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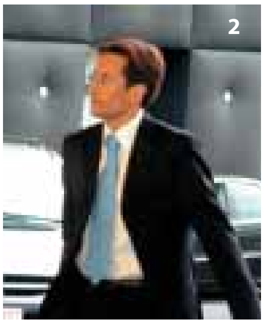
EIB's 2005 annual meeting

Governors endorse new strategic orientations



The EIB's activities in 2004 and the future strategy of the EIB Group were the main items on the Board of Governors' agenda at their annual meeting in Luxembourg on 7 June 2005.

1. D. Reynders, Finance Minister for Belgium.
2. K.H. Grasser, Finance Minister for Austria.
3. H. Eichel, Finance Minister for Germany.
4. G. Zalm, Finance Minister for the Netherlands.
5. P. Maystadt, EIB President; P. Solbes Mira, Finance Minister for Spain; E. Uhlmann, EIB Secretary General.

info

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Continued lending for key policy objectives

Summarising the Bank's activities and operational priorities in 2004, EIB President Philippe Maystadt highlighted the facts that:

- The Bank signed a total of EUR 43.2 billion in new loans in 2004, up 2.1% compared to 2003. Loans inside the European Union accounted for 92% of the total.

- As in the past, support for economic and social cohesion within the European Union was the core lending objective. EUR 28 billion was devoted to projects helping regional development, accounting for 70% of lending in the Union.

- EIB lending in favour of the two pillars of the European Action for Growth was steady. On the one hand, the lending volumes in support of the Innovation 2010 Initiative, underpinning the Lisbon Agenda, were up from EUR 6.2 billion in 2003 to EUR 7 billion last year. On the other, the Bank signed EUR 8 billion in new loans for investment in Trans-European Networks (EUR 6.8 billion in 2003).

- The Bank also maintained its strong commitment towards the protection and improvement of the natural and urban environments, with a third of total lending within the Union qualifying under this objective.

- Outside the European Union, the Bank continued to play a significant role in the Balkans, especially in financing infrastructure linking these countries among themselves and with the European Union. In the Mediterranean region, the Bank strengthened its presence, as requested by the European Council in 2003. It delivered the expected results under the "reinforced FEMIP", with loans totalling EUR 2.2 billion. In the ACPs, the Cotonou Investment Facility progressed in terms of lending volumes and new financial instruments, despite a difficult environment.

Record borrowings on the capital markets

With a total of EUR 50 billion, up 18% compared to 2003, raised in 15 currencies through 282 transactions, 2004 was again a record year for borrowing on the capital markets. The Bank's funding strategy successfully blended consistency with innovation. Market recognition was high, with several awards received notably for benchmark transactions.

At the end of 2004, the balance sheet total stood at EUR 257.8 billion. Outstanding loans and guarantees amounted to EUR 265 billion, well below the EUR 409 billion ceiling permitted under the Bank's Statute.

"The European Investment Bank is and will remain an institution that does not require any contribution from the Member States' budgets, apart from the original capital subscription."

The lending volumes in support of the Innovation 2010 Initiative, underpinning the Lisbon Agenda, were up from EUR 6.2 billion in 2003 to EUR 7 billion last year.

The profit and loss statement showed a net surplus of EUR 1 381 million, a slight reduction in comparison with 2003 (EUR 1 424 million), largely due to extraordinary charges for the recapitalisation of the Bank's pension fund and the health insurance scheme.

Given the level of outstanding loans at the end of 2004, said President Maystadt commenting on the Bank's financial situation, a new capital increase would not be necessary before 2010. Moreover, the Bank's self-sufficiency would be maintained. The next capital increase is expected to be entirely financed by transferring the accumulated reserves to the capital. President Maystadt stressed: *"The European Investment Bank is and will remain an institution that does not require any contribution from the Member States' budgets, apart from the original capital subscription."*

Value added and corporate governance

2004 also saw important steps forward in the Bank's approach to value added. In response to a request from its Governors, the Bank has introduced a set of indicators measuring the value added by EIB financing, at the level of each individual project presented to the Board of Directors for approval. Value added indicators are already in place for operations within Europe. Later this year, specific indicators will be introduced for operations in the Partner Countries, emphasising the developmental role of EIB funding.

As for the EIB's corporate governance, in 2004 the Bank took concrete steps to increase transparency and accountability through external communication. By way of illustration, President Maystadt listed the facts that:

- Management Committee members now have to sign and publish a declaration of financial interests
- Conflicts of interest reported by members of the Board of Directors are publicly disclosed
- A Compliance Office has been set up to promote sound supervisory standards

The EIB also recently published a Corporate Social Responsibility Statement on its website. In addition, it is currently reviewing its Public Disclosure and Information Policy and for the first time has launched a public consultation on the policy (see also page 25).

Innovation and quality

Turning to the EIB's future, Mr Maystadt outlined the new strategy for the Bank at the meeting. He emphasised in his speech to the Governors that for operations in Europe, the keywords would be innovation and quality. Innovation, because the Bank will develop new financial instruments and new ways to collaborate with the banking sector in order to strengthen its support for small and medium-sized enterprises. Innovation also, in the way in which the Bank will work with the European Investment Fund, offering a common approach to clients, thanks to global relationship management.

To ensure quality, the Bank will further increase its attention to value added. A major feature

COP 2005-2007

The EIB's main operational objectives are laid down in a three-year, rolling Corporate Operational Plan (COP - available on the Bank's website). For the years 2005-2007, the main operational objectives are:

•	*Economic and social cohesion in the enlarged EU*
•	*Implementation of the Innovation 2010 Initiative (i2i)*
•	*Development of Trans-European and Access Networks*
•	*Support for EU development and cooperation policies in the Partner Countries*
•	*Environmental protection and improvement, including climate change and renewable energy*

Other operational priorities remain:

•	*Support for small and medium-sized enterprises as well as mid-cap companies of intermediate size*
•	*Support for human capital, notably health*

of the EIB's new strategy will be the gradual increase in the risk profile of its operations. If and when justified by value added, the Bank should play the role of pathfinder. Under strict limits and with appropriate controls, the Bank should take risks that are not easily absorbed by the market. That could be the case, for example, for investment in new, unproven technologies with a high potential impact.

Development impact outside Europe

In Partner Countries outside Europe, the EIB's future strategy will be geared more closely to achieving development goals. The new and reinforced mandates recently given to the Bank (Cotonou Investment Facility, Reinforced FEMIP) have raised expectations. In this respect, Mr Maystadt said, it must be recognised that investment volumes are a necessary, but not sufficient, condition for the development of the beneficiary countries. In order to serve development goals better, the Bank will move towards a more active project acquisition approach, based on country strategies and intervention both upstream (project identification, preparation, technical assistance) and downstream (project monitoring, impact assessment). This approach will naturally entail even closer cooperation with the European Commission and other multilateral financing institutions working in the area.

The strategic changes that the EIB's Governors agreed to at the 2005 Annual Meeting cannot be made overnight. Their implementation will take time and a careful, stepwise approach. One thing is certain: the EIB will stay true to its mission of contributing to the policy objectives of the European Union by financing sound investment. *"The strategic changes that lie ahead do not entail a revolution for the Bank, but rather the continuation of an evolution initiated in recent years. The strategic orientations approved today are expected to give an extra edge to the Bank when carrying out its mission"* Mr Maystadt said. ◻

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Value Added and Corporate Governance

The Corporate Operational Plan 2005-2007 places special emphasis on two important strategic objectives: to focus the Bank's action on Value Added and to further improve Transparency and Accountability through external communication.

The value added of EIB lending rests on three pillars:

- *Consistency between operations and the priority objectives of the EU*
- *Quality and soundness of each project*
- *The particular financial benefits obtained by the use of EIB funds*

Transparency and accountability are closely linked. Increasing transparency is an essential aspect of the EIB's governance framework. The Bank has continued to develop corporate governance measures that take account of its twofold role as a financial institution and a European institution serving the policy objectives of the European Union. In 2004, the EIB adopted a series of measures and published a document on EIB Transparency Policy as well as a Statement on Governance at the EIB on its website.

The EIB's Annual Report was presented to the Board of Governors at its Annual Meeting on 7 June 2005. It can be consulted on the Bank's website www.eib.org/publications.

by Cees Post
Communication and Information Department

The European Union is built on ambitions, and the objective to establish a competitive, knowledge-based economy capable of sustainable economic growth with more and better jobs and greater social cohesion by 2010 is no doubt among the most ambitious. At the Lisbon European Council of March 2000, the Union set itself this strategic goal.

