

EUROPEAN INVESTMENT BANK

BOARD OF GOVERNORS

Endorsement of the Bank's Amsterdam special action programme (ASAP)

Decision of 20 August 1997

(98/C 10/12)

THE BOARD OF GOVERNORS OF THE EUROPEAN INVESTMENT BANK,

- categories of SME, can be appropriate ways of complementing the Bank's customary activity and of contributing to the objectives of the resolution;
- (i) Taking note of the European Council's resolution of 16 June 1997 on growth and employment, which calls for 'a new impulse for keeping employment firmly at the top of the political agenda of the Union ... [and] for improving European competitiveness as a prerequisite for growth and employment' and urges the Bank 'to step up its activities in this respect, promoting investment projects consistent with sound banking principles and practices';
- (ii) Noting in particular that the resolution urges the EIB:
- to examine its scope of intervention in the areas of education, health, urban environment and environmental protection,
 - to step up its interventions in the area of large infrastructure networks by examining the possibility of granting very-long-term loans primarily for the large priority projects adopted in Essen,
 - to examine the establishment of a facility for the financing of high technology projects of small and medium-sized enterprises in cooperation with the EIF, possibly making use of venture capital operations with involvement of the private banking sector,
- (iii) Mindful that these requests imply consideration by the Bank of new kinds of financing modalities, to be implemented in compatibility with its statutory framework;
- (iv) Taking into account that while risk capital investments, or lending instruments involving particular risks, are not among the Bank's statutory activities, such facilities, including operations aiming at the provision of risk capital for certain
- (v) In view of the fact that the Bank has accumulated additional reserves as well as a surplus remaining unallocated;
- (vi) Estimating that these resources exceed the minimum statutory requirements as well as what can be deemed necessary to support the Bank's regular lending activity, including capital needs associated with projected growth in the short and medium term;
- (vii) Deeming it appropriate for a portion of such excess resources to be used to extend the forms of the Bank's financing, provided this is compatible with the Bank's mission;
- (viii) Considering that the above-mentioned use of excess resources should not prejudice the possibility to finance a forthcoming capital increase, the details of which remain to be decided, from the Bank's own funds, nor should it prejudice any other decisions or initiatives concerning a transfer of such resources for other purposes, including to shareholders, provided that this is in compatibility with the Bank's statutory framework;
- (ix) Appreciation that the EIF could pay an important role with Bank in the financing of such projects,

HEREBY DECIDES:

1. to endorse the European Council's resolution on growth and employment in so far as it applies to the Bank and to respond with appropriate measures;
2. to request the Board of Directors to formulate, with its statutory competence, the type and scope of measures to be taken by the Bank, over the period 1997 to 2000, for the purpose of implementing the resolution, in accordance with the guiding principles set out in the Annex;

3. that these measures may include the extension of the Bank's intervention in the areas of education, health, urban environment and environmental protection; the stepping up of its interventions in the area of large infrastructure networks as well as SME financing;
4. that these measures may further include a possible increase in the ceiling of EIB loan financing up to 75 % of project cost, on an exceptional, case-by-case basis, where this is deemed appropriate by the Board of Directors, in order to pursue the objectives set out in the resolution, as well as an extension, in line with the said objectives, of the eligibility criteria to be applied by the Bank;
5. that, in the framework of implementing the resolution, part of the Bank's annual surplus, to the extent that these resources exceed the statutory requirements for reserves, may be used to facilitate the financing of sound projects, in the interests of the Community, through instruments extending the scope of the Bank's financing, including but not limited to facilities for the provision of risk capital to certain categories of enterprises through suitable intermediaries with the necessary qualifications and expertise, excluding any subsidies. The first allocation for these purposes from the 1996 surplus shall be ECU 200 million. The amount of subsequent allocations, from any surplus arising in 1997 to 1999 shall be determined annually by the Board of Governors, on a proposal from the Board of Directors, in the context of the approval of the Bank's balance sheet and profit-and-loss account. An overall amount of up to ECU 1 000 million is set for the period ending in the year 2000;
6. that the Board of Directors shall, on the basis of proposals from the Management Committee, approve the modalities for the measures referred to in point 5 as well as individual operations in accordance with the Bank's normal procedures.
7. that the Board of Directors shall provide it with annual reports on the implementation of the foregoing measures.

ANNEX⁽¹⁾

Outline of Amsterdam special action programme (ASAP) approved by the Board of Directors at its meeting on 21 July 1997

1. In answer to the resolution on growth and employment decided by the European Council of Amsterdam (16 and 17 June 1997), the Management Committee has proposed to the Board of Directors, in its meeting of 21 July 1997, to launch a special initiative, called the Amsterdam special action programme (ASAP).

The corresponding guidelines are intended to provide an appropriate framework to rapidly initiate operations consistent with the objectives of the resolution and develop them over time.

