

Long-term investors focus on jobs and growth

East-West link helps
electricity go green

The Port of Rotterdam
expands with the EIB's help

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The EIB – The EU bank

October 2012

Editorial

Investing in Europe's growth is the EIB's prime objective as the EU bank. More than ever, the EIB is focused on providing funding for projects that have the biggest impact on growth and job creation. With its long-term view, it can play a crucial role in backing large infrastructure, research and development or green energy investments – projects which would otherwise be cancelled or at least postponed.

Thanks to a multiplier effect, the Bank can help trigger investments and attract funding to key projects. The EIB is well aware of the role entrusted to it by its shareholders, many of which are facing unprecedented challenges. President Werner Hoyer recently underlined the Bank's strong commitment to working closely with the shareholders to ensure the effective use of lending across all Member States. The EIB's focus remains on local investment needs, addressing specific financing challenges and backing priority projects. In order to get through the current crisis, investors and financiers alike need to look beyond tomorrow. "They need to take the long view," as President Hoyer recently reiterated at a long-term investors meeting.

Future lending will include important areas such as innovation and skills, SMEs, clean energy and modern infrastructure across the EU. These are areas in which the EIB has already been active for many years. Its significant experience means that the Bank can choose sound projects that will have the greatest impact on the real economy. Investing in modern education, ground-breaking scientific research, growth-driving small businesses, social and energy-efficient housing or strategic infrastructure projects is more important than ever. The EIB plays its part to make sure crucial projects can go ahead in a difficult economic environment.



More than ever, the EIB is focused on providing funding for projects that have the biggest impact on growth and job creation.

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Long-term investors discuss growth and jobs

The Long-Term Investors Club (LTIC) brings together 15 worldwide institutions including the EIB, which recently hosted the annual conference of the LTIC in Luxembourg.



“Finance is too often short-sighted. We need to help markets think beyond immediate profit and finance investment that will boost growth, employment and well-being for future generations,” says President Hoyer. “To survive the current crisis, investors and financiers alike need to look beyond tomorrow. They need to take the long view,” he adds.

Unleashing the potential of long-term investment

Long-term investors can significantly boost growth in times of crisis and tight budgets by making critical moves in sectors capable of contributing to European growth and competitiveness. Putting Europe back on the path of strong, sustainable and inclusive growth requires massive long-term investment in sectors such as infrastructure, small and medium-sized enterprise (SME) financing, innovation, energy and climate action.

However, in the current difficult economic and financial environment the deployment of such investment has dramatically slowed down as uncertainty reduces the planning horizons. As a result, many public national budgets are severely constrained and the capacity and willingness of investors to provide long-term financing has considerably diminished. According to recent EU statistical data, in 2012 public investment and public capital transfers in the European Union and the eurozone were reduced by 0.5 to 0.6 percentage points of gross domestic product (GDP) and public investment contracted by 20%.

For Cyprus’s Finance Minister, Vassos Shiarly, although public authorities have to function in “fire-fighter mode” to combat the crisis, they acknowledge that policy decisions taken today will have long-term consequences and that long-term investment plays a key role in fostering recovery and growth.

“Finance is too often short-sighted. We need to help markets think beyond immediate profit and finance investment that will boost growth, employment and well-being for future generations”.

The members of the Long-Term Investors Club, who first formally got together in 2009, know that they have a responsibility towards future generations and a decisive role to play in moving towards a more sustainable and inclusive transformation of our societies. They are ready to strengthen and deepen their cooperation by further drawing jointly on their expertise and financing capacities. But they call on governments and international regulators to support this effort, notably by improving the regulatory framework to enhance long-term investment.



What is the Long-Term Investors Club?

The Long-Term Investors Club was created in 2009 by Caisse des Dépôts, Cassa Depositi e Prestiti, KfW Bankengruppe and the EIB. It now brings together 15 worldwide institutions including development banks, sovereign wealth funds and pension funds, representing a combined balance sheet total of USD 3 800bn. Find out more at www.ltic.org.

Franco Bassanini, Chairman, Cassa Depositi e Prestiti, Ulrich Schröder, Chief Executive Officer of Kreditanstalt für Wiederaufbau, Jean-Pierre Jouyet, Chief Executive Officer, Caisse des Dépôts and Werner Hoyer, President of the EIB

For the new President of the LTIC, Dr Ulrich Schröder, CEO of KfW, the members' commitment is critical to strengthening investment in sustainable growth, both in Europe and worldwide. The long-term investors' contribution rests on three pillars: policy advice on regulatory needs, research on the impact of long-term investment for growth, and – perhaps most importantly – joint cooperation on financing promising long-term investments.

EIB President Werner Hoyer takes the example of climate action. Switching to a more resource-efficient, smarter and inclusive economy – which is vital for our societies – will not happen overnight and will not be possible without large volumes of long-term investment and structural reforms that unleash the potential of that investment. “The long view must prevail,” he says. “We must reverse the current short-termism, which has been at the root of the current financial crisis. For that, the regulatory framework must be conducive to mobilising and allocating savings for long-term investment.”

Banking on long-term benefits

Infrastructure in general – whether for mobility, energy or information and communication technology (ICT) – will remain an important field for long-term investments. In addition, the trend towards investment in



Panama Canal



Port of Rotterdam

“Being the EU bank and having the well-being of half a billion people as our objective gives us the advantage of being able to pursue complex investment strategies”.

future challenges, such as climate change and resource efficiency is clearly visible.

Many company shareholders, non-public financing institutions and policy-makers often look at the short to medium term. Long-term investors, however, typically play a role in projects that only pay off over a long period of time, such as infrastructure investments or climate action. Examples of projects funded with a long view were presented during the conference, such as an energy efficiency project in Bucharest and a solar plant in Spain.

“We have co-financed the expansion of Rotterdam Port, one of Europe’s gateways to the world. At the same time, we have contributed to the widening of the Panama Canal, because the EU is a point of departure or arrival for a lot of goods passing through it,” President Werner Hoyer said, illustrating how long-term investors’ global thinking made it possible to look beyond the immediate effect of an individual project. “Being the EU bank and having the well-being of half a billion people as our objective gives us the advantage of being able to pursue complex investment strategies,” he explained.

Long-term needs require long-term solutions. The EIB in Luxembourg hosted this year’s conference for the first time. Growth and employment were at the heart of the debate. In particular the conference discussed public policy-related issues and focused on what should be done to improve the provision of long-term finance in the specific sectors that are crucial for growth and employment.

The participants highlighted the unique role played by long-term investors in contributing to international financial stability and sustainable economic growth, especially by financing infrastructure, innovation, renewable energies and energy efficiency. ■

“Projects funded with a long view were presented during the conference, such as an energy efficiency project in Bucharest and a solar plant in Spain”.



Energy-efficient housing in Bucharest



Gemasolar in Spain

In brief

EIB strengthens its activity in support of the **Greek economy**

In September, the EIB signed an agreement with the Hellenic Republic which will facilitate up to EUR 750m of new funding in Greece over the next few months.