The EIB Group and the Lisbon Agenda:

the road ahead

by Cees Post
Communication and Information Department

"The Lisbon Strategy does not aim at changing one economic system into another. It aims at adapting our current economic situation to face a new world context, to allow us to keep our own social and environmental models intact", *European Investment Bank President Philippe Maystadt said at a conference held in Brussels in March 2005 by the Centre for European Policy Studies (CEPS)*.

The European Investment Bank and Fund will have the necessary financial instruments ready for the second five-year period of the implementation of the Lisbon Agenda. While the EIB can certainly support this, the creation of a competitive, knowledge-based European Union economy requires a combined effort. As EIB President Maystadt said at the CEPS conference, it is vital that the Member States take ownership of the Lisbon Strategy, stimulating the necessary investment, implementing reforms and making the citizens understand why all of this is needed.

The EIB, together with its subsidiary the European Investment Fund (EIF), is a major player in implementing the Lisbon agenda on the ground. Exploiting synergies, the EIB Group cooperates inter alia with the European Commission, acting as a complement to the grant instruments operating via the European Union budget. Cooperation between the Commission and the Bank is also crucial to ensure the coherent implementation of innovation policy.

The EIB focuses on four strategic areas to support the Lisbon Agenda: (1) research and development - the Bank finances private and public sector investment in research, the development of centres of excellence and academic research centres; (2) human capital - it supports university training by helping to finance the upgrading of infrastructure and improve access to training as well as life-long learning; (3) the diffusion of technologies and development of information and communication technology - EIB loans help the creation of communication networks in a number of sectors (such as health) and the development of electronic commerce platforms; and (4) support for entrepreneurship – by financing innovative SMEs and, through the European Investment Fund, investing in venture capital funds providing innovative SMEs with equity resources.

Soon after the Lisbon European Council, the EIB set up a special facility: the Innovation 2010 Initiative (i2i). Under i2i, loan signatures for investment in research & development, information & communication technology (ICT) and education & training reached EUR 23.9 billion by the end of 2004, of which EUR 7.1 billion in 2004 alone. Based on the first five years of i2i, the EIB is well on target to meet its overall objective, which is to mobilise EUR 50 billion under this initiative in this decade, EUR 20 billion of which in 2004-2006. The EIF, for its part, had channelled EUR 2.3 billion into i2i-related venture capital funds by the end of 2004.

More risk, more investment

The mid-term review of implementation of the Lisbon Strategy, which was on the agenda of the Spring 2005 European Council in Brussels, concluded that further public and private efforts are essential, failing which Europe will certainly fall short of reaching its innovation objectives.

The EIB wants to play its part and is currently considering ways and means to underpin the urgently needed accelerated investment up to 2010. The Bank has been actively developing a "toolbox" of financial engineering instruments tailored to investors' needs and expectations. The combination of Commission grants and EIB loans plays an important role in this respect. The Bank has also set up a special window for "mid-caps", corporates of intermediate size, which are frequently major innovators. This window is aimed at financing investments with a total cost of up to EUR 50 million, particularly in i2i sectors.

In order to increase its added value further, the EIB has decided to accept higher lending risks for i2i projects by extending its Structured Finance Facility (SFF). Created in 2001, the SFF is used to support priority projects that are below investment grade, through provisioning for the associated higher lending risks by setting aside part of the Bank's reserves. SFF operations will from now on be intensified and include R&D-related investment, in particular by private sector promoters and public-private partnerships (PPPs).

Beyond the immediate future, the EIB and the European Commission are looking at new ways of improving the leverage of EU grant resources when combined with Bank loans, as requested by the Spring 2005 European Council. Discussions with the Commission are well advanced with a view to it supporting an extra tranche of the Structured Finance Facility specifically dedicated to research, technology and development-related investment ("SFF-RTD"), by drawing on the resources of the next Research Framework Programme (FP7), which will cover the period 2007-2013. Such a risk sharing finance facility has the potential for being a particularly innovative financial engineering mechanism.

The European Investment Fund is also stepping up its efforts on behalf of the Lisbon Strategy. Under the newly announced "Competitiveness and Innovation Programme" (CIP), covering the period 2007-2013, which has been approved by the European Commission for proposal to the Council and the European Parliament, the EIF will manage or otherwise be involved in the implementation of the Entrepreneurship and Innovation Programme, which principally includes a new risk capital instrument (the High Growth and Innovative Company Facility – "GIF2") in addition to the existing instruments fostering SME start-ups. GIF2 will leverage private capital to create a bridge for companies seeking between EUR 200 000 and EUR 2.5 million. This is new and innovative in its non grant-based approach; nevertheless, it will follow the successful model of the existing market-based EU financial instruments in its delivery via the EIF and professional venture capital funds, including funds set up by business angels and technology transfer.

Technology transfer and business angels

New policy areas referred to in the March 2005 European Council conclusions stipulate that the European Investment Fund should further diversify its activities, "in particular towards the financing of innovative SMEs through individual-investor (business angel) and technology-transfer networks. Flexible funding suited to such activities should be found, together with the Commission. This action should also be supported by the new Community Competitiveness and Innovation Programme."

Technology Transfer Accelerators (TTAs) are a new investment vehicle linking centres of excellence at EU level. TTAs are intended to provide for longer maturity investment than typical venture capital vehicles. TTAs will take research outputs through to the point at which they can be supported by venture capital.

The EIF will also consider enhanced support for business angels, individuals who are prepared to use their financial resources to make riskier investments based on their experience and interests. Business angels can play an important part in providing early-stage equity capital to SMEs. So-called "side funds" could accompany business angel investment.

Although micro-finance is already part of EIF business, new innovative measures in this sector are also under discussion, particularly for facilitating financing and technical assistance for micro-finance providers (see article on microfinance, p. 19).

The European Investment Bank and Fund will have the necessary financial instruments ready for the second five-year period of the implementation of the Lisbon Agenda. While the EIB can certainly support this, the creation of a competitive, knowledge-based European Union economy requires a combined effort. As EIB President Maystadt said at the CEPS conference, it is vital that the Member States take ownership of the Lisbon Strategy, stimulating the necessary investment, implementing reforms and making the citizens understand why all of this is needed. ◻

EIB's financing of human capital:

don't overlook intangibles

by Daniela Sacchi-Cremmer
Communication and Information Department

"Any accountant can tell you that intangibles can oftentimes be more important to one's state of well-being, than his or her tangibles. In fact, intangibles can make the difference between the states of poverty and wealth." (L. H. Whitling)

The financing of health and education, "human capital" in EIB terms, is one of the Bank's operational priorities[1]. Investment in education, to the extent that it helps to implement the Lisbon Agenda, is also included under the Innovation 2010 Initiative (i2i). The EIB's objective is to lend up to EUR 50 billion for i2i projects (education; research, development and innovation; ICT networks) over the decade (see also "The EIB and the Lisbon Agenda", pp 6-8).

In 2004, human capital projects attracted direct loans worth over EUR 4.4 billion in the EU-25. Small and medium-scale investment in this sector, financed via global loans, accounted for an estimated additional EUR 1.1 billion. The Bank lent EUR 1.7 billion for 18 education projects and invested EUR 4.1 billion in 27 RDI (research, development, innovation) projects. Most of these were in the fields of nanoelectronics, optics, biotechnology and telecommunications.

Close to 80% of total lending under i2i took place in the private sector, with the remainder in the public sector, mainly in the field of university research and education. About two thirds of loans went to the less-developed regions in the EU-25.

So far, lending has mainly been advanced for the tangible infrastructure supporting human capital – schools, universities (teaching and research), laboratories, clinics, hospitals and primary and social care networks. While physical investment is certainly important, modern economies also need substantial investment in non-physical assets (intangibles through R&D, human capital through education).

With a view to enhancing the employability of European workers and their ability to

[1] See the Bank's Corporate Operational Plan (http://www.eib.org/Attachments/strategies/cop_en.pdf), which formulates and quantifies the Bank's priorities and goals over three years (2005-2007). Given the frequently complementary relationship between human capital investment and innovation, lending for education is also fully included under the i2i priority, whereas operations in the health sector fall only partly under i2i (e.g. university hospitals).

acquire the skills required by a modern knowledge-based economy, it is important to improve access to higher education and R&D.

The EIB supports this goal, and the Bank's financing for intangible investment, such as student loan schemes and R&D in universities and hospitals, is on the increase.

