

Implementation of investment projects

NDPTL – Umbrella Seminar: Role of the IFIs
27 January 2012



Basic information

- Founded by the Nordic countries in 1975 (active since 1976)
- The Baltic countries joined in 2005
- Headquarters in Helsinki
- Lending in both member countries and non-member countries
- Funds acquired on the international capital markets
- AAA/Aaa credit rating



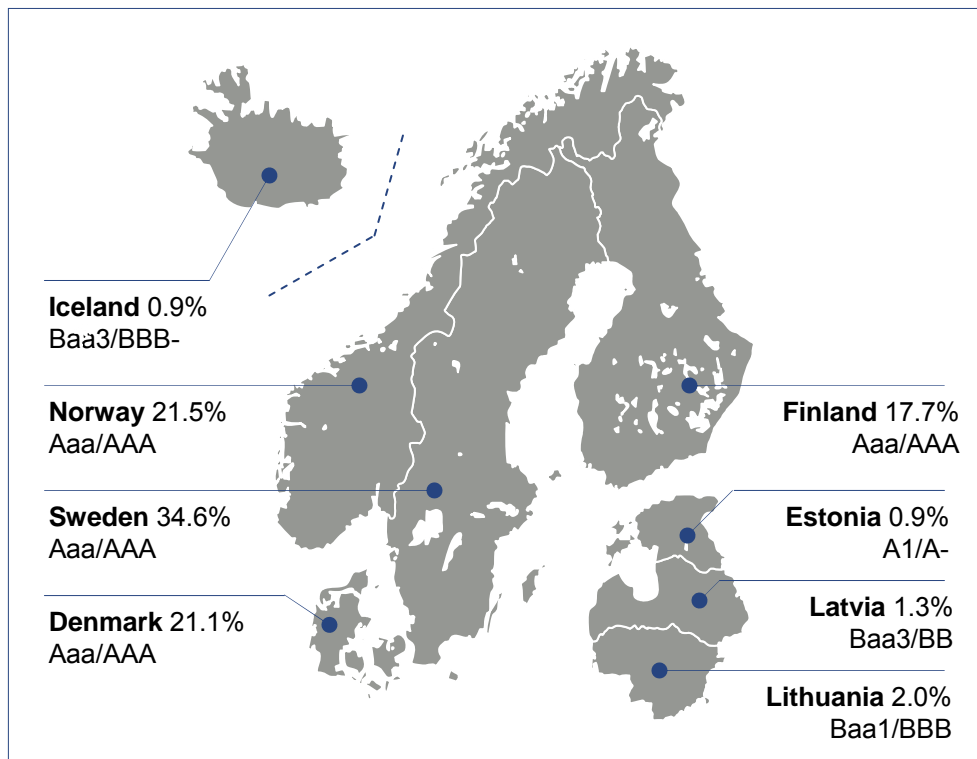
In 2009, NIB Headquarters joined the WWF Green Office network.



NIB Headquarters in Helsinki, Finland.

Ownership structure

The Bank's member countries have subscribed to its authorised capital in proportion to their gross national income.



**Authorised capital to
EUR 6,142m as of 16
February 2011**

NIB's Board of Governors has decided to increase the Bank's authorised capital by EUR 2 billion. The capital increase has been allocated to the unpaid portion.

