

THE EUROPEAN INVESTMENT BANK ROLE IN FINANCING ROMANIA'S ECONOMY

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Abstract: *The European Investment Bank contributes to EU objectives by providing long-term funding for specific projects in compliance with the prudential banking regulations. The EIB continuously adapts its activity to recent developments in EU policies. Within the EU, the EIB Group's ambition is to contribute effectively through a selective choice of projects, to the European Union objectives and to mobilize funds from other sources for such projects. The paper aims to present EIB forms of financing Romania's economy as well as the role and the importance of EIB financing for achieving performance and for developing areas such as innovation and skills, SMEs, climate action and strategic infrastructure in Romania. For doing that we analyzed the Bank's activity in Romania in the 2009-2013 period.*

Key words: growth; financing; knowledge economy; development; strategy.

JEL Codes : O19, F53, H81

1. INTRODUCTION

The EIB is the long-term lending institution of the EU and is owned by EU Member States. It provides long-term financing for sound investment, contributing to economic growth, job creation, regional convergence and climate action in Europe and beyond. To maximize growth and jobs, the EIB has four priority areas: innovation and skills, SMEs, climate action and strategic infrastructure in the EU.

As the largest multilateral debtor and creditor OF volume, it provides financing and expertise for sustainable investment projects that contribute to the promotion of EU policy. More than 90% of the bank's activities focus on Europe, but also supports external policies and development policies.

The Bank ensures that its funds are employed as rationally as possible. This requires that the works, goods and services procured under its financing are of appropriate quality, and acquired at economic prices and in a timely manner. This is generally best achieved through open international competition. It is consistent with the Bank's statute and accords with the interests of promoters.

With A dual nature of European institution and bank, EIB fulfills a role of routing savings and investment in key sectors of the European economy. With a AAA rating on the international capital markets and with a subscribed capital of 100 billion euros, EIB acts as a catalyst, managing to mobilize financial complementary resources to the desired sectors, especially through local banks and strategic investors.

With more than a quarter of the total loans in 2013 - ie EUR 18.5 billion (EUR 21.9 billion including the European Investment Fund) - EIB allowed the access to finance for micro, small and medium enterprises, as well as for medium capitalization companies, which provide about 66% of jobs in Europe. EIB program regarding employment among young people, "Skills and

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Jobs - investing in youth" aims the skills shortages and encourage recruitment of young people in SMEs. In 2013, the EIB has invested over 9 billion for this program, well above its target of 6 billion.

2. MATERIALS AND METHODS

The research was accomplished from a triple perspective, in which the conceptual methodological approach is correlated to the empirical study and to a variety of references to practical actions aiming the activity of the European Investment Bank in Romania, based on the current knowledge in the field.

The results expressed in this paper were the result of a qualitative analysis of the characteristics and the evolution of the European Investment Bank activity in Romania, in the context in which EIB directs an important part of its funds to Romania.

3. EIB LENDING ACTIVITY IN ROMANIA IN 2009-2013 PERIOD

EIB lent EUR 335 million in 2012, increasing the volume of loan commitments to Romania to about 4.3 billion in the past five years.

In Romania, in the period 2008-2012, the EIB grant financing of over 4.2 billion, in areas such as transport, industry, services and telecommunications, water and urban infrastructure, energy and intermediary lending, especially to SMEs, but also technical assistance for the management and implementation of projects of European funds. One of the most important agreements between our country and the EIB financing is targeting the construction and commissioning of the Bucharest Metro Line 5.