“We are committed to supporting Greece,” said President Werner Hoyer. “Our fruitful cooperation with the Greek government has allowed us to engineer innovative solutions to overcome difficulties proactively (...). We are ready to continue and reinforce our financing with stronger and additional forms of cooperation, such as enhanced technical advisory services.”

The agreement facilitates the signing of new loans for investments in energy, transport and education, and paves the way for disbursements for projects for which the guarantee of Greece is a prerequisite. This will also improve the effective use of the EU grant funds allocated to the country.



President visits **Spanish Prime Minister**

In September President Werner Hoyer also met with Spanish Prime Minister Mariano Rajoy on his first official visit to Spain. They discussed the EIB's on-going work to strengthen Spain's growth capacity, competitiveness and ability to create jobs.

Spain is the largest recipient of EIB loans, particularly for big infrastructure projects, renewable energy, the knowledge economy and SME financing. New loans worth EUR 9bn were provided in 2011 alone.

EIB to boost its partnership **in the Mediterranean**



In a joint meeting in Cyprus in September, EU Finance Ministers commemorated 10 years of EIB-FEMIP together with their Mediterranean counterparts. Ministers called upon EIB-FEMIP to reinforce its leadership role in financing sustainable



long-term investment programmes and promote partnerships that further enhance the value added of its operations.

They agreed that EIB-FEMIP should focus on socially-inclusive growth, job creation particularly for young people, private sector development including SME and microfinance lending, and economic and social infrastructure development.

Over the past decade the Bank has become the largest project financier in the Mediterranean region. Since 2002, it has supported the Mediterranean partners' economic and social development through project financing of over EUR 13bn, supporting 2 300 SMEs, creating 30 000 jobs and mobilising roughly EUR 35bn of additional capital. It has also granted more than EUR 102m for technical assistance operations to build knowledge and capacity.

Space for **Med Initiative** launched

The European Space Agency and the EIB have joined forces in what is called the Space for Mediterranean Initiative. The two organisations will work together so that satellite-based services can bridge the digital divide and bring economic growth to the Mediterranean region. The initiative is supported by LuxInnovation, the Luxembourg National Agency for Innovation and Research. It will focus on how space technology can improve key areas of infrastructure in the Mediterranean region, particularly water management, energy, transportation and logistics.



Investment and growth

at a time of climate change



The EIB's economics department organised in June its first joint conference with the Brussels-based think-tank Bruegel on investment and growth at a time of climate change.

“Climate action does not only represent cost but also economic opportunities – in particular over the long run,” President Werner Hoyer said at the opening of the conference. “The development of the green economy and new green technologies has the potential to create jobs and support growth,” he added. The possible trade-offs and complementarity between the goals of safeguarding economic competitiveness and fighting climate change, between climate change mitigation and adaptation and between different climate policy instruments was part of the discussion that brought together over 100 participants including academics, policy-makers and industry representatives. The discussion came only days before the Rio+20 conference where ‘green growth’ figured high on the agenda.

Climate investment challenge

The European Commission has put the investment needs for the EU to make a transition to a low-carbon economy by the middle of the century in the range of an additional 1.5% of GDP per year over the next 40 years. This investment is crucial as the cost of inaction would be even higher.

The fight against climate change is a key priority for the Bank. The proportion of its lending devoted to climate action stands at roughly 30% and climate considerations are mainstreamed into all its operations. This is the single most dynamically developing branch of EIB activities.

However, left to themselves markets tend to invest too little in climate change mitigation

and adaptation, as a joint EIB-ECON/Bruegel report on climate investment points out. This publication strongly argues that there is unexploited scope for making Europe's climate action more efficient, growth-friendly, and in tune with fiscal constraints.

For example, attaching a price to carbon emissions is crucial to enabling renewable energy technologies such as wind or solar power to compete with conventional ones when selling into a liberalised European electricity market. In addition, public support for innovative renewable technologies is necessary but increasingly difficult to finance in times of austerity.

The participants in the conference agreed that the investment needed to get the EU economy onto a low-carbon growth trajectory is formidable. While recognising that there are many non-financial barriers to investment that need to be removed, they emphasised that both private and public finance is required to establish a low-carbon economy.

“We need to encourage people back into activity,” EIB Vice-President Simon Brooks underlined. “This is what the project bond initiative is all about. This would be a good and efficient use of scarce resources,” he added. Project bonds aim to enable project companies themselves to issue investment-grade bonds. An EU/EIB risk-sharing mechanism would enhance the credit rating of senior bonds to a sufficiently high





“The development of the green economy and new green technologies has the potential to create jobs and support growth”

level to attract institutional investors to key infrastructure projects. A pilot scheme was recently given the go-ahead by EU policy-makers.

More than attracting finance, policy-makers should try to address current obstacles to climate-friendly investment, incentivise innovation and step up communication to explain public policy choices, it was argued during the discussions.

Views converged that a long-term challenge requires a long-term credible framework. Policy-makers need to deliver on predictable policies and support frameworks, as uncertainty is an important obstacle to business involvement.

Decarbonisation and growth – trade-off or complement?

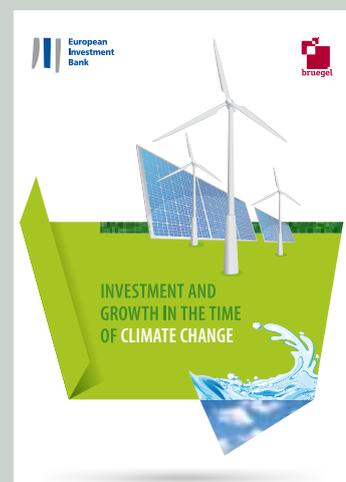
“It simply does not add up,” Professor Richard Tol of Sussex University said, calling into question the ‘green growth’ concept as such and provoking a lively debate. He argued that the energy sector, which represents only around 3% of the economy, was not able to sufficiently drive the economy. Moreover, he emphasised that simply replacing fossil fuels with renewables would result in making the energy sector more capital intensive and doubted the job-creation effect of such policies.

Former Greek Minister of the Environment, Energy and Climate Change, Giorgios Pappaconstantinou, had a contrasting view, pointing out that in his country the workforce in renewable energy had doubled in the last few years. “This is one of the few rays of light in our depressed economy,” he said, adding that Greece would not be able to keep up with the pace of previous growth in this sector.

EU and global action

“We are in danger of forgetting adaptation,” Professor Sam Fankhauser from the London School of Economics underlined. “Closing the adaptation gap now will pay off,” he added arguing that adaptation costs at a later stage would multiply if not tackled early on.

Jos Delbeke, Director General for Climate Action at the European Commission, said that the EU has already taken a leadership role in the global climate debate so far, but should not be complacent. “We have to keep innovating and take global competition into account,” he stressed. Turning to ongoing global climate talks he urged that “the model of multilateralism and global governance needs to be reinvented”. “There is no alternative but to work together on truly global problems. Europe has a mission here,” he concluded. ■



Climate action seen through the economic lens

Climate change has many facets. The joint report by the EIB economists and Bruegel looks through the lens of economics and attempts to measure the economic impact of climate change and the costs and benefits of trying to mitigate and adapt to it.

