPEAN INVESTMENT BANK

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**Abstract:**

*The paper is structured from the perspective of the European Investment Bank's mission to contribute to the balanced and uninterrupted development of the internal market in the interest of the European Union. In this context of concerns, it highlights B.E.I. activities to priority areas: innovation and skills, small business access to finance, climate change and the environment and strategic infrastructure. The work also stops on investment projects that B.E.I. develops them in the Republic of Moldova, and not least on the investment program for the European Union until 2020.*

**Key words:** *European Investment Bank; capital market; financing; European Parliament; projects.*

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### 1. PRELIMINARY REMARKS

The European Investment Bank (EIB) was created in 1958 under the Treaty of Rome by signing it by the six founding states (Germany, France, Italy, Belgium, the Netherlands, Luxemburg) that established the European Economic Community (WHAT).

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B.E.I. was set up for the long-term financing of investment projects needed to develop regions left behind. The bank's initial capital was \$ 1 billion, consisting of 25% gold and 75% national currencies of member countries. Shareholders of B.E.I. are the Member States of the European Union<sup>1</sup>, each of which has the obligation to contribute to the capital of the Bank according to the gross domestic product (of each state).

In 1958, the headquarters of the institution was established in Brussels, and in 1968 he moved to Luxembourg, where he is still present. Banks are also a regional office network in Europe (Athens, Brussels, Lisbon, London, Madrid and Rome) but also outside.

B.E.I. in particular, to finance projects for the development of trans-European transport, telecommunications, energy supply, environmental protection, increasing international competitiveness and industry and small and medium-sized enterprises, EU infrastructure, but also support programs for developing countries Central and Eastern Europe and former Soviet Union countries in the Caribbean, Pacific and African Mediterranean basin<sup>2</sup>.

Denmark, France, Italy, Japan, Switzerland and Austria benefited from the first loans.

B.E.I. borrow from capital markets and provide low-interest loans for infrastructure improvement projects, electricity supply, or environmental improvement in both EU countries. As well as in neighboring or developing countries.

## **2. REGULATION OF THE EUROPEAN INVESTMENT BANK**

B.E.I. is included in Articles 308 and 309 of the Treaty on the Functioning of the European Union (TFU); Additional provisions

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<sup>1</sup> I. Boghirnea, *The reasoning of the Formal Sources of Community Law*, Annals of Eftimie Murgu University, Fascicola II, (Resita, 2009), 85-91.

<sup>2</sup> J. Echkenazi, *European Union Guide*, (Bucharest: Niculescu, 2008), 30.

supplementing these Articles are also: Art. 15, art. 126, art. 175, art. 209, art. 271, art. 287, art. 289 and art. 343 T.F.U.E.

In addition, the Protocol (No 5) on the Statute of the European Investment Bank and the Protocol (No 28) on Economic, Social and Territorial Cohesion, annexed to the TEU (Treaty on European Union) and T.F.U.E. The European Investment Bank is self-financing, being independent of the European Union budget.

B.E.I. grants long-term funding for projects, guarantees and advice to promote the Union's objectives, supporting projects both within and outside the EU<sup>1</sup>. Investments are placed in industry, services, education, health, environment and infrastructure.

To create additional funding sources for large-scale infrastructure projects in the EU, in particular in the key energy, transport and information sectors, the Europe 2020 Project Bond Initiative was created to fund projects<sup>2</sup>. B.E.I. supports the implementation of the Europe 2020 Strategy objectives. The pilot phase for the implementation of the concept began in the summer of 2012.

B.E.I. has legal personality<sup>3</sup>, acting within the limits given to him by T.F.U.E. and by the status provided for in Protocol (No 5) to the Treaties (Article 308 TFUE).

### **3. THE RESOURCES OF THE EUROPEAN INVESTMENT BANK<sup>4</sup>**

According to art. 309 T.F.U.E., is funded from its own resources and from the international capital market. Own resources are provided by Member States, according to Art. 308 T.F.U.E.