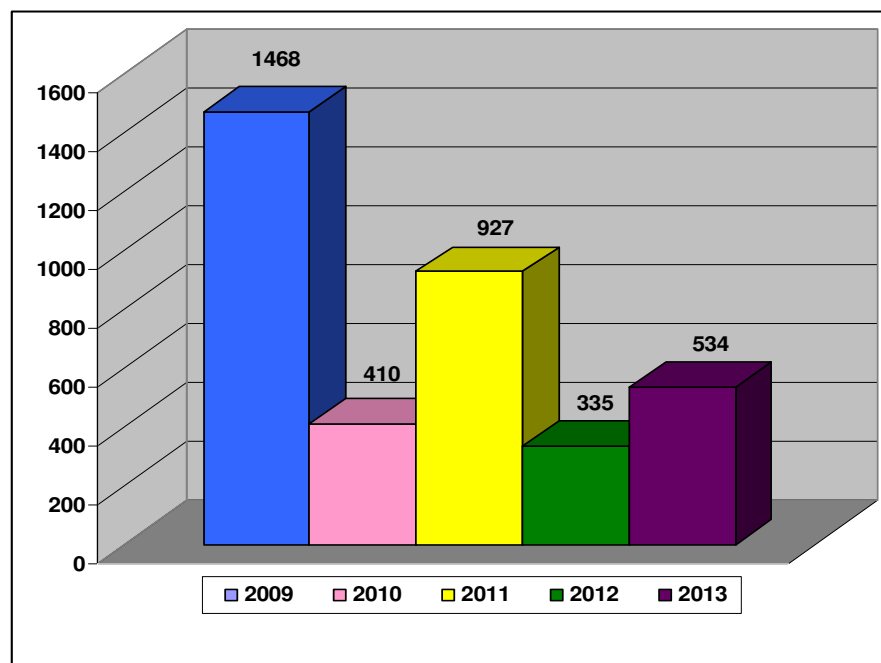


Fig. 1 Loans in Romania in 2009-2013 period (EUR million)

Source: realised by the authors based on the information from <http://www.eib.org/projects/regions/european-union/romania/index.htm>

EIB loans in 2013 amounted to EUR 534 million, representing an increase of 59% compared to 2012 and leads to a total volume of EIB lending in Romania about 3.7 billion in the last five years (2009 -2013). EIB credit operations Romania are present in all major sectors of the economy, from the basic infrastructure in transport, communications, energy and environment to support small and medium enterprises through local financial institutions and developing a knowledge-based economy.

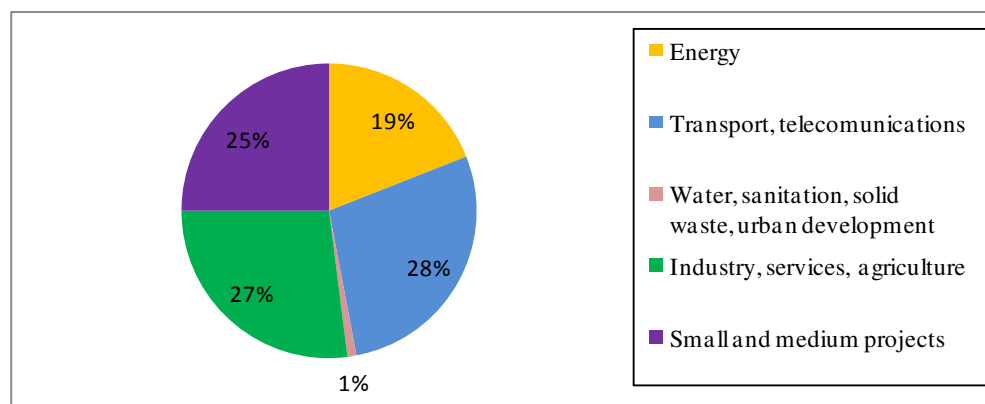


Fig. 2 EIB loans in Romania divided by sectors in the 2009-2013 period (EUR million)

Source: realised by the authors based on the information from <http://www.eib.org/projects/regions/european-union/romania/index.htm>

Loans for SMEs and medium-capitalization companies

To improve the access of small and medium enterprises (SMEs) to long-term finance, EIB closely cooperates with an extensive network of financial institutions operating in Romania. Through these intermediary banks and leasing companies, the EIB is co-financing smaller projects, especially in industry and services, including tourism, energy and energy saving, environmental protection and health sector infrastructure, education, urban redevelopment and housing social.