2. The main guiding principles retained for the definition of ASAP are as follows:
 - the respect for sound banking principles and practices,
 - the necessity to devise simple, realistic and practical measures,
 - the need for a rapid definition of first operations while recognizing the need for sustained development efforts spanning over time, in particular when innovative features are concerned,
 - the need to add value to activities and measures undertaken in the Member States and by financial institutions operating in the relevant capital markets,
 - the usefulness of cooperating with the financial community, and its widening and reinforcement, as a critical factor for the success of ASAP,

⁽¹⁾ Integral part of the Decision.

- the importance of encouraging public private partnerships and the need to avoid crowding out of private sector or other sources of finance,
 - the desirability of establishing clear objectives for each element of the programme, with provision for evaluation of results,
 - the crucial importance of partnership with and support from the Member States for a smooth implementation of the initiative.
3. ASAP prolongs previous initiatives launched by the Council and based on the inter-relationship between investment, growth and employment, with specific implementation tasks attributed to the Bank. The Amsterdam resolution confirms and widens this approach. New features are: the focus on a wider notion of capital, the importance of small and medium-sized projects (whether SMEs or infrastructure), the invitation to introduce some financial innovation, and the necessity to combine short-term effects with medium and long-term sustainable impacts.

In view of these, the following general measures look appropriate:

- to set the horizon of ASAP at end 2000, with appropriate reviews by the Boards of the Bank and the Council. This would allow actions to be engaged immediately and be developed over a significant period,
- during this period, to allow for a possible increase in the financing of the Bank to up to 75 % of the investment cost, for lending to TENs and related infrastructure projects, as well as environmental projects. This possibility will be used on an exceptional, case-by-case basis, when it can be demonstrated that it has a beneficial impact on project implementation,
- to make a number of adaptations to the Bank's existing products for example in terms of flexibility for small and medium-sized projects, or of maturities and grace periods for large infrastructure projects,
- to introduce new EIB products for innovative SMEs, with the creation of a special window, using resources derived from the annual surplus of the Bank, to provide support for different types of new instruments, including venture capital through suitable intermediaries.

In the implementation of new products under the Amsterdam special action programme, the Bank will seek an appropriate balance between risk and remuneration.

4. Education, health, urban environment and environmental protection

- 4.1. The Bank proposes to develop its activity by financing investment projects in the education sector, throughout the Community, as they contribute to the supply of a skilled and adaptable workforce.
- 4.2. Health projects could likely benefit from EIB loans, throughout the Union, when they are consistent with one of the existing Bank lending objectives (e.g. regional development, or urban renewal), or contain important R&D, training or other innovative characteristics.
- 4.3. Urban environment financing could include housing investment components on a prudent basis when they are integrated in well-defined urban renewal and development schemes. An open approach to the service sector (including retail trade) is also appropriate.
- 4.4. For all these eligibility extensions the usual quality approach of the Bank in terms of soundness of projects or credit risk will be maintained.
- 4.5. The Bank will deepen its involvement in environmental protection investment. Project preparation will also be further supported by the Bank through the financing of studies.

5. Large infrastructure projects and networks

- 5.1. The following specific measures correspond to a deepening of ongoing practice and procedures in the finance of large infrastructure projects and related networks:

- the Bank is ready to grant long maturities and grace periods adapted to the project characteristics. Project preparation will also be further supported by the Bank through the financing of studies,
- in particular for TEN-type projects and notably those on the priority list, the Bank will aim at developing, on a case-by-case approach, tailor-made packages.

5.2. In parallel, the Bank will review the recommendations of the Kinnock High Level Group on Public/Private Partnership financing of TENs projects concerning PPPs and complementary financing instruments, able to accommodate a higher risk profile, in close cooperation with the Commission and the EIF, and elaborate operational proposals.

6. SMEs

The area of SME finance is among the priorities of the Bank and particularly relevant in terms of job creation. Experience clearly demonstrates a strong heterogeneity of structures and interests across the Member States in the field of SME finance and a flexible approach allowing for the development of appropriate instruments is therefore called for. Similarly, 'high technology projects' should be interpreted in a wide sense. The following specific measures are considered appropriate:

- to set up a special window, able to provide support for different types of new instruments, backed by appropriate recourse to the annual surplus of the Bank, as specified,
- in all these cases, implementation would be through the intermediary of sound financial institutions, reinforcing partnership with the banking and financing community and ensuring a catalytic and leverage effect. The EIF is called to be privileged partner of the Bank in this field,
- a pragmatic approach will be followed, individual operations will be identified as soon as possible and submitted to the Board of Directors in accordance with the usual procedures.

7. Reporting

Annual reporting to the Board of Governors and the Board Directors will be carried out on the implementation of the Amsterdam special action programme and on results achieved and problems encountered.
