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"i2i": Looking ahead to 2010

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see article page 5

Annual meeting of the Board of Governors

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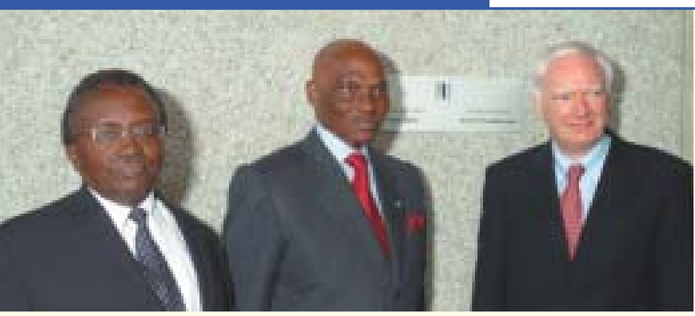

Launch of the EIB's new ACP Investment Facility

A new EIB Investment Facility for supporting private sector investment in the African, Caribbean and Pacific countries helping to reduce poverty, was formally launched at the EIB's Luxembourg headquarters on 2 June.

Present at the launch ceremony were President Abdoulaye Wade of Senegal and Minister of Finance David Mwiraria from Kenya. *see article page 8*

Contents

Annual Meeting of the Board of Governors of the EIB

on 3 June 2003

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The President of the EIB, **Philippe Maystadt**, provided a summary of the Bank's activities in support of EU policies and an overview of operational priorities, both inside and outside the European Union: In 2002, EIB's total lending reached EUR 39.6 billion (2001: EUR 36.8 billion).

Lending inside the EU was EUR 33.1 billion. Loans devoted to regional development were close to EUR 20 billion. Projects financed under the "Innovation 2000 Initiative" in support of EU's Lisbon strategy for strengthening innovation and competitiveness totaled EUR 3.3 billion. The Lisbon European Council (March 2000) had asked the Bank to dedicate in three years EUR 12 to 15 billion to projects furthering innovation which mandate has been fulfilled, with loans worth EUR 15.8 billion approved as of the 1st of May 2003. Lending in favour of the natural and urban environment showed a substantial progression, reaching EUR 9.3 billion.

Outside of the European Union, a record EUR 3.7 billion in loans was signed in the Accession countries (+37% as compared to 2001), consolidating EIB's position as the most important external source of finance for this region. Infrastructure projects - transport in particular - accounted for about half of the loan volume, the environment took the second largest share, with EUR 1.3 billion signed under this heading. The Mediterranean region absorbed EUR 1.8 billion, paving the way for a successful implementation of the Facility Euro-Mediterranean Investment and Partnership.

Concerning **regional development and economic and social cohesion** the Bank pursues the ambitious objective to grant 70% of direct loans to projects situated in Assisted areas of the European Union. The Bank is actively participating in a Joint Working Group set-up with the Commission that aims at designing the future modes of action in favour of assisted areas, in particular with a view to maximising the leverage effect of structural funds. The EIB contributes to economic and social cohesion also through the continued support in financing **Trans European Networks**. Building on its experience acquired over the past 10 years (EUR 75 billion lent to the sector), the Bank intends to integrate its action into the priority measures currently drafted by the High Level Group on TENs.

The EIB will continue and extend its **support for innovation**. The Board of Governors approved of the "Innovation 2010 Initiative", which will ensure that financing of innovation will remain a top priority until 2010. Subject to a mid term review, the new "i2i" envisages a lending envelope of EUR 20 billion up to end-2006 for projects in three key areas:

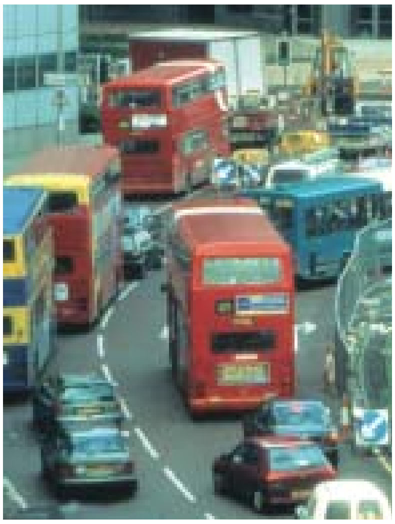
- Education and training;
- Research & Development and innovative downstream investment;
- Information and Communication Technologies.

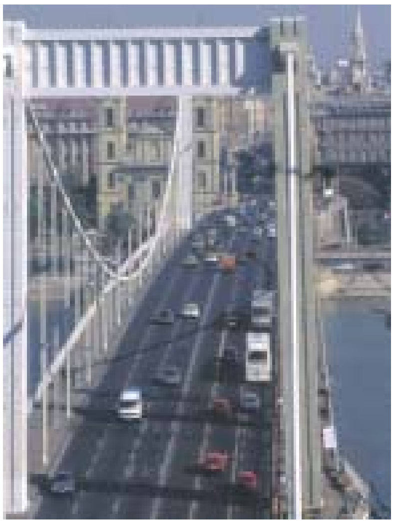
Concerning the **protection of the natural and urban environment**, the Bank maintains its target of 25-35% of total lending to environmental projects. Moreover, it will seek new ways to reflect the environment policy priorities of the EU into its actions, in particular by supporting EU's international undertakings regarding greenhouse gases, renewable energies and Johannesburg millennium goals. The Bank is present in the Commission's working group developing new financing mechanisms for renewable energy, and closely follows the development of the Commission's Water Initiative.

NB: Mr Maystadt's statement at the Board of Governors' annual meeting is available on the EIB's website: www.eib.org.

The Board of Governors endorsed EIB's operational priorities:

- Regional development and economic and social cohesion;
- Implementation of the Innovation 2010 Initiative (i2i);
- Environmental protection and improvement;
- Preparation of Accession Countries for joining the EU;
- Support of EU development and cooperation policies with Partner Countries.





Regarding **activities outside the European Union**, the Board of Governors approved of EIB's orientations in the Accession Countries and Western Balkans, and welcomed the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) and the Cotonou Investment Facility.

In the **Accession countries**, where the EIB has established itself as the single most important source of external finance, financing of specific projects aims to assist candidate countries in the attainment of the acquis communautaire and generally facilitate the enlargement process. The Bank will strengthen its efforts in certain key sectors: lending to municipalities for local infrastructure, foreign direct investment, widening support for SMEs through a co-financing scheme developed with the Commission to promote long term lending, increased support for projects in education, R&D and health. With the substantial increase in EU grant support to be made available to the new member states under the Structural and Cohesion Funds, the Bank will reinforce its cooperation and co-financing with the Commission in order to maximise synergies. Following the enlargement foreseen for 2004, the Bank will reinforce its activity in **Romania and Bulgaria** in order to contribute that the timetable for further enlargement in 2007 can be met.

In the **Western Balkans**, the Bank remains committed to playing a pro-active role in the development of the region and plans to lend EUR 1.2 billion over the next three years. Until now, the EIB has primarily focused on basic infrastructure reconstruction. As the region gains in stability, activity will progressively expand into other sectors. The protection of the environment, the development of municipalinfrastructure, the dissemination of innovation and the development of health and human capital will gradually gain in importance. EIB will continue to coordinate its action with that of other International Financial Institutions, notably the World Bank and the EBRD.

Concerning operations in the **Mediterranean Partner Countries**, the year 2002 saw the official launch of the **FEMIP initiative** in Barcelona. Since October 2002, the EIB approved loans totalling EUR 1.5 billion, of which more than one third was in favour of the private sector, the prime target of the facility. As to the future direction of FEMIP, the Ministerial Committee Meeting held in April 2003 in Istanbul opened a constructive dialogue with the representatives of all interested parties: EU Member States, Partner Countries and Institutions. FEMIP will focus on promoting access to finance for the private sector; the development of global loans and new financial instruments for equity and quasi equity financing will prove instrumental in achieving this objective.

