



New EIB President calls for growth push

Bringing clean energy
to the grid

World's biggest lock at the
port of Antwerp

Accelerating
cutting-edge research

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The EIB – The EU bank

April 2012

Editorial

Building infrastructure and networks for the internal market helps ensure the competitiveness of Europe's industry and services. For many infrastructure investment projects the EIB is a natural financing partner due to their size and long-term perspective, from energy grids to pan-European or urban transport, from broadband infrastructure to basic water provision. In 2011 alone, the Bank provided some EUR 11bn in loans for major European transport networks, EUR 4bn for Europe's energy grids, EUR 15bn for sustainable cities and EUR 4bn for information and communication technology investments.

The European Commission estimates that infrastructure investment needs from now until 2020 are in the order of two trillion euro. However, in the current economic environment, infrastructure financing can represent a burden for public investors. In order to stabilise investment on a long-term path, the EIB has placed increased emphasis on funding infrastructure projects with a strong value to society at large, as well as providing its expertise to attract additional funding from investors.

Partnerships that bring together public and private funding can help to bridge financing gaps and thus leverage Europe's growth potential. Although the number of public-private partnerships (PPPs) has decreased during the crisis, they have continued to play an important role in investment, particularly in transport networks. In 2011, almost a third of EIB transport financing went to PPPs. Moreover, the European Commission and the EIB are also developing the project bond initiative, which aims to boost the funding of long-term infrastructure projects by attracting capital from institutional investors, such as pension funds and insurance companies. In this way EU budget resources would be used more effectively and valuable projects could be implemented more quickly than would otherwise be the case. Doing more with less whilst maximising its impact on the real economy, that is what the EIB seeks to do.



The EIB has placed increased emphasis on funding infrastructure projects with a strong value to society at large.

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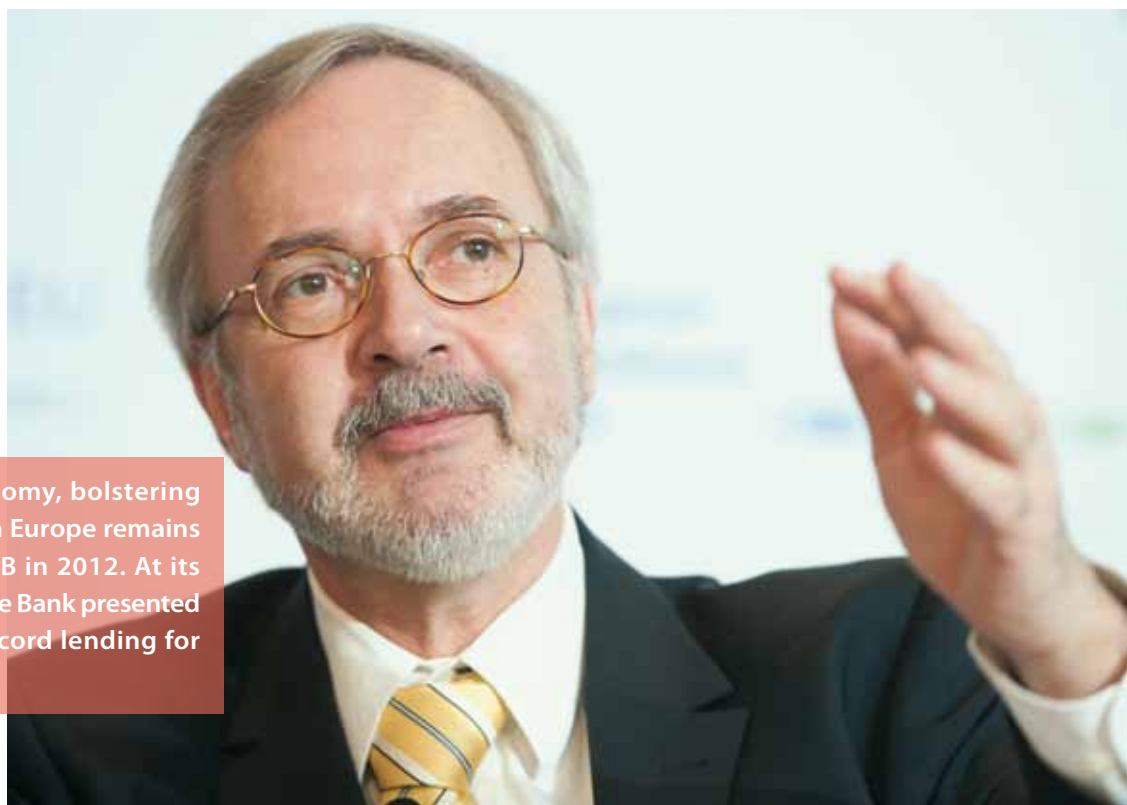
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New EIB President calls for growth push

Support for the real economy, bolstering growth and job creation in Europe remains the top priority for the EIB in 2012. At its annual press conference, the Bank presented solid results, including record lending for SMEs in 2011.



// In 2011 the EIB managed to extend its highest-ever financial contribution to the real economy with nearly EUR 60bn disbursed to our clients," EIB President Werner Hoyer said on 16 February at the annual press conference, where he presented the Bank's 2011 results and priorities for the year ahead.

With a clear focus on projects that benefit the real economy in Europe, the EIB will continue to finance projects that bolster growth and jobs, support the weaker regions and help fight climate change. It will do so by doing what it does best: providing favourable loans for sound investment projects.

Pushing the growth agenda

"A strong push is needed to increase our growth potential and revive job creation.

That is where the EIB comes into play. The specific role of the Bank in this area was recognised in the last summit conclusions," President Hoyer highlighted.

The EU Member States have called on the EIB to beef-up its support for infrastructure projects and SMEs – two key drivers of growth in Europe. In 2011 alone, the EU's bank gave a boost to more than 120 000 small and medium-sized enterprises. During that year, the EIB Group provided EUR 13bn of finance for SMEs. Smaller businesses account for more than two thirds of private sector employment in Europe and grow more quickly than larger firms, making them an important source of new jobs. However, their size also makes them more vulnerable in times of crisis as they have more difficulty accessing finance in adverse economic circumstances.

