

The EU's long-term financing institution

Adapting Lending Instruments to Research Infrastructure Challenges

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Research Infrastructures Conference, Nottingham 7 December 2005

EIB lending objectives

EIB objectives in EU:

- Economic and social cohesion (incl. TENs and Candidate countries) (75% of lending in 2004)
- LT sustainability (water, energy, environmental proactivity and remediation, climate change) (23%)
- EU competitiveness (KBE, RDI, SMEs) (18% without SMEs). (SMEs represent 40%)

Outside EU: (10%)

- Support of EU development and cooperation policies with Partner Countries (ACP, Med, ALA), including FEMIP and IF.

Total lending 2004: € 43 bn.

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Innovation 2010 Initiative (i2010i)

- Innovation is leading theme of EIB finance for the decade
- i2i was launched in 2000 for 3 years, and given its success, was then transformed in i2010i in 2003.
- 3 major components:
 - **Research and Innovation (creation of knowledge):** research facilities and activities, pilot plants, prototypes
 - **Education (Creation and transfer of knowledge):** higher education, education hardware, lifelong learning, e-learning
 - **ICT and multimedia (diffusion of knowledge):** networks, e-content, databases
- 28 bn € signatures 2000-2004 (>>50 bn € by 2010)
- 2004: € 7.1 bn; Edu 24%, RDI 57%, ICT 18% (RDI: € 4 bn)

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RDI project examples

- Industrial RD&I (pilot plants, labs, research activities) (Boeinger Ingelheim, Gambro, Robert Bosch, Novozymes)
- Prototypes (Primorec: Valorizing steel waste)
- Research organisations (Cancer Centre Madrid, Protons Berlin, Heavy Ion Therapy, Bioinitiative Sachsen)
- Large Infrastructures (LHC of CERN, IMEC, FELs)
- Science parks, incubators (EMBL, Helsinki, Oulu, Turku)
- Specific global loans for innovative SME's (ICO, SPIMI, IWT)
- Future: also projects generated by Technology Platforms (H2, Nanotechs, new mobile techs, Steel, Chemicals, Aerospace) and of FP6/FP7.

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EIB financing instruments for RDI

- The Bank traditionally provides **loans**
 - Direct and indirect loans (for private or public entities)
 - Global loans (for small projects and SMEs)
 - Grouped loans (among other for midsize companies)
 - 50% of project cost
- But **loans must be repaid** and **debt service must be guaranteed**
- Presently working at adapting instruments for taking **more risk** !
- Adapting Lending Directorate **structure** as well.

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Risk assessment

Rated corporates :

- Internal rating based on rating agencies, corrected by internal factors

Projects or non rated companies :

- Internal rating based on financial projections, sensitivity-tested

On the basis of the so-defined risk category, decision whether

- **single signature loan**,
- **bank-guaranteed loan** or
- **structured finance facility** (SFF) or
- a **mix** of these can be envisaged.

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Structured Finance Facility (SFF)

- The **Structured Finance Facility** (SFF) is a ring-fenced fund fed by an advance provisioning mechanism that by pooling allows to take a bit more risk on board, when risk category is not too remote from an affordable risk
- Could be part of a larger construction, as a tranche of a loan.
- A **risk sharing finance facility** (RSFF), based on the same principles, is now being considered as an additional instrument under FP7.

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Challenges in Research Infrastructures

For EIB, two major operational challenges when considering lending to RIs:

- Be certain of the **pertinence and validity** of the **planned facility and its operational set up**
 ⇒ Role of **ESFRI**, other help (ESF, ..?)
- Lending to **multitype consortia**: partners of different kinds, purpose and financial power

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Examples from ESFRI's List (2005)

Loans extended:

- Trieste's Free Electron Laser,
- CERN's LHC (Complementary bridging finance)
- EMBL facilities (with COM and EIF)

Tentative examples from ESFRI's List of Opportunities (2005):

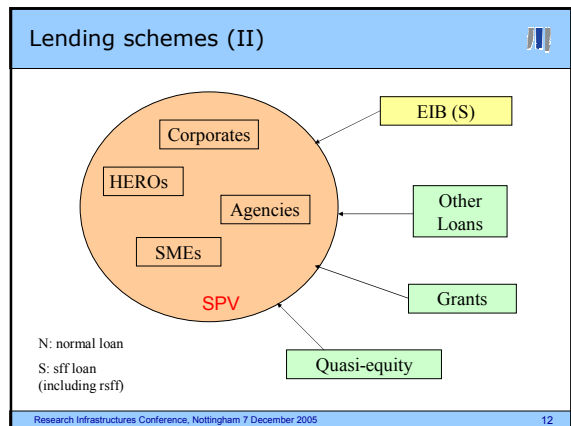
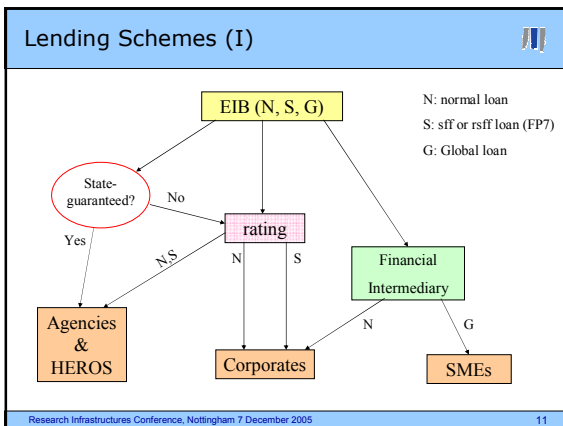
- Fine Analysis of Matter (DESY, ESS, ...)
- Facilities for researching Nanoelectronics (PRINS, ...)
- High Performance Computing (HPCEUR, ...)
- Radioastronomy
- Medical Imaging,
- Etc...

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Typical RI project Proponents / Partners

- Corporates
 - Large, medium or SME
 - Research operator
 - Equipment supplier
- Higher Education and Research Organisations (HEROs)
 - Research organisations
 - Universities
- Specialized intermediaries
- Eur, Nat'l or Reg'l Agencies, Support Systems and budgetary authorities (financing or co-financing) including Commission and Eureka (co-financing),
- Also as Networks or multitype consortia.

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Prerequisites about borrower

Have:

- An eligible project, (within EIB's objectives),
- allowing a loan of minimum €12.5 M ,
- A legal structure with borrowing capacity ,
- An activity plan, detailed over first years, more general later ,
- Identified sources for loan repayment .

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Benefits of an EIB involvement

- For budgetary authorities (project sponsors)
 - Spreading outlays over several years, allowing to tackle together conflicting priorities.
 - Research efficiency, given commitment to optimal use based on an activity plan extending over long period.
- For project operators
 - Security regarding timely availability of funds.

⇒ **Efficiency**

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But to avoid getting astray :
Contact us as early as possible !

Thank you for your attention!

& time for questions, please

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Appendix: EIB - a short overview

- The EU long term financing Institution
- Created by the Rome Treaty in 1958
- Owned by the 25 EU member states
- Policy driven (EU Com, Council, EP)
- Capital: € 150 bn → €164 bn
- Collects its funds on the capital markets (2004: €50 bn)
- New loans signed 2004: € 43.2 bn
- Day to day management by a Management Committee of 9.
- Board of Directors (about 1 mtg/month)
- Board of Governors (gen. 1 mtg/yr)

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