

Luxembourg, February 2002

“i2i” : Innovation 2000 Initiative

The Innovation 2000 Initiative (i2i) was launched by the EIB Group in the wake of the conclusions of the Lisbon European Council, held in March 2000, with a view to furthering the development of an innovation and knowledge-based European economy.

i2i draws on :

- **medium and long-term EIB loans** (possibly on a risk-sharing basis with operators financed) and
- **EIF equity participations** in venture capital funds (VCF) providing equity for SMEs.

By 2003, the EIB Group expects to have invested some EUR 12 – 15 billion under i2i in a wide variety of operations. At end-2001 (i.e. within 19 months following introduction of the initiative), **the EIB Group had approved operations in excess of EUR 10.3 billion (EIB : EUR 9.1 billion + EIF : EUR 1.2 billion)** benefiting all European Union Member Countries and seven Accession Countries; aggregate loans signed came to EUR 7.2 billion (of which over EUR 5 billion in 2001), while the volume of EIF equity participations stood at more than EUR 2 billion (including EUR 800 million in respect of 2001 alone).

i2i centres on *five objectives* paving the way for technological modernisation and the tailoring of human capital to the European economy of tomorrow. The sectoral and geographical diversity of projects financed illustrates how the EIB has succeeded, in a very short space of time, in responding to the challenge by offering financial products geared to genuine economic demand, at the same time attaching priority to investment ensuring *a transfer of know-how to the least privileged regions*.

RESEARCH AND DEVELOPMENT (R&D)

In 2001, EUR 1.7 billion was invested in 12 R&D projects implemented by the private sector in ten EU Countries plus Hungary, encompassing chemicals/pharmaceuticals, metallurgy, electronic components and telecommunications. These included, in particular, two pan-European schemes involving research into the introduction and shared management of third-generation telecommunications networks.

In addition, several projects approved by the EIB and awaiting signature focus on the development of *centres of excellence* bringing together at one and the same location university facilities, research infrastructure and enterprises.

On 7 June 2001, the EIB and the Commission signed a Memorandum on the transfer of knowledge and synergies between the two institutions with the aim of promoting R&D investment within the Union.

DEVELOPMENT OF SMEs AND ENTREPRENEURSHIP

Last year, over **EUR 800 million were committed by the EIF in respect of 57 VCF**, serving as a catalyst for aggregate investment of around EUR 3 billion, in all EU Member Countries as well as five Accession Countries. These *EUR 800 million represented some 25% of the European start-up capital market*.

Against a deteriorating market backdrop, the EIF thus provided a strong signal, helping to mobilise investors and to foster the dissemination of best practice on a European scale. The bulk of VCF financed specialise in start-up capital for high-tech firms (biotechnology, ICT, multimedia, TIME, etc.) in harmony with the conclusions of the Stockholm European Council of March 2001. In the southern countries of the EU (Greece and Portugal, Spain with four operations in 2001) along with the Accession Countries (where the EIF concluded its maiden operations), EIF financing played a significant role in developing the market. A number of VCF financed boast a regional dimension, especially in the United Kingdom.

Also of particular significance were equity participations in 11 pan-European VCF (*based in France, the United Kingdom, the Netherlands and Germany*) furthering the emergence in Europe of operators comparable to those in North America in terms of their scope for financing, the duration of their backing for enterprises in which they invest and the calibre of their management teams.

Outstanding EIF equity participations run to a total of more than EUR 2 billion in 153 VCF, underscoring the role of the EIB Group's specialist subsidiary as the leading source of start-up venture capital in Europe, a market segment in which risks are greatest, resources most scarce and the EU's strategic requirements most obvious.

TECHNOLOGY NETWORKS (ICT)

In 2001, technology networks, key vehicles for the diffusion of innovation and the exchange of data between enterprises, attracted **EUR 1.8 billion in EIB loans** in Spain, Portugal, Italy, the United Kingdom, Sweden, Finland and the Accession Countries. A particular example was the pan-European "Telia" project focusing on *extension of the broadband network from Scandinavia, Germany and Austria to the Accession Countries in Central Europe* (Baltic States, Poland, Czech Republic, Slovakia and Hungary).

ENRICHING HUMAN CAPITAL

EUR 1.4 billion was invested by the EIB in 2001 in **11 education projects** involving the modernisation and computerisation of schools, colleges and universities in eastern Germany, Austria, Denmark and the United Kingdom as well as Poland.

The EIB also devoted EUR 750 million to the technological upgrading or establishment of **eight hospital centres** in eastern Germany, Spain, Austria, the United Kingdom and Poland (see also Background Note No. 2 "Education and Health").

All projects were located in *Assisted Areas*, promoting improved access by the population concerned to state-of-the art educational and health-care facilities.

"Audiovisual i2i"

Audiovisual i2i, launched by the EIB Group in December 2000, is designed to underpin European audiovisual productions, the industry's adjustment to new technologies and closer involvement of the European banking and financial community in funding the sector's operators. This initiative is being mounted in tandem with the Commission's "MEDIA Plus" programme.

In 2001, the EIB advanced EUR 147 million for a new television centre (production, digitalisation and broadcasting) in Denmark as well as for two financial intermediaries specialising in funding film production on a pan-European basis from France. These loans were in addition to financing for a project in Spain in 2000 for a cable television network and bring to **EUR 219 million EIB operations signed in the audiovisual sector**.

For its part, **the EIF invested some EUR 89 million in seven VCF** in Germany, Finland, Italy, Spain and Denmark specialising chiefly in bolstering the equity base of audiovisual SMEs, particularly those operating in the production sector (Finland, Denmark and Spain).

Finally, a portfolio of around thirty operations worth EUR 200 million is currently being built up, centring on global loans for the medium and long-term financing of SMEs in this sector, the funding of major television companies plus production studios and distribution networks and acquisition of new EIF equity participations in VCF specialising in the content and multimedia industry.