One of the key messages from the report is that there is unexploited scope for making Europe’s climate action more efficient, growth-friendly, and in tune with fiscal constraints.

From an investment perspective, the main issues include: the balance between investment in mitigating greenhouse-gas emissions and adapting to climate change; the urgency and timing of investing in both; obstacles to investment; and policies to remove them and make investment profitable.

From a growth perspective, themes for discussion include: the link between climate action and economic growth; the short-term and the long-term dimensions of this link; and the importance of innovation as an interface between climate action and economic growth.

Over the past five years, we have supported 1 500 operations with some EUR 280bn in loans to unlock Europe's growth and employment potential.

Our funding typically triggers a multiple of investment from other sources.

We usually finance up to 50% of a project. Our loans often works as a catalyst, drawing in other financing to complete the investment plan.



EIB multiplier effect in numbers¹

¹ Figures from 2007 to 2011 in the European Union

² Since 2008





Innovation and Skills

- EUR 15bn to support innovation
- More than 120 schools and universities received backing



Strategic Infrastructure

- We funded several hundred kilometres of rail
- And helped to connect millions of people to high-speed internet



Climate Action

- We financed the installation of several thousand mega watts of wind and solar energy capacity to power millions of households
- EUR 5bn went to support energy efficiency

SME Access to Finance ²

- More than EUR 37bn went to over 220 000 small and medium-sized businesses





East-West link helps **electricity go green**

Ireland's first electricity link with Great Britain was officially opened in September. The Interconnector marks the first successful launch of an EIB-backed EU recovery plan energy project. It is the largest single piece of energy infrastructure to be built in Ireland since 1929.

The East-West Interconnector runs between Deeside in north Wales and Woodland, County Meath, in Ireland. Approximately 260 km in length, the underground and undersea link has the capacity to transport 500 megawatts – enough energy to power 300 000 homes.

“The Interconnector ties our energy markets closer together,” says Dermot Byrne, Chief Executive of EirGrid, the state-owned company in charge of building this strategic electricity link. “It gives all concerned additional assurance of supply and it is the single most important

step in allowing Ireland to exploit and to export its enormous resources of renewable energy. Critically, it also allows us to access energy from Britain and from across the European continent, which will bring more competition to the energy market and put downward pressure on prices,” he adds.

Supporting strategic infrastructure to spur European recovery

“The need for energy infrastructure development is one of the biggest energy challenges facing the EU,” says EU Ener-

gy Commissioner Günther Oettinger. The need for action is clear. Ireland's East-West Interconnector will double electricity interconnection between the UK and Ireland and will provide a greater opportunity to trade electricity between the two markets. It is a key part of building a single European energy market.”

As part of the European economic recovery plan to support key energy projects to help counter the effects of the financial crisis on the real economy, the EU provided EUR 110m for the Ireland-UK Interconnector. As an EU priority grid link, it is part of the trans-European energy network (TEN-E).

The EIB provided EUR 300m in financial backing for the construction of some 260 km of cable between Ireland and Wales. The new grid link is expected to transform the Irish energy market, opening opportunities to trade energy between the two countries and creating a market to export renewable electricity. It will improve security of supply and facilitate competition by connecting the Irish electricity market to the rest of Europe.

Connecting electricity markets

“Energy infrastructure investment is a long-term play. This Interconnector is part of a series of major grid development projects,” says Pat Rabbitte, Ireland’s Minister for Communications, Energy and Natural Resources.

“This development shows the benefit of Ireland working in a European context,” he adds. “The fact that it was delivered on time and well under budget by EirGrid is a vote of confidence in Ireland’s ability to deliver complex projects, with the support of the international banking sector.”

The Interconnector is the largest single piece of energy infrastructure to be built in Ireland since the Ardnacrusha Hydroelectric Power Station was opened in 1929. It will benefit consumers by helping to improve security of supply, increasing competitiveness and encouraging the growth of renewable energy generation.

Opening the way for wind power

The Interconnector will help ensure Ireland is able to access more energy in the future. Energy security means making sure there is enough high-quality power to cater for a growing population that requires increasing amounts of electricity.

Ireland is still largely dependent on imported fossil fuels but has huge potential for wind power. With the Interconnector in place, reliance on wind-generated electricity can be increased. This is because additional supplies can be imported as a back-up for wind power and called on during calm days in Ireland. Likewise, when excess electricity, including wind-generated

electricity, is produced in Ireland it can be exported to Great Britain. The Interconnector is a two-way street. Energy can be imported from Great Britain when it is cheaper or if there is not enough electricity being generated in Ireland. By connecting to the UK national grid, Ireland can access power from right across Europe via an interconnector from Britain to the continent.

Moreover, this project supports Ireland’s ambition to go green and secure future energy supplies, helping Europe as a whole meet its climate change goals. The EIB has already funded more than 240 MW of wind farm capacity in the country. More recently, it has supported a major upgrade of Ire-

land’s energy network, thus enabling the increased use of renewable energies and connecting wind farms to electric vehicle charging stations.

“The East-West Interconnector is not just an impressive feat of engineering. It also brings multiple benefits to the British and Irish economies, says UK Secretary of State for Energy and Climate Change, Edward Davey. This new connection between our electricity grids will improve our mutual energy security, foster competition – bearing down on the price ultimately paid by consumers – and give more of Ireland’s abundant wind energy access to the massive UK customer base.” ■

“Ireland’s East-West Interconnector will double electricity interconnection between the UK and Ireland and will provide a greater opportunity to trade electricity between the two markets. It is a key part of building a single European energy market.”



The Port of Rotterdam expands with the EIB's help



The coastline at Europe's biggest port was changed for good in late July with the closing of an eleven kilometre-long seawall as part of the Maasvlakte 2 project. The EIB is supporting this landmark infrastructure project with a EUR 900m loan.

both the Netherlands and elsewhere in north-western Europe," says EIB President Werner Hoyer.

Long-term investment in infrastructure of European importance, such the Port of Rotterdam, is the bread and butter of the Bank's activity. The EIB is backing this mega project with a EUR 900m loan to fund land reclamation and the construction of container and specialist facilities to expand port capacity.

"The size of this loan together with its very long duration makes it the cornerstone of our investment financing. Our projects are business case-based, but it takes a long time to reach breakeven point for these investments. That's why this funding is important for this kind of project", says Port of Rotterdam CFO Paul Smits.

Sustainable infrastructure development in practice

Expanding the port and respecting the environment go hand in hand. The planners

The expansion is essential for the port to continue meeting the growing demand for space in the years ahead, and it also changes the map of the Netherlands. The Port of Rotterdam has grown by 20%, the Netherlands has become 2 000 hectares larger and the coastline is 3.5 km further into the sea. The new area offers deep sea container facilities and sites for the chemical processing industry and distribution services.