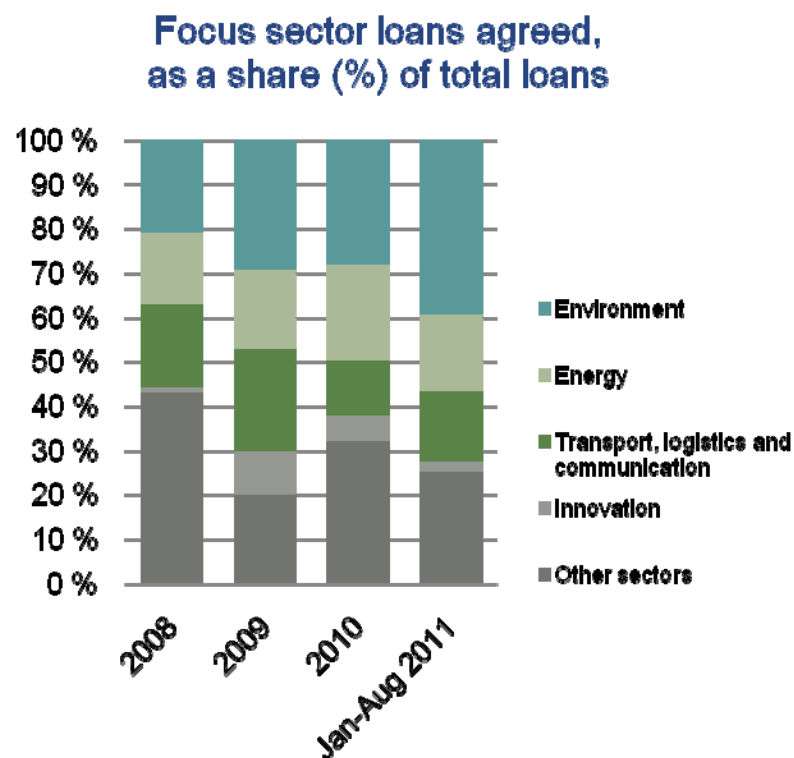
Mission and mandate

- NIB promotes sustainable growth by providing long-term complementary financing to
 - projects that strengthen competitiveness
 - projects that enhance the environment

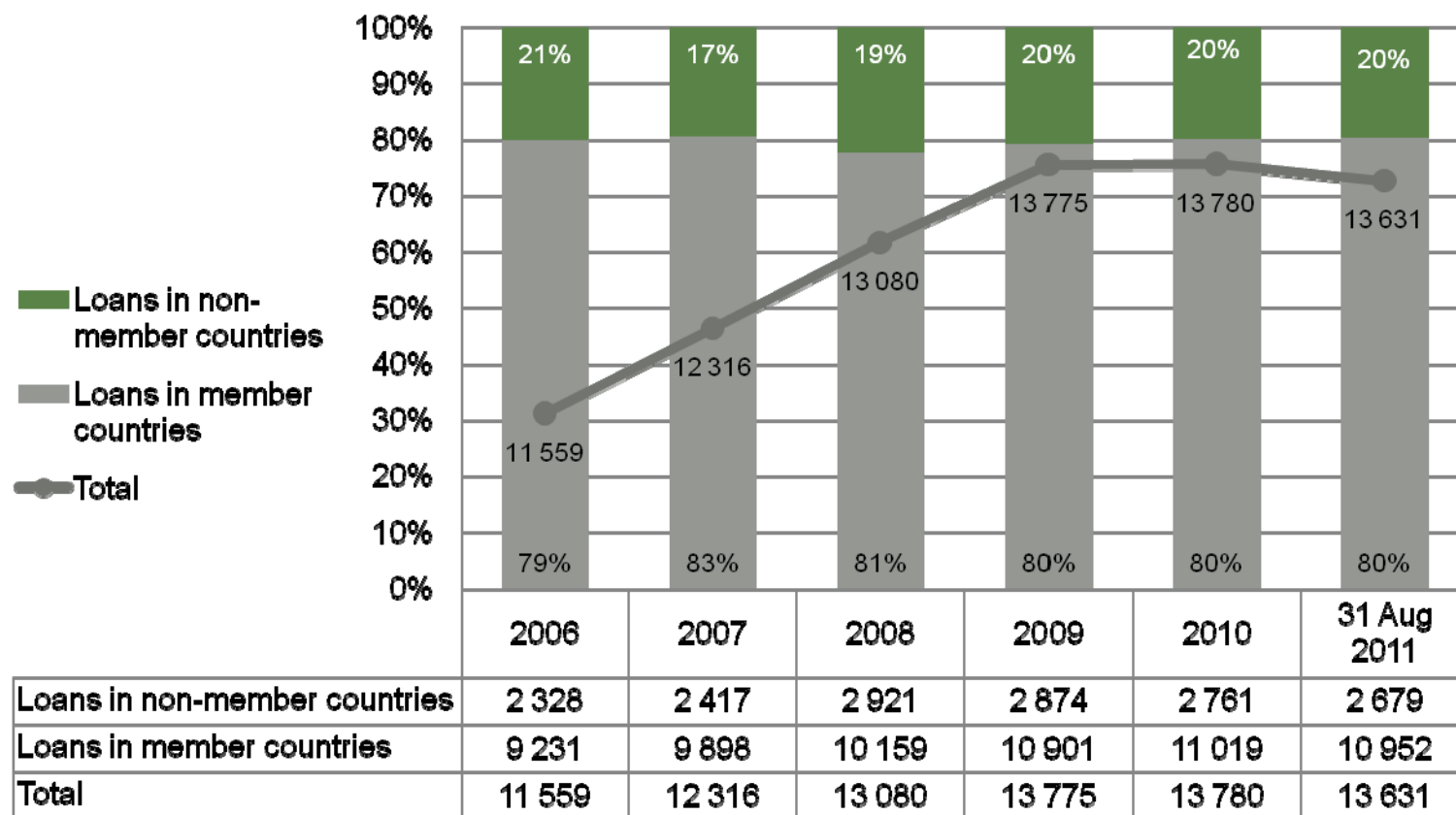


Mission and mandate: Focus sectors

- NIB puts particular emphasis on projects involving investments in the following sectors
 - environment
 - energy
 - infrastructure
 - innovation
- NIB finances
 - larger investments by the corporate sector or public sector
 - smaller projects through financial intermediaries