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<sup>1</sup> Dario Paternoster and Dražen Rakić, *Declares on the European Union, the European Investment Bank*, <http://www.europarl.europa.eu/factsheets/ro/sheet/17/banca-europeana-de-investitii>, 2018

<sup>2</sup> Dario Paternoster and Dražen Rakić, op. how; Ioana-Nely Militaru, *European Union Law*, Third Edition, reviewed and added, (Bucharest: Universul Juridic, 2017), 345-346.

<sup>3</sup> Valcu Elise, *Institutional Community Law*, University Course. Third Edition, Revised and Addition, (Craiova: Sitech, 2012), 253

<sup>4</sup> Idem

Each Member State contributes to the EIB's capital, according to art. 4 The B.E.I Statute, the contribution being calculated according to the economic power of the Member States.

In order to strengthen the EIB's role in financing the economy and supporting economic growth in the Union, the June 2012 European Council recommended an increase of EUR 10 billion in subscribed and paid-up capital. The Board of Governors of the EIB has taken a unanimous decision [Art. 4 par. (3) of the Statute] on the capital increase, which entered into force on 31 December 2012. The subscribed capital increased to EUR 242.4 billion and the subscribed and paid-up capital increased by EUR 10 billion to EUR 21.6 billion. From the international capital market B.E.I. obtains funds by issuing bonds, this being the main source of financing of B.E.I. The European Investment Bank is one of the most important supranational bond issuers in the world. In order to obtain cost-effective financing, it is important that the institution concerned has a high credit rating. The most important credit rating agencies currently assign the highest ratings to the European Investment Bank, reflecting the quality of its credit portfolio. B.E.I. generally finances a third of each project, but financial assistance can reach 50%.

The main funding instruments used by B.E.I. are loans and guarantees. Credits are mainly granted in the form of direct<sup>1</sup> or intermediate<sup>2</sup> credits.

Additional sources of funding included, among others, an initiative of B.E.I. with a view to materializing large-scale infrastructure projects in the EU, particularly in the key energy, transport and information technology sectors. To finance projects, as we have seen, the Europe 2020 bond issuance initiative has been created. The pilot feasibility phase of the concept, as we have seen, started in the summer of 2012.

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<sup>1</sup> Direct project credits are granted subject to conditions, for example, the total cost of the investment should not exceed EUR 25 million and the credit can only cover up to 50% of the project costs.

<sup>2</sup> Intermediate credits consist of lending to local banks or other intermediaries, which in turn support the final beneficiary. Most of the appropriations are granted in the member states

In addition to long-term funding, B.E.I. it also provides advice on infrastructure projects. For example, JASPERS for New and Future Member States provides technical, economic and financial advice throughout the life cycle of the project in order to optimize the use of Structural Fund funding and the Cohesion Fund.

#### **4. THE B.E.I. GROUP<sup>1</sup>**

The EIB's shareholders are the EU Member States. In turn, B.E.I. is the majority shareholder of the European Investment Fund (FIE), together with it is the EIB Group. Under the Investment Plan for Europe proposed by the Commission, the EIB Group is part of a wider strategy to cover the investment deficit by protecting investors from some of the risks inherent in the projects.

The EIB Group was set up in 2000 and is made up of B.E.I. and the European Investment Fund (F.E.I.). The European Investment Fund (EIF) was set up in 1994 and was created as a public-private partnership consisting of three main shareholders, namely: the EIB as a major shareholder with 62.2%, the Commission%) and other public and private financial institutions (7.8%). F.E.I. offers various forms of instruments, such as venture capital. Credits granted by F.E.I. focuses in particular on small and medium-sized enterprises (SMEs) and uses a wide range of innovative tools to improve SMEs' access to finance.

#### **5. COMPOSITION AND COMPETENCE OF THE EUROPEAN INVESTMENT BANK**

The members of the Bank are Member States. The bank's shareholders - the Member States of the European Union - subscribe collectively to the capital of the bank, and the contribution of each country reflects its economic power in the Union.