"A strong push is needed to increase our growth potential and revive job creation. That is where the EIB comes into play."

For many infrastructure investment projects in Europe the EIB is a natural financing partner, from transport to energy grids, urban environment to broadband infrastructure. In 2011 alone, the Bank provided some EUR 9bn in loans for major European transport networks, EUR 4bn for Europe's energy grids, EUR 15bn to make cities more sustainable and EUR 4bn for information and communication technology investments.



- SMEs provide 80% of new jobs in the EU
- The EIB Group provided EUR 13bn of finance to 120 000 SMEs



- The EIB lent EUR 10bn for innovation, education and ICT
- Through risk-sharing instruments, innovative ideas turn into business realities

Lending, blending and advising

Besides providing loans for sound projects, the EIB puts its financial and sector expertise at the service of EU policy goals. It provides targeted technical advice and assistance through special initiatives, often partnering with other EU, bilateral and multilateral institutions and financiers.

"We are lending, blending – that is, combining EU resources with EIB loans – and advising," said President Werner Hoyer, summing up the role of the EIB in 2011 and the years to come.

In times of austerity, the EIB must find ways to do more with less, for instance by

leveraging unused EU funds. "Combining EU budget funds with EIB loans, and risk sharing or mutual reliance with other financiers achieves just that," Hoyer underlined. The EIB already joins forces with the Commission in key areas, such as regional development, climate action, operations in developing countries and innovation.

One example is the Risk Sharing Finance Facility, which combines EUR 1bn each in capital from the EIB and the Commission. It has already helped some 73 innovative companies to obtain more than EUR 7bn in loans, triggering some EUR 20bn of total investment. Moreover, the EIB and the Commission are currently working to develop innovative ways of attracting investors to infrastructure projects.

Maintaining financial strength

"The EIB is an efficient tool at the service of the EU and the European economy," President Hoyer stressed. However, there are limits to what the Bank can do. "The Bank has a clear political function, but must remain solid," he added. That is why, following targeted and temporary additional lending efforts in 2008-2010, the EIB is returning to previous lending levels.

Under the Bank's strategy to maintain its financial strength through a gradual return to pre-2008 lending levels, lending for new operations in 2012 is planned to decrease to EUR 50bn. This does not mean that there will be fewer operations sup-

Key results in 2011

During 2011, the EIB signed **EUR 61bn** of new loans.
The EIB financed **454** projects in **70** countries.

- 120 000 small and medium-sized enterprises in Europe received EIB Group financing.
- Total EIB Group finance for small and medium-sized businesses and mid-caps in the EU amounted to EUR 13bn.
- Funding for the EU regions hardest hit by the economic and financial crisis reached EUR 20bn.
- Some 74 regions received EIB cohesion loans.
- The EIB lent nearly EUR 11bn for transport networks that link up Europe.
- The Bank invested some EUR 10bn in the knowledge economy.
- Lending for climate action represented almost a third of the Bank's total lending, at EUR 18bn.
- The EIB financed the installation of over 4 000 mega watts of capacity in wind and solar plants, which will produce clean electricity to power over 2 million households.

ported, but rather that the proportion of funding provided will be reduced, while at the same time maximising the impact on the real economy.

A Marshall Plan to get Greece back on its feet

Following the request of EU leaders, the EIB Group will, together with the European Commission, explore options to leverage EU budget funds. It stands ready to update lending targets to take account of additional EU budget funding. The EIB can complement sovereign anti-crisis pro-

grammes by lending to support growth in the so-called programme countries.

For instance, the EIB is currently working with the European Commission on establishing a EUR 500m guarantee mechanism using unabsorbed Structural and Cohesion Funds, which will make it possible to channel up to EUR 1bn of new loans to Greek enterprises. This would mean new investments of up to EUR 2bn in the country. In parallel, a broader guarantee structure is currently being devised for EIB lending in Greece to infrastructure projects in the energy and transport sectors.

“We are currently negotiating concrete projects. We want to be part of the solution to the Greek problem,” President Hoyer underscored.

In 2011, the EIB disbursed some EUR 2bn in Greece for the benefit of the real economy and it intends to keep up this level of lending in 2012. President Hoyer called for a Marshall Plan for Greece in order to jump start the economy and put the debt-shaken country back on a sustainable growth path. ■



Lending outside the EU exceeded EUR 7bn, with half dedicated to pre-accession countries. The Mediterranean is still a high priority for the Bank and the EIB remains the biggest financier in the region. The Bank plays an important role in the Deauville Partnership launched in May by the G-8 to support democratic and economic transition following the Arab spring. Loans worth almost EUR 1bn were signed in 2011 for private sector development and the acceleration of infrastructure projects in the region. Signatures in the EU's Eastern neighbours reached a record EUR 800m.

EU leaders rally behind project bond pilot

The swift launch of the project bonds pilot phase is high on the EU agenda these days. With public resources for infrastructure projects becoming increasingly scarce, there are strong hopes of sealing a deal by the summer.



Meeting at the spring summit in March, European Union leaders underlined the need to boost private financing of key infrastructure projects and especially to work on the pilot phase of the Europe 2020 project bond initiative. In a statement, the EU Heads of State and Government issued a call to “step up work on the initiative with a view to reaching an agreement by June”.

Moving from crisis mode to growth mode

“On behalf of the European Commission I have pushed for project bonds,” European Commission President José Manuel Barroso said after the meeting. He stressed the need for “targeted investments”, and talked about working with the EIB “to achieve important infrastructure projects”. He added that he thinks “it is time to move from crisis mode to growth mode”.

It is envisaged that the EU budget will contribute EUR 230m to the scheme to finance a number of pilot projects, potentially mobilising up to EUR 4.6bn of additional investments into infrastructure.

Projects of European interest

The initiative has also gained momentum with the European Parliament. While the proposal is still going through the legislative procedure, many Members of the European Parliament have already expressed their support for this initiative, and acknowledged that the EU has a role to play, especially in projects that are of European interest. The topic is currently under discussion in various parliamentary committees, and a vote in plenary to approve the pilot scheme is expected to take place by the summer.