Port facilities in Rotterdam are of crucial importance to the Dutch and north-west European economy. Waterways, railway tracks, motorways and pipelines connect Europe's largest port with destinations all over the continent. Shipping car-

ries around 90% of EU external trade and maritime ports represent the Union's gateways to the world.

The first containers to be processed at Maasvlakte 2 are expected to arrive in the second half of 2014, six years after construction began in 2008.

Helping to meet long-term transport needs

"The EIB is pleased to have worked closely with the Port of Rotterdam Authority over many years to ensure that the expanded port facilities provided by Maasvlakte 2 can benefit economic activity in

Maasvlakte 2 - key facts and figures

When construction began in 2008, the sea was 17 metres deep in this area. Maasvlakte 2 didn't exist on any maps, apart from the design drawings. Soon it will encompass 1 000 hectares of industrial ground, located directly on deep water.

The reclaimed land is protected by a partly soft and partly hard seawall. A beach and dunes form the soft part of it, while pebbles, stone, quarry stone and concrete blocks form the hard part. The ground is raised behind the seawall. The required sand comes from carefully selected areas at sea, and also from the deepening of the port itself and projects in the existing port area. The area of reclaimed land measures around 2 000 hectares in all, as big as Schiphol Airport or Disneyworld. Half of this consists of infrastructure, such as seawalls, waterways, railways, roads and port basins. The other 1 000 hectares offer space for industrial sites.

There is ample room for container transfer, distribution services and the chemical industry. Maasvlakte 2 will not only be grand in area. In depth too, the new port basins will offer new perspectives. With its 20-metre depth, the port is accessible to the deep-draught container ships of the future that cannot dock in many other European ports.

Rotterdam is one of the most accessible ports in Europe, thanks to its location directly on the North Sea. Consequently, Maasvlakte 2 can be reached from the sea within one to two hours.

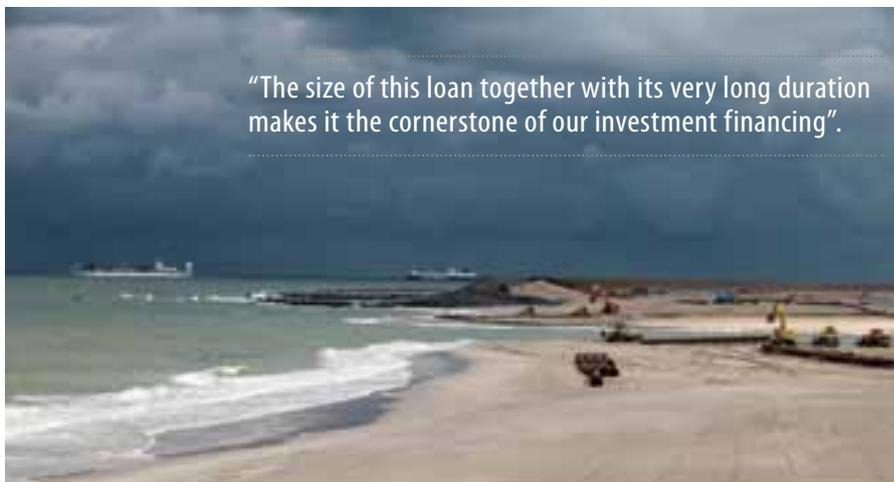
Due to the expansion of the existing port to a total of some 12 500 hectares, the capacity for container transfer will double. Perfect connections to the hinterland present excellent opportunities for businesses that establish themselves at Maasvlakte 2.

and engineers of the Port of Rotterdam expansion have paid special attention to factoring in the human element: a cycle path, a beach and a railway line are by-products of this large project that will benefit the local population. Furthermore, the loss of nature resulting from the construction of Maasvlakte 2 will be extensively offset by the creation of a seabed protection area and enlargement of the dune area.

Building Europe's key transport links

Bringing about the trans-European transport network and developing sustainable modes of transport are among the EIB's top priorities. Over the past five years the EIB has provided more than EUR 5bn for infrastructure in the maritime transport and inland waterways sectors and for a significant number of port projects, including in Hamburg, Bremerhaven, Antwerp, Helsinki and Marseille. ■

"The size of this loan together with its very long duration makes it the cornerstone of our investment financing".



Cyprus: Andronikos Giallouros – setting-up a car wash

After completing his 26-month military service, Andronikos set up his own car wash business on his parents' land, in Episkopi in Cyprus. The land had been unused for a few years and even though he had thought of opening a car wash before, he didn't have the means to buy the equipment needed. He went to the Co-operative Credit Society Kouriou to ask for a micro loan of EUR 20 000 and weeks later was able to buy a brand new Tecalemit Vehicle Lift to get the business off the ground. He is now washing around 60 cars a week. He currently employs two people, and with plans to start washing larger vehicles including tourist buses, tractors and trucks, he will start looking for a new employee to operate the new vehicle lift in the next few months.



Bulgaria: Anton Topalov – more greenhouses for vegetables

Vegetable grower Anton built a new greenhouse complex two years ago and has plans to expand it and start growing more vegetables. However, given his lack of credit history and difficulty in proving his real income, he could not get a loan from local banks. He later found out that the Bulgarian microfinance provider Mikrofond was providing micro credits and went there to apply for a loan. He came away with EUR 1 150 to buy seeds, fertiliser and pesticides and enough money to finance his greenhouse extension. Given the additional workload, from time to time he hires seasonal labourers from the local Roma population who are in long-term unemployment and pleased to be of help to the local neighbourhood. With a stable job after being unemployed, he is happy to be able to stay in his local village and look after his parents, whilst reaping the rewards of his labour.

Poland: Katarzyna Nowakowska – a gift and tea shop takes off

In 1996 Katarzyna decided to set up her own business, offering advertising services and designing posters and leaflets. She then started making and selling decorating frames, salt dough figures and glass prints which proved so popular that she needed to expand the premises and move to a central location in town close to the market square. Here she opened a gift and tea shop where customers can buy cards, souvenirs and hand-painted frames at the same time as drinking coffee and eating local desserts. To keep up with the demand, Katarzyna needed to buy kitchen equipment. Fortunately she managed to get a EUR 5 320 loan from Inicjatywa Mikro to help her do so. The loan helped her to grow the business and to keep her colleague Malgorzata on.



Lithuania: Alina Mankuvienė – opening a family business selling awards

Alina had been working as a manager for an online award manufacturing business in Šiauliai for a year and had dreams of opening her own family business, making and selling awards. The company regularly supplied local schools, sports teams, dog shows and village fête organisers with awards for 1st, 2nd and 3rd places and was famous in the Šiauliai region for its colourful trophies. After noticing a gap in the market, Alina went to Šiaulių Bankas AB to ask for a loan to set up her own business. Only a few weeks later, she received EUR 15 930 and bought a new shop where she is now selling directly to customers as well as trading online. Her business got off to a flying start. She has since taken on another member of staff and is aiming to be number one in the local market in the next few years. ■

Small businesses

benefit from loans in Croatia

“More than 1 200 projects, financed from the funds raised, have led to the creation of thousands of new jobs, and even more significant is the fact that many existing jobs have been maintained, owing to our loans”.

