

Financing provided by the European Investment Bank in Croatia

The European Investment Bank's lending operations in Croatia support projects that help the country to meet EU accession criteria and to integrate rapidly into the Union. Since 2001, EIB lending in Croatia has exceeded EUR 900 million. At the beginning of the decade the EIB focused on the construction and rehabilitation of the country's infrastructure, especially transport infrastructure, which has absorbed some 60 % of total EIB lending in Croatia.

In addition, the Bank finances investments by small and medium-sized companies through local financial institutions, and lends support to projects in the areas of industry and services. In the near future the Bank envisages extending its operations to the environmental, health and education sectors. This implies a growing number of loans to the private sector and municipalities to support investment.

Tasks and priorities of the EIB

The EIB is the European Union's financing institution, set up in 1958 under the Treaty of Rome. Its mission is to contribute to the realisation of the policy objectives of the European Union by providing long-term finance for sound investment projects.

The 25 EU Member States are the joint owners of the EIB. After accession to the EU, Croatia will also become a shareholder of the EIB. The EU's policy objectives and the Bank's lending priorities include:

- Regionally balanced economic development and social cohesion in the Union through support for the economically weaker regions
- Strengthening Europe's competitiveness by supporting research, development and innovation
- Extension of trans-European transport, energy and telecoms networks
- Environmental protection and improvement
- Improvement of infrastructure in the education and health sectors
- Support for small and medium-sized enterprises (SMEs)
- Support for EU development and cooperation policies with Partner Countries

Regional development

Financing projects contributing to economic progress in assisted areas remains the key activity of the EIB. The Bank aims to ensure that at least two-thirds of its annual financing goes to projects in regional development areas.

R&D and innovation

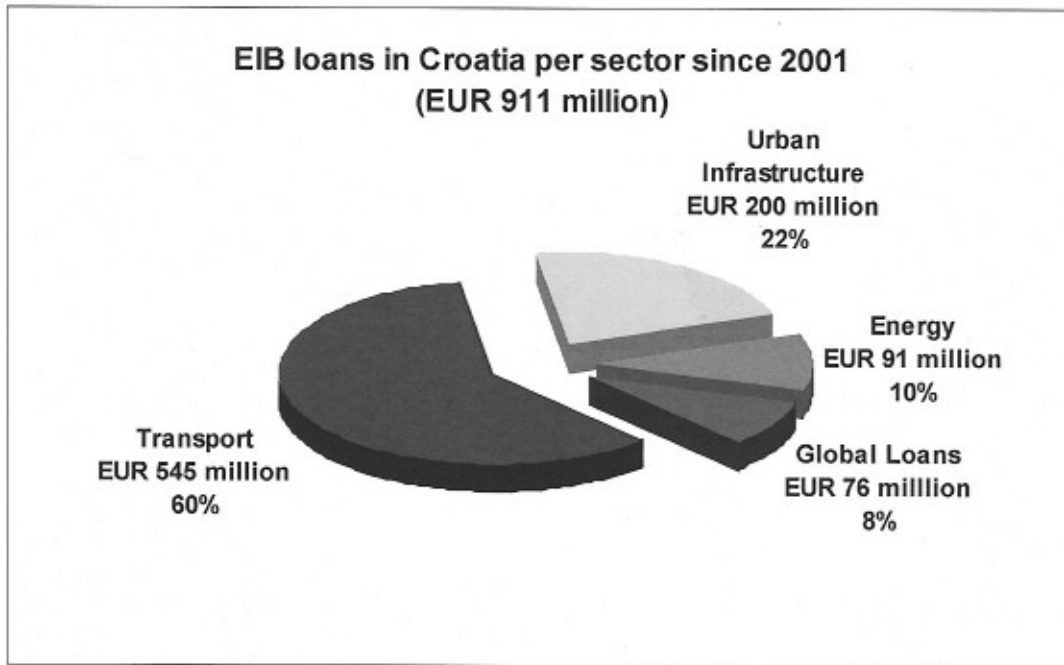
In line with the Lisbon strategy of making Europe innovative and competitive, the Bank offers support for investment in Research, Development and Innovation, health and education, and Information and Communication Technology under a dedicated programme called the Innovation 2010 Initiative.

Trans-European Networks

Rehabilitation and extension of trans-European infrastructure, notably transport corridors, is crucial for the successful integration of Croatia into the EU Single Market. Investment in infrastructure is important for removing bottlenecks and barriers to the efficient movement of people and goods, enhancing safety and safeguarding the environment. The EIB can also co-finance projects implemented and operated with the help of the public-private-partnership (PPP) financing schemes.

Environmental protection

Substantial investment will be needed in environmental protection and improvement in Croatia, notably to help it achieve EU environmental standards in terms of air quality, drinking and wastewater management, and solid urban and industrial waste processing. The EIB plays an important role in this area.



Main Characteristics of EIB loans

The Bank is a major international borrower, which has been consistently awarded a first class (AAA) credit rating by the leading rating agencies. This enables the EIB to borrow large volumes of funds on advantageous terms. The Bank on-lends these resources on a not-for-profit basis with only a small mark-up to cover its administrative costs. This makes it possible to provide medium and long-term loans for up to 25 or more years at attractive interest rates with appropriate grace periods for repayment of principal.

