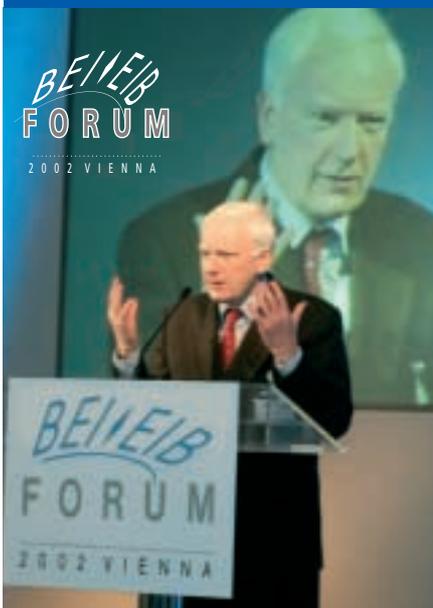


EIB Forum 2002 "Countdown to EU Eastward Enlargement"



**Vienna,
7 and 8 November**

Each year, the EIB holds a Forum with invited guests from the worlds of politics, banking and business. With the enlargement negotiations reaching their peak in Copenhagen in December 2002, this year's Forum on the «Countdown to EU Eastward Enlargement» was particularly topical and raised a lot of attention.



From top to bottom:
- Philippe Maystadt
- Pat Cox and Karl-Heinz Grasser
- Robert Guillaume, Herbert Stepic, Wolfgang Roth, Alessandro Profumo, Terence Brown and Karl-Peter Wilhelm



The EIB's new Euro- Mediterranean financial partnership

At a meeting held in Barcelona on 18 October 2002 at the EIB's initiative, the Finance Ministers of the 15 EU Member States and 12 Mediterranean Partner Countries (MPC) launched the Bank's new Facility for Euro-Mediterranean Investment and Partnership (FEMIP). see article page 6



European Parliament Resolution on the EIB Annual Report 2001

On 21st November 2002, for the third year in succession, the European Parliament discussed a report on the EIB by Parliament's Committee for Economic and Monetary Affairs. Mr Philippe Maystadt, President of the EIB, attended the debate, as did Commissioner Mario Monti. see article page 14

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*Günter Verheugen,
Member of the
European Commission,
responsible for Enlargement*



*Pat Cox, President
of the European Parliament*



*Josef Tošovský,
Chairman of the Financial
Stability Institute,
Switzerland*



*Karl-Heinz Grasser,
Minister of Finance, Austria*



"The Accession Countries have merited EU membership". EU Commissioner **Günter Verheugen** told the 550 guests at the EIB Forum that the Accession Countries had already accomplished supreme social, political and economic efforts and that the successful transition to democracy, constitutionality and a market economy in the space of just ten years had been anything but a foregone conclusion. Given that the Accession Countries had to date borne by far the heaviest burden for successful enlargement, it was now up to the 15 EU Member States to demonstrate generosity and flexibility in the remaining decisions – all the more so because they stood only to gain, politically and economically,

from enlargement. Commissioner Verheugen was convinced that the political momentum for enlargement was unstoppable and that the EU summit in Copenhagen in December would be a success. The decisive test for European solidarity would then come in 2003 when, after the anticipated positive decision by the European Parliament, the enlargement treaty would have to be ratified by the 25 national parliaments or through referenda. The Commissioner joined **Pat Cox**, President of the European Parliament, in urging that a committed social debate be initiated immediately to counter people's fears and convince them of the opportunities offered by enlargement for Europe as a whole, at the same time making it clear that failure to expand the EU would be disastrous for the Accession Countries, and, for the present Member States, would mean foregoing stable political relations with their eastern neighbours as well as economic growth. Commissioner Verheugen also emphasised that Romania and Bulgaria would receive special support to prepare for their subsequent accession in 2007, and that only after they had joined the EU would the current enlargement process be complete.

EIB President **Philippe Maystadt** had opened the Forum and highlighted the main aspects of the Bank's activity in the Accession Countries: underpinning infrastructure, regional development and, in particular, foreign direct investment as a means of bringing in both capital and expertise to the Accession Countries, so providing decisive impetus for the modernisation of their economies. Austrian Finance Minister **Karl-Heinz Grasser**

pointed out that Austrian companies had committed themselves vigorously to the Accession Countries, adding that he expected Austria to share especially in the above-average economic growth anticipated there in the coming decades. He also stressed the need for structural economic reforms in the current EU Member States as well as, particularly, for EU institutional reforms to ensure that decision-making mechanisms continued to work efficiently in a 25-member Union. His Dutch counterpart, Finance Minister **Hans Hoogervorst**, was more emphatic, pleading for better preparations for enlargement on the part of the current 15 Member States, and specifically criticising both the Common Agricultural Policy and the regional and structural policies – by far the largest items of expenditure in the EU budget. EU financial resources had to be deployed more efficiently, with less being pumped around prosperous countries and more being spent where it was most urgently needed. This would be particularly vital in an enlarged EU.