Most loans for SMEs are granted through credit lines. In the period 2009-2013, their situation is presented in the table below:

Table no. 1 Credit lines granted by EIB in Romania in the period 2009-2013

Name	Signature date	Signed Amount
RBI RO LOAN FOR SMES AND MIDCAPS	19/12/2013	25,000,000
CEC BANK ROMANIA GLOBAL LOAN	18/12/2013	30,000,000
SG BG-RO LOAN FOR SMES AND MID-CAPS	24/09/2013	100,000,000
ING BANK ROMANIA GLOBAL LOAN	19/07/2013	40,000,000
CEC BANK ROMANIA GLOBAL LOAN	26/06/2013	15,000,000
UNICREDIT BG-RO SME AND MIDCAP LOAN	21/12/2012	80,000,000
BCR SMES & OTHER PRIORITIES II	12/12/2012	50,000,000
ISP LOAN FOR SMES&OTHER PRIORITIES(RO)	15/10/2012	5,000,000
ISP LOAN FOR SMES&OTHER PRIORITIES(RO)	15/10/2012	15,000,000
RBI RO LOAN FOR SMES AND MIDCAPS	15/10/2012	15,000,000

Name	Signature date	Signed Amount
RBI RO LOAN FOR SMES AND MIDCAPS	15/10/2012	30,000,000
BCR SMES & OTHER PRIORITIES II	24/05/2012	50,000,000
SOGELEASE RO-BG LOAN FOR SMES & MIDCAP	22/12/2011	30,000,000
PCH LOAN FOR SME AND PRIORITY PROJECTS	03/05/2011	30,000,000
BCR EIB LOAN FOR SMES	01/04/2011	75,000,000
ALPHA BK RO-BG SME LOANS & PRIORITY LE	29/12/2009	50,000,000
PB RO-BG SME LOANS & PRIORITY PROJECTS	23/12/2009	50,000,000
BCR EIB LOAN FOR SMES	18/12/2009	75,000,000
BANCPOST LOAN FOR SMES I	31/08/2009	80,000,000
ROMANIAN LEASING LOAN FOR SMES	30/06/2009	60,000,000
BC CARPATICA LOAN FOR SMES	29/06/2009	10,000,000
ROMANIAN LEASING LOAN FOR SMES	10/03/2009	15,000,000
Total Amount		930,000,000

Source: realized by the authors using data from <http://www.eib.org/projects/loans/regions/european-union/ro.htm?start=2009&end=2013§or=>

In 2013, the EIB has provided four loans totaling EUR 210 million to finance projects promoted by SMEs and medium capitalization companies in Romania, total EIB partner financial institutions in Romania increasing to eleven.

Energy: further support wind energy and energy efficiency

In 2013, the bank granted a loan of EUR 200 million to finance the investment program of Enel Green Power Romania. The project aimed designing, construction and operation of three wind farms in Romania, with a total capacity of 258 MW: Wild 1 (70 MW) and Wild 2 (70 MW), Moldova Noua (48MW) and Corrugated (70mW). The three wind farms were equipped with 126 turbines, each with a capacity of 2.0 to 2.3 MW and the turbine hub height between 95 and 101 m. In addition, each project includes civil construction of access routes, as well as posts of transformers and high voltage connections to the network.

Table no. 2 Projects financed by EIB in Romania in the energy area in the period 2009-2013

Name	Signature date	Signed Amount
ENEL GREEN POWER ROMANIA	28/11/2013	200,000,000
PAROENI POWER PLANT	16/12/2011	32,650,000
FANTANELE WINDFARM	17/12/2010	200,000,000
ROMANIAN POWER GRID NETWORK	05/08/2010	32,500,000
ROMANIAN POWER GRID NETWORK	05/08/2010	32,500,000
PETROM BRAZI CCGT PROJECT	08/05/2009	200,000,000
Total Amount		697,650,000

Source: realized by the authors using data from <http://www.eib.org/projects/loans/regions/european-union/ro.htm?start=2009&end=2013§or=>

❖ Paroseni Power Plant

This is a contract worth 32.65 million euros and its sub-lending to SC Electrocentrale Paroşeni SA for environmental investment projects "Change current technology to collect, transport and storage of ash and slag" and "Installation of flue gas desulphurisation".