Funding higher education: a lesson from Milton Friedman

Funding higher education remains one of the greatest public-policy challenges throughout the world. On the one hand, the importance of education is well accepted; on the other, the intangible nature of education for the individual makes it difficult to finance through traditional market mechanisms such as commercial loans.

One possible solution to the funding dilemma is to create opportunities for private equity investment in higher education through the use of a "human capital contract," a financial instrument by which, in exchange for financial support at the time of learning, a student agrees to pay a percentage of his or her income for a specified subsequent period of time. Like a venture capitalist who acquires a share in a company's profits by financing its development, an investor in a human capital contract temporarily acquires a share in an individual's future income.

Milton Friedman introduced the idea of such a financing scheme in 1945. He reasoned that commercial loans are not suitable for risky investments, such as in individuals' education, because interest rates must be prohibitively high to offset the risk involved and the lack of collateral. Private financing of education would be feasible, Friedman argued, if investors could participate in a student's financial success in the same way that they participate in a company's financial success by acquiring an equity stake in it.

Income-contingent student loans have become common in many European countries in the meantime, but the EIB has not been involved until recently. Spurred by the increased emphasis on human capital, the first student loan schemes have now been financed by the Bank in Italy and Hungary.

First student loan in Italy

The Bank concluded the first operation in direct support of students, as distinct from education infrastructure financing, in Italy in 2003.

The operation was designed to facilitate access to higher education for students of technological universities – the 'Politecnici' of Milan, Turin and Bari. Banca Intesa acted as the EIB's intermediary, on-lending to students enrolled in one of the three Politecnici and having successfully completed the first two years of studies, as final beneficiaries.

The Bank has no direct contact or credit relationship with the student borrowers as such. Banca Intesa established a special purpose vehicle in cooperation with the universities, which on-lends the loan proceeds from Banca Intesa to the students enrolled in the Politecnici.

The Politecnici ensure the monitoring of students' academic progress and assist their placement on the job market.

The project complemented the financing of several key infrastructure investments in these universities, also carried out by the EIB, to improve their internal efficiency and the quality of facilities.

Along with Fondazione Cariplo – the banking foundation of the Banca Intesa group and the largest foundation of this nature in Italy – the Politecnici also established a EUR 1 million fund partially to cover the default risk (up to 3% of the total outstanding) and potentially to enhance credit terms under the scheme.

Later, due to a perceived need for this type of product, Banca Intesa extended the programme to several other universities. Currently, there are 15 higher education institutions participating in the programme, and 6 more are programmed to join in the near future. The EIB has not taken part in the other schemes, though future operations could be envisaged.

In February 2004, the EIB also signed a framework agreement with the Italian Ministry for Education, Universities and Research (MIUR), aimed at bolstering R&D activity as the basis for economic growth in Europe.

Hungary's Diákhitel Központ: first student loan in a new Member State

In May 2005, the Bank advanced a EUR 100 million loan to Diákhitel Központ Rt., which in turn will channel the funds in the form of student loans to higher education students on favourable terms and conditions.

Diákhitel operates like a private sector company but with strong support from the Hungarian government, which provides it with a number of services free of charge.

Some of the project's features are particularly interesting and attractive: a) repayments

are deferred until students graduate or their student status ends, and are income-contingent (exceptions are made for the unemployed), which protects low-income earners; b) people with low long-term earnings have their debt forgiven when they reach retirement age; and c) some groups with low earnings receive interest subsidies to reduce the students' aversion to taking on debt.

The EIB's financing at favourable interest rates with a long maturity will result in a reduction of Diákhitel's cost of funding, and this benefit will be passed on directly to students.

The Italian and Hungarian student lending schemes are quite distinct from one another. While there is no government involvement in the Italian project, the Hungarian student lending company Diákhitel is a state-owned agency supported by the Hungarian government.

The Italian loan is a pilot operation, initiated by a private bank in cooperation with three higher education institutions, the implementation of which started in 2003, in a country where to date there has been no tradition of borrowing to be able to enrol in a higher education institution. Furthermore, the loan is likely to have only a marginal impact on the decision by high-school graduates to take on a higher education degree, because only third-year students are eligible. Conversely, the Hungarian operation is part of a wider strategy to stimulate participation and enhance equal access to higher education. All Hungarian undergraduate students enrolled in a higher education institution in Hungary are eligible.

Financing RDI

The Bank's RDI financing drive is broadly based, as it covers both private sector research and research undertaken by universities.

Under i2i, eligible expenditures are not limited to infrastructure financing, but also include operational costs like personnel expenses, staff training costs, the financing of research projects, the creation of intellectual property rights and patents. From the Bank's perspective, these expenditures count economically as capital, even if in an accounting sense they are quickly or immediately written-off.

At the corporate level, the EIB has concentrated its lending on companies which pursue substantial R&D programmes, on research at the technology frontier (nano-technology, optics, biotech, etc.) and on the establishment of centres of excellence in R&D, such as innovative industries clustering in science parks around universities.

EIB loans for RDI also target human capital. The Bank has contributed to the improvement of higher education facilities by financing the physical infrastructure and the technological upgrading of many universities. However, to establish a European economy based on knowledge and innovation, it is also crucial to improve the funding of academic institutions.

In Germany, the Bank is supporting the public-sector R&D projects of Federal States by financing up to 50% of selected parts of their science and R&D expenditure. Potentially, all 16 Federal States could benefit from this funding.

In Poland, the Bank has set up three operations stimulating human capital formation: a Multi-Sector Support Facility part of which is dedicated to the financing of academic R&D; an Academic University Research framework loan; and a Science and Innovation framework loan[2].

In Italy, part of the Bank's EUR 140 million loan to the European Institute of Oncology will be used to finance research and development activities for the prevention, diagnosis and treatment of cancer.

The EIF also has a role to play in research and development. Only recently, it signed a cooperation agreement with the European Commission's DG Research to develop a technology transfer scheme, the goal of which is to bridge the pre-seed/seed financing gap and to stimulate universities to commercialise their research. ☐

[2] In 2004, the EIB and the World Bank published the report "Tertiary Education in Poland". The main purpose of this joint study was to discuss important outstanding issues in the provision of tertiary education in Poland and to recommend improvements to the quality and accessibility of educational services. The report was the first joint sector study by the EIB and the World Bank. It is a good example of how the two banks working together can contribute to a country's human capital development.

The EIB continues to support **EU regional development policy**

Although the European Union is one of the richest parts of the world, there are striking disparities of income and opportunity between its regions. The entry of 10 new member countries, whose incomes are well below the EU average, has widened the gap. Fostering social and economic cohesion in the EU by contributing to the reduction of imbalances between regions is the European Investment Bank's prime task, assigned to it by the Treaty of Rome (1958) and reaffirmed by the Amsterdam Treaty (1997). It is also the first operational priority that the Bank has set itself in successive Corporate Operational Plans[1]. Support for the EU's less advanced regions often goes together with other EIB lending priorities, such as i2i[2], the development of Trans-European Networks (TENs) and protection of the environment.

by Daniela Sacchi-Cremmer
Communication and Information Department

The current framework for the Bank's action in support of social and economic cohesion is the EU structural and cohesion funds policy, covering the programming period 2000-2006. The main policy instruments of the EU cohesion policy are the four structural funds (European Regional Development Fund, ERDF; European Social Fund, ESF; European Agricultural Guarantee and Guidance Fund, EAGGF; and the Financial Instrument for Fisheries Guidance, FIFG) and the Cohesion Fund. The Cohesion Fund finances up to 85% of the eligible expenditure of projects involving the environment and trans-European transport infrastructure and targets Member States that are following a programme of economic convergence, and whose GDP per capita, expressed in purchasing power parities, is lower than 90% of the EU average.

EUR 28 billion in the EU-25

Since the latest enlargement of the European Union in May 2004, the EIB has put even greater emphasis on the cohesion objective, setting itself the target of allocating around EUR 180 billion in support of the EU structural funds policy in the EU-25 over the period 2000-2006. With all ten new Member States qualifying as assisted areas, financing investment that stimulates the development of regions lagging behind remains crucial for economic and social cohesion in the European Union.

Total lending for regional development in 2004 exceeded EUR 28 billion, representing over 70% of the Bank's aggregate lending

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[1] The Corporate Operational Plan (COP) formulates and quantifies operational priorities, financial management and internal activity and processes over three years and is central to the work of the EIB's staff. The current COP, available on the Bank's website, www.eib.org/publications/publication.asp?publ=16 sets out the EIB's strategy for 2005-2007.