A major European holiday destination, and as of next July a new EU Member State, Croatia relies on tourism for much of its economy. In Dubrovnik, an EIB loan for SMEs and mid-caps to partner bank HBOR is helping to develop local businesses in the sector.

Croatia has a well-developed tourism sector, already attracting a record 10 million visitors this year. Tourism is a bright spot in the country's economic performance. According to the World Tourism and Travel Council, a global industry body, the sector directly contributes 11% of Croatia's GDP, and its broader economic impact accounts for more than a quarter of national income.

Playing to Croatia's strengths – the tourism sector

Two smaller projects have benefited from EIB support through intermediated funding from the Croatian Bank for Reconstruction and Development (HBOR - Hrvatska banka za obnovu i razvitak): the Lacroma Hotel in Dubrovnik, and the tourist ship, MS Sea Star.

The Lacroma Hotel offers rooms, camping places and restaurant facilities near the historic city of Dubrovnik. The funding has helped to refurbish the hotel to a higher standard, bringing its capacity to more than 400 accommodation units.

The newly acquired MS Sea Star provides maritime and coastal transport in the Dubrovnik area. With the financial backing received through HBOR, the company Jadranska krstarenja was able to purchase the tourist vessel and support its operations. It is the first Croatian multifunction-



ship that is used for transportation, as a venue for various events, and as a restaurant seating 400 people.

Building on fruitful partnerships

Building on its existing partnership with HBOR, in September the EIB extended another EUR 100m loan to finance the projects of small and medium-sized enterprises (SMEs), mid-cap companies and municipalities. This loan represents a continuation of the very successful cooperation between the two institutions, bringing the number of credit lines provided to HBOR to seven, for a total volume of EUR 860m.

The loan contract was signed in Dubrovnik following the meeting of the EIB's Board of Directors, which took place in Croatia for the first time. The Adriatic country has obtained observer status in the Bank's Board and will become an EIB shareholder when it joins the EU next July.

“The EIB supports projects in Croatia intended to help the country meet the EU accession criteria and integrate rapidly into the Union,” says EIB President Werner Hoyer. “The new loan will improve the ac-

cess of Croatian SMEs and mid-cap companies to long-term financing provided on favourable terms, foster the implementation of their projects and strengthen their competitiveness.”

The new loan is aimed at financing projects of small and medium-sized companies in the areas of industry and services, including tourism. It will also support small and medium-scale infrastructure schemes promoted by local authorities, projects in the knowledge and technology-intensive sectors and additional priorities such as energy, environmental protection, health and education.

“More than 1 200 projects, financed from the funds raised, have led to the creation of thousands of new jobs, and even more significant is the fact that many existing jobs have been maintained, owing to our loans,” Anton Kovačev, President of the Croatian Bank for Reconstruction and Development, comments. “It is essential for the EIB and the Croatian Bank for Reconstruction and Development to continue this successful cooperation, so that we can ensure the provision of quality resources to Croatian business owners, which is a precondition for the initiation of a new investment cycle.” ■

Vienna social housing

makes smart savings

Reducing dependence on imports, creating jobs, freeing up financial resources, boosting competitiveness and reducing greenhouse gas emissions... energy efficiency is a driver of the economy in many ways. In Vienna, the city's building refurbishment programme is bringing efficiency gains and improving the social housing offering.



Buildings account for 40% of energy consumption and 36% of CO₂ emissions in the EU. Demographic and economic changes are set to drive up the energy needs of cities in the future. The most cost-effective way of reducing emissions and energy demand is thus to increase energy efficiency. The building sector presents significant potential for reducing energy consumption.

Particularly in difficult economic times, energy efficiency can make an important contribution to reducing housing costs. European policy-makers have recently adopted binding national energy efficiency targets and set out measures for saving energy by specific means such as renovating public buildings.

Shaping sustainable buildings

In Vienna many people live in apartment buildings. Upgrading their housing facilities is helping to save heating costs and increase the quality of living. Austria's capital is home to the country's political, economic and commercial life. Growing steadily, the city has a population of

around 1.7 million inhabitants that live in around 900 000 apartments, approximately a quarter of which are owned by Wiener Wohnen, the city's social housing service company.

Wiener Wohnen aims to bring all municipal housing stock up to high energy performance standards by around 2020. A EUR 270m EIB loan is supporting the retrofitting and rehabilitation of some 177 buildings in the city's rental social housing stock with a special focus on energy efficiency. The investments include heating improvements, wall, ground and top floor insulation, thermal glazing and electricity network upgrading. This not only helps to drive down energy bills, but also significantly reduces atmospheric pollution.

Special focus on energy efficiency

According to estimates, the programme will help avoid some 46 000 tonnes of CO₂ emissions, thus contributing to Vienna's ambitious climate change programme. The project will also improve the tenants' quality of life as it will enhance the build-

ings' image and foster renewal in the respective neighbourhoods.

Tenants ultimately benefit by cutting down on energy bills. This can make a big difference to residents of social housing apartments. Heating costs can be halved if a house is thermally renovated.

The EIB's lending for energy efficiency has increased by 70% since 2008, reaching close to EUR 1.3bn in 2011. The Bank finances energy efficiency projects as part of its lending for climate action, which supports the EU's goal of increasing energy efficiency in the Union by 20% by the year 2020 so as to reduce energy consumption. Energy efficiency is the most cost effective and rational way of cutting emissions and improving the security of the energy supply. ■

177 buildings

A EUR 270m EIB loan is supporting the retrofitting and rehabilitation of some 177 buildings

Sustainable transport in Warsaw gets rolling

Commuters in the Polish capital now enjoy the greater comfort and efficiency of the new trains bought with the EIB's backing. The Bank is supporting a badly needed upgrade of the local line's rolling stock and related elements of infrastructure.

Twelve of the fourteen new Electrical Multiple Units purchased with EIB help are already rolling, each with a maximum capacity of 500 passengers, of which more than 120 can be seated. The 36 km-long regional light rail line connecting the south-western parts of Warsaw with the neighbouring communes and smaller municipalities now serves 28 stops. Today, Warsaw has a population of nearly two million and a metropolitan population of more than three million.

Running since 1927, this was the first electric train in Poland. Until recently, its operating rolling stock was one of the oldest in the country. In 1972, 40 new units of socialist-era design were bought to replace the ancient carriages that had been acquired in England in the 1920s. And most of those 1972 models are still in operation today.

"Our operating rolling stock was more than 40 years old and despite the high performance achieved by the end of its life it became less and less effective in terms of meeting growing transportation needs, including lack of adaptation to the requirements of disabled travellers. With the EIB's support, we have started to replace it with state-of-the-art rolling stock that fulfils the highest safety requirements in its class," says Grzegorz Dymecki, Chairman of the Board of Warsaw's suburban rail operator, Warszawskie Koleje Dojazdowe.