The EIB can normally finance up to 50% of the eligible cost of a project, which necessitates additional sources of finance. EIB finance can be increased up to 75% for priority Trans-European Networks and some investments and projects under the Bank's Innovation 2010 Initiative. The EIB's contribution to a project normally acts as a catalyst for other sources of finance and the technical and economic due-diligence appraisal of the projects usually gives comfort to the other co-financiers.

Who can benefit from EIB loans?

The EIB provides loans to public sector promoters, including municipalities, and to private companies. The financial and economic viability of a project are the most important criteria for granting a loan. Every project also has to be technically and environmentally sound.

Types of loans provided

Individual loans: large projects with total costs exceeding EUR 25 million are financed by the Bank through a direct operation.

Loans may also take the form of:

Grouped loans for financing a number of smaller projects that do not meet the criteria for individual loans in terms of the amount of the investment. Such projects have to be identified beforehand.

Framework loans are intended to finance a set of small and medium-scale schemes, unspecified in advance. Such loans are generally channelled through a public-sector promoter.

Global loans finance small and medium-sized projects with a total investment cost of normally less than EUR 25 million. These are usually promoted by small and medium-sized companies (SMEs) and smaller municipalities. Global loans are arranged with an EIB partner bank (or intermediary bank) operating in the region. The intermediary banks on-lend EIB funds to final beneficiaries at their own risk, assessing each project individually. Promoters of small to medium-scale projects must contact EIB partner banks directly.

Mid-Cap Grouped Loans consist of global loans to final beneficiaries that are larger than SMEs (up to 3 000 employees) and implement projects with total costs of up to EUR 50 million.

Cooperation with the banking community in the new Member States and Acceding Countries

Building on its experience in the EU Member and Acceding States, the EIB is developing its partnership with commercial banks along three main lines:

- Co-financing - as other sources of finance are required for any project involving the EIB, additional funds may often be provided by commercial banks. Although the documentation is specific to each party, a certain degree of consultation and coordination takes place between the co-lenders.
- Guarantee structure - EIB financing requires an adequate security structure for the loan. This security is often provided by an acceptable commercial bank (or a group of banks, usually in the form of a syndicate). There are cases where partner banks both co-finance with the EIB and guarantee its loan.
- Intermediation - this can take the form of a global loan, i.e. a line of credit typically directed towards financing a number of SMEs and smaller projects; or, in the case of larger projects, an indirect loan to be on-lent for the purpose of a specific project.

Combining EIB loans with EU Programmes

Croatia is a beneficiary of EU Pre-Accession Programmes (Phare, ISPA and IPA). Through its various loan products the EIB provides the financial resources needed for co-financing projects with European Commission's grants, thus contributing to the successful implementation of the Croatian National Development Plan. In addition, the EIB cooperates closely with other co-financiers, in particular the European Bank for Reconstruction and Development and the World Bank, sharing its expertise with the professional knowledge of these international financial institutions in order to help Croatia prepare well-designed projects which facilitate integration into the European Union.

Project cycle, project appraisal

When a project is in alignment with the economic priorities of the EU and the country concerned, multidisciplinary professional teams from the Bank, usually consisting of a financial analyst, an economist and an engineer, carry out appraisals. All project appraisals include an environmental impact assessment with identification of possible problems as well as solutions. The Bank requires that all projects respect the EU environmental standards. If the outcome of an appraisal is positive, the EIB's Management Committee submits the project to the Board of Directors, which decides on the granting of the loan.

Lending conditions

Individual Loans

For investments exceeding EUR 25 million

Types of investment	Infrastructure of any type. Energy production and transport, environmental protection, industry and services, research and development, health and education
Beneficiaries	Public promoters, including municipalities, private companies and Banks
Financing framework	No upper limit to absolute amount. However, standard maximum of 50% of total cost of an investment
Loan period	Usually from 5 to 12 years in the case of industry projects; 15 to 25 years for infrastructure and energy projects - with maturities tailored to the project
Interest rate	Fixed interest rate (with or without revision clause) or variable interest rate. The interest rate corresponds to the cost of funding plus a small margin to cover administrative costs
Currencies	Loans can be provided in one or more widely traded currencies (Euro, British Pound, US Dollar, Swiss Franc, Japanese Yen, etc.)
Repayment	Usually fixed annual or semi-annual instalments. Tailored repayments including grace period for repayment of principal are possible
Guarantees	Guarantees are negotiated individually and usually involve a bank guarantee or other first-class security

Global Loans

For investments from EUR 40 000 to EUR 25 million

Types of investment	Investments, especially by SMEs and municipalities, in the areas of industry and services, advanced technologies, energy saving, environment, water treatment and local infrastructure, including health and education
Beneficiaries	Small and medium-sized enterprises, public promoters, including municipalities
Financing framework	Up to 50% of total project cost
Loan period, interest rates, repayment, currencies, guarantees, Provisions/fees	Determined by the respective EIB partner bank

List of financial intermediaries providing EIB global loans in Croatia:

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