The activities in the **African Caribbean Pacific countries** are placed under the implementation of **the Cotonou Agreement**. The Agreement represents a milestone in the EU-ACP co-operation for the economic development aiming at the reduction of poverty. It acknowledges the private sector's central role in the creation of economic wealth. In this context, the operations supported by the Investment Facility, officially launched on 2 June, will involve risk sharing more frequently than in the past and projects will have to be associated with a reasonable level of remuneration. In this way, the Bank will create a revolving facility, using the proceeds of the reimbursements or dividends. The task of generating enough returns to sustain a revolving facility undoubtedly constitutes a challenge, given the financial risks inherent to most ACP projects. The Bank will manage up to EUR 2.2 billion coming from the budgetary resources of the EU Member States. Besides, the EIB will complement the Investment Facility with loans of EUR 1.7 billion out of own resources.

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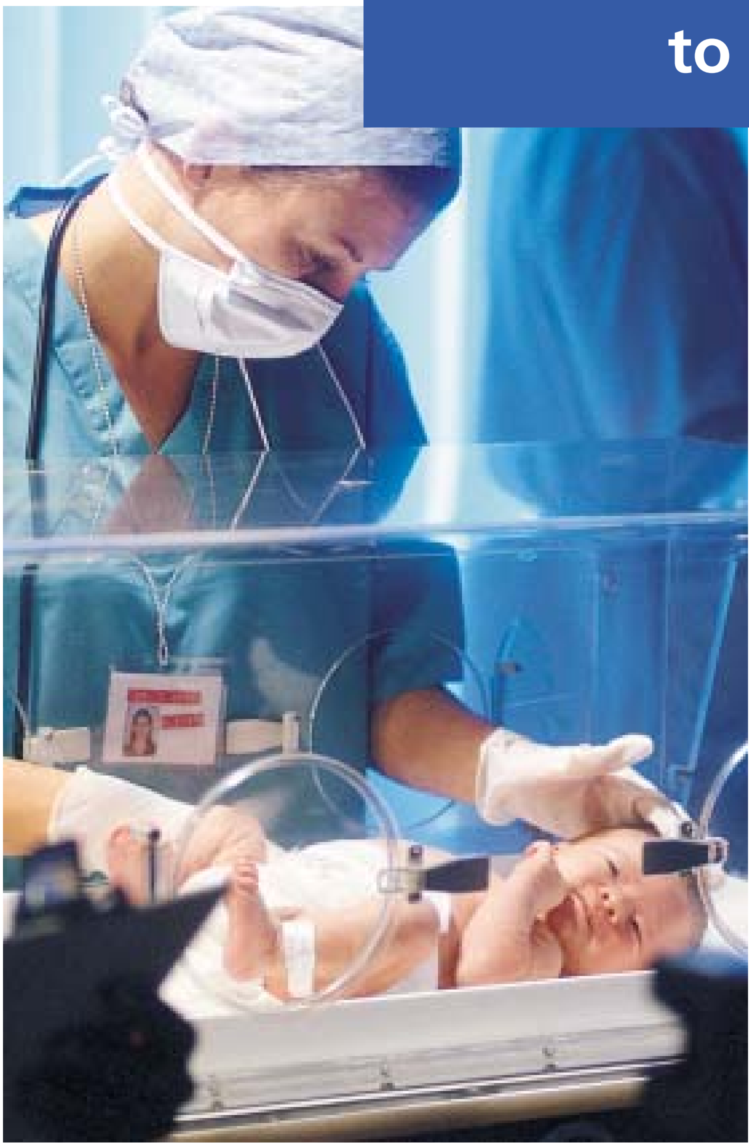
First Board of Governors' annual meeting for the new EIB Vice-Presidents

"i2i": Looking ahead to 2010



The financing of innovation will remain a key priority for the Bank as far ahead as 2010. Although the i2i programme comes to the end of its initial three-year term at the close of 2003, the objective set under the Lisbon Strategy continues to be valid. In line with the conclusions of the Stockholm (March 2001) and Barcelona (March 2002) European Councils, at its annual meeting on 3 June 2003 the EIB's Board of Governors approved the renewal of this programme as the Innovation 2010 Initiative.

The Innovation 2010 Initiative is rooted in the EIB Group's experience with implementing the Innovation 2000 Initiative launched in June 2000 to take forward the conclusions of the Lisbon European Council, aimed at fostering the development of a knowledge and innovation-based European economy.

Designed both to continue and refocus the Innovation 2000 Initiative, "i2i-2010" reflects the long-term nature of the Lisbon and Barcelona objectives. It provides a framework for EIB Group action until the end of the decade and establishes an new indicative lending envelope of EUR 20 billion for the period June 2003 to December 2006. The EIB Group will then conduct a mid-term review to fine-tune the initiative's priorities and instruments up to the end of 2010.

To recap, i2i disposes of:
- **medium and long-term EIB finance,** often in the form of risk-sharing or structured loans, and
- **EIF equity participations and counter-guarantees** designed to stimulate the creation and development of small business by providing equity in the form of venture capital or facilitating access to bank credit.

An integrated approach

Innovation 2010 is based on an integrated approach focusing on the links between knowledge creation and the market. It covers all phases of the process, from education to R&D and the transformation of innovation into investment, generating productivity gains and enhancing the competitiveness of the European economy. Such an approach is key to effective support for innovation, as a driver of economic growth and job creation.

In the light of its experience acquired during the 30 months' implementation of the first i2i (see box), its policy dialogue with the Commission and its contacts with public and private-sector economic operators, the EIB intends the new initiative to concentrate on three priority areas:

- **Education and training**, including lifelong learning in industry and the service sector, integration of research into tertiary education projects, digital literacy and e-learning (eEurope), development and dissemination of knowledge via new media.
- **R&D and downstream investment**, especially by the private sector in products and processes. This component particularly concerns pan-European R&D projects and the financing of public or international research facilities; support for private-sector (especially SME) R&D initiatives, "pooled R&D" and the combined application of research for the purposes of industry or services; backing for incubator-type structures catering for the needs of start-up companies; co-financing of research programmes underpinned by the 6th EU Framework Programme.
- **Creation and dissemination of information and communication technologies (ICT)**, e.g. relating to hardware, ICT-supported content and applications. Under this objective, emphasis will be placed on the roll-out of fixed and mobile broadband networks and access technologies (e.g. AsDSL, DSL, UMTS) as well as R&D; digital terrestrial television (DTTV) platforms; investment in on-line services (e-commerce, e-health, e-government); development of intelligent transport management systems (e.g. Galileo) and deployment of European standards for transport (ERTMS, ETCS, LCTC, GSM-Rail) or emergency (TETRA) networks; and more generally, support for projects under the "eEurope 2005" and "eEurope+" programmes.

Over a period of ten years, the Bank will have made available over EUR 50 billion in support of the Lisbon Strategy.

By regarding the innovation process as a "Knowledge Net" the EIB Group is able to focus its activity on: the *enablers*, i.e. the infrastructure for carrying and disseminating knowledge; the *intermediates* applying this knowledge; and lastly the producers of the commercial content and products constituting the *output* of the innovation chain in European society.

In view of the variety of investment in the knowledge transformation process, the new i2i will involve more lending for **intangible assets** (e.g. training and research programmes, patents), alongside the Bank's traditional financing of tangible assets (such as infrastructure, buildings, scientific and technological equipment).

Moreover, the EIB Group will accord priority to projects furthering or resulting from **synergies between the public and private sectors**, since mobilising their combined efforts is crucial for attaining the ambitious R&D investment target of 3% of Europe's GDP by 2010, set by the Barcelona European Council in March 2002.