Light rail commuters get an upgrade

The new rolling stock will almost entirely replace the existing fleet and the improvements will enable transport capacity to be increased by roughly one fifth thanks to the better acceleration and reduced maintenance requirements of the new trains.

The EIB provided some EUR 39m to help finance the purchase of new rolling stock and implementation of infrastructure improvements along the regional railway line. The number of passengers carried by the regional line has grown steadily over the past few years and the ageing public transport system is struggling to cope with increasing commuter traffic.

"Numbers have grown steadily from 6.4 million in 2006 to over 7.3 million in 2011. People increasingly use the rail line from the outskirts to the city centre and back as more and more families move out of



"People increasingly use the rail line from the outskirts to the city centre and back as more and more families move out of the city in the face of rising house prices".

the city in the face of rising house prices. They choose trains because of the traffic jams and lack of parking spaces in the city centre. The line is used by many commuters working in Warsaw, but also by school children and other people moving around the city's outskirts," explains Joanna Dałek, member of the rail operator's Board.

Sleek, modern trains

The project's overall goal is to increase the mobility of people living and working in and around Warsaw and thereby improve their quality of life and enhance the competitiveness of the whole region. Better





public transport also acts as a boost to territorial and economic cohesion.

The key socio-economic benefits derived from the project include faster operating times for journeys made on public transport, an easing of environmental pressures and a reduction in the number of car accidents on the region's roads.

The project is also helping to slightly reduce journey times due to better acceleration and shorter station dwell times thanks to the train floors being lowered to the level of the platform. An increased service pattern is designed to reduce crowding during peak hours.

"The positive impacts of this railway modernisation project are already being felt. The new trains are much more comfortable, with larger, automated doors and improved suspension and air conditioning, as it can get rather hot in the summer months. The new carriages are safer and less noisy and require less energy per passenger carried," adds the Chairman of the Board.

Over the next few years, the project will also cover various infrastructure improvements required to efficiently run the new trains. These include track improvements, upgrading of the power supply and ticketing system, improvement of the passenger information and monitoring system, and the installation of a fibre optic cable.

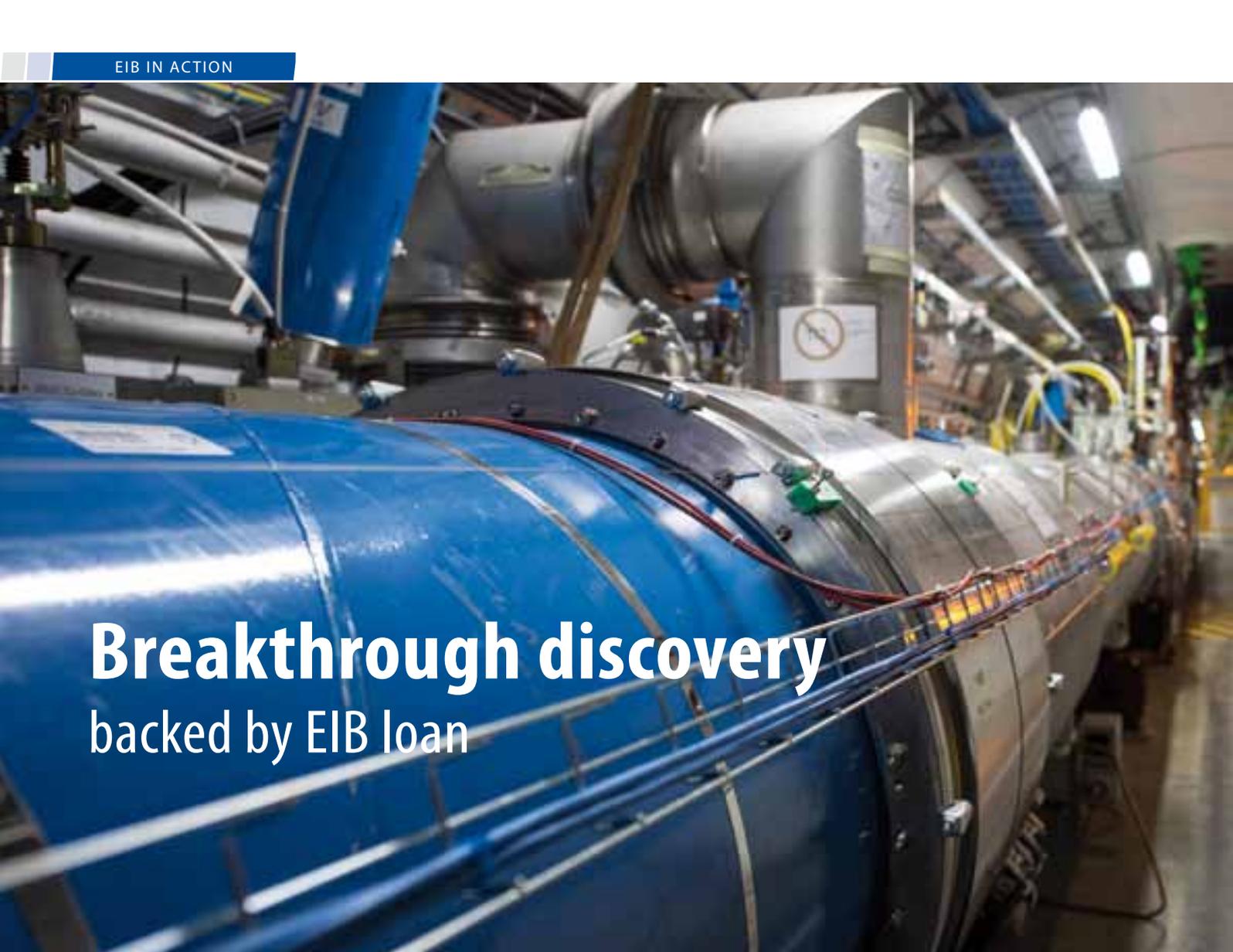
This regional line is also supported by a grant from the European Regional Development Fund in the framework of the 2007-2013 Regional Operational Programme of the Mazowieckie Voivodeship. Combined together, the funding provided will have a greater impact on the lives of people who take the train every day.

Next step: more sustainable transport services

Both regional development and sustainable transport are priority lending areas for the EIB. Sustainable transport lending is an illustration of the EIB's commitment to emissions reduction and improved energy efficiency. By promoting a shift from pri-

vate to public transport and by investing in maritime transport, sustainable transport projects not only aim to improve air quality and reduce noise pollution, but also help to tackle climate change by enhancing energy efficiency and limiting greenhouse gas emissions.

The Bank has already provided finance for several projects to develop the infrastructure of the Mazovia region, including the construction of two sections of the Warsaw motorway ring-road, modernisation of the rolling stock of Mazovian Railways and the upgrading and extension of the Warsaw tram network. In addition, the Bank is expected to co-finance new rolling stock for use on Warsaw's new metro line. Over the past five years, the EIB has provided more than EUR 1bn in finance to support public transport investments in Poland. ■



Breakthrough discovery backed by EIB loan

A subatomic particle, the Higgs boson, helps explain why all matter has mass. The EIB contributed to the financing of the 27 kilometre-long Large Hadron Collider at the European nuclear research facility (CERN) in Geneva where it was discovered.