[2] Soon after the Lisbon European Council, the EIB set up a special facility: the Innovation 2010 Initiative (i2i). Its overall objective is to mobilise EUR 50 billion for investment projects in: (a) R&D; (b) human capital; (c) the diffusion of technologies and development of information and communication technology and the development of electronic commerce platforms; and (d) support for entrepreneurship.

within the EU-25, in line with the COP objective for 2004. Three quarters of this investment was financed through individual loans, and the remainder through global loans to partner banks for the financing of SME ventures and smaller-scale public investment in assisted areas.

Projects addressing the problems of Objective 1 regions in the enlarged Union (where per capita GDP is less than 75% of the EU average) absorbed 47% of individual loans. Lending in Objective 2 areas (in need of socio-economic restructuring) accounted for 36%, the remainder covering both objectives.

Individual loans for projects in the EU-15 Cohesion Countries – Spain, Portugal, Ireland and Greece – reached EUR 7.8 billion. Investment in Germany's eastern Länder took up EUR 3.5 billion; in Italy's Mezzogiorno EUR 2.1 billion; and in the new Member States, where practically all projects qualify under the heading of regional development, EUR 2.6 billion.

EIB loans covered all sectors: transport coming first with 35%, followed by other local infrastructure (urban, water and multisector) with 15% and industry with 11%. Much of the lending for economic and social cohesion also benefited other EU priority objectives. Thus, 61% of the Bank's lending for TENs and major European networks – including energy networks – went to assisted areas; this was likewise true for 79% of lending aimed at improving the environment, 81% of human capital lending and 78% of i2i lending. ◻

EU Commission/EIB: a close partnership

Since 2000, the Bank's already strong ties with the European Commission have steadily deepened in all operational areas covered by the EIB, and in particular in the regional development sector. Currently, the EIB assists the Commission with the appraisal of a growing number of European Regional Development Fund and Cohesion Fund projects each year. With its technical and financial expertise, the EIB helps the Commission to prepare and execute regional development programmes and make better use of available resources.

Progress was made in 2004 in the joint implementation of Community Support Frameworks (CSF)[3] for the new Member States, including EIB financial assistance to CSF and operational programmes through co-financing by means of Structural Programme lending.

The EIB has also actively participated in a working group with DG REGIO to coordinate policy development and operational activities for social and economic cohesion. The Bank is continuing its close cooperation with DG REGIO in the discussions to prepare and launch the new cohesion policy for the period 2007-2013, in which it expects to play a proactive role[4]. This is the core objective of the Joint Assistance in Supporting Projects for European Regions (JASPERS)[4] initiative developed by the Bank and DG REGIO, which is designed to contribute to strengthening the value added of the Bank in favour of economic and social cohesion.

[3] The Community Support Frameworks (CSF) are documents approved by the Commission following appraisal of the plans presented by the interested Member State. The CSFs contain descriptions of the strategy and priorities of the action, its specific objectives, the participation of the Funds and other financial resources. These documents are divided into priorities and are implemented by means of one or more operational programmes.

[4] In this context, the document "Towards a new strategy for the EIB group", endorsed by the Board of Governors during their June Annual Meeting, can be consulted on the Bank's website.

The Investment Facility in 2004

Sixteen projects for a total amount of EUR 337 million (an increase of 140% over the first six months of activity, June-December 2003); a total portfolio of 24 projects, corresponding to contracts signed totalling EUR 477 million and equivalent to 23% of the IF capital endowment; fifty-five EIB staff directly assigned to operations in the ACP countries, and a substantial amount of additional services made available by the EIB's non-operational directorates. After 21 months of activity, the IF is steadily building up a diversified portfolio of investments in all the ACP regions.

by Bram Schim van der Loeff
Communication and Information Department

The 2004 Annual Report of the Investment Facility (IF), to be published in June, gives an overview of EIB activity in the seventy-eight countries which make up the African, Caribbean and Pacific (ACP) group and the Overseas Countries and Territories (OCTs). 2004 was the first full year of activity of the IF, which was launched in June 2003.

The purpose of the ACP and OCT Investment Facility (the "IF"), a risk-bearing revolving fund under EIB management, is to support economic development, primarily by investing in the private sector in the ACPs and the OCTs on market-related terms, and also by financing commercially-run public entities, especially those responsible for key economic infrastructure. In doing so, the EIB has to balance first the financial sustainability of the IF with broader development objectives, and second, responsiveness to investment opportunities with the obvious duties of scrutiny and accountability that go together with the management of public funds[1]. The IF's financial sustainability is supported by the implementation of risk pricing, whereby any credit risk taken is priced accordingly.

Progress despite difficult economic conditions

ACP economies generally remain vulnerable to political instability, pandemics and natural disasters, while most of them are still hampered by a limited absorptive capacity, poor infrastructure and/or weak legal and administrative systems. Many ACP countries, notably in sub-Saharan Africa, continue to face serious development challenges, one of them being the economic impact of HIV/AIDS, which is fast becoming a major obstacle to economic development in many countries, in particular in the Southern Africa region.

Despite this overall difficult working environment, IF operations gained momentum during 2004. The Bank signed 16 projects whilst some 44 projects, representing close to EUR 1.4 billion of potential financing, are in the pipeline at various stages of appraisal. By the end of 2004, the total portfolio of the IF comprised 24 projects, corresponding to contracts signed totalling EUR 477 million

and equivalent to 23% of the IF capital endowment. This increase in activity is due in no small part to the considerable efforts made during the year to put in place the policy and operational framework for the Investment Facility's activities. ACP staff, in conjunction with other directorates, the IF Committee and outside consultants, have drawn up and finalised Operational Guidelines, Credit Risk Policy Guidelines, equity and guarantee guidelines, a micro-finance strategy, a hedging policy and a financial model to ensure the smooth running and monitoring of all IF operations. Due to the evolving nature of the Facility, work remains ongoing on adapting and re-aligning this framework as and when necessary.

Four operations were regional ones; the others were distributed across Africa (nine), the Caribbean (one) and the Pacific (two). Except for three projects which relate to the public sector, all the others target the private sector, a key objective of the IF, which now accounts for close to 90% of the IF's portfolio of signed operations.

Global loans or investments specifically targeting the financial sector accounted for 33.5% of the overall portfolio, while the financial services sector, including venture capital funds and an agency agreement with the EDFIs[2], has so far benefited from nearly 60% of the IF lending.

The infrastructure sector, essentially comprising energy, power, water, telecommunications and transport, continues to represent a major focus for the IF, in line with the development community's recognition of this sector's key role in achieving the objectives of the UN Millennium Development Goals and encouraging private sector investment. Prospects for 2005, based on projects at an advanced stage of approval or in the pipeline, indicate that the share of infrastructure projects - notably energy, water, telecommunications and transport - in the IF portfolio is likely to increase.

Of particular interest in 2004 were several initiatives to support the micro-finance industry, including by providing equity for micro and small business finance institutions on a commercial basis together with the IFC, the Dutch FMO, the Belgian BIO, Finnfund and ABN-AMRO.

In line with the IF's policy of developing a wider range of financial instruments, a portfolio guarantee, the first of its kind, was issued in favour of the West African Development Bank (BOAD), while a number of projects entailed the use of quasi-equity type instruments such as participating loans, where the IF is able to share the risk with the promoter in return for an appropriate reward.

Project highlights of the year were the investment matching facility with the EIB's EDFI partners, a participation in a regional fund for supporting small and medium-sized mining companies, a global loan facility encompassing six banks in Nigeria, power plants, flower nurseries, a heavy mineral sands facility in the north of

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[1] Under the IF, EUR 2 037 million is provided by the EU Member States primarily for private sector support, in particular for small and medium-sized enterprises, to enhance the development of local financial markets as well as facilitating foreign direct investment. Up to EUR 1.7 billion can be lent from the EIB's own resources on a best efforts basis.

[2] EDFI, the Association of European Development Finance Institutions, is a group of fourteen European bilateral development finance institutions which provide long-term finance for private sector enterprises in developing and reforming economies. Since its foundation in Brussels in 1992, EDFI's mission has been to foster cooperation among its members and to strengthen links with the institutions of the European Union.

Mozambique, the Mozambique/RSA gas production and export scheme and various tourism and financial intermediary loans and equity operations.