Following a public consultation in early 2011, the European Commission proposed last October to start testing project bonds in a pilot phase. This will be managed by the EIB in 2012-2013, prior to a possible full roll-out of the instrument from 2014 onwards. It should focus on projects in the three target sectors: transport, energy, and information and communication technology (ICT)/broadband.

Later in the year, the Commission unveiled the Connecting Europe Facility, a EUR 50bn

plan for improving Europe’s transport, energy, and digital networks during 2014-2020. Project bonds could be one of the first innovative financial instruments to be funded under this new facility.

Effective use of EU budget resources

The project bond initiative aims to boost the funding of long-term infrastructure projects by attracting capital from institutional investors, such as pension funds and insurance companies, which can only invest in highly rated debt instruments. They should not be confused with Eurobonds, which are also currently under discussion. An important difference is that project bonds aim to enable project companies themselves to issue investment-grade bonds. This would be possible thanks to an EU/EIB risk-sharing mechanism which will enhance the credit rating of senior bonds to a sufficiently high level to attract institutional investors. In this way EU budget resources would be used more effectively and valuable projects could be implemented more quickly than would otherwise be the case. ■

In brief

Helping to reinvigorate the **Greek economy**



In March, the Bank signed a funding agreement to support SME lending in Greece in a joint initiative with the Hellenic Republic and the European Commission. This innovative EUR 500m guarantee mechanism uses unspent structural funds, which will enable the EIB to channel up to EUR 1bn of new loans to small enterprises.

Making sure banks can continue to provide loans to the private sector is crucial in order to reinvigorate the Greek economy. Smaller enterprises represent around 95% of all businesses and employ 75% of the private sector work force. In parallel, a broader guarantee structure is being devised for EIB lending in Greece to infrastructure projects in the energy and transport sectors.

Speaking at an EIB conference in Athens this February, EIB President Werner Hoyer stressed that “the Greek economy must stop shrinking, and the EIB is doing its utmost to help”.

Joining forces with the Islamic Development Bank for **the Med**

In a Memorandum of Understanding (MoU), the two organisations agreed to step up cooperation, particularly in the Mediterranean. The Islamic Development Bank (IsDB) and the EIB have already jointly supported some 24 projects worth USD 19bn.

The new MoU is designed to give a new impetus to the partnership between the two institutions, to respond to the new challenges facing Arab Mediterranean countries. The enhanced cooperation will contribute to reinforcing private sector-led growth in the region, fostering job creation and supporting inclusive economic development.

Visit our
FEMIP anniversary site



The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) has been contributing to the economic and social development of the Mediterranean since 2002. In ten years, EUR 13bn worth of financing has gone to 168 projects in the nine Mediterranean partner countries, mobilising nearly EUR 35bn of additional capital. The EIB's financial arm in the Mediterranean region aims to foster private sector activities in Mediterranean partner countries, as a way of underpinning growth and generating employment opportunities. For more information, visit <http://femip10.eib.org>.

European bank coordination **boost**

Coordination to support financial sector stability in emerging Europe will be boosted. Meeting in Brussels in March, a group of officials and bankers have agreed on Vienna 2.0, an initiative setting out measures to protect central, eastern and south-eastern European countries from the eurozone's banking problems.

The so-called Vienna Initiative was launched in 2009 at the height of the global financial crisis, to preserve financial sector stability in emerging Europe. In particular it encouraged cross-border banking groups to maintain their exposure to the region and ensure adequate solvency levels for their subsidiaries.

The meeting, hosted by the European Commission, brought together banking sector regulators and supervisors, central banks and fiscal authorities, as well as officials from EU institutions, the EIB, the International Monetary Fund, the European Bank for Reconstruction and Development and the World Bank Group.



Over the last five years, the EIB supported some **900** infrastructure projects with more than **EUR 170bn** in loans



EUR 50bn for energy infrastructure



EUR 10bn to support broadband rollout and telecommunications

EIB infrastructure lending in numbers

The EIB is a natural financing partner for key infrastructure projects in Europe and beyond.





More than **EUR 70bn** in finance for transport infrastructure



EUR 10bn for urban infrastructure,
EUR 18bn for water and
wastewater projects





Bringing clean energy to the grid

The world's largest windfarm off the British coast is a milestone in offshore renewable energy in Europe. The EIB contributed to the Walney offshore transmission link as part of its broader support to connect wind energy to the grid.

The windswept Walney beachfront was the ideal location for the launch of the world's largest offshore windfarm. Typical February weather prevented a view of the 102 turbines, each 150 metres high, forming the Walney Offshore Windfarms, but the EIB's significant contribution to the project was also out of sight, buried beneath the seabed. It consisted in providing long-term funding for 50% of the cost of the 44 km cable linking the windfarm to the UK's national grid.

Walney is a project with record-breaking achievements. It is not only the world's biggest windfarm, but also the one built in the fastest time ever – Walney 2 was constructed in just over 5 months – and the first such project backed by institutional investors.

World's largest windfarm powering 320 000 homes with an EIB-funded connection

The first power from the Walney 1 Offshore Windfarm was generated at 15:24 on Thursday 13 January 2011 as turbine C05 was put into operation and its first power was supplied to the national grid through the onshore transformer station in Heysham.

"The Walney windfarm is a huge project, but it can only benefit energy users on the mainland thanks to the offshore transmission link and new transmission lines to main population centres," EIB Vice-President Simon Brooks said on the occasion of the official opening.

Greater efficiencies are to be gained by industrialising offshore wind power and cutting the cost of renewable energy generated by offshore wind. Their scale will allow the Walney Offshore Windfarms to contribute significantly to a low-carbon future. They will help the UK achieve its target of reducing CO₂ emissions by providing clean electricity now and in the future for approximately 320 000 UK households.

Operation of the Walney transmission link will help reduce the overall cost of energy produced by offshore wind. Support for renewable energy across Europe, including grid links and windfarms, is essential for ensuring infrastructure investment that promotes climate action.



"The Walney windfarm is a huge project, but it can only benefit energy users on the mainland thanks to the offshore transmission link and new transmission lines to main population centres."

Importance of institutional investors

"The EIB's involvement is one of the key factors that made the first tender round a success. It demonstrates investor confidence while lowering the cost to developers and customers of bringing power ashore," Lord Mogg, Chairman of the UK energy regulator Ofgem, commented.