❖ Fantanele Windfarm

European Investment Bank (EIB) provided a loan of 200 million euros at the end of 2010 to fund the development of a wind farm located in Fântânele, Dobrogea region. EIB funds were used to co-finance the plan, construction, commissioning and operational work related to the wind farm as well as the transformers and the connection to the grid.

❖ Romanian Power Grid Network

Transelectrica and the European Investment Bank (EIB) signed in 2010, a loan agreement worth 65 million euros to complete the funding of the investment program. This new loan co-financed 8 projects of Transelectrica, for the modernization and rehabilitation of Bucuresti Sud, Gădălin, Brazi Vest, Lacu Sarat, Mintia, Brasov, Cetate, as well as for replacing 11 transformers and autotransformers in Transelectrica stations. The loan, 50% guaranteed, is a real support for continuing investment on medium term, investments that lead to reducing maintenance costs and to increasing operational safety of the transport network, for fulfilling the adequacy criteria and performance standards.

❖ Petrom Brazi CCGT Project

EIB loan secured long-term financing for greenfield power plant in Brazi, of 860 MW, project that amounted to over 500 million and that is covering 9% of the country's electricity production, at the level of 2012, the year of total operating of the plant.

Services: support for energy efficiency and technology development

Table no. 3 Projects financed by EIB in Romania in the services field in the period 2009-2013

Name	Signature date	Signed Amount
BUCHAREST S2 THERMAL REHABILITATION	06/12/2012	60,000,000
BUCHAREST S4 THERMAL REHABILITATION	02/11/2012	26,884,987
BUCHAREST S1 THERMAL REHABILITATION	10/08/2011	125,000,000
BUCHAREST S6 THERMAL REHABILITATION	17/12/2010	70,000,000
WAREHOUSE LOGISTICS ROMANIA	10/12/2010	75,000,000
ENGINEERING INNOVATION - RSFF	17/12/2009	7,500,000
ENGINEERING INNOVATION - RSFF	17/12/2009	7,500,000
Total Amount		371,884,987

Source: realized by the authors using data from <http://www.eib.org/projects/loans/regions/european-union/ro.htm?start=2009&end=2013§or=>

❖ Bucharest Thermal Rehabilitation: Energetic efficiency in Bucharest

EIB supported residential renovation of buildings in Bucharest, namely in the sectors 1, 2, 4, and 6 of the Romanian capital, leading to a decrease in energy consumption of buildings in question with up to 50%.

Overall energy savings amounts to about 40 GWh per year. EIB funds will help to decrease energy consumption in Bucharest, on improving standard of living through a healthier environment, a more pleasant city buildings as well as to Romania's obligations on fighting climate change.

❖ *Warehouse Logistics Romania*

The project concerns the Warehouses de Pauw strategic investment programme for its logistics network extension in the Romanian market, with the construction of four industrial estates for logistic warehouses to be erected and operated in two sites close to Bucharest (Corbii Mari and Fundulea), one site close to Ploiesti (Aricestii), and one close to Pitesti (Oarja). The proposed project contributes to the further diversification of the economy of Romania through the establishment of additional logistics and warehouses modern supply chain, possibly leading towards an ameliorated productiveness of its wholesale and retail trade.

❖ *Engineering Innovation - RSFF*

The project concerns Software Research, Development and Innovation for virtual simulation, prototyping and testing technologies. The project will contribute to developing the field of virtual simulation, prototyping and testing technologies. In addition, it will contribute to the development of Europe's information infrastructure and support European competitiveness in the ICT sector, with beneficial impacts on technological developments.