Loans outstanding



Focus sector: Transport, logistics and communications

- Effective transport, logistics and communications are essential for ensuring competitiveness
- In early 2011, NIB adopted a lending Strategy for transport, logistics and communications
- Many projects also have significant environmental benefits

Project examples: Road constructions, railways, airports, broadband and mobile phone networks



Photo: SJ AB (Sweden)

Long-term financing

- Co-financing normally up to 50% of the total project cost;
- Close cooperation with other international financial institutions as well as commercial banks, export credit institutions and development assistance organisations;
- Long-term lending instruments:
 - Sovereign loans to the state or against state guarantees (15-25 years)
 - Subsovereign loans directly to municipalities (10-20 years)
 - Corporate loans (5-15 years)
 - Limited recourse financing including PPP-financing (5-15 years)
 - SME financing through financial intermediaries (5-12 years)
 - Grace period up to 5 years
- Institutional strengthening in connection with specific projects;
- Support for project structuring and technical assistance.

Regional focus

NIB actively participates in international and regional cooperation

- EU Strategy for the Baltic Sea Region
- Northern Dimension Environmental Partnership (NDEP)
- Northern Dimension Partnership on Transport and Logistics (NDPTL)
- Eastern Europe Energy Efficiency and Environment Program
- Several trust funds for supporting project development and making projects bankable



Observing partnerships and regional strategies

- The Baltic Sea Region, North Atlantic and Barents Sea Region have high potential to benefit from an effective implementation of the Partnerships.
- The results of the NDEP has already demonstrated valuable results.
- Can the same approach be applied for transport and logistics projects?
- Enhance the interest of private investors into transport and logistics investments.
- Secure that interests of the partner countries on public level remains committed and focussed.
- Areas where the communality of interests is strong but where actions taken only nationally, too often in an uncoordinated way, fail to internalize the regional perspective and potential.
- Visible in the transport sector but also the environment and energy sectors have huge, inter-regional challenges.

From a strategy to an investment project



NIB NORDIC INVESTMENT BANK

07 February 2012

From Strategy to Projects

In order for investments to emerge there is a need for:

- Priority setting ► Political support (regulatory framework, legislative action, concessions, permitting, tariff setting etc)
- Resource allocation (by public as well as private stakeholders)
- Clear project ownership and active participation by owners (public and/or private sector)

IFI support

- The IFIs have from the very beginning declared their preparedness to engage in the implementation of the EU SBSR and the Northern Dimension.
- Projects are typically cross-border in their impact.
- Partnerships to cooperate and avoid overlaps.
- Project-owners needed to talk to and we need counterparts on which we can take the risk. Hence, the first condition is that there is a genuine interest to implement projects.
- A (political) target, some idea of how it could be done, but no idea of how it could be structured in order to become bankable.
- IFIs can help in this respect, in particular if we have the necessary trust funds which make it possible for us to support project preparation. This will also reduce the costs to the borrower.
- As is often said: for good projects there is always finance, for bad projects there is no finance. And should not be!

Bankable projects

Loans

A loan = Distributing the capital cost over time

Borrowed money is expensive (cost of funds + risk premium)

Debt service must be covered with the borrower's own resources, operating revenues and/or budgetary funds

Access to borrowing depends on:

Creditworthiness

and/or

Project quality (profitability = capacity to generate money for debt service)

Bankable projects -What is needed ?

In order to lend banks need:

- Willing and able borrowers
 - **Willing** = Prepared to take loans at prevailing interest rates to finance part of their investments
 - **Able** = Creditworthy enough to be able to service the loan/s and with the other part of the financing secured – banks never (should) provide loans for a 100 % of the project cost

Bankable projects -What is needed ?

In order to lend banks need:

- Good quality (feasible) projects
 - Financiers are focused on all aspects of project feasibility
 - Economic
 - Financial
 - Technical
 - Institutional
 - Environmental
 - Project preparation is essential - adequate studies are required!
 - Technical assistance can help:
 - NIB/NEFCO BSAP Fund for marine environment projects
 - EIB initiative to set up an EUSBSR Implementation Facility - JASPERS, JEREMIE, JESSICA, EPEC

Nordic Investment Bank

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