Nearly EUR 60m of funding for the transmission link to the Walney 1 offshore windfarm is being provided by the EIB. The Bank's direct support for key European renewable energy projects such as Walney has encouraged other investors to meet the significant funding needs of renewable energy infrastructure over the coming years. The EIB's role in approving projects demonstrates both their bank-

ability and long-term viability, which helps ensure that key investment in transmission can progress.

"The EIB is pleased to have been able to contribute to the Walney offshore transmission link as part of our broader support for renewable energy investment in Europe," Simon Brooks stated.

Overcoming technical challenges to bring local benefits

Nearly 6 000 people have worked on the construction of the Walney 1 and 2 windfarms, and a new EUR 2.3m maintenance facility employing 60 people in Barrow-in-Furness, with two support vessels, will provide ongoing support to the turbines. 108 different ships including the specialised heavy lifting vessel Svanen, tugs and

barges are helping to make the project possible.

The Walney Offshore Windfarms are located approximately 15 km west of Barrow-in-Furness in Cumbria and consist of Walney 1 and Walney 2, each with 51 3.6MW turbines giving a total capacity of 367.2MW and making it the world's largest installed offshore windfarm ever.

Each of the turbines generates electricity at a voltage of 33kV. This is collected by the offshore substations via two 44 km-long buried export cables and the voltage is stepped up to 132kV for the local grid.

The EIB is the leading financier of wind energy, with loans amounting to EUR 1.7bn in 2011. Climate action accounts for one third of total EIB lending. ■

World's biggest lock at the port of Antwerp

The construction of a second lock at the port of Antwerp is one of Belgium's infrastructure mega projects. Improving maritime access to this economic hub will help further develop efficient, multi-modal and sustainable goods transport in Europe.

The port of Antwerp – together with those of Rotterdam and Hamburg – is among the biggest in Europe. It was the first to host the world's largest container ship, the almost 400 metres-long Edith Maersk, which delivered more than 2 200 containers from Malaysia in early January.

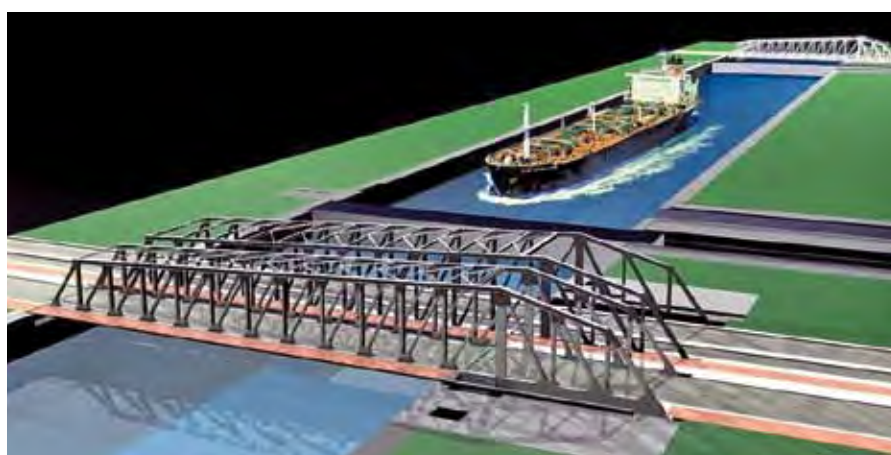
Keeping up with the growing size of vessels is therefore essential. Officially launched in late 2011, the construction of the second lock on Antwerp's left bank is among Belgium's most prominent infrastructure projects over the coming years, with some 255 people working each day to build the biggest lock in the world. The lock is due to open in 2016 and will cost around EUR 340m – half of which will be financed by the EIB.

"Even at times when substantial savings must be made, a project such as the second lock is crucial", says the Flemish Minister for Mobility and Public Works, Hilde Crevits. "The return on such an investment is reflected in greater maritime, industrial and logistical activity in the Waasland harbour and increasing opportunities for employment locally", she adds.

For Hilde Crevits the construction of the Deurganck dock lock is necessary to improve maritime access and to be able to cater for future demand. The new lock will help to further develop efficient, multi-modal and sustainable goods transport, which will benefit not only the port of Antwerp and Flanders but also Belgium and Europe.

A major transport hub in Europe

"With a second lock the Antwerp Port Authority is responding to the increase in the scale of shipping traffic in order to maintain our position as the number two in Europe," Marc Van Peel, Antwerp city council alderman and chairman of the port underlines.





255 people

Some 255 people are working each day to build the biggest lock in the world.

The port is also a major hub in Europe's transport network, the backbone of the internal market. Around 90% of the EU's trade with third countries passes through the ports of Europe, with some 3.2 billion tonnes of freight being loaded and unloaded annually. The Asia-Europe route remains the world's busiest trade lane. Seaports therefore play a vital part in ensuring the competitiveness of both Europe's internal and external trade, and provide essential links to its regions. EU ports generate more than half a million jobs either directly or indirectly, and they drive the dynamism and development of the economy.

The world's biggest lock in figures

The design of the new lock will be based on that of the Berendrecht lock, which currently holds the title of biggest lock in the world. Like the Berendrecht lock, it will be 500 metres long and 68 metres wide. The new lock – at 17.80 metres below the local datum level – will be deeper than the Berendrecht lock and thus rank as the biggest lock in the world when it opens in 2016.

Pulling off this difficult feat will of course be no easy matter. Over the next few years no less than 9.1 million m³ of earth will be excavated. Just under a third of this – 2.7 million m³ to be precise – will be reused to backfill behind the quayside walls. The remaining earth will be used for further filling-in of the Doel dock. Some 22 000 tonnes of structural steel will be used, three times the amount required to build the Eiffel Tower. A total of 795 000 m³ of reinforced concrete will be needed – enough to cover a football pitch to a height of 106 metres. The 57 000 m² of sheet piles that will eventually be used by the contractors would be enough to cover 80 football pitches.

Although the dimensions of the lock itself are staggering, the job of building it will require precision engineering. For instance, the four lock gates must close perfectly and the mechanism for the bridges that will open must be accurate to within a millimetre.