Innovative Industries: EIB support for the development of green vehicles

Table no. 4 Projects financed by EIB in Romania in the industry field in the period 2009-2013

Name	Signature date	Signed Amount
RENAULT SUSTAINABLE HI TECH FOR ALL	23/05/2013	10,000,000
CIE AUTOMOTIVE MULTITECHNOLOGY PARTS	27/06/2012	2,941,176
GESTAMP GROUP RDI AND CONVERGENCE	17/11/2011	4,114,286
GESTAMP GROUP RDI AND CONVERGENCE	27/06/2011	411,429
GESTAMP GROUP RDI AND CONVERGENCE	27/06/2011	9,874,286
PRIO OIL EXTRACTION ROMANIA	30/12/2009	40,000,000
CIE AUTOMOTIVE MULTITECHNOLOGY PARTS	23/12/2009	3,000,000
FORD PLANT CRAIOVA	21/12/2009	400,000,000
PIRELLI SLATINA TYRE FACTORY II	17/12/2009	50,000,000
Total Amount		520,341,176

Source: realized by the authors using data from <http://www.eib.org/projects/loans/regions/european-union/ro.htm?start=2009&end=2013§or=>

❖ *Renault sustainable HI Tech for all*

In 2013, the EIB has continued to support research, development and innovation (RDI) activities of Romania. Bank granted a loan to the Renault Group to finance the development of a new generation of environmentally friendly vehicles effective and affordable, by launching innovative platforms for light vehicles, some vehicles with transmission from the new generation and a new urban small vehicle with a revolutionary platform. Some of the loans - EUR 10 million - was allocated for R&D activities in this field in Romania.

❖ CIE Automotive Multitechnology Parts

EIB will support CIE's research and development investment programme for automotive parts, the company's core area of activity. The project has two basic objectives: (i) to obtain lighter and safer components and joints, and (ii) to ensure that all parts are fully recyclable. The main objective of these loans has been to support development with a focus on manufacturing cleaner automobiles.

❖ Gestamp Group RDI and convergence

The project financed by the EIB consists of two parts: firstly, RDI activities for automotive metal applications designed to further improve the fuel efficiency and safety of vehicles. Secondly, investments in technology implementation for enhanced productivity and energy efficiency located in the promoter's plants in convergence regions in Hungary, Slovakia and Turkey, and the construction of new plants in the Czech Republic and Romania. The implementation of the project will take place between 2011 and 2014.

❖ Ford Plant Craiova

The EIB loan will finance investments in the Craiova Ford plant for the facilities and tooling needed for the production of a new B-segment vehicle with a start of production in the near future and production of the existing model of the light commercial vehicle and a new model scheduled to be launched later. EIB funds will also help to introduce the production of a new small, advanced-technology petrol engine with low fuel consumption.

❖ Pirelli Slatina tyre factory II

The loan will finance an increase in tyre production for cars and light commercial vehicles in Pirelli's production facility in Slatina, Romania. It will be used within the context of the EUR 250 million in investments previously announced by the Group for its Romanian activities for a three-year period from 2009 to 2011.

❖ Prio Oil Extraction Romania

The project comprises the construction and operation of a seed crushing and oil extraction plant in Lehliu-Gara, Calarasi County, Romania. The annual production of the plant will be 265 kt vegetable oil and 400 kt of protein expeller based on about 830 kt of rapeseeds, sunflower seeds and soya beans. The plant will be located on the site of the recently built biodiesel production plant of the beneficiary (not included in the project).

Telecom

Regarding the area of telecommunications, in the analyzed period only Vodafone Group has received a loan from the EIB.

The British telecoms group Vodafone, the second player in the local market mobile, signed with EIB a loan total of 400 million in December 2011.

Of the 400 million EUR, 250 million are earmarked for investment in Turkey, and 150 million for investments in Romania, in order to increase speed and coverage for the 4G data services.

Transport: supporting the national and international transport network modernization

In the analyzed period, the EIB has financed three projects in transport area, as mentioned in the table below nr. 5.