Enhanced co-operation with the Commission

It goes without saying that enhanced cooperation with the Commission has had a marked impact on EIB activity in areas eligible for i2i financing.

It takes a number of forms:

- coordination (and, where possible, co-financing) of key initiatives backed by the 6th EU R&D Framework Programme launched in November 2002;
- implementation of agreements with DG-Info on a European approach to financing technology networks and schemes involving ICT content and applications;
- creation of synergies with DG-Culture for the support and financing of European audiovisual projects;
- conclusion of cooperation agreements with the Commission aimed at optimising synergies between the two institutions in the fields of regional development and integration of the Accession Countries, especially with a view to maximising the effectiveness of the European Structural Funds.

A pan-European dimension

As with the first initiative, Innovation 2010 will give **absolute priority to projects located in regional development areas**: the creation of centres of excellence in the less favoured regions of the EU or the countries due to become Members in 2004 is undoubtedly a key factor in ensuring European citizens' equal access to technologies in a changing world. It also helps to offset the tendency for investment to be concentrated in the wealthiest parts of a unified economic area. Accordingly, 66% of the Bank's lending between 2000 and 2003 under the first i2i went to projects in the least developed regions of the Union and the Acceding Countries, a testimony to the high value added of the Bank's involvement and its commitment to bringing about a transfer of knowledge to the areas lagging furthest behind.

Encouraged by this positive experience, the EIB's Governors decided to **broaden the geographical scope of the Innovation 2010 Initiative** by linking it to the creation of a European Research Area, an objective declared by the Heads of State and Government at the Barcelona Summit in March 2002.

The following will therefore be eligible for EIB support under the new i2i:

- the existing Member States (EU 15), with special emphasis on projects located in assisted areas and Cohesion Countries;
- the ten Acceding States set to join the Union in May 2004;
- the Accession Countries: Bulgaria, Romania and Turkey;
- the Western Balkan countries, where, as the Bank's support for reconstruction and development begins to bear fruit, major needs in the form of educational facilities and technological networks will have to be addressed.

Substantial amounts

Adding to the approximately EUR 17 billion approved by the EIB for the first i2i, the indicative envelope of 20 billion decided by the Bank's Governors for the period mid-2003 to end-2006 will bring the EIB Group's financing in pursuit of the Lisbon Strategy objectives to an average of EUR 6.5 billion per year. Taking into account the business volume already committed and the needs expressed by the economic operators, it is realistic to assume that this annual average will be maintained over the whole decade. Thus, the EIB Group's support for i2i-targeted sectors will amount to well over EUR 50 billion by the end of 2010.

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i2i: 2000-2002 Review

At the end of 2002, the EIB Group had virtually achieved the objectives set for it by the Lisbon European Council: in two-and-a-half years, it had approved a lending volume of almost EUR 17 billion (EIB 14.4 billion + EIF 2.5 billion) for some 300 operations covering all the EU Member Countries and the 10 Acceding Countries: total signatures ran to 10.8 billion (including over 3.6 billion in 2002) and EIF equity participations amounted to more than 2.5 billion (including 471.5 million in 2002).

This performance makes clear that the EIB succeeded in meeting a real economic need by offering a diverse range of financial products to the i2i sectors. In so doing, the Group prioritised investment resulting in a transfer of know-how to the least developed regions and demonstrating the value added of the Group's activity:

- *Regional development*: 66% of financing went to projects improving the access of the EU's less favoured regions and the Acceding Countries to leading-edge technologies, particularly in the areas of health, education and technology networks.

- *Innovative content*: since 2000, there has been a sharp increase in the innovative content of projects financed: research and development (R&D) schemes, notably in the life sciences field, accounted for 59% of loans granted in 2002; education projects (26% of loans in 2002) have an important innovative component involving either the use of information and communications technologies (e-learning) or the application of fundamental R&D (universities and university hospitals). ICT network projects (10% of loans in 2002) were selected for their marked impact on regional development or contribution to the dissemination of innovation (digital technologies applied to the production or distribution of audiovisual works).

- *Sectoral breakdown*: the distribution of financing between the different areas covered by i2i has also changed: whereas in 2000 the bulk of projects under appraisal centred on telecommunications (59% in 2000), an examination of projects approved at the end of 2002 reveals the following sectoral breakdown, in decreasing order: education/e-learning (43%), R&D (39%), technological networks (10%) and diffusion of innovation/audiovisual media (8%).

Launch of the EIB's new ACP Investment Facility

EIB President welcomes President Wade of Senegal

A new EIB Investment Facility for supporting private sector investment in the African, Caribbean and Pacific countries helping to reduce poverty, was formally launched at the EIB's Luxembourg headquarters on 2 June. The Investment Facility has been set up under the terms of the ACP-EU Cotonou Partnership Agreement.

The establishment of the Investment Facility marks a new phase in the over 40 years of EIB activity in the ACPs, in which the Bank has channelled over EUR 7 billion into key economic projects within the framework of EU development support for the region.

Present at the launch ceremony was President **Abdoulaye Wade** of Senegal and Minister of Finance **David Mwiraria** from Kenya, as well as EIB Governor and Minister of Finance of Greece Mr **Nikolaus Christodoulakis** representing the EU Council Presidency and EU Commissioner **Pedro Solbes**. There were also Ambassadors from the 78 ACP countries, representatives of the other European institutions and the EU Member States' bilateral aid agencies.

Poverty reduction

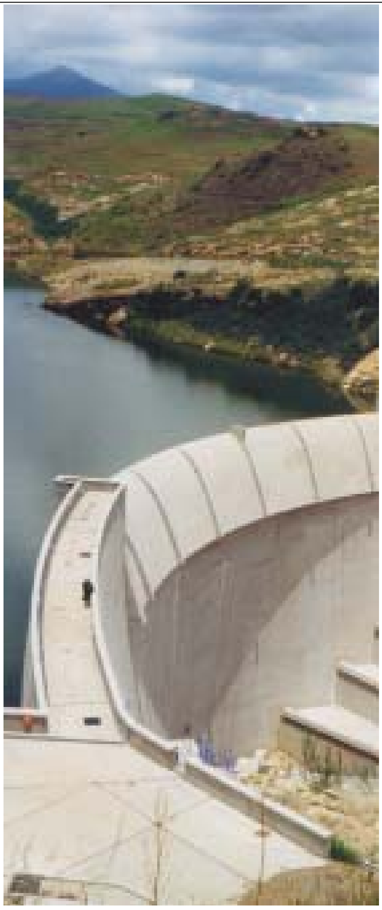
The Cotonou Agreement builds on relationships established in a series of Conventions, those of Yaoundé and later Lomé, negotiated between the ACPs and the EU covering, amongst other issues, trade, co-operation and development assistance. The Cotonou Agreement marks the start of a new 20 year partnership between the ACPs and EU. Its principal objective is *"poverty reduction and its ultimate eradication; support for sustainable development and progressive integration of the ACP countries into the world economy."*

Under the terms of this Agreement, the EIB will manage a new EUR 2.2 billion Investment Facility over the next five years, focusing on projects in the private sector, or in public sector projects, as long as they are run on a private sector footing. The finance will be drawn from the EU Member States. The Investment Facility funds will be managed in parallel with a renewed commitment of the EIB to provide a further EUR 1.7 billion for projects in ACP countries from its own resources for the next five years. The EIB's own resources are raised through its borrowing on capital markets.

Cotonou not only establishes poverty reduction as the principle objective of the new partnership between the ACPs and the EU, it also recognises that governments cannot bring about sustainable development through taxation and income distribution policies alone. Poverty reduction is key in a process in which governments divest themselves of activities that are now recognised as best left to the talents of business.