The European Commission puts particular emphasis on European seaports as gateways to the European markets and the maritime sector is an important part of the EIB's support for the so-called trans-European transport network (TEN-T). Since 1993, when the priority projects were identified, the EIB has supported the TEN-T with more than EUR 100bn.

Connecting Europe

Bringing about the trans-European network for transport and developing sustainable modes of transport is one of the objectives of the EIB.

Over the past five years the EIB has provided more than EUR 5bn for infrastructure in the maritime transport and inland waterways sector and for a significant number of port projects – in Hamburg, Bremerhaven, Rotterdam, Helsinki and Marseille, as well as in Belgium for the new locks of Ivoz-Ramez and Lanhaye and for the new lock now under construction on Antwerp's left bank. ■

EIB supports the extension of Prague's metro network

The EIB is improving public transport to bring increased safety, comfort and capacity to Prague's thousands of commuters travelling to work every day.

Prague's beauty is revealed to those exploring the city by foot to appreciate its historic buildings and charismatic streetscape. But what lies beneath is what keeps the capital running. The Prague metro is fast, efficient, clean and easy to use. It carries around 600 million passengers a year, which is 40% of all public transport trips in the city.

Upgrading the green line

The EIB is lending some EUR 350m (CZK 8.5bn) for the extension of the Prague Metro Line A, also known as the green line, which runs from the north-west of the Czech capital right through the historical centre. The 6.1 km double-track extension of the green line runs from the current end-station Dejvická in the north-west of the city, under the westbound Evropská avenue, and then south-westwards to the Motol Hospital area. Motol Hospital, one of the most important medical facilities in Prague and the country as a whole, will greatly benefit from this direct and fast public transport link. The metro line extension will include the construction of four new stations and will go through one of the most densely populated and visited parts of the city. The works are expected to be completed in 2015.

The extended line will contribute to creating a better quality of life not only for Prague's citizens but also for the thousands of commuters travelling to work in the city every day. It will provide access at several



points to other public transport modes and facilities, such as buses, trams and park & ride facilities. The upgrade will improve accessibility for another 127 000 people living in Prague and is expected to add another 30 million passengers per year after the start of operations.

Furthermore, enhancing the attractiveness of the public transport system and reducing the use of private cars and the resulting congestion of surface traffic will have positive impacts on Prague's urban environment.

The Bank has previously extended four loans amounting to some EUR 650m in total to the City, contributing to the financing of its investment programmes, including extensions of the capital's metro network, upgrading of water distribution and sewerage infrastructure and rehabilitation of municipal infrastructure after the devastating floods in 2002. The Bank is an important financial partner of the City, providing much needed long-term funds at a time when resources are scarce. ■

Combined technical support

Joining forces can help accelerate key infrastructure projects. The Prague metro extension also received assistance from JASPERS, the Joint Assistance to Support Projects in European Regions initiative. JASPERS provides technical assistance to the twelve most recent EU Member States – and, since 2012, Croatia – to help prepare sound infrastructure proposals in order to access EU structural funds. This has helped the Prague authorities to tap into cohesion funds by working on the project documentation, including a feasibility study and draft grant application.

JASPERS is managed by the EIB and co-sponsored by the European Commission, the European Bank for Reconstruction and Development and the German promotional bank Kreditanstalt für Wiederaufbau. Since its inception in 2006, a total of 172 JASPERS-supported projects in 13 countries have been approved, representing EUR 63.7bn worth of investments.

Connecting people with high-speed broadband

Driving broadband rollout across Europe is a key objective of the EU's Digital Agenda, but also for the Bank. In Munich, some 18 500 buildings have already been connected to a new high-speed network – with the backing of the EIB.

“A powerful fibre optic network is essential to a modern municipal infrastructure and an important part of public services,” underlines Christian Ude, Mayor of the City of Munich. In Germany, the EIB is supporting the rollout of an alternative broadband network, so-called fibre-to-the-building, or FTTB, with a EUR 100m loan to Stadtwerke München, the city-owned utility company.

“The network rollout involves an estimated total of 100 million metres of fibre optic cable, an amount long enough to span the earth 40 times!” adds Christian Ude.

In addition, the new access network will be used not only for communications services, but also for remote measurement of energy consumption, opening up new possibilities for smart metering.

Superfast internet at competitive prices

“Menschen erreichen” – reaching out to people – is the slogan of the municipal network provider M-net, a subsidiary of Stadtwerke München that is providing the broadband services to the citizens. The project has already helped to connect some 18 500 buildings. By 2014 it will bring broadband to around 32 500 buildings, a total of 350 000 households – or half of Munich's overall housing stock. The rollout has also had a positive effect for consumers, making superfast internet available at more competitive prices and providing real choice between the different offers.

Thanks to the rollout, M-net is able to provide high-speed internet access, as well as other multimedia services, such as TV and video-on-demand to residential customers. It also gives a competitive edge to businesses, such as architectural practices or advertising agencies, which need to transfer large amounts of data at high speed.

EU focus on key infrastructure

Making information and communication technology infrastructure available is crucial as economic dynamism increasingly depends on broadband connectivity. Providing access to super-fast internet is one of the main goals of Europe's Digital Agenda, designed to make the EU fit for growth based on digital innovation. There is a consensus that broadband networks alone have contributed to one fifth of total productivity growth in the EU over the past decade. Yet 40% of EU households are still not connected to any broadband-like service.

The European Commission is seeking to make the Union more competitive and productive by increasing broadband coverage in Europe. At the same time, targeting important investments in infrastructure – such as broadband – in order to boost the economy, is high on the EU agenda. These investments are among the goals of the innovative infrastructure financing instruments currently under discussion (see page 6).



In the past five years the EIB provided on average more than EUR 1bn each year to support the rollout of broadband networks – based on both mobile and fixed technologies. Some 30 different broadband projects have been financed across the EU. ■

100 million metres

“The network rollout involves an estimated total of 100 million metres of fibre optic cable, an amount long enough to span the earth 40 times!”