“ By investing in world-leading research infrastructures such as the Large Hadron Collider, the EIB demonstrates that it is a vital institution for Europe’s future. Building such a facility with a flat budget was challenging for CERN, and the task was eased by the EIB loan at the peak of the investment phase,” Professor Rolf Heuer, Director General at CERN comments.

Back in 2002, the Bank provided a EUR 300m loan to finance the final phase of construction of the particle accelerator, where this historic scientific breakthrough happened in July. The EIB loan enabled the

Large Hadron Collider to be completed faster than would otherwise have been the case. It also helped to finance the instrumentation for recording and analysing the high-energy particle collisions at the Geneva-based research facility.

Funding ground-breaking research

“We were delighted to contribute to building such a unique European research facility, which is able to achieve such ground-breaking discoveries,” says EIB Vice-President Philippe de Fontaine-Vive, responsible for Innovation. “Our long-

term loans aim to mobilise collaborative funding streams in support of scientific excellence and international research co-operation.”

The Large Hadron Collider, built in a 27 km-long circular mountain tunnel located on CERN’s Swiss and French sites near Geneva, is a new generation particle accelerator. It works with high-intensity particle beams colliding head-on at unprecedented energies to allow further essential research in the field of fundamental physics. Thanks to its open access policy, the large amount of data generated at CERN is available to the global scientific community.

Building such a facility with a flat budget was challenging for CERN, and the task was eased by the EIB loan at the peak of the investment phase”.



Accelerating innovation

Experiments in the field of particle physics are extremely costly to set up and technologically complex. The Large Hadron Collider represents one of the most expensive scientific experiment tools in history.

Over the last five years, the EIB has supported 400 projects with some EUR 68bn in loans to foster innovation. It has financed a number of important research infrastructure projects, including the European Molecular Biology Laboratory in Heidelberg, Germany, and the European Southern Observatory's world-leading suite of telescopes in Chile. The EIB contributes to funding research, development and innovation under academic research programmes and places strong emphasis on private sector innovation and knowledge transfer across sectors. ■

Innovation takes centre stage in market sounding

The EIB is currently reviewing its product offering to support investments in research, development and innovation (RDI). A market sounding and sector study are expected to give new impetus to the Bank's innovation lending.

Funding innovation is a key ingredient in driving the European recovery and ensuring long-term economic growth. In order to best answer RDI needs, the EIB will soon be launching a market sounding exercise targeted at industry representatives and selected partners in RDI financing in Europe. The aim is to gather views on the EIB's current products and on how to best develop them to achieve maximum value added for supporting innovation in Europe.

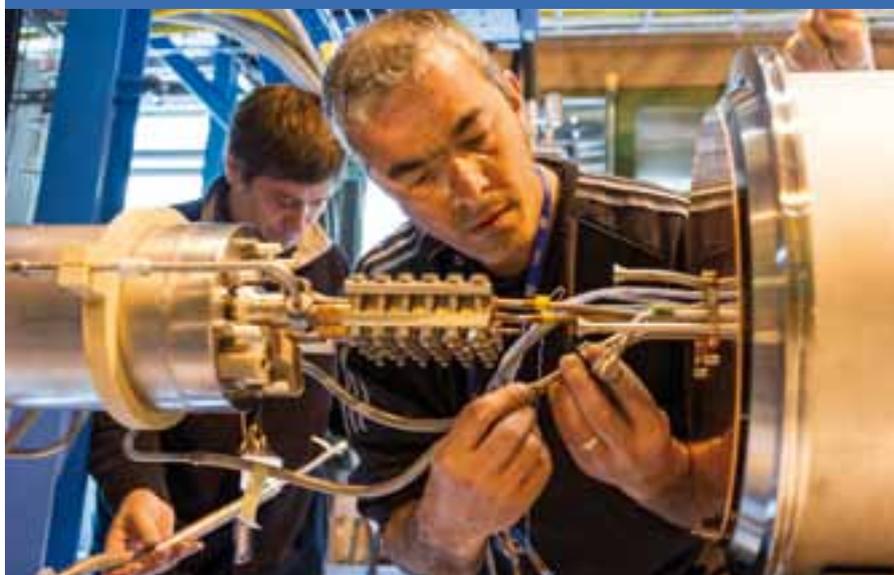
Economic analysis suggests that the differences in RDI expenditure between the EU and its main competitors can be entirely attributed to the private business sector. Increasing RDI spending by the business sector is thus a necessary step towards reaching the Europe 2020 target for RDI investment of 3% of GDP, compared to 1.9% now, and fostering growth and job creation.

The EIB Group's toolbox for supporting innovation

The EIB Group offers a range of financial products on favourable terms to support promoters of different sizes and types of ownership at various stages of the RDI lifecycle. These range from large-scale RDI loans to established investment-grade enterprises and public sector bodies, to smaller high-risk equity investments in start-ups through venture capital and growth funds.

Promoters may contact the EIB directly. The Bank's staff will appraise the proposed project's compliance with EU objectives, its economic, technical and financial merits and its impact on the environment.

For more information about the RDI market sounding and the EIB's product offering, please contact us at RDIsurvey@eib.org.



French schools get an upgrade

Several hundred classrooms will be transformed across the region of Languedoc-Roussillon, in the south of France, backed by its first direct EIB loan, which is supporting the construction of five new schools and refurbishment of another 43. Creating the optimum conditions for teaching is a key investment for future generations.

“We are preparing the future of the region’s young citizens of Europe”.

“The Region is in a position to enter into contracts with the EIB because it invests strongly in schools and youth in general,” says Christian Bourquin, President of the Region. “At the same time, this partnership with the EIB also represents an endorsement of the Region’s good financial health and especially its ability to finance its investments in a balanced way through savings and borrowings,” he adds.

The EIB is providing a total of EUR 400m in funding to the Region, whose main city is Montpellier, enabling it to build and refurbish secondary schools to a high energy efficiency standard, meeting the highest environmental norms.

Back to school with wood-fired boilers and solar panels

“The enduring partnership between the EIB and the Region goes back to the early years of this century, EIB Vice-President Philippe de Fontaine Vive comments. “I am delighted that the EIB is accompanying the Region even further with this first direct loan, a mere year after the arrangement



of a joint renewable energies facility. The modernisation of schools is key to economic, social and human development. And it is our duty to create the optimum conditions for fostering knowledge and learning. In so doing, we are preparing the future of the region’s young citizens of Europe,” he underlines.

Some 650 students and 33 staff of the Georges Frêche Secondary School in Montpellier, the first of the five new schools to benefit from this loan, discovered the new facilities when they got back to school this autumn. The school is particularly well equipped to prepare its students for working in the hospitality and tourism sectors – two important pillars of the local economy – with its kitchens and other specialised vocational training facilities.