Just as in Europe, which is still implementing its own privatisation and de-regulation reforms, the private sector has also gradually been making an increasing contribution to economic development in the ACP. Many ACP states have already travelled a considerable way along this road. This is reflected in the Bank's own financing activities in the ACP. In the last five years the EIB has provided EUR 2.13 billion for capital investment in the region, and of this 45% has gone towards private sector investment and for schemes to encourage the development of the privatisation and liberalisation process.

The significance of Cotonou is that it sees poverty reduction as dependent on economic growth, and economic growth, in turn, dependent on better governance and greater integration into the world market economy. All this is very much dependent on development of the private sector, identified in the Partnership Agreement as the real motor of growth. Private sector activities are seen as a mechanism to encourage the release of talent and enterprise, helping to create new jobs, spreading prosperity and generating the means to deploy more resources in favour of social reform.



Funds available

Under the Cotonou Agreement, the EIB is to provide a total of nearly EUR 4 billion refundable aid to projects in the ACP states between 2003-2008. The finance is being made available through the EU' European Development Fund grant finance, managed by the Commission, and bilateral aid from the EU Member States.

This Investment Facility (IF) replaces the former risk-capital funds of the Member States of the EU, which were also managed by the Bank. What is new is that the Investment Facility will be revolving; its reflows will be redeployed to support further ACP projects.

Various forms of senior and junior debt and risk sharing financing instruments are available through the IF, which allow flexibility in setting terms and conditions adapted to the nature of a project - for example through a variable remuneration component related to project performance. It will take project related risk and will expect a commensurate return in order to remain self-sustaining.

EIB's own resources offer long-term senior debt at very favourable financing conditions, for larger, lower risk and financial sector operations. For its loans from own resources the Bank takes a low level of risk, which it mitigates by guarantee and security arrangements.

The EIB bases its lending conditions on its AAA credit rating, passing on these advantages as it operates on a non-profit-making basis. While the EIB set its pricing against its AAA benchmark, under the Investment Facility the Bank may accept more risk and will price its Investment Facility activities accordingly.

Two forms of finance are available:

The Cotonou Agreement's funds		
European Development Fund		
European Commission	European Investment Bank	
	Investment Facility	**EIB's own resources**
Grant aid	Loans/equity/guarantees for investment projects	Loans for investment projects.
EUR 11 300 million	EUR 2 200 million	EUR 1 700 million

More responsibilities

The Cotonou Partnership emphasises and encourages the ACP States' ownership of the Agreement's development strategies. For the ACP countries this brings more responsibilities, especially in terms of political dialogue and governance. Under the Agreement, the

Range of available financial instruments

	Investment Facility	EIB's own resources
Senior debt:	**Pricing:** EIB reference rate + mark-up. **Security:** guarantee (international or local) or project security. **Currency:** EUR (possibility of other, local, currencies).	**Pricing:** EIB reference rate. **Security:** 1st class or prime-quality security (with possibility of political risk carve-out). **Currency:** EUR, USD, GBP and ZAR.
Junior/subordinated debt:	**Pricing:** EIB reference rate + mark-up. **Security:** project guarantee or other covenants. **Currency:** EUR (possibility of other, local, currencies).	-
Quasi equity: participating or conditional loans:	**Pricing:** variable remuneration as a function of performance. **Security:** usually unsecured or junior status with covenants. **Currency:** EUR (possibility of other, local, currencies).	-
Equity participation:	**Pricing:** dividends / capital gains. **Security:** none. **Currency:** local currency.	-

EIB will ensure both the sustainability and profitability of projects it finances through the Investment Facility.

At the launch ceremony, EIB President **Philippe Maystadt** pointed out that, with its 45 years of experience in financing projects, the Bank will spare no effort in making its Investment Facility and the Bank's own resources responsive tools to assist the ACP countries in their development efforts. The partnership would create synergies between the EU, the EIB and the ACP.

Regional offices

The EIB President also announced the opening of three regional representative offices in the ACP area, for West Africa, in Dakar, for East and Central Africa in Nairobi and for Southern Africa in Pretoria. These regional representations will be established in close co-operation with the European Commission, strengthening the presence of the family of EU institutions in the ACP countries. The EIB offices will serve the business community in their surrounding regions and will function as principal bases for the Bank's operations in the ACPs.

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The EIB and Renewable Energy

Through its financing, the European Investment Bank (EIB) supports the implementation of investment projects furthering European Union (EU) objectives. Protecting the environment and improving human well-being is one of the Bank's top priorities, to which it has set itself the goal of devoting 25-33% of its lending in the existing and future Members States of the EU. From 1999 to 2002, the share of major project financing taken by the environment came to 35% in the EU, 28% in the accession countries and 23% in the other non-EU countries (Mediterranean region, Balkans, ACP countries, Asia and Latin America).

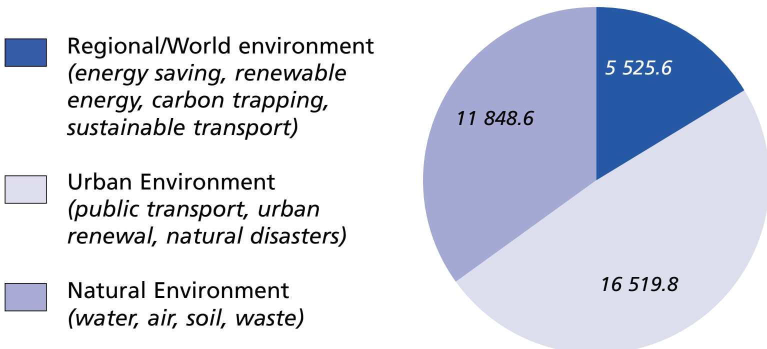
Stronger EIB support for renewable energy sources

To support the international objectives of the Union and its Member States relating to sustainable development and combatting climate change, complementing efforts to foster the rational use of energy and energy savings, the EIB recently strengthened its strategy for the financing of renewable energy projects. In 2002, it set itself a minimum aim of stepping up the share of such financing over the coming five years from 7.5% to 15% of the total volume of energy lending.

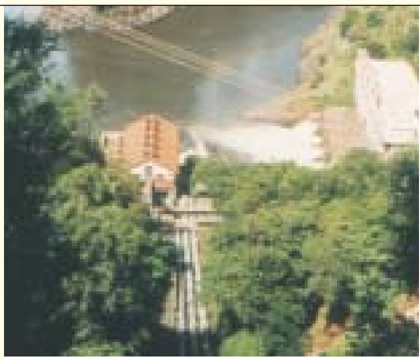
The Bank's broad strategy for increasing its lending activity in the sector provides for :

- financing of research and development projects and programmes focusing on the emer-

Loans for major environmental projects 1999 to 2002: EUR 32.3 billion



N.B. certain projects can be classified simultaneously in several categories.



gence of innovative technologies for harnessing renewable energies;
- upstream financing of industrial equipment required for renewable energy projects and programmes;
- stepping up its financing in the acceding and accession countries for renewable energy projects, particularly rehabilitation of hydro-electric schemes and development of areas such as geothermal, bio-energy and wind;
- coordination with the Commission to achieve enhanced synergy between the Union's budgetary resources and EIB loans in support of projects involving these energy sources.

The Bank is also exploring the possibility of lending to specialist intermediaries that are equipped with sufficient resources to evaluate and manage in particular small-scale and geographically highly dispersed schemes in the energy sector and apply agreed selection criteria.

This would also encourage investment in the decentralisation of electricity generation.

A growth sector

In the past, EIB lending for renewable energy projects has concentrated on the more commercially and technically developed areas, such as hydroelectric and geothermal schemes and, more recently, the financing of biomass projects. Financing for wind energy has been particularly important in certain countries, including Germany, Spain, Italy and Denmark, and the focus of activity is now shifting from smaller to larger-scale installations and from onshore to offshore locations.