Accelerating cutting-edge research

In Italy, the EIB is supporting innovative research with innovative finance for the Sincrotrone research facility. Scientists from all over the world come to Trieste in north-east Italy to take part in cutting-edge research in areas such as materials and life sciences, physics, chemistry and geology.

“This is where the future lies in terms of new materials characterisation, life science applications, drug development and many other applications”, says Professor Alfonso Franciosi, CEO at Sincrotrone Trieste S.C.p.A. “We provide the most advanced analytical techniques that money can buy to show how materials are organised inside, to reveal their atomic structure and their chemical composition.”

The Elettra Laboratory of Sincrotrone Trieste is one of Europe’s top research facilities and among the most advanced synchrotron radiation laboratories. Open to the scientific community and to companies, it attracts thousands of experts each year. The new FERMI free-electron laser, which is currently being commissioned and will be available shortly to public institutes, research groups and private researchers, adds a unique re-

source for analysing ultrafast non-equilibrium phenomena and developing new industrial processes.

Brighter, faster, better

“We make use of a new generation of light sources that are brighter than any other, around ten billion times brighter than our most advanced synchrotron radiation sources, which are themselves about ten billion times brighter than a conventional X-ray source. They allow you to obtain data in a few millionths of a billionth of a second. You can take a picture of such a short moment, because you have so much light,” Professor Franciosi explains.

The Sincrotrone research infrastructure comprises ultra-bright light sources in the

spectral range from UV to X-rays, enabling research in the areas of structural biology, magnetic materials and nanotechnologies. The free-electron laser is based on a linear accelerator and a series of powerful magnetic devices about 350 metres long. This makes it possible to study chemical and physical phenomena and interactions in unprecedented detail.

A supermicroscope serving science

This “supermicroscope” reveals invaluable information, that is not only crucial to advance research in numerous fields, but can also help increase Europe’s economic competitiveness.

350 metres

“The free-electron laser is based on a linear accelerator and a series of powerful magnetic devices about 350 metres long.”





“This type of investment is crucial for the technological and social progress of our economies,” comments EIB Vice-President Dario Scannapieco. “The Trieste synchrotron is a project in which the EIB firmly believes. We are convinced that scientists working on this research infrastructure will be able to come up with important practical applications that will promote economic growth,” he adds. Research facilities play an important role in the advancement of fundamental and applied knowledge and technology. They directly influence technological innovation and Europe’s economic competitiveness. Sincrotrone Trieste is a not-for-profit consortium designed to share and disseminate technological advances.

This has allowed Sincrotrone to further develop its activities – not only in terms of basic research (on average over 200 papers are published annually on the basis of studies carried out at the laboratory in Trieste), but also, and above all, in the field of applied research. “This is not a lab, which produces its own research per se. The goal of the approximately 400 people working here is to gain more users and enable

them to do their best research,” Professor Franciosi points out.

The highest concentration of research facilities can be found in the US and Japan, Europe is only catching up here. “Given that there are thousands of users every year, this is a very cost-effective use of financial resources,” Professor Franciosi further comments. Investments have been helped with a EUR 20m loan from the EIB using an innovative risk-sharing approach. This has allowed Sincrotrone Trieste to upgrade its equipment with the new free-electron laser to facilitate molecular research on the carbon and oxygen atomic level, as well as studies on living tissues and on magnetism in materials.

“It would have been impossible for us to complete the construction of this facility and open it up to the users without the intervention of the EIB,” Professor Franciosi adds. He also underlines the positive effect that the EIB’s involvement had on Sincrotrone’s CO₂ emissions score: “We’re striving to be carbon neutral. With the help of the EIB we have largely reduced

our carbon footprint by constructing the most efficient power generators using the best technology available.”

Turning good ideas into real business

The Bank is focusing its lending on higher value added projects in priority technologies that merit support at EU level. A flagship initiative in this area is the Risk Sharing Finance Facility (RSFF). This joint initiative of the EIB and the European Commission helps to ensure funding for RDI projects that would otherwise struggle to secure funding on acceptable terms due to their risk profile. Since its creation in 2007, the Facility has helped to turn good ideas into real business by providing loans worth over EUR 7bn to some 75 companies. In late 2011, the EIB and the Commission agreed to continue RSFF until the end of the EU budgetary period (2007-2013). The new RSFF places a particular emphasis on providing funding for research facilities. ■



Professor Muhammad Yunus, Nobel Peace Prize laureate and microfinance pioneer, visited the EIB in March to participate in a working meeting on social business, microcredit extension and the mission of the Grameen Bank and the Grameen Credit Agricole Social Business Fund. EIB INFO talked to Professor Yunus about his social business concept.

Social entrepreneurship is the key to changing the world

Nobel laureate Muhammad Yunus presents his social business concept

What is the most important thing you are taking away from your discussions at the EIB in Luxembourg?

It's wonderful to exchange ideas with the people at the EIB, including the President himself. I'm trying to explain what I mean by 'social business', as a non-dividend company dedicated to solving social and economic problems. It has a tremendous power when you bring all your creative power together using the business method to solve problems. That's what I was trying to explain and I'm very happy to get a very positive response from everybody.

Pioneering microfinance

Professor Yunus pioneered microcredit, an innovative banking approach that provides poor people, especially women, with small loans to set up businesses and lift their families out of poverty. In 1976 he launched Grameen Bank in Bangladesh by lending USD 27 to 42 impoverished villagers. The organisation is now active in more than 40 countries and has made small loans totalling some USD 20bn.

Professor Yunus has received worldwide recognition for his work, receiving the Nobel Peace Prize in 2006 for "efforts to create economic and social development from below". His revolutionary microcredit system has been copied in developing countries around the world.



Nobel laureate
Muhammad Yunus



EIB microfinance for development

The EIB is active in microfinance in the African, Caribbean and Pacific region and in the Mediterranean partner countries. More than EUR 200m has been provided in loans, equity and technical assistance in the last ten years to fund productive activities focusing on micro-entrepreneurs and small businesses.

Recent projects include a EUR 4m loan to ENDA Inter-Arabe, the only private microfinance organisation operating in Tunisia, and a EUR 5m contribution to FEFISOL, a specialised rural microfinance fund providing loans and equity capital to rural microfinance institutions and small producer businesses active in fair trade, organic products and food production in Africa.