In addition to the Investment Facility's activities in 2004, the Bank signed contracts in the ACPs for some EUR 68m on own resources, mainly under financing packages that include both the Bank's own resources and IF resources, underlining the complementarity of the two funding sources.

Working in partnership

The Commission and the international financial institutions (IFIs) are natural partners in development activity in the ACPs and OCTs, and the EIB cooperates with them through regular consultation, project co-financing and joint participation in working groups, an activity which gained significant momentum during 2004.

Following the launch, at the end of 2003, of European Financing Partners (EFP), a special purpose vehicle (SPV) jointly owned by the European Development Finance Institutions (EDFIs) and the EIB, for the purpose of co-investing in suitable private sector projects, a further important step was the signature in April 2004 of a EUR 90 million agency agreement between the EDFIs and the Bank, which is managed through EFP. Experience to date with this new arrangement has underlined the potential for intensifying cooperation between the European development finance institutions in supporting private sector development in the ACP countries during 2005.

A key feature of institutional cooperation lies in the promotion of a coherent approach between the Bank in general, the IF in particular, and other EU institutions as well as the various Multilateral Development Banks (MDBs) and IFIs. This is particularly important in reinforcing cooperation on sectoral policies or specific issues such as procurement and the environment, the Highly Indebted Poor Countries (HIPC) initiative and the fight against corruption and money laundering. A number of high-level meetings took place with the World Bank and the Commission during 2004, while contacts and exchanges of information at project level were reinforced, with a view to outlining the funding possibilities available under the IF to potential co-financing partners.

Development impact assessment

With half of the ACP group of countries officially on the list of "Least Developed Countries" in the world, the international community has over the last ten years increasingly focused its efforts on reducing poverty, the central objective of the Cotonou Agreement. The IF primarily finances private sector projects which have a significant development impact through their direct contribution to economic growth, widely recognised as a prerequisite for poverty alleviation. It is of paramount importance, however, to ensure that the policy context is right. Due attention also has to be paid to those aspects of projects that yield substantial social benefits and improve the welfare of the poorer segments of the population. Under its mandate, the Bank ensures the projects' contribution to sustainable development by analysing their economic, environmental and social impact and where appropriate using the small interest subsidy instrument included in the Cotonou Agreement for financing environmental and social investments.

Outlook

After 21 months of activity, the IF is steadily building up a diversified portfolio of investments in all the ACP regions. Although it is still premature to draw conclusions at this early stage, an analysis of the portfolio demonstrates a clear emphasis on the private sector, which accounted for close to 90% of the total portfolio at the end of 2004. This is fully in line with the spirit of the Cotonou Agreement. Good progress has also been made in developing a wider range of financial instruments, which now runs from ordinary, senior loans to local currency loans; various forms of subordinated and conditional loans; quasi-equity or mezzanine finance and the recently introduced guarantees. Guarantees constitute an alternative to lending in ACP countries as an instrument to strengthen local capital markets and make domestic savings available on a long-term basis, to help channel funding to investments. Equity investments stimulate company growth by being less of a burden in the early years on cash flow than loans. Through such investments the IF can bring additional, non-financial value added as a shareholder and non-executive director and as a catalyst for other investors. Quasi-equity is also a powerful instrument to enable other lenders to support investment projects with more senior ranking debt finance.

This broadened range of financial instruments, together with the Bank's active monitoring and review of the IF's operational modalities, should ensure that the progress made in the Investment Facility during 2004, notwithstanding a challenging and evolving environment, continues in 2005. ◻

EIB opens first regional office in Africa

by Daniela Sacchi-Cremmer
Communication and Information Department

The EIB has recently opened its first representative office in sub-Saharan Africa to support its development financing on the continent.

On 30 May, EIB President Philippe Maystadt inaugurated the Bank's office in Nairobi, Kenya, in the presence of President Kibaki. The Kenya office will focus on supporting the EIB's development finance activities in the framework of the Investment Facility of the Cotonou Partnership Agreement. The aim of the regional representation in Nairobi is to bring the EIB closer to its customers in 18 countries of East and Central Africa (Burundi, Cameroon, Central African Republic, Chad, Congo, the Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Kenya, Rwanda, São Tomé and Principe, Somalia, Sudan, Tanzania and Uganda.) In the last five years alone, the Bank has provided loans and risk capital totalling EUR 650m for investment in these countries.

Mr Carmelo Cocuzza, who has been active in development finance for the past 10 years, will run the Nairobi office. He has been involved in EIB operations in the Central African region and headed the Bank's participation in the Chad-Cameroon oil export development project, co-financed with the World Bank. Prior to being appointed head of the Nairobi office, Mr Cocuzza was responsible for Bank operations in ASEAN countries. Before joining the EIB, he was a financial analyst with the African Development Bank.

EIB offices in Dakar and Pretoria to open shortly

Two more EIB representative offices will be opened in Dakar, Senegal, and in Pretoria, South Africa, in the next few weeks. They will deal with operations in West Africa and Southern Africa and the Indian Ocean region respectively.

The regional offices are designed to increase the effectiveness of EIB activities and raise

Ethiopia: *EUR 25m for power network improvements*

Cameroon: *EUR 8m for* ***modernisation in the banana sector****, EUR 12m for investment in the Cameroon railways and EUR 144m for the Chad-Cameroon oil export development project*

Kenya: *EUR 21m for the* ***Magadi Soda Pure Ash project***

Rwanda: *EUR 11m for the Kigali airport improvement*

Tanzania: *EUR 35m for the Dar-es-Salaam water supply project and EUR 55m for the Songo-Songo gas development project*

Uganda: *EUR 11m for the MTN telecoms project*

Gabon: *EUR 22m to connect Gabon's telecom's company to the SAT3 long distance submarine cable and EUR 12m for manganese production*

the Bank's profile in the ACP, complementing the existing local EU presence already in place through the European Commission delegations and private sector instruments set up under the Cotonou Agreement, such as the "CDE" (Centre for the Development of Enterprise) and "Pro€invest".

A permanent presence in the main regions of Africa will also allow the Bank to increase synergies with the World Bank group and other institutions such as the EIB's partners in the European development financing institutions group (EDFI) and peer institutions.

EIB's activities in sub-Saharan Africa

In the last five years the Bank has provided loans and risk capital totalling EUR 2.4bn for investment in sub-Saharan Africa. EUR 250m was provided to the local banking sector to finance small and medium-sized enterprises, small private sector initiatives and micro-finance (the main beneficiary countries being Cameroon, Ethiopia Kenya, Tanzania and Uganda).

EUR 650m was made available for investment in the countries that will be within the operating sphere of the Nairobi-based regional representation. ◻

Microfinance and the EIB

by
Marianne Roda
Communication and Information Department

The EIB is mainly known as a provider of large-scale loans with very long repayment periods. For nearly five years, however, it has also been involved on the microfinance market, both in Africa and within the European Union.

In connection with the International Year of Microcredit 2005 launched by the United Nations, EIB Information is turning the spotlight on this area of financing.

In Africa: strengthening the microfinance institutions

How can an international bank whose principal activity is lending contribute effectively to combating poverty in a continent where most people cannot avail themselves of its services because they are excluded from the banking system, living as they do on less than one dollar a day and unable to furnish any security?

Faced with this challenge posed by the Cotonou Agreements in 2000, the EIB has responded by working with the local microfinance institutions. These entities are not always banks, but they often have some kind of legal recognition (mutual institutions, NGOs, etc). Among other facilities, they offer microloans of less than EUR 100, mostly without security. As such, they provide the people concerned with a much needed – albeit precarious – alternative to the purely informal financial services sector. The EIB's objective is to strengthen these microfinance organisations and integrate them into the local banking system so as to make them self-sufficient and permanent features of the financial scene.

The EIB is therefore very much in line with the general approach that most of the micro-credit players have been moving towards for several years now: increasing the impact of microfinance by a market-oriented banking approach as opposed to one based on philanthropy. Even though targeted at the poor, microcredit does not necessarily have to be a disguised subsidy or a simple tool serving more or less temporary humanitarian objectives. It is a serious endeavour which requires the participants to think in terms of permanent and autonomous financial systems, whereas humanitarian aid is about coping with emergency situations and people in immediate danger who are no longer capable of engaging in economic activity.