Looking ahead, the financial incentives in place in many countries, coupled with continuing technological progress, seem likely to lead to increased investment in the renewable energy sector by the private and public sectors, both within and outside the EU. The Bank's current project pipeline in the renewable energy sector indicates a sound mix of projects, in line with the strategy mentioned above and sufficient to allow the Bank to meet or exceed lending targets for this sector.

From 1993 to 2002, the EIB provided more than EUR 2.4 billion in individual loans (76% in the EU and 24% outside) for 47 major projects (25 in the EU and 22 outside) in the renewable energy sector.

The following examples may be cited :

- refurbishment of hydroelectric power stations and construction of wind farms in Scotland,
- construction of a solar module production plant and photovoltaic R&D in Alzenau, Bavaria (Germany),
- the extension of production installations for silicon wafers for use in photovoltaic cells in Freiberg, Saxony (Germany)
- construction of an offshore wind farm near Esbjerg (Denmark)
- construction of a programme of 7 wind farms on the mainland and islands of Greece
- a country-wide programme for investing in new and existing windpower, geothermal and hydro-electric schemes in Italy
- modernisation of a biomass-fired combined heat and power plant in Swiecie, northern Poland
- construction of a new geothermal power station with associated electricity transmission lines and sub-stations in Nairobi (Kenya),
- construction of a wind farm in the province of Tetouan, Morocco,
- rehabilitation of the generating equipment at the Victoria Falls hydroelectric power plant on the Zambian bank of the Zambezi River,
- construction of a dual fuel-fired coal/bagasse-fired power station in Mauritius.

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For further information on the subject of the environment, see on the Bank's website www.eib.org the following publications under the headings "Thematic and procedures" and "Strategies":

- Environmental Report 2001-2002
- Report on the Environment in the Accession Countries 2001-2002
- EIB documents relating to sustainable development and the environment
- The EIB's environmental procedures
- Environmental Statement
- The EIB and its contribution to sustainable development
- EIB support for renewable energies
- The EIB and climate change

New fact sheet on the EIB and the water sector

Since the mid-eighties, the water sector has been a key financing area for the EIB as a component of its support for environmental protection and human well-being (see the article "EIB financing for water sector projects" in EIB information n°112).

The Bank has recently published a new fact sheet outlining the policy of the EIB in the water sector and its activity in this domain. The document is available on the Bank's website www.eib.org, under the "publications" and "thematic & procedures" headings.


European Investment Bank
and the water sector

Aguas de Sevilla: an innovative water project

Through its financing of projects in the water sector, the European Investment Bank (EIB) strongly contributes to furthering European Union (EU) objectives. In that sense, the "Aguas de Sevilla" project constitutes an innovative example of a water project combining some of the Bank's top priorities: regional development, protecting the environment and improving human well-being.

The project forms part of a ten-year framework investment programme ("Contrato Programa") agreed between the Comunidad Autónoma de Andalucía (CAA) and EMASESA, the municipal water company of Seville, to improve the water and sewerage services in the city of Seville (Spain's fourth largest city) and surrounding area.

Specifically, the project comprises different schemes designed to improve the quality of the water supply, reduce water losses in the grid, increase water pressure, and provide for better treatment of waste.

With over 7 million inhabitants, Andalucia is Spain's largest Objective 1 region and one of the biggest and most populous in Europe. In a region where water resources are scarce, EIB financing plays a key role in enabling better compliance with the Union's environmental directives, allowing end–users to pay for and benefit from improved environmentally friendly water services.

From a financial point of view, the main new feature of the project consists of the financing being structured as an intermediated purchase of EMASEA's rights to charge end-users with an "improvement fee" ("Canon de Mejora") established under a Decree promulgated by the Regional Government of Andalucia for the specific purpose of financing the works programme. The principal merit of this scheme, from the municipal water company's perspective, lies in its nature as a sale of rights on a non-recourse basis, with therefore no impact on the level of indebtedness of the municipality. Not surprisingly, the project recently received the "Municipal Deal of the Year" award from Euromoney, and other similar schemes are expected to follow.

By participating in this innovative financial structure, the EIB is helping the commercial financiers involved in the project (Dexia, Ahorro Corporación Financiera and Financial Security Assurance) to develop their lending for PPP infrastructure projects with a reduced impact on their balance sheet/capital consumption. This will have a positive effect on the development of PPP-type financing in Spain in line with both the EIB's and the Spanish government's policy objectives.

EIB FORUM 2003 in Dublin on 23 and 24 October

BEI/EIB FORUM

2003 DUBLIN

This year's Forum will be on the theme: "Visions of Environmental Sustainability: Europe's Long-Term Energy and Water Policies".

Sustainable development is what we must achieve if we do not want to compromise the right of future generations to a sound environment. Although environmental issues presently do not rank as high among the European population's concerns as in earlier years, due to uncertainty about employment and social security, sustainable development will continue to feature high on the political agenda. Sustainable development will not just happen, but requires vision, political leadership and long-term strategies, supported by Europe's democratic institutions and civil society.

The EU and its Member States have made commitments to furthering sustainable development, including transformation of the European energy sector and better water management. The Forum will look at the efforts made in Member States to fulfil the undertakings made at the UN Kyoto Summit with a view to reducing environmentally harmful gases and thus counter climate change, and it will explore alternative energy visions, their financial viability and the investment strategies needed for their implementation. It will look at the management of water resources in Europe, the application of incen-

Programme of the EIB Forum 2003 in Dublin

Thursday, 23 October 2003

13:00 WELCOME LUNCH

14:00 • Opening address: **Philippe Maystadt,** President of the EIB
• Welcome address: **Charles McCreevy**, Minister for Finance, Ireland

14:30 SESSION I : *What has to be done in the energy sector to achieve environmental sustainability?*
Chairman: **Michael G. Tutty**, Vice-President of the EIB

Speakers:
• **Loyola de Palacio**, EU Commissioner for Transport and Energy;
• **Jürgen Trittin**, Federal Minister for the Environment, Germany;
• **Patricia Hewitt***, Minister of Transport and Industry, United Kingdom;
• **Istvan Csillag**, Minister of Economy and Transport, Hungary;
• **Jan-Erik Enestam***, Minister of the Environment of Finland.

16:30 SESSION 2 : *What are the alternative energy futures for Europe and how financially viable are they?*
Chairman: **Michael G. Tutty**, Vice-President of the EIB

Speakers:
• **Fatih Birol**, Chief Economist, International Energy Agency;
• **Lars Josefsson***, CEO Vattenfall, Sweden;
• **Prof. Antonio Luque**, Director, Institute for Solar Energy, Polytechnic University of Madrid, Spain;
• **Dr. Hermann Scheer**, Winner of the World Solar Prize and Alternative Nobel Prize, EUROSOLAR, Germany;
• **Frank Overmeyer**, Head of Strategy, Product and Environment, DaimlerChrysler, Germany.

18:00 ADJOURNMENT

20:00 DINNER (Royal Hospital Kilmainham, Dublin)
• Welcome address: **Royston Brady**, Lord Mayor of Dublin
• Guest speaker: **Ray MacSharry**, former Irish Minister for Finance and Commissioner for Agriculture

Friday, 24 October 2003

09:00 SESSION 3 : *Is there a realistic blueprint for sustainable water management in Europe?*
Chairman: **Wolfgang Roth**, Vice-President of the EIB

Speakers:
• **Margot Wallström**, Commissioner for Environment, EU Commission;
• **Altero Matteoli**, Minister for the Environment, Italy;
• **Bernard Barraqué**, Professor, École Nationale des Ponts et Chaussées, France;
• **Jaroslav Palas**, Minister of Agriculture and Environment, Czech Republic;
• **Andreas Wurzer**, European Freshwater Coordinator, World Wildlife Fund, France.