❖ Bucharest Metro Line

It's about the funding agreements between Romania and the European Investment Bank (EIB), worth 860 million euros to finance the project on Modernization of the Bucharest Metro, Line 5 Drumul Taberei - Pantelimon.

❖ Mitsui Locomotive Leasing II

The project consists in the acquisition of around 80 new locomotives for leasing to European rail freight service operators (Railway Undertakings for freight in EU terminology) and possibly to a limited extent for passenger transport. The locomotives are destined to replace existing locomotives or provide additional capacity for the expanding rail freight market. The project will support rail freight competitiveness on a wider European level and contribute to the transfer of traffic from road to rail.

Table no. 5 Projects financed by EIB in Romania in the transport field in the period 2009-2013

Name	Signature date	Signed Amount
BUCHAREST METRO LINE 5 SECTION II	16/12/2011	465,000,000
MITSUI LOCOMOTIVE LEASING II	31/03/2011	5,000,000
BUCHAREST METRO LINE 5	12/11/2009	395,000,000
Total Amount		

Source: realized by the authors using data from <http://www.eib.org/projects/loans/regions/european-union/ro.htm?start=2009&end=2013§or=>

Water, sewerage

In this sector, one project was funded in the period under review, namely: *Cluj/Salaj Cassa Water Project*. It is a loan of EUR 25 million to upgrade and expand water and sanitation infrastructure in Cluj and Salaj departments. This is the first direct loan provided by the EIB for a water operator in Romania, respectively Somes SA Water Company. EIB began working with the predecessor Somes Water Company, respectively Autonomous County Water Canal Cluj, in 2002, when it funded 12 million for development of local water services as part of a ISPA program.

EIB co-financing with EU funds

The Bank granted a loan of EUR 110 million to finance priority projects in the Romanian rural development program for 2007-2013, especially for afforestation, improving the management and protection of forests and small-scale investment in rural infrastructure and in agriculture.

Table no. 6 Projects financed by EIB in Romania in the agriculture field in the period 2009-2013

Name	Signature date	Signed Amount
ROMANIAN RURAL DEVELOPMENT EU CO-FINANCING	24/12/2013	110,000,000
DASOS TIMBERLAND FUND II	02/01/2013	3,600,000
Total Amount		113,600,000

Source: realized by the authors using data from <http://www.eib.org/projects/loans/regions/european-union/ro.htm?start=2009&end=2013§or=>

As for Dasos Timberland Fund II: Dasos Capital is an Investment Fund targeting sustainable forestry and biomass investments mainly in Europe. The fund manager plans to complete six to ten investments. The fund aims to make a commercial return whilst contributing to climate change and other environmental objectives.

CONCLUSION

EIB maintains its objective to inject momentum into the EU economy by efficient and effective supporting of investment and remains well placed to contribute to sustainable economic growth and employment.

Along with traditional lending, are evidenced the new lending initiatives, focused on SMEs and employment among young people. EIB joins forces with the Commission, Member States and national development banks to optimize the chances of success while taking into account regional and local priorities for growth.

EIB contributes to the long term vision of Europe 2020 by complementation design, financial instruments "fit for purpose" and development of tailored consulting services. Outside the EU, the Bank will remain firmly committed to support EU policy. A particular attention will be paid to the implementation of the new External Lending Mandate and further strengthen of the dialogue with the Commission on policy, strategy and enhanced cooperation.

We believe that it is necessary to pay more attention to investment in economic growth and job creation on the long term.

It is desirable that the EIB to develop, in close cooperation with Member States, results-oriented investment plans, which to be adjusted properly to national, regional and local growth priorities.

EIB should also stimulate sustainable investment in debt instruments which to direct private capital to projects needed for transport, energy and ICT infrastructure. This way, the EIB resources could be complementary to resources for infrastructure development of trans-European transport, energy and telecommunications, made available through the Connecting Europe Mechanism.

EIB is also necessary to make greater efforts to support Member States' capacity to absorb EU funding, including structural funds, given the extremely low absorption rates that are currently in several Member States..

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