The EIB applies so-called Client Protection Principles, which ensure that final beneficiaries are treated fairly and in an ethical manner, without putting them at risk of over-indebtedness. The EIB is making an effort to support micro-insurance, for example through a USD 20m commitment to the LeapFrog Microinsurance Fund, and rural microfinance, notably with the latest EUR 10m commitment to the Rural Impulse Fund II.

How do you see the role of international financing institutions, such as the EIB, in promoting microfinance and other social types of business?

These institutions are created to solve economic and social problems. Social business does it in a very exclusive way, so it needs a home within these institutions. But the institutions are built in a business-making mode. They go to the market to get money, which means you have to give them a return, so you have to invest in something that will give you the return. You are caught in this logic. But rather you need to undo it, bring in the money by explaining that it will do wonderful things for the people, but that it will not give you any financial return. Would you invest here? All you have to do is give back the money when you're done with it.

Already the EIB and your model have something in common: supporting entrepreneurship, for instance by providing a loan rather than a grant. Is that something we can do together, and where do you see the role for the EIB?

The EIB is going in the right direction of solving social problems. But it is still working within the framework of the money-making institutions and policies. Of course entrepreneurship is the key to changing

the world. But when you use the word 'entrepreneurship' you imagine someone who is making money. Whenever I use the word entrepreneurship, it is to solve problems without having any intentions of a personal benefit. So these are two different kinds of entrepreneurship.

The same person can do both, however we have not yet accepted that and we are thinking that everybody has the same attitude towards making money. I'm saying you are absolutely wrong. If people want to make money, that's fine. If people want to change the world, that part has to be brought out and it's an opportunity we need to create within the institutions. Why don't we create a social business fund within the EIB, which will be entirely dedicated to this kind of business? Initially maybe with a small fund, but if it works, everybody will come and say here's the money, take it and solve the problem.

At the end of the day it's all about doing it the business way and setting free this creative energy in order to reach a higher goal?

Indeed, you have the technology and human beings have unlimited creative power, unlimited initiatives. These initiatives, creative power and technology need to be used to solve problems, rather than making money personally. That's all I'm urging to do. I'm not against making

money. I'm saying the same person can do both. The same creativity for making money can be used for solving problems. We are selfish and we are selfless at the same time. So both aspects of our lives have to be revealed. And we decide how much of selfishness and how much of selflessness we want to put into action. ■



In Burkina Faso, the EIB is helping to expand water services in order to keep up with a rapidly growing population. Recently inaugurated, the new capacities are set to treat 50% more water than before, delivering improved water services for 700 000 people.

Increasing water infrastructure capacities in Ouagadougou

In early March, the local water service company, the Office National de l'Eau et de l'Assainissement (ONEA), inaugurated the newly expanded water treatment plant located at the Ziga dam. This brings the population of Ouagadougou (1.7 million inhabitants), the country's rapidly growing capital, one step closer to an improved provision of drinking water.

Treatment capacities have been increased by 50% from 60 000m³ to 90 000m³ of water each day. The project includes upgrading of the supply system and extension of the distribution network, in particular to serve suburban districts which are seeing rapid growth. This will improve the water provision for some 700 000 people in Ouagadougou, and another 32 000 households will be added to the distribution network by mid-2013.

The beneficiaries include people that recently settled in the periphery of the capital city, who currently rely on water sellers or standpipes on the fringes of organised residential areas. Distributors charge prices up to five times higher than the standpipe tariff. The poor, especially women and children, will benefit from the new infrastructure, spending less time fetching water and having more time available for income-generating activities or education.

Facing the water challenge

Spurred by successive waves of migration from rural to urban areas, Ouagadougou is faced with accelerated growth. Between 1996 and 2010 the population more than doubled, rising from 745 000 to 1.7 million inhabitants. Water provision in the landlocked country's capital is already a

challenge: the city is out of the immediate reach of large natural water sources, such as rivers and lakes. Moreover, the spread-out urban landscape with low buildings requires longer water mains than cities with a more densely concentrated population.

The EIB is supporting the Ouagadougou water project with a EUR 18.5m loan, thus helping to finance the expansion of services. The project is being co-financed by the French development agency, Agence Française de Développement (AFD).

The Bank has already been involved in the setting-up of the water infrastructure via a EUR 14m risk capital loan for the benefit of ONEA. This first project, completed in 2009, increased water supply coverage from 55% to 93% through a new water treatment plant and transport and distribution infrastructure. Nearly 450 kilometres of pri-

mary, secondary and tertiary networks were added providing more than 57 000 household connections and 150 stand-pipes with clean drinking water. In order to reach 95% of coverage – and 75% of individual connections – by 2015, a further extension is already in the pipeline. The EIB, together with AFD, is set to provide technical assistance for a feasibility study for this expansion.

The provision of clean water and modern sanitation services is vital to the health of populations. Burkina Faso is a low-

income country with a population of around 14.7 million and ranks 161 out of 169 in the 2010 UNDP Human Development Report. This low score is due to social indicators, such as life expectancy and adult literacy.

Improving living conditions

In the past ten years (2002-2011) the EIB lent more than EUR 500m to water and sanitation projects in the African,

Caribbean and Pacific countries, leveraging total investment in the range of EUR 1.6bn. The Bank focuses its water sector activities on helping countries to achieve the United Nations Millennium Development Goals that are relevant to the sector and to adapt to climate change. The projects financed must not only be technically, environmentally and financially sustainable – first and foremost they need to improve the living conditions of the poor in the countries concerned. ■

The EIB at the World Water Forum

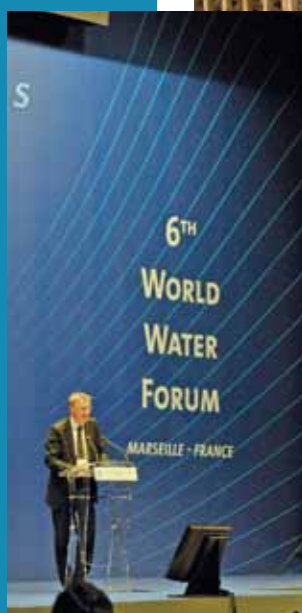


In March, the EIB took part in the 6th World Water Forum in Marseille, the world's largest meeting about water. Every three years since 1997, the Forum has mobilised creativity, innovation, competence and know-how in favour of water. The theme this year focused on "Time for Solutions". It attracted some 25 000 participants, including experts, policymakers and activists, to roundtables, seminars and debates.