After directly granting several global loans to financial intermediaries (for example, two EUR 10 million loans to the Al Amana association in Morocco in 2003 and 2004), the Bank is now pursuing a strategy of strengthening the equity resources of regional investment funds specialising in the financing of microfinance institutions. In this way the EIB taps into their knowledge of local markets, which is indispensable in this area of activity. It aims to work with a group of fund managers with complementary strategies in order to cover a vast geographical and institutional spectrum. Currently, the three main groups are ShoreCap International (which specialises in the most advanced markets), AfriCap Micro-Finance Fund (focusing on intermediary markets) and, more recently, La Fayette Investments, which deals with the less advanced markets.

How can EUR 100 transform an economy? The microfinance challenge

- *one small loan can change a family by allowing it to make plans instead of concentrating on day-to-day survival;*
- *several loans can underpin a community;*
- *thousands can vitalise a whole economy;*
- *time and again, the poor have demonstrated their ability to repay such loans on schedule. The hopes and opportunities engendered by microfinance ripple out across society.*

(Text based on the UN website "International Year of Microcredit 2005")

In Europe: broadening the range of EIB products for small clients

Within the Union, the microfinance environment is vastly different: EIB global loan and EIF guarantee operations are conducted through traditional financial institutions, which on-lend the funds in microloans running to a maximum amount of EUR 25 000 (though averaging some EUR 7 000).

In this context, the EIB's objective is to broaden its range of products for micro-enterprises with fewer than 10 employees, a category that accounts for 91% of businesses and 28% of total employment in the EU. In 2004, the EIB thus granted two global loans (for EUR 100 million and EUR 120 million) to Crédit Coopératif de France and to Banca Popolare di Milano, partly earmarked for microfinance.

The European Investment Fund (EIF), as the EIB's specialised venture capital subsidiary, is also a key player. Its microfinancing activity started in 2001, as part of its remit from the European Commission under the Multiannual Programme for Enterprise and Entrepreneurship (MAP 2001-2005). Since that date, the EIF has put up nearly EUR 200 million in guarantees to financial intermediaries specialising in this sector within the Union, making it Europe's largest microcredit guarantor. The EIF also offers a subsidy of EUR 200 per guaranteed loan in order to offset the higher cost of processing applications for microloans and thereby promote this sector.

Certain financial intermediaries adopt a more socially-oriented policy in selecting beneficiaries for their microloans, such as ADIE in France (microcredit aimed at fostering enterprise among the jobless) or the Prince's Trust in the United Kingdom.

Cooperation with microfinance providers worldwide

Experience gained over the first five years confirms the considerable potential of the microfinance sector. However, if this is to be harnessed fully, some harmonisation is necessary since the market remains fragmented and lacks transparency. The EIB is thus negotiating at various levels with the European Commission, particularly within the framework of the "Little Mac" project, a consortium that is to carry out a census and official evaluation of microfinance institutions. Moreover, in March 2005 the EIB joined the World Bank-sponsored Consultative Group to Assist the Poor (CGAP).

The EIB has thus made a modest but successful debut in microfinance, a fast-growing sector in which it intends to give sustained support to EU policies as well as to major international initiatives.

The EIB beyond 2007:

the treaty for the accession of Bulgaria and Romania

Alfredo Panarella
Interinstitutional Affairs Department

Bulgaria and Romania will become members of the European Union as of 1 January 2007. This accession completes the EU's fifth wave of enlargement, which started on 1 May 2004, when ten countries from Central and Eastern Europe and the Mediterranean joined.

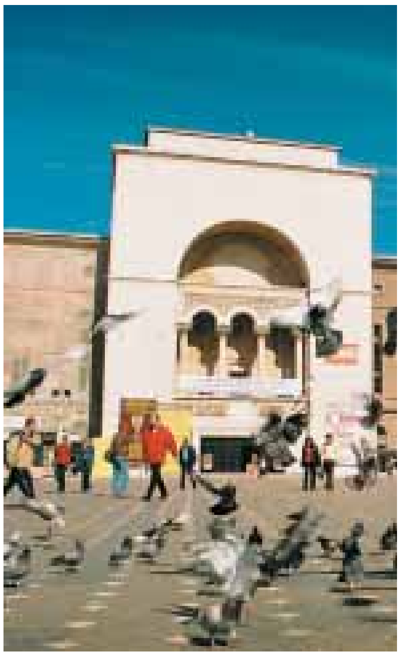
Becoming shareholders of the EIB

By acceding to the EU, Bulgaria and Romania will also accede to the Bank. Consequently, the EIB's Statute has had to be amended. The proposed amendments were endorsed by the ECOFIN Council on 17 February 2005. The relevant articles[1] of the EIB's Statute will be modified as follows:

- Article 3 – Bulgaria and Romania will be included in the list of members of the Bank, in accordance with Article 266 of the Treaty establishing the European Union;
- Article 4 – the share capital of the Bank will be increased and include the share capital subscribed by Bulgaria and Romania. The actual percentage figures to be subscribed are as follows:
  - Bulgaria: 0.181% of total EIB share capital, which at present is equal to approximately EUR 296,000,000 –;
  - Romania: 0.517% of total EIB share capital, which at present is equal to approximately EUR 846,000,000 –;
- Article 11(2), first subparagraph – the number of members of the Board of Directors will be increased from 26 to 28, allowing for one member each for Bulgaria and Romania, and the number of alternate directors will also be increased by two, from 16 to 18.

The transitional provisions that are envisaged will be implemented in line with the previous round of enlargement that took effect on 1 May 2004:

- the new Member States will each pay, in eight equal instalments, an amount corresponding to their share of the capital paid in for the subscribed capital as defined in Article 4 of the Statute;
- the new Member States will contribute, in eight equal instalments, to the reserves and provisions equivalent to reserves, as well as to the amount still to be appropriated to the reserves and provisions, comprising the balance of the profit and loss account, established at the end of the



[1] References to articles apply to the current text of the EIB's Statute.

month preceding accession, in the same proportions as their contribution to the share capital;

• the new Member States will pay all amounts in cash in euros, save where otherwise decided unanimously by the Board of Governors.

New country groupings

In addition, the (ECOFIN) Council of 2 June 2004 called for a review of the country groupings in the Bank's Board of Directors (Article 11(2), third subparagraph). These groupings are important because they form the basis for the appointments of alternate directors of the Board and of Management Committee members [2]. The country groupings will be reorganised as follows:

(1) Romania will join the grouping of Denmark, Greece and Ireland;

(2) Lithuania, Latvia and Estonia will move from the grouping of the ten new Member States to the grouping of Sweden, Austria and Finland;

(3) Bulgaria will join the grouping of the remaining new Member States;

(4) each of the two enlarged country groupings under (1) and (2) above will appoint an additional alternate in the Board of Directors.

With or without the Constitution

Drafting the legal documentation for the Accession Treaty has not been an easy task. In fact, two "sets" of legal documentation had to be annexed to the Accession Treaty: one taking account of the entry into force of the Constitution on or before 1 January 2007 (the "Accession Protocol"); the other taking account of the failure of the Constitution to enter into force on 1 January 2007 (the "Act of Accession"). Both the Accession Protocol and the Act of Accession, together with the annexes thereto, form an integral part of the Accession Treaty. ☐

[2] See Art. 11 of the EIB's Statute (http://www.eib.org/Attachments/general/statute/eib_statute_en.pdf). After the May 2004 enlargement, country groupings include France; Germany; Italy; and the United Kingdom, each of which may nominate two alternate directors. Other groupings include: Spain and Portugal (one alternate); Belgium, the Netherlands and Luxembourg (one alternate); Denmark, Greece and Ireland (one alternate); Austria, Finland and Sweden (one alternate); the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and the Slovak Republic (one alternate).

Economic policy experts meet at the EIB

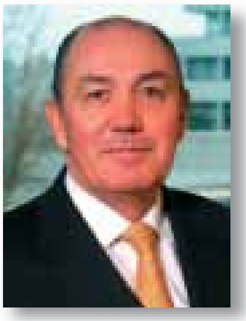
The EIB hosted the 41st meeting of the panel of the journal Economic Policy on 15-16 April. The panel meets twice a year, traditionally in the country holding the Presidency of the EU, and brings together prominent, mainly European, economists, who discuss papers that will subsequently be published in Economic Policy, a leading journal for policy analysis.

The topics covered included parallel trade in general and in the European pharmaceuticals sector in particular; the Russian flat income tax reform; international competition in corporate taxation; the influence of fiscal policies on European interest rates; trade protection against genetically modified crops; East-West migration in the context of EU enlargement; the case for and against financial "dollarisation"; and the impact of exchange-rate and capital account regimes on economic growth.