11:15 SESSION 4 : *Innovative Financing Instruments*
Chairman: **Peter Sedgwick**, Vice-President of the EIB

Speakers:
• **Kristalina Georgieva**, Director of Environment, World Bank;
• **Frank Joshua**, Director NatSource;
• **Terry Brown**, Director General, Lending Operations, EIB.

13:00 CLOSING SESSION
• Concluding comments: **Michael G. Tutty**, Vice-President of the EIB
• Closing of the Forum: **Bertie Ahern**, Prime Minister, Ireland

13:15 CLOSING LUNCH

BEI/EIB FORUM 2003 DUBLIN

**** To be confirmed . Programme as per 14/07/2003.***
An updated electronic version of the programme is available under www.eib.org/forum

tive pricing for efficient water use and of the "polluter pays" principle. Finally, the Forum will discuss investment needs in the energy and water sector and innovative approaches to their financing.

What has to be done to achieve environmental sustainability in the energy sector?
The United Nation's Kyoto Summit urged the world community to reduce emissions of environmentally harmful gases in order to counter climate change. The EU and its Member States have committed themselves to attaining these general objectives. Increasing energy efficiency seems to be a shared goal. However, there are differences as to the relative importance attached to making the most efficient use of energy, employing new technologies and providing incentives for the use of renewable energy. Are the policies adopted so far adequate for achieving a transformation of Europe's energy sector?

What are the alternative energy futures for Europe and how financially viable are they?
What are the visions for the energy sector for the year 2020? What does technology offer and what might be feasible? What are the prospects for a more rational use of energy? Global energy projections for the year 2020 envisage a strong increase in the use of renewable energy, but still, in absolute terms, a very high consumption of fossil fuels. Can this be environmentally sustainable? What energy policy and investment strategies are needed to shift Europe's energy sector towards utilising a larger share of renewables? How can the transport sector become less environmentally harmful?

Is there a realistic blueprint for sustainable water management in Europe?
Europe already has a vision for the sustainable management of its water resources, enshrined in its most ambitious piece of environmental legislation – the Water Framework Directive (WFD) – which has set targets for the good ecological status of all surface, ground and coastal waters by 2015. Implementing this vision will come at a very high cost. The WFD recognises that economic instruments play an important role in reinforcing sustainability by requiring adequate cost recovery, incentive pricing and application of the "polluter pays" principle. Integrated river basin management involving demand management, re-use and supply optimisation will become increasingly important. This challenge is particularly formidable for southern European countries, which have up to now relied heavily on EU subsidies to finance water infrastructure investment. It is also a challenge for future Member States since almost half of the total investment required in order to comply with the acquis communautaire is related to the water sector. Do Northern, Southern and Eastern Europe really have a shared vision of sustainable management of water resources?

Innovative Financing Instruments

Investment in Europe's water sector, in order to meet the requirements of the acquis communautaire by the year 2015, is expected to reach some EUR 30 billion annually. Are public-private partnerships a proven way of making the most efficient use of these funds?

Investment in renewable energy may not attract the financial support that it deserves, as energy prices established in the market do not reflect the environmental costs of energy consumption. A market for carbon emissions is emerging because of the limits that have been placed on the emission of greenhouse gases affecting the climate. Financial institutions concerned with sustainable development seek to catalyse this market by adding value to investment that reduces greenhouse gas emissions. What is the scope for innovative public and private financing of environmental services?

As in earlier years, the Bank has invited eminent speakers from the political, academic, industrial and banking worlds to discuss these issues.

Additional information on the EIB Forum is available under www.eib.org/forum

The Bank's Lending Strategy in the Accession Countries of Central and Eastern Europe

Following the successful conclusion of the accession negotiations for ten of the candidate countries at the Copenhagen Summit in December 2002, the EIB has reviewed its lending strategy with the aim of strengthening its contribution to development of the region ahead of – and beyond – enlargement in 2004.

The Bank's role in the Accession Countries remains that of underpinning EU policy objectives in close cooperation with the European Commission, EBRD and other partner banks.

The EIB, with a signed loan portfolio of EUR 20 bn, continues to be the largest lender in Central and Eastern Europe and in 2002 was the foremost non-governmental borrower of Accession Country currencies. While the Bank maintains a generally favourable outlook for further growth in its lending, the 2004 enlargement will nonetheless give rise to fundamental changes:

The first will be in the environment in which the Bank operates in the new member states, given the substantial increase in EU grant aid to be made available under the Structural and Cohesion Funds. Although the volume of aid is expected to boost investment in the medium term, in the more immediate future it could also test the absorption capacity of the countries concerned, revealing administrative bottlenecks. Together with the Commission, the Bank will therefore have to establish an appropriate co-financing ratio between grants and loans for projects of common interest.

Following the enlargement in 2004, the Bank will step up its activity (under the pre-accession mandates) in Romania, Bulgaria and the Balkan states. In particular, it will work closely with the Commission to assist these countries in adopting the *acquis communautaire*, so ensuring that the timetable for the second wave of enlargement in 2007 is met.

The Bank will raise its profile in certain key sectors in order to enhance the impact of its activity:

- Municipal lending: in view of the importance of this sector for local public infrastructure, the Bank is helping to bolster the borrowing capacity of municipalities in the Accession Countries by implementing a more flexible lending policy in line with standards applicable in the EU.
- Foreign Direct Investment: the Bank is increasing its involvement in corporate investment projects, especially through increased marketing.
- SMEs: the Bank is broadening its support for smaller businesses by means of a co-financing scheme to promote long-term lending to SMEs developed with the Commission.
- Innovation, research & development, education and health: in line with the importance attached to supporting these priorities in the Accession Countries, the Bank will focus increasingly on education, R&D and health projects mounted by national, regional and municipal authorities.
- The bank will continue to cooperate with the EBRD and the commercial banking sector.

The complete text of the Bank's paper on its lending strategy in the Accession Countries can be found at www.eib.org/lending/accession: "Review of Current Status and Update on Lending Strategy".

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The EIB's Euro-Mediterranean financial partnership: a first stock-taking

Coming together for the second time, in Istanbul on 2 and 3 April last, the Ministerial Committee of the EIB's new Facility for Euro-Mediterranean Investment and Partnership (FEMIP) evaluated progress since the meeting in Barcelona on 18 October 2002 which marked the inauguration of FEMIP (1). The 27 Finance and Economy Ministers of the EU Member States and the Mediterranean Partner Countries (MPCs) underscored their determination to achieve closer economic cooperation and welcomed the concrete progress in implementing FEMIP despite the current political tensions in the region.

Jointly chaired by Mr **Philippe Maystadt** and Mr **Ali Babacan**, Turkey's Minister for the Economy, the Ministerial Committee was honoured by the presence of the Prime Minister of Turkey, Mr **Recep Erdogan**. Representatives of the European Commission, the World Bank group (IBRD and IFC), the African Development Bank (AfDB) and the European Central Bank (ECB) also participated.

Tangible operational results

Between October 2002 and the end of June 2003, new operations under FEMIP totalled EUR 1.68 billion, nearly 40% of which in support of the Facility's main objective: private-sector development in the MPCs.

Headline loans to the private sector included finance for a car plant in Turkey and cement works in Algeria and Tunisia, along with new long-term credit lines for a large number of financial intermediaries in several of the partner countries aimed at strengthening the capital base of local SMEs and facilitating their access to Bank credit. Two examples highlight the Facility's effectiveness: in Turkey, EIB loans of EUR 180 million for SMEs catalysed total investment of around EUR 600 million and led to the creation of more than 6 000 new jobs; while in Tunisia an EIB input of EUR 100 million helped to attract an additional EUR 400 million in new investment, generating over 3 000 jobs.