The overall aim is to modernise teaching facilities, thereby raising the environmen-

tal standards and improving the energy efficiency of the region’s public and private schools. This comprises the refurbishment of 43 schools and construction of five new schools, including a low energy consumption pilot school, equipped with wood-fired boilers and solar panels on the schools’ roofs.

Supporting climate action on the ground

This latest EIB loan to Languedoc-Roussillon demonstrates Europe’s commitment to underpinning the Region’s climate action efforts. In 2011, the EIB provided a EUR 200m loan to foster photovoltaic energy generation in a further show of the EIB’s support for France’s local and regional authorities, which since January 2012 has leveraged from its financial partners nearly EUR 6bn worth of investment in the country. ■

People@EIB

**Jean-Marie Magnette**

Jean-Marie Magnette has been appointed Director General of the new Information and Corporate Centre Directorate. Previously he was Deputy Chief Executive of the European Investment Fund – the EIB Group's specialist arm for SME risk financing operations.

**Gerhard Hütz**

Gerhard Hütz has been appointed Director General, Chief Compliance Officer. Previously he was Deputy General Counsel within the Legal Affairs Directorate.

**Nicola Barr**

Nicola Barr has been appointed Director General of Legal Services and General Counsel of the EIB. Prior to this she was Head of the Legal Department, Corporate.

**Birthe Bruhn-Leon**

Birthe Bruhn-Leon has been appointed Head of the Operations Support Department within the Directorate for Lending Operations in Europe. Prior to this she headed the Mandate Management Division at the European Investment Fund.

**Barbara Balke**

Barbara Balke has been appointed Head of the Operations and Employee Relations Department within the Personnel Directorate. Prior to this she was Deputy Director of the Personnel Directorate.

**Matthias Maertens**

Matthias Maertens has joined the new Information and Corporate Centre Directorate. Prior to this he was EIB Group Chief Compliance Officer.

**Eric Lamarcq**

Eric Lamarcq has been appointed Head of the Treasury Department within the Finance Directorate. Previously he was Head of the Coordination and Financial Policies Division in the same directorate.

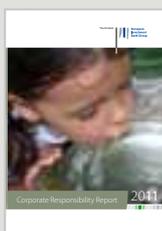
**Jürgen Moehrke**

Jürgen Moehrke has been appointed Head of the Staffing and Development Department in the Personnel Directorate. Previously he was Director for Strategy and Management Control.

Publications

- Corporate Responsibility Report 2011
- The EIB promoting sustainable mobility
- European Local ENergy Assistance
- The EIB in the Baltic Sea Region

More @ www.eib.org/publications



Agenda

- **16/10/2012**
European Development Days, Brussels
- **14-16/11/2012**
European Microfinance Week, Luxembourg
- **27/11/2012**
Towards Sustainable Tourism in the Mediterranean, Marseille
- **27-28/11/2012**
Danube Region Forum, Regensburg

More @ www.eib.org/events

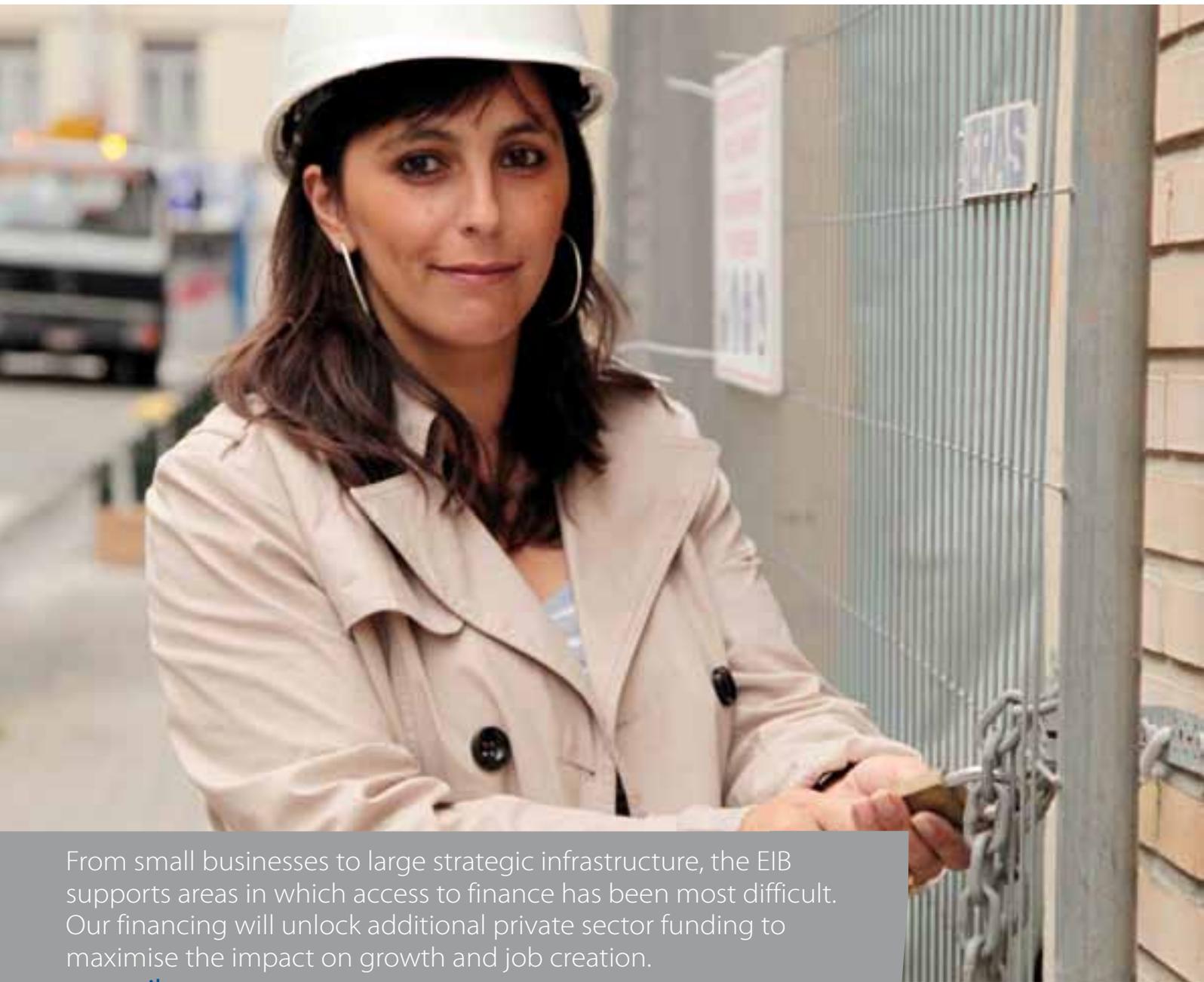


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QH-AA-12-147-EN-C
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Please consult the Bank's website for the updated list of existing offices and their contact details.

Unlocking Europe's growth



From small businesses to large strategic infrastructure, the EIB supports areas in which access to finance has been most difficult. Our financing will unlock additional private sector funding to maximise the impact on growth and job creation.

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