The *Economic Policy* meeting at the EIB came in addition to several meetings for which the Bank made its infrastructure available to the Luxembourg Presidency for high-level (Ministers of Foreign Affairs, Economic and Social Committee) and experts meetings. ☐

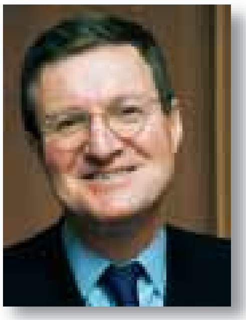
EIB Senior Management Cadre appointments

Following Terence Brown's *appointment as EIB representative on the Board of Directors of the European Bank for Reconstruction and Development (EBRD) in London,* Thomas Hackett *has been appointed Director General of the Directorate for Lending Operations in Europe.*



Terence Brown joined the European Investment Bank (EIB) in 1978. In 1983 he was appointed Head of Coordination for all operations outside the European Union, including coordination with the World Bank and European bilateral institutions, and Secretary of the EU Member States' Article 22 Committee. From 1986 to 1990 he was Head of EIB Lending Operations in the Middle East and Yugoslavia. In 1990, he launched the EIB's operations in Central and Eastern Europe. From 1991, he both headed EIB operations in the region and joined the first Board of the EBRD as alternate Director, a post which he held until 1996. Mr Brown established the first independent Credit Risk Department in the EIB, where he served as Head of Credit Risk from 1996 to 2000. Since 2000 he has been Director General in the Lending Directorate of the EIB and alternate Director of the European Investment Fund (EIF).

Mr Brown is a Bachelor of Commerce (First Class Honours Degree) and a Master of Business Studies (Honours). From 1973 to 1978 he was employed in the Industrial Development Authority (IDA), negotiating industrial projects for Ireland.



Thomas Hackett has been the Director of the Baltic Sea Department and Deputy Director General of the Directorate for Lending Operations in Europe since January 2004. Prior to his current appointment, from June 1999 he was Director of the Department responsible for the EIB's lending operations in Italy, Greece, Cyprus and Malta, based in the European Investment Bank's Rome Office. Before that, he was Department Director responsible for the EIB's lending operations (including project finance) in the United Kingdom, Ireland and the North Sea, having previously worked in Capital Markets and Financial Risk Management since joining the Bank in 1981.

Thomas Hackett is a graduate of the School of European Studies at the University of Sussex, UK. Before joining the EIB, he worked in the City of London, with S.G. Warburg.

Konstantin Andreopoulos has been appointed Chief Compliance Officer of the EIB Group.

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 (1984), he was subsequently in charge of the Division for Lending Operations in Greece and Finland (1988). He moved back to the Legal Affairs Directorate as Director in 1995 and became Deputy General Counsel in 1998, in which capacity Mr Andreopoulos was responsible for handling the legal aspects of the EIB's lending activities both within and outside the Union. Prior to his new appointment, Mr Andreopoulos was EIB representative on the Board of Directors of the European Bank for Reconstruction and Development in London.

Mr Andreopoulos is a graduate of the Law Schools of the Universities of Athens (LL.B), Freiburg-im-Breisgau (LL.D) and Yale (LL.M) and a Member of the Bar in Athens and New York.

In order to enhance the EIB Group's compliance objectives, and in conformity with the Basel guidelines, the EIB's Management Committee decided in November 2004 to regroup existing services into a separate entity to assist the EIB Group in promoting sound supervisory standards. The Chief Compliance Officer will give opinions, rulings and recommendations on intended actions whenever compliance issues arise and will rule, where necessary, on whether the actions of individual staff members comply with the EIB Group's rules and code of conduct.

Andreas Verykios has been appointed Director of the Baltic Sea Department and Deputy Director General of the Directorate for Lending Operations in Europe.

Mr Verykios joined the EIB in 1981 as a loan officer for Greece and became Head of Division for lending operations in the Benelux in 1987. Subsequently, he headed the division for loan monitoring in the United Kingdom, Ireland and Portugal and became Head of the Division for Lending Operations in the UK in 1993. In 1996, he became Director of the EIB's Representative Office in Brussels. Prior to his current appointment, he was Director of Human Resources.

A graduate in Economics at the University of Geneva, Mr Verykios holds an MBA from INSEAD, Fontainebleau.

Alfonso Querejeta has been appointed Director of Human Resources.

Mr Querejeta joined the Legal Affairs Directorate of the EIB in 1986. He was Head of the Spain and Portugal Division from 1994-2000 and then became Director of the Department for Lending Operations in Spain and Portugal (Directorate for Lending Operations in Europe) until June 2003. He subsequently returned to the Legal Department as Director of the Department responsible for legal aspects of operations (lending, venture capital, advisory) within the Union and in Partner Countries.

Mr Querejeta is a lawyer and holds a doctorate in law from Bologna University.

José Frade has been appointed Associate Director for his expertise in the area of water and wastewater in the Projects Directorate.

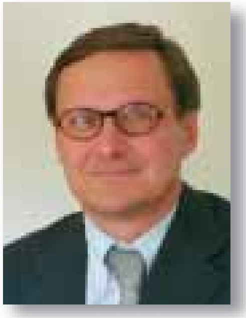
Mr Frade became a technical adviser in the EIB's Projects Directorate in 1988 and was appointed Head of the Water and Wastewater Division in 2000. He represents the Bank in several international fora, such as the World Water Council and the EU Water Initiative.

After graduating in civil engineering from the University of Lisbon, Mr Frade started his career as a researcher and professor in hydraulics and became a consultant in the water sector before joining the Bank.

Regan Otte has been appointed Associate Director in the Legal Service for Lending Operations outside the European Union (Mediterranean-FEMIP, Africa, Caribbean, Pacific, Asia and Latin America).

Ms Otte joined the EIB in 1991, first as a consultant, and then permanently, in the Legal Affairs Directorate, UK Division. She joined the newly created division supporting operations outside Europe in 1998, and became Head of Division in 2001.

Ms Otte holds an M.A. degree from the University of St. Andrews, Scotland, an LL.M. degree from the University of Illinois and is qualified as an English barrister. Before joining the EIB she did a graduate traineeship with the investment bankers Wood Gundy Inc., and worked for BP, Standard Telephones & Cables (UK) and Gerling Konzern (Cologne).



Tilman Seibert has been appointed Associate Director in the United Kingdom, Ireland, Denmark, EFTA Countries Division of the Directorate for Lending Operations in Europe, for his expertise in the area of TENs financing.

Mr Seibert joined the Department for Lending Operations in Italy, in the Rome office of the EIB, in 1984. He came to Luxembourg in 1995 and has since worked mainly in lending in the UK, Ireland and several Scandinavian countries, since 1999 as Head of Division. With the establishment of Centres of Expertise, he also took on the coordination of the TEN/PPP Horizontal Working Group.

Mr Seibert is a graduate of Munich University and worked at economic research institutions and KfW, Frankfurt, before joining the EIB.

Public consultation on disclosure policy review

On 19 May, the EIB launched a public consultation process on its Public Disclosure and Information Policy, which revises the Bank's information policy that has been in effect since 2002. Details of the consultation process, procedures and timetable can be found on the Bank's website (http://www.eib.org/). Stakeholders, such as members of the European Parliament and the Economic and Social Committee, academics, think-tanks and NGOs, who have shown a particular interest in the Bank's disclosure policy, have been approached directly with an invitation to comment on the draft Disclosure and Information Policy. The consultation process also includes one or more workshops to discuss the draft revised policy with interested stakeholders. Workshop details are also announced on the EIB's website.

This is the first time that the Bank has carried out public consultation on one of its policies. The public consultation process will last 45 working days, ending on 21 July 2005. Reactions to the draft text can be submitted in any of the official languages of the European Union and will be reviewed in detail by a panel.

The draft revised policy merges and adapts the three public information policy documents that are currently published separately on the EIB's website: "Information Policy Statement"; "How EIB Communicates"; and "Rules on Public Access to Documents". It also takes into account elements of the Bank's "Transparency Policy - Report and Proposals" (June 2004). The section on "Rules on Public Access to Documents" will be reviewed later in light of the adoption of the European Parliament and Council Regulation on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to EC institutions and bodies.

After the consultation process, the revised policy will be presented to the EIB's Board of Directors, together with a report on the consultation process and comments received. After approval, the revised policy and the report on the consultation process will be published on the Bank's website.