The bank is organized as follows<sup>1</sup>:

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<sup>1</sup> Dario Paternoster and Dražen Rakić, 2018, op. how; Valcu Elise, *European Community Law*, (Craiova: Sitech, 2008), 218

**a. The Governing Council** shall be responsible for the management of the EIB; is composed of the finance ministers of the Member States. The Governing Council sets out the general guidelines for credit policy, approves the annual balance sheet and report, decides to increase the capital and appoints the members of the Board of Directors of the Governing Board and the Verification Committee;

**b. The Management Board** has 24 members proposed by the Member States and one proposed by the European Commission. Members are appointed for five years.

**c. The Governing Board** shall be composed of the Chairman and Vice-Chairmen of the Bank for a period of six years, on the basis of the proposals of the Board of Directors and the Governing Council.

**d. The Verification Committee**, appointed by the Board of Governors, is responsible for checking the regularity of bank operations.

B.E.I. cooperates with the EU institutions, its representatives participate in the committees of the European Parliament, and the President of the European Parliament. attends Council meetings when the Ministers of Economy and Finance of the Member States meet.

By appealing to the capital markets and its own resources, B.E.I. has the mission to contribute to the balanced and uninterrupted development of the common market in the interest of the Union (Article 309 TFUE). To this end, the Bank facilitates, by granting loans and guarantees and without pursuing a lucrative purpose, the financing in all sectors of activity of the following projects:

- a. projects aimed at developing less-debated regions;
- b. projects aimed at modernizing or converting entrepreneurs or creating new activities as a result of the establishment of a progressive common market which, by their size or nature, can not be financed entirely by the different means existing in each of the Member States;
- c. projects of common interest for several Member States which, by their size or by nature, can not be fully funded by the various means existing in each Member State (Article 309 TFEU).

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<sup>1</sup> O. Ținca, *General Community Law*, (Bucharest: Didactic and Pedagogical, 1999), 98; Militaru, *European Union Law*, 347.

Also, B.E.I. facilitates the financing of investment programs, coupled with assistance from the Structural Funds and other Union financial instruments.

The European Investment Bank should not be confused with the European Bank for Reconstruction and Development (BERR). B.E.R.D. was created in 1991 with the contribution of B.E.I. - 3%, for the purpose of lending to Central and Eastern European countries, in order to achieve the transition to a functioning market economy<sup>1</sup>. Upon the establishment of B.E.R.D. more than 40 countries participated; more than half of its share capital is constituted, with the participation of the European Union<sup>2</sup>.

## **6. INVESTMENT PROJECTS IN THE REPUBLIC OF MOLDOVA OFFERED BY B.E.I**

The European Investment Bank is interested in developing relations with the Republic of Moldova. Thus, B.E.I. provide assistance for the implementation of national road rehabilitation projects and financially support projects aimed at aligning the vocational system with the needs of the labor market in the field.

In 2014, the European Investment Bank grants 100 million euros to Moldovan fruit producers (based on a statement of intent to launch and implement this project). Another project of cooperation between B.E.R.D. and B.E.I. offered to Moldova is an investment of 130 Million Euro for infrastructure, which is very important, transport and water.

In 2018, the representatives of the United Nations Development Program of Moldova (NNU) and the EIB. have reconfirmed the availability of financial support for projects in the field of energy efficiency in the public and residential sector. "Unlocking the Energy Efficiency Market of the Building Sector in the Republic of Moldova". In this context of concern, the representatives of P.N.U.D. and B.E.I. have

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<sup>1</sup> C. D., *European Union. Institutions. Mechanisms*. Ed. III, (Bucharest:C H Beck, 2007), 80-81

<sup>2</sup> Dacian, 80-81

reconfirmed the availability of financial support for public and residential sector energy efficiency projects<sup>1</sup>.

