

Economic appraisal of investment projects at the EIB

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Economic Appraisal for EU-Funded Projects in 2021-27,
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- Long-term financing partner for EU investment since 1958.
- Supporting EU policy in Europe and abroad.
- Around 85-90% of lending volume is within the EU.
- Shareholders: 27 EU Member States.

EIB lending at a glance

- Activity in 2020: Lending approvals of EUR 67bn in EU and EUR 10bn outside EU; balance sheet of EUR 556bn.
- Raise funds on the international capital markets: AAA rated.
- Pass-on favourable borrowing conditions to clients: low interest rates; long loan duration; and long grace periods.
- Project focus: financing of up to 50% of capex program.
- Some 300-350 projects each year in over 160 countries.
- Headquartered in Luxembourg, with over 30 local offices around the world.
- Around 3,400 staff: Finance professionals, but also engineers, sector economists and social and environmental experts.

EIB statutes:

- Article 18.1(b):

“It may grant loans or guarantees only [...] where the execution of the investment contributes to an increase in the economic productivity in general and promotes the attainment of the internal market.”
- Article 16.1:

“...the Bank shall grant finance [...] to the extent that funds are not available from other sources in reasonable terms.”

Economic appraisal: policy context

- Support EU policy as formulated by European Commission and approved by EU Council.
- Projects may be co-financed with EU grants administered by European Commission.
- European Commission (DG Regio) guidance on CBA:
http://ec.europa.eu/regional_policy/en/newsroom/news/2014/12/guide-to-cost-benefit-analysis-of-investment-projects-for-cohesion-policy-2014-2020

... and 2021 Vademecum:

[Economic Appraisal Vademecum 2021-2027 - General Principles and Sector Applications - Regional Policy - European Commission \(europa.eu\)](#)

- Economic viability as necessary condition for project approval.
- Economic appraisal subsequently embedded into multi-criteria framework:
 - Contribution to policy objectives or mandates; quality of the project; and EIB financial and technical contribution.
 - Projects inside EU: Additionality and Impact Measurement (AIM):
[Additionality and Impact Measurement \(eib.org\)](https://www.eib.org/eng/impact-measurement-additionality)
 - Projects outside the EU: Results measurement framework (REM):
[Results Measurement Framework - our impact outside the EU \(eib.org\)](https://www.eib.org/eng/results-measurement-framework)

- Three methods used:
 - Cost-benefit analysis (CBA)
 - Cost-effectiveness analysis (CEA)
 - Multi-criteria analysis (MCA)

- Case for each method:

Table 1: Case for different methodologies

		Number of output variables	
		High	Low
Degree to which output variables can be easily measured and monetised	High	CBA CEA	CBA CEA
	Low	MCA	CEA

Application of each method across sectors:

Table 2: Methodology by sector

CBA	CEA	MCA
Agro-industry Energy Manufacturing Telecommunications Tourism Transport Water and wastewater	Energy Solid waste management Water and wastewater	Education Health Urban and regional development

- Continuous flow of projects, no pre-established deadlines: Bank complements broader financial system, operating alongside other financiers, rather than as an agency granting subsidies.
- Objective is informing a yes/no decision as to whether project merits financing, rather than performing a budgeting exercise that ranks projects.
- Economist has to perform appraisal in relatively short period of time. Hence reliance on standard models and readily available data rather than commissioning ad hoc surveys for each project.
- Exception is technical assistance operations where the economic appraisal assumes more of a planning role.



- **Guide to economic appraisal:**

<http://www.eib.org/eib.org/infocentre/publications/all/economic-appraisal-of-investment-projects.htm>.

- Currently undergoing update to incorporate new requirements from the Climate Bank Roadmap (revised social cost of carbon):

<https://www.eib.org/en/publications/the-eib-group-climate-bank-roadmap>

Thank you for your attention.

More Information

For info or further questions on this webinar please contact the JASPERS Networking Platform team:

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