FEMIP also focuses on financing economic and social infrastructure directly helping to create a fertile environment for entrepreneurship. Examples include loans for upgrading five ports in Morocco and the port of Tartous in Syria, as well as for expanding the Nubariya power station to meet rapidly growing commercial and domestic electricity demand in Cairo and Alexandria. At the same time, the Facility has financed a number of social development projects such as reform of the Tunisian and Syrian health systems, modernisation of Jordan's educational system, expansion of the University of Cyprus and the installation of IT facilities in 6 800 classrooms in Turkey.

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(1) See EIB Information n°112, page 6

Lastly, FEMIP has channelled aid to people in areas stricken by natural disasters, signing the final (EUR 150 million) tranche of an EIB lending programme for reconstruction following the 1999 earthquake in Turkey, and committing a EUR 250 million framework loan for rebuilding areas east of Algiers devastated by the earthquake in May 2003.

The list of FEMIP projects currently under appraisal by the Bank is available on the EIB website at: www.eib.org

Helping private-sector firms to access credit

Against the current backdrop of political tension in the region, FEMIP represents a key tool for strengthening economic cooperation between the partners. Accordingly, along with assessment of the Facility's operational results, the Ministerial Committee meetings provide an opportunity to discuss ways of accelerating economic development and plan social and structural reform in the MPCs with a view to promoting trade and investment growth.

At the Istanbul meeting, the Committee explored factors impacting on private-sector access to credit in the MPCs, looking in particular at SMEs and the banking sector. It decided that FEMIP should take the following measures:

- step up direct long-term lending to companies and/or the provision of long-term financial resources to local banks for on-lending to SMEs;

- where necessary, support individual projects with a combination of equity finance and long-term loans, especially to underpin direct investment in the MPCs by foreign companies;

- promote new financial products or set up new arrangements (e.g. development of leasing or creation of guarantee funds) making it easier for firms to access medium and long-term credit; risk-capital resources are expected to have a significant leverage effect here;

- develop little-used financial products to provide companies – especially SMEs – with equity or quasi-equity financing (e.g. participating, conditional and subordinated loans);

- provide technical assistance to the banking sector, in particular to enhance the quality of banks' business lending portfolios and their ability to manage credit risk – important factors in improving the prospects for lending to SMEs.

Organisational changes

To boost FEMIP activities, the EIB has substantially enhanced its staff resources and its presence in the region, as witnessed by the creation of a special MPC Private Sector Development Division. It has also opened its first office in Cairo to cover the Middle East (the official launch with the participation of the Egyptian authorities will take place in September). Like other FEMIP regional offices due to open in the future, the Cairo office will have the task of strengthening the Bank's business development as well as its technical assistance and monitoring activities.

The next meeting of the Ministerial Committee will be held in Naples (Italy) on 10 and 11 November 2003.

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Mr Ali Babacan, EIB President Philippe Maystadt and EIB Vice-President Philippe de Fontaine Vive Curtaz (from left to right)

Visit of the European Ombudsman

EIB President Philippe Maystadt meets the European Ombudsman Mr Nikiforos Diamandouros

On the occasion of a visit to the EU institutions in Luxembourg on 8 July 2003, the European Ombudsman, Mr **Nikiforos Diamandouros**, met President **Maystadt** at the EIB to discuss relations between the two bodies. Under the EC Treaty, the Ombudsman's task is to investigate allegations of maladministration in the EU institutions and bodies, including the EIB and its activities. Investigations can be launched either at the Ombudsman's own initiative or following citizens' complaints. In this context, Mr Diamandouros highlighted the relatively small number of complaints received concerning the Bank.

Recognising that the Ombudsman plays a key role in safeguarding citizens' fundamental rights and ensuring an open and accountable administration, Messrs **Maystadt** and **Diamandouros** agreed that the Bank will continue to cooperate fully with the Ombudsman's office, strengthening the service that the EIB provides to the Union as a policy-driven public bank. The discussion also touched upon the European Parliament's proposal that the Bank establish an independent expert panel to investigate citizens' complaints about its activities in the field.

EIF obtains top credit rating

The rating agencies Standard & Poor's and Moody's assigned in July 2003 a triple-A credit rating (AAA/Aaa) to the European Investment Fund (EIF), the venture capital and guarantee arm of the European Investment Bank Group. This rating reflects the strong shareholder support and high levels of AAA-rated callable capital, as well as the Fund's prudent financial policies, sophisticated risk management and monitoring systems and the strength of its management team. The rating outlook was qualified as stable.

Francis Carpenter, EIF's Chief Executive, declared: "This top credit rating is an essential key for the development of our business, and is especially useful for business with guarantee intermediaries. They will benefit from our creditworthiness and from the economic and regulatory capital relief this provides, particularly with reference to the Basel II Capital Accord. The external ratings will notably underpin the expansion of EIF guarantee activity in the area of securitisation of small and medium sized enterprise financing, where EIF acts as an external credit enhancer for noteholders investing in Asset-Backed Securities backed by portfolios of SME loans."

The European Investment Fund is the European Union's Financial Institution specialising in venture capital and guarantees for SMEs. Based in Luxembourg, the EIF was established in 1994 and operates as a joint venture between the European Investment Bank, the European Community - represented by the European Commission - and some 30 European banks and financial institutions.

Additional information is available on the EIF website: www.eif.org

Appointments to the EIB's Senior Management Cadre

Konstantin ANDREOPOULOS

***Konstantin Andreopoulos** has been appointed EIB representative on the Board of Directors of the European Bank for Reconstruction and Development (EBRD).*

A Lawyer in Athens and New York and a Graduate of the Universities of Athens, Freiburg-im-Breisgau and Yale, Mr Andreopoulos joined the Bank's Legal Affairs Directorate in 1981 as Head of Division for Greece. After taking on responsibility for the Bank's Athens Office when this was opened in 1984, he was subsequently in charge of the Division for Lending Operations in Greece and Finland (1988) before moving back to the Legal Affairs Directorate as Director (1995) and Deputy General Counsel (1998). Prior to his new appointment, Mr Andreopoulos was responsible for monitoring EIB loans both within and outside the Union as Deputy Legal Adviser (2002).

New Directors

***Patrick Klaedtke**, Financial Controller and Manager of the ISIS programme, will be assuming direct responsibility for the Information Technology Department. He succeeds Mr Luciano Di Mattia, who will be taking up new duties in the Bank's Internal Audit.*

After gaining a degree in management from the University of Trier, Mr Klaedtke began his career in the financial world as an auditor with KPMG in Luxembourg. He joined Morgan Stanley Luxembourg in 1989 as Controller and Head of the Fund Administration Department prior to occupying various posts within this institution in Zurich, New York and Frankfurt where he contributed towards establishment of the company on emerging markets and the changeover to the euro. Mr Patrick Klaedtke came to the Bank in February 1999 as Director of Financial Control and Accounting.

Patrick KLAEDTKE

Alfonso QUEREJETA

***Alfonso Querejeta** has been appointed Director of the Legal Support for Lending Operations Department.*

A legal expert with a doctorate in law from the University of Bologna, from 1986 he occupied various posts within the Legal Affairs Directorate. After heading the Spain and Portugal Division within the Department responsible for the legal monitoring of operations, Mr Querejeta had, since 2000, been Director of the Department for Lending Operations in Spain and Portugal in the "Europe" Directorate .

New Associate Directors

***Georg Aigner** has been appointed Associate Director in charge of the Translation Division.*

Mr Aigner holds a degree in translation and interpreting from the University of Graz (Austria) and an arts degree from the Sorbonne in Paris; he also studied European law at the Paris Faculty of Law. After pursuing a career of several years as translator-reviser and subsequently as Head of the German Translation Unit at the European Commission in Luxembourg, Mr Aigner joined the Bank in 1996 as Head of the Translation Division. This currently caters for the 11 languages of the Union and will be required to handle all 20 official languages following the forthcoming enlargement.