"Unlocking the Energy Efficiency Market for the Building Sector in the Republic of Moldova" is aimed at unblocking the financing for public and residential buildings by creating a comfortable legal framework and a favorable investment climate, as well as attracting additional financial resources from global initiatives approach to environmental issues. The projected budget of the initiative is about 86 million dollars, of which \$ 60 million is provided by the EIB, and \$ 26 million - obtained as non-reimbursable resources from the F.V.C.<sup>2</sup>.

### **CONCLUSIONS. THE EUROPEAN INVESTMENT BANK AND THE NEW INVESTMENT PROGRAM FOR THE EUROPEAN UNION<sup>3</sup>**

In recent years, the European Union has faced a low level of investment due to the global financial and economic crisis, which is why the Union institutions have provided for an appropriate legislative framework for this period, which has materialized in the following legislative initiatives:

- the Commission's Communication, entitled "An Investment Plan for Europe", comes with solutions to ways to boost investment in the EU<sup>4</sup>. , creating jobs and stimulating economic growth and long-term competitiveness;

- the proposal for a regulation<sup>5</sup> of the European Parliament and of the Council on the European Investment Fund (ESF)<sup>6</sup>;

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<sup>1</sup><http://www.basarabia.md/republica-moldova-pnud-si-bei-isi-consolideaza-efortul-de-colaborare-in-domeniul-eficientei-energetice/>

<sup>2</sup><http://www.basarabia.md/republica-moldova-pnud-si-bei-isi-consolideaza-efortul-de-colaborare-in-domeniul-eficientei-energetice/>

<sup>3</sup> Paternoster and Rakić, *Declares on the European Union, the European Investment Bank*

<sup>4</sup> COM (2014) 0903.

<sup>5</sup> I. Boghirnea, *The General Theory of Law*, ed. 3rd, (Craiova: Sitech, 2013), 29.

<sup>6</sup> COM (2015) 0010.



- Legislative resolution adopted by the European Parliament (25 June 2015) on the proposal for a regulation of the European Parliament and of the Council on the European Investment Fund<sup>1</sup>. F.E.I.S. has set out to generate private investment by mobilizing public funds and creating an investment-friendly environment.

To this end, a parliamentary committee evaluates the activities of B.E.I. and report back to the plenary session at which the EIB president is invited. On April 28, 2016, Parliament adopted a resolution on the Annual Report of B.E.I. in 2014. Parliament's resolution proposed that the new investment program should aim to support EU policy objectives, prioritizing investments to speed up economic recovery and increase productivity by:

- promoting employment among young people, innovation and SMEs;
- enhancing environmental sustainability and climate change mitigation measures;
- promoting economic and social cohesion and convergence.

Through its adopted resolution, Parliament specified the need for F.E.I.S. to operate effectively, fully transparent and fair, and reminded that the guarantee for F.E.I.S. is intended to allow B.E.I. to take more risks; Parliament also proposed that B.E.I. to seriously assess the financial, social and environmental impact of the project bonds initiative, to update the external dimension of B.E.I. and to increase the governance, transparency and control framework of B.E.I.

The EIS Regulation also established the European Investment Advisory Board (EIA), which aims to provide advice and technical assistance for identifying, preparing and developing investment projects. E.I.A.H. is a partnership between B.E.I. and the Commission, both of which contribute financially<sup>2</sup>. B.E.I. is responsible for the management of the counseling platform.

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<sup>1</sup> Texts Adopted, P8\_TA (2015) 0236.

<sup>2</sup> Paternoster and Dražen Rakic, *Declares on the European Union, the European Investment Bank*

In December 2017, the so-called "F.E.I.S. 2.0 ", which entered into force on January 1, 2018, and extends the duration of F..E.I.S (until the end of 2020), also improving fund and E.I.A.H. One of the main elements is the increase of the U.E. guarantee to EUR 26 billion and of the B.E.I. to EUR 7.5 billion, in order to mobilize additional investment funds worth 500 billion EUR<sup>1</sup>.

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<sup>1</sup> Paternoster and Dražen Rakic, *Declares on the European Union, the European Investment Bank*

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