

Relations between the Republic of Bulgaria and the European Investment Bank

The European Investment Bank (EIB) is an intergovernmental financial institution and a European Union body. In the last 15 years the Bank has invested more than EUR 1.2 billion in Bulgaria, 20% of which are loans without government guarantee. EIB is one of the international financial institutions that have strongly supported our country during the transition period.

Given EIB's high credit rating „AAA”, it extends loans at extremely favourable financial terms. The Bank does not levy any additional charges or commission fees. The interest rate is determined upon the disbursement of each tranche of the loans and includes a market interest rate set in compliance with the Bank's terms plus a minimum surcharge (it is currently about 0.25% for Bulgaria; however, after the country's accession to the EU, the surcharge will be reduced by about 10-12 points, i.e. it will be about 0,13-0,15%), which means that the financial resource EIB grants is cheapest compared to those by the other international financial institutions. The payoff period of loans varies between 15 and 25 years with a grace period of 3 to 5, in some cases up to 7, years.

By 30 September 2006 contracts were signed with EIB for extending government and government guaranteed loans for funding projects to the amount of EUR 996 million. Loans granted to finance private sector projects amount to EUR 280 million (Tables 1 and 2).

In accordance with EIB's Statute, the Republic of Bulgaria will become a shareholder of the Bank after acceding to the European Union. Based on provisional data, the country's subscribed capital share will be EUR 296 million, with 5% of it (EUR 14 800 000) being paid at eight equal installments in the period 2007-2011. The shareholders of the EIB are all the member states of the European Union.

Information about the European Investment Bank

The European Investment Bank (EIB) was created in 1958 by the Treaty of Rome. It is an independent and autonomous structure, with its headquarters in Luxembourg, which extends loans and guarantees for projects of European interest (railway and road connections, airports, environmental facilities, etc.) in EU Member States in particular, in EU candidate countries and in the developing countries. The Bank grants investment loans to SMEs.

Philippe Maystadt has been President of the Bank since 1 January 2000.

EIB is a non-profit organization and does not generate income from savings or current accounts. It does not utilize any EU budget funds. The Bank

is funded by borrowings from the financial markets and by its shareholders. The latter have jointly registered its capital, with the installment paid by each country reflecting its economic weight within the EU.

The financial support by EU member states ensures to EIB the highest possible credit rating (AAA) on the financial markets where it can respectively raise enormous capital amounts at extremely favourable terms and conditions. This enables the Bank to invest in projects of public interest which otherwise would not receive the funds or would receive them against a quite unfavourable loan.

The projects wherein EIB invests should be eligible under the following criteria:

- To support the achievement of the goals of the EU by making European companies and SMEs more competitive; to establish TENs (in transport, telecommunications and energy); to support the IT sector; to protect environment and urban areas; to improve services in the healthcare and the education sectors.
- To favour the most unfavoured regions mostly;
- To support the attraction of other sources of financing.

EIB also supports the sustainable development of the Mediterranean countries as well those from Africa, the Caribbean and Pacific regions, as well as projects in Latin America and Asia.

The Bank is the majority shareholder in the European Investment Fund (EIF) and the two of them form the EIB Group. EIF was established in 1994 to provide risk capital for SMEs. The Fund does not extend funds directly to the enterprises neither invests directly in the companies. EIF operates through banks and other financial agents by guaranteeing thereto the loans to small-size enterprises. The Fund is active in EU member states as well as in Bulgaria, Romania, Turkey, as well as in three of the EFTA members – Iceland, Lichtenstein and Norway.

EIB takes its decisions on borrowing or lending solely on the basis of the merits of each project and the opportunities offered by the financial markets. The Bank reports annually for all of its activities.

The European Investment Bank cooperates with EU institutions. Thus, for instance, its representatives may take part in the Committees of the European Parliament and the EIB President may attend the Council's sittings.

EIB decisions are taken by the following bodies:

- the Board of Governors which consists of Ministers (usually of finance) who are governors for the respective EU member states. It lays down credit policy guidelines, approves the annual accounts and financial statements, decides on the Bank's participation in financing operations outside the European Union as well as on capital increases;
- the Board of Directors which decides on loans and borrowings and ensures that EIB is properly run. At present it consists of 26 directors,

with one director nominated by each member state and one by the European Commission;

- the Management Committee which is the Bank's permanent collegiate executive body. It has nine members and oversees day-to-day running of the EIB.

EIB funds a wide range of projects including the construction of new railways and roads in order to improve the European transport network.