The EIB participated in a high-level panel discussion on financing water and sanitation and coordinated the Forum activities concerning the theme "Financing Water for All", in cooperation with the Agence Française de Développement.

Addressing water resource management, drinking water and sanitation issues is paramount for achieving growth that is both socially inclusive and environmentally sustainable. A new film on the EIB's financing for water projects is available on our website:

www.eib.org



700 000 people

The project improves the water provision for some 700 000 people, and another 32 000 households will be added to the distribution network



On the road to **democracy**

In Tunisia, the EIB is supporting road works to help connect rural areas and foster economic growth. This is the first project signed after the setting up of the so-called Deauville Partnership, launched in May 2011 by the G8 to underpin both democratic and economic transition in the Mediterranean.

“This first post-Deauville loan is highly symbolic. It embodies our commitment to helping the people of Tunisia”, says EIB Vice-President Philippe de Fontaine Vive, who is in charge of EIB operations in the Mediterranean countries. “Our task is to provide the younger generation with new hopes for the future. Training, jobs, security and the modernisation of the country’s infrastructure are key to Tunisia’s economic and social development,” he emphasises.

A project with a signalling effect

With this EUR 163m (TND 325m) loan, the EIB is seeking to send a signal of confidence in the democratic transition. The operation also demonstrates the ability of the EIB, as the leading investor in the Mediterranean region, to take swift action by mobilising its technical and financial know-how to help Tunisia with its process of democratic, economic and social transition and to improve the daily living conditions of the Tunisian people.

The project involves the rehabilitation and upgrading of the road network throughout Tunisia, including the surfacing of rural roads in the country’s interior. The Tunisian road network consists of nearly 20 000 km of roads, of which almost 15 000 km are paved. According to a recent survey, average traffic on the roads is over 6 000 vehicles per day. The project will help spur economic development in some of Tunisia’s most disadvantaged regions. In addition, it will bring support for the business

of public works enterprises, safeguarding and creating thousands of jobs throughout the country. Moreover, it will improve road safety by upgrading priority transport infrastructure in line with requirements and tackle a number of accident black spots by, for example, improving road signs, relocating bus stops, increasing the number of pedestrian bridges and underpasses, and improving street lighting and road drainage.

Arab spring response

This first financing operation is a direct response to the aspirations voiced in the Arab spring. It underlines the EIB’s commitment to helping the Mediterranean countries in transition by providing increased support for projects that create jobs, the number one priority in these countries faced with high unemployment. The EIB is also fostering an entrepreneurial culture by supporting small businesses and encouraging research, development and innovation; and it is assisting economic and social integration with the aim of achieving balanced development, focusing particularly on isolated regions with no infrastructure or effective means of communication.

The EIB held a regional forum in Tunis in March, focusing on Mediterranean SMEs

“Our task is to provide the younger generation with new hopes for the future. Training, jobs, security and the modernisation of the country’s infrastructure are key to Tunisia’s economic and social development.”

and business development. A second one, on the subject of tourism, will take place in Amman on 24 April.

This year the Bank celebrates the tenth anniversary of the creation of its special instrument for the Mediterranean, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). FEMIP has been contributing to economic and social development in the region since 2002. In ten years, EUR 13bn worth of financing has gone to 168 projects in the nine Mediterranean partner countries, mobilising nearly EUR 35bn of additional capital. For example, 191 schools and 47 hospitals have been refurbished and upgraded. Some 2 300 SMEs received financing and an estimated 30 000 jobs have been created through support for SMEs in the region. Over 800 000 micro-borrowers received financing. ■



People @ EIB

New President and Vice-President take office



Werner Hoyer

Werner Hoyer is the new President of the EIB. He was previously Deputy Foreign Minister of the Federal Republic of Germany, State Minister for European Affairs, and a Member of the German Parliament (Bundestag). Mr Hoyer succeeds Philippe Maystadt, a former Belgian Minister of Finance, who served for two consecutive terms (2000-2011) at the helm of the EU's bank.



Pim Van Ballekom

Pim Van Ballekom is a new Vice-President. Mr Van Ballekom was previously Head of International Public Affairs at APG Pension Group and represented the Netherlands on the EIB's Board of Directors.

European PPPs in 2011

The European PPP Expertise Centre (EPEC) has published its latest review of the European PPP market.

In 2011, the European PPP market was fuelled by a limited number of very large transport transactions. EPEC data shows that 84 transactions have reached financial close for a total financing volume of EUR 18bn. The year was marked by the prevalence of the French market and a sharp increase in the average transaction size. Despite a significant reduction in the number of transactions, the UK remains the most active PPP market in Europe.

EPEC is a joint initiative of the EIB, the European Commission and the EU Member States and Candidate Countries, with a network of 35 members.

This publication is available from our website: www.eib.org.



Agenda

- **26/04/2012**
11th FEMIP Conference on Tourism, Amman, Jordan
- **15/05/2012**
Board of Governors' Annual General Meeting, Brussels, Belgium
- **21-25/05/2012**
First African Business Week, Frankfurt, Germany
- **24/05/2012**
EIB Conference on Eastern Partnership for Growth, Vienna, Austria
- **31/05/2012**
Europe and the Arab Spring, with Friends of Europe, Brussels, Belgium
- **14/06/2012**
EIB conference on investment at a time of climate change, with Bruegel, Brussels, Belgium

Details at www.eib.org/events

Publications

- FEMIP – Key figures from the last 10 years
- EIB financing in the EU's Eastern Neighbours (factsheet)
- JASPERS – Serving the EU's cohesion policy (brochure)
- Guidance note on the EIB's Transparency Policy (flyer)
- EU-Africa Infrastructure Trust Fund (flyer)
- EIB Operational Plan 2012-2014

Details at www.eib.org/publications



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QH-AA-12-145-EN-C
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