For further information: Communication and Information Department
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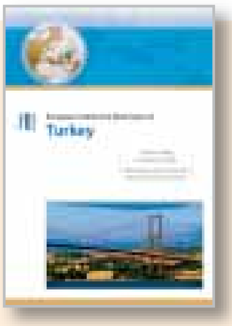
The EIB publishes and regularly updates a wide range of brochures, reports and factsheets aimed at both professionals and the general public, to achieve a high level of transparency concerning its activities and to communicate effectively with all stakeholders.

The Bank distributes electronic versions of these documents as a priority via its website. If electronic versions do not exist, copies in printed format are made available free of charge as long as stocks last.

Please send your requests to the Information Desk (EIB – 100 Boulevard K. Adenauer, L-2950 Luxembourg). Between 1 January and 15 June 2005, the Bank published the following brochures:

Newly available EIB publications



January 2005

Corporate Operational Plan 2005-2007. The Corporate Operational Plan (COP) formulates and quantifies priority goals over a three-year period and is central to the work of staff. Available in English, French and German.

List of finance contracts signed in Sweden. Available in English and Swedish.

Statement on Governance at the EIB. The guiding principles on governance at the EIB. Available in English, French and German.

February 2005

EIB financing with own resources through global loans under Mediterranean mandates. This report presents the findings of an evaluation of EIB financing through global loans (GLs) in the Mediterranean Partner Countries. Available in English, French and German.

Financing provided by the EIB in Sweden. Available in English and Swedish.

Evaluation of EIB Financing of Air Infrastructure. This report presents the findings of an evaluation of 32 airport and Air Traffic Management (ATM) projects. Available in English.

March 2005

Rules of Procedure. The Rules of Procedure set out the provisions applying to the governing bodies of the European Investment Bank. Available in English, French and German.

European Investment Bank loans in Turkey. Available in English, French and Turkish .

European Investment Bank loans in Italy. Available in English and Italian.

EIB Information 1-2005 (No 119). Available in English, French, German and Italian.

Internal controls – recent organisational developments. Information note to the Bank's Board of Directors on measures recently adopted by the Management Committee to further strengthen internal controls within the EIB Group. Available in English, French and German.

Salary scale. The basic salary scale constitutes Annex 1 to the Staff Regulations. Available in English, French and German.

Tax scale. The original tax scale was laid down by Council Regulation (EEC, Euratom, ECSC) No 260/68: coefficient of 100%. Available in English, French and German.

European Investment Bank loans in Asia and Latin America. Available in English, French, Portuguese and Spanish.

Financing in Spain. Available in Spanish.

The European Investment Bank and the water sector. Environmental protection and improving people's welfare are a top priority for the Bank, for which it has decided to earmark between 25% and 35% of its lending in the member countries of the Union. Available in English, French and German.

April 2005

EIB Group finance in the UK. Available in English.

Activités du Groupe BEI en France en 2004. Available in French.

COPEC'S 2003 Annual Report. This is the 2003 Annual Report of the Joint Committee on Equal Opportunities (COPEC). Available in English.

European Investment Bank loans in Greece. Available in English and Greek.

May 2005

Evaluation of PPP projects financed by the EIB. This report presents the findings of an evaluation of 15 public-private partnership (PPP) projects financed by the EIB. Available in English.

Sponsoring and Subsidy Policy. The European Investment Bank receives requests from the public at large to provide subsidies for a wide variety of purposes. Such subsidies may be granted if they comply with one or more of the criteria contained in this document. Available in English and French.

Rapport d'activité du Comité des subsides en 2004. In 2004, the Bank received 63 requests for subsidies. Twenty-seven were given a positive response, for an amount totalling EUR 79 000 (compared with EUR 101 500 in 2003). Available in French.

EIB loans in the Republic of South Africa. Available in English.

June 2005

Statement on Corporate Social Responsibility. Corporate social responsibility is at the heart of the EIB's strategy, objectives and policies. It emphasises the importance of achieving a balance between economic growth, social well-being and the protection of the environment, in support of the goal of sustainable development. Available in English.

Development Impact Assessment Framework of Investment Facility Projects. This document outlines ways to better assess how Investment Facility operations contribute to the Cotonou Agreement's objectives. Available in English.

Last minute publications

- **EIB Group Annual Report 2004**
- **Investment Facility – Annual Report 2004**
- **Evaluation of Railway Projects in the EU**
- **FEMIP 2004 Annual Report**
- **Towards a new strategy for the EIB Group.** ◻

info

The information magazine of the European Investment Bank Group

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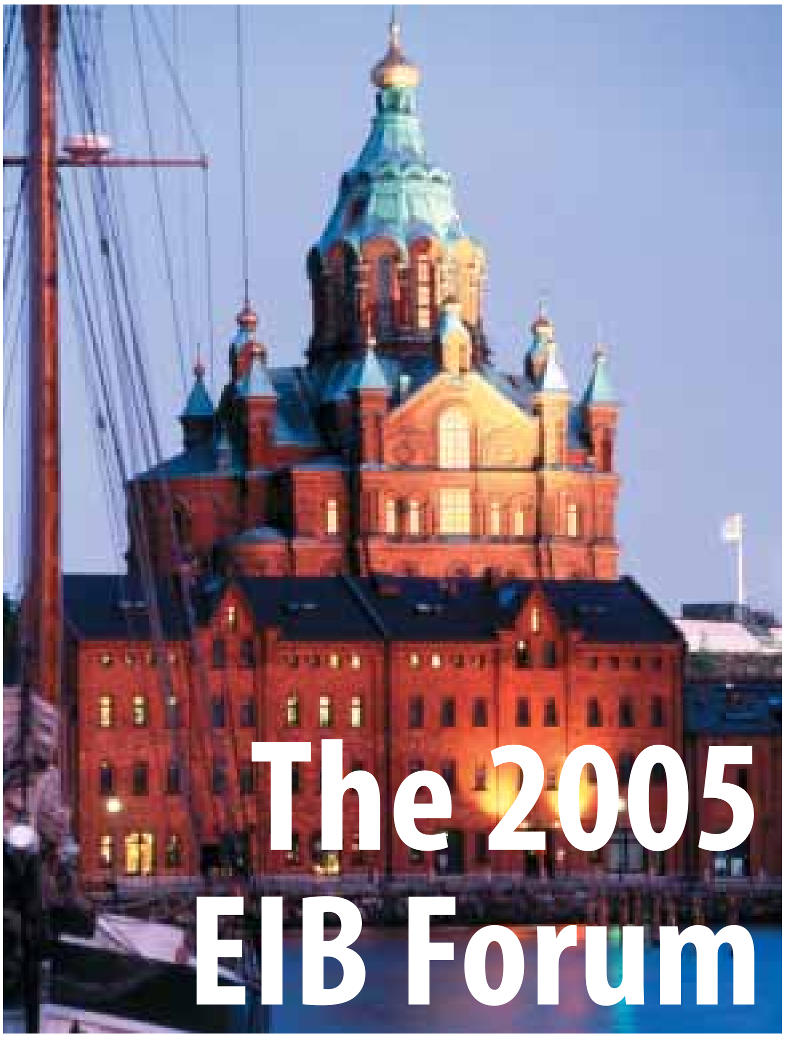
Please consult the Bank's website for any change in the list of existing offices and for details on offices which may have been opened following publication of this brochure.



The 2005 EIB Forum

The topic for the **2005 EIB Annual Forum** will be the implementation of the Lisbon Strategy in the enlarged European Union and the role that the European Investment Bank can play in offering continued support to the creation of an innovation and knowledge-based EU economy.

Lisbon Strategy – Closing the Innovation Gap will take place on 27 and 28 October 2005 in Helsinki, Finland, the country that the World Economic Forum (WEF) named the best performing in terms of global competitiveness in 2004. With high quality public institutions and an economy that places emphasis on the development of technology and enterprise, there are many lessons to be learned from Finland's implementation of this EU-wide policy.

With an average of only five researchers per 1000 in the working population, Europe lags behind the United States and Japan in terms of productivity and performance. The Forum will take a look at innovation activity across the EU, pinpointing the sectors that have seen significant advances and those which still need further development.

High-level speakers from government and the business and banking sectors will address the problems that companies face in translating research into innovative products in the marketplace, and also debate the regional implications of the Lisbon Strategy.

For more information on the event, including a detailed programme, please visit www.eib.org/forum or email your comments and queries to forum@eib.org. ◻