Georg AIGNER


Juan
ALARIO GASULLA

Juan Alario Gasulla *has been appointed Associate Director in the Operations Evaluation Department.*

A Graduate in industrial engineering, specialising in "energy technologies", of the Polytechnic University of Barcelona and with a doctorate in economics, "energy economics" option, from the University of Grenoble, Juan Alario joined the Bank as an economist in 1987. He was appointed Head of the Energy Division in 1994 and then economic adviser heading the teams of economists responsible, firstly, for energy and heavy industry in 1995 and, secondly, for telecommunications, light industry and services in 1998. Mr Alario was promoted to Adviser in the Operations Evaluation Department in August 2000 where his duties included contributing towards defining the Department's spheres of activity, conducting ex post evaluations and coordinating the EIB's self-evaluation system.

Carlos Guille *has been appointed Associate Director in the Capital Markets Department.*

Mr Carlos Guille currently heads the funding effort at the Bank for American, Asian and Pacific currencies which represented, in 2002, more than EUR 17 billion through 140 issues in six currencies. Prior to joining the EIB in 1991, Mr Guille worked at the Banco Bilbao Vizcaya in several domains including commercial banking, international banking, lending, treasury and capital markets.
He holds a degree in Economics and Business Administration. During his career, he has attended multiple courses and has been a speaker at several prestigious conferences


Carlos
GUILLE


Christopher
KNOWLES

Christopher Knowles *has been appointed Associate Director in the Directorate for Lending Operations – Europe*

With degrees in Economics and Management from the University of Durham, Mr Knowles joined the Bank in 1982, initially in the ACP region. From 1989 to 1998 (as Division Head from 1991) he worked on the start-up and development of the Bank's lending operations throughout what are today the Acceding and the Accession countries of Central and Eastern Europe, including a secondment to the transitional team that established the EBRD. Since 1998 he has headed Lending Divisions for Greece and Finland and, currently, Spain (PPPs, Infrastructure, Social and Urban sectors). Prior to his career at the EIB, he worked for the Lesotho National Development Corporation, the European Commission and Lazards.

Jean-Jacques Mertens *has been appointed Associate Director in the Projects Directorate, in charge of the Primary Resources and Life Sciences Division.*

After graduating in civil engineering (metallurgy) from the Catholic University of Louvain in 1969, Jean-Jacques Mertens began his career in the mining industry in Central Africa; he joined the Bank in 1976 in the Technical Advisory Service, which has since become the Projects Directorate. J-J. Mertens currently heads the Primary Resources and Life Sciences Division, which encompasses mining and quarrying, intermediate materials industries, pharmaceuticals and biochemistry. He also co-chairs the "R&D Task Force" and has coordinated several working parties in this sphere. The author of various articles and communications, his interests notably include exploring the link between intangible investment and corporate competitiveness.


Jean-Jacques
MERTENS


Philippe
OSTENC

Philippe Ostenc *has been appointed Associate Director in the Projects Directorate.*

A former student of the École Polytechnique and the École Nationale des Ponts et Chaussées, Mr Ostenc worked in Réunion and was then seconded to the government of Côte d'Ivoire. He subsequently spent six years at the World Bank in Washington. He joined the EIB in 1981 in the Projects Directorate as an engineer specialising in infrastructure schemes. In 1997, he was seconded for three and a half years to Cairo in conjunction with the Mediterranean Environmental Technical Assistance Programme (METAP), co-financed by the EIB, the World Bank and the European Commission. In 2001, he was appointed head of the Air, Maritime and Urban Transport Division. Within the Projects Directorate, Philippe Ostenc is also responsible for procurement.

***Manfredo Paulucci de Calboli** has been appointed Associate Director in charge of the Purchasing and Administrative Services Division.*

Manfredo PAULUCCI

Manfredo Paulucci holds a doctorate in law from the University of Bologna. On joining the EIB in 1995, he was initially chief press officer within the Communications Department, responsible for Italy, the African, Caribbean and Pacific Countries as well as SMEs. At the same time, he served as assistant to the Italian Vice-President Mr Massimo Ponzellini. Since 1997, he has occupied the post of head of the Administrative Support Division, which in 1999 became the Purchasing and Administrative Services Division within the General Secretariat's General Administration Department. Prior to his career at the Bank, Mr Paulucci was senior programme manager within the Co-finance Technical Cooperation Unit at the EBRD in London (1991-1995) and, from 1982 to 1991, "Condirettore Centrale" for the international affairs of the IRI-Finmare shipping group.

***Alain Sève** has been appointed Associate Director in the Directorate for Lending Operations – Other Countries.*

A former student of the École Polytechnique in Paris, Mr Sève moved to the EIB in 1985 after a 15-year career in private industry. At the Bank, he joined what is currently the Projects Directorate as an industrial specialist with priority emphasis on operations outside the Union. Appointed Head of Division in the Mediterranean Department in 1993, he supervised EIB operations in Algeria, Morocco, Tunisia and Turkey. On 1 January 2003, he was appointed head of the new Private-Sector Support Division, established as part of the EIB's Facility for Euro-Mediterranean Investment and Partnership (FEMIP), with responsibility for financing operations in this sector throughout the Mediterranean Partner Countries.

Alain SÈVE

The EIB Papers

EIB Papers are published each year by the Economic and Financial Studies Division (EFS) of the EIB. The publication, comprising two issues, aims at encouraging high-quality economic research and debate on matters of European interest. As such the Papers are intended to be accessible to non-specialist readers and emphasise policy dimensions rather than technical issues. They present the results of research carried out by Bank staff together with contributions from external scholars and specialists.

In 2003, issues of the EIB Papers focus on Europe's changing financial landscape, raising a variety of intriguing topics such as the growing role of institutional investors (pension funds, insurance companies and mutual funds), population ageing and bank consolidation (Volume 8, Number 1), and the financing and capital structure of small and medium-sized enterprises (SMEs) in various European countries (Volume 8, Number 2).

The EIB Papers are available in English only and can be received free of charge from infoefs@eib.org or downloaded from EFS's website: www.eib.org/efs.

Award-winning borrower

René Karsenti (right) EIB Director General, Finance, receives Euromoney award at the 12th Global Borrowers and Investors Forum

The EIB's approach to borrowing has once more won recognition, through a *Euromoney* Award for Best Supranational Borrower (2003).

"EIB has been exemplary in managing big funding needs while remaining consistent, and in balancing the need to develop markets strategically with the need to raise large amounts at reasonable cost", said an investment banker interviewed by *Euromoney*. This follows awards last year from *Euroweek*, including an award for Most Innovative and Receptive Borrower.

Euromoney's rationale for the latest award highlights many of the strengths that EIB has systematically developed. Great strides in Euro funding mean that EIB is "now the benchmark for the European sub-sovereign market". The successful strategy of offering liquid benchmark bonds across a full range of maturities was reflected in comments on issuance in other key currencies: "The Bank's $3 billion benchmarks have been highly successful" and sterling funding also "found great success".

The Bank's position as "number one issuer in [Acceding Country] currencies" was also a factor in the award and reflects the Bank's strong contribution to the development of capital markets in Acceding Countries.

This strategic approach and effective implementation have helped EIB meet growing funding requirements in a timely manner. With EUR 33 billion already raised in 12 different currencies by mid-2003, EIB is comfortably on track to reach a 2003 target of EUR 40-42 billion, against EUR 38 billion in 2002.

Consistent positioning as the Consolidated European Sovereign Issuer has provided a competitive edge, as investors have sought diversification and security in volatile markets. In fact, strong demand for recent bond issues has supported a cost of funds ever closer to that of the largest European government issuers.

Strong capital market positioning and performance have therefore enabled EIB to continue to pass on an attractive cost of funds to the beneficiaries of its lending activities.

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