Hungarian Finance Minister **Csaba László** confirmed that his Government would continue to steer its present course, with a policy aimed chiefly at promoting stability while at the same time offering foreign investors specific economic incentives consistent with EU parameters, in order to spur economic modernisation. Former Governor of the Czech National Bank **Josef Tosovsky** observed that European Economic and Monetary Union was part of the "acquis communautaire"; hence the question for the Accession Countries was not whether, but solely when,

they should join the euro zone. Weighing the pros and cons of early or later membership, he pointed out that the euro was at least as important to Central and Eastern Europe as the US dollar was to the current EU Member States: he therefore argued in favour of early introduction of the euro. The Accession Countries were well prepared for the euro: in particular they were structurally flexible, with versatile labour markets for example, and were thus in a position to assert themselves competitively even as members of a common currency zone. **Mugur Isarescu**, Governor of the National Bank of Romania, maintained that his country was definitely on course to join the EU in 2007. The key requirement in the next few years would be rapid modernisation of infrastructure, especially through extensive foreign borrowing, as infrastructure shortcomings represented the crucial hurdle for Romania in terms of economic growth and inclusion in the international division of labour. **Brigita Schmögnerová**, Executive Secretary of the UNECE and former Slovak Finance Minister, congratulated the EIB on its long-term policy perspective, notably on having launched its activity in the Accession Countries as long ago as 1990 before there was any talk of their joining the EU. She recommended that the European Commission and the Bank consider ways of promoting stability in the enlarged EU's new eastern neighbours, i.e. in Russia, Belarus, Ukraine and Moldova, as well as strategically important Turkey.

Polish President **Aleksander Kwasniewski** reminded Forum guests at an evening event in Vienna's historic city hall of the division of Europe prior to 1989 and the substantial progress that had been accomplished in all areas in a relatively short space of time. Success achieved so far would be a stimulus

Success achieved so far is a stimulus to completion of the reforms that still lay ahead.

to completion of the reforms that still lay ahead. Enlargement represented the greatest opportunity for ensuring security, trust, solidarity and progress. Directly hitching Poland's star to Europe, the President declared: "We believe in Europe, we believe in our future." Poland had made considerable economic headway and after 12 years of economic liberalisation was fit to compete in the European internal market. The Polish economy was now in a position to take advantage of the internal market, all the more so if foreign direct investment continued to contribute to economic modernisation on a sustainable basis.

On day two, the Forum turned to more practical issues of how the Accession Countries could accelerate the economic catching-up process. The first session focused on the need for infrastructure and the relevant sources of finance available. **Miron Tudor Mitrea**, Romania's Transport Minister, outlined his country's infrastructure plans, held out the prospect of legislation to promote public-private partnership models for infrastructure development, and left his audience in no doubt about the EIB's important role in Romania's preparations for accession. **Ewa Freyberg**, Secretary of State in the Polish Ministry of Economy, emphasised the crucial importance of high-quality infrastructure for growth, foreign direct investment, domestic labour mobility and, especially, balanced regional development. She agreed that rapid infrastructure development could be achieved

*Brigita Schmögnerová,
 Csaba László,
 Francis Mayer,
 Johannes Franciscus
 Hoogervorst,
 Mugur Isarescu
 and Josef Tošovský*



Csaba László



*Aleksander Kwasniewski,
 Philippe Maystadt
 and Michael Häupl*



*Karl-Peter Wilhelm,
 Philippe Maystadt,
 Karl-Heinz Grasser
 and Günter Verheugen*



*Wolfgang Schüssel
 and Wolfgang Roth*



All available speeches and presentations can be accessed at www.eib.org/forum

only through recourse to external financing, particularly ISPA resources, support for the new EU Member States from the future structural funds and EIB loans. Serbia's Transport Minister, **Marija Raseta-Vukosavljevic**, set out her country's investment needs in terms of transport infrastructure and telecommunications networks, pointing out that while Serbia's central geographical location made it a transport hub for the entire Balkan region, it could fulfil its role as a transit country only with sustained external financial assistance. **Kajo Schommer**, former Economics Minister of Saxony, explicitly addressed the subject of corruption, particularly in public tendering procedures, recommending that a very tough line be taken, with EU funding and EIB lending halted immediately in cases where there was good reason to suspect corrupt practice. He also stressed that environmental legislation should be respected but that it was unacceptable for such laws to be used by NGOs or other interested parties as a tool for boycotting infrastructure projects. **Hans Peter Haselsteiner**, Head of Bauholding STRABAG, sought to

temper the optimism of the assembled Accession Countries' Transport Ministers: he claimed that their plans were too ambitious and estimated that it was likely to take twenty years to build efficient motorway and road networks in Central and Eastern Europe. Even the use of public-private partnership models would do little to accelerate the process. Moreover, regrettable as it might be, it was highly unlikely that capital could be mobilised simultaneously for the development of a modern rail network. The Accession Countries' political priorities were clearly geared to road building and private transport.

All speakers agreed that rapid infrastructure development also depended above all on strategic planning and on properly qualified planners; other prerequisites were the courage to set clear priorities and the availability of long-term finance such as that traditionally offered by the EIB. There was equally general agreement that public-private partnerships were no panacea for lack of finance, particularly in the Accession Countries where road construction costs stood at around 80 per cent of EU levels, but the population's income represented only 30 per cent, making it virtually impossible to levy toll charges covering costs.

The final session focused on the experience of foreign investors. **Karl Peter Wilhelm**, Member of the Board of Volkswagen Slovakia, ex-

plained the reasons that had prompted VW AG to invest in Slovakia and outlined the actual benefits, especially lower wages for qualified staff, the country's geographical position and good relations with the authorities. Disadvantages included the fact that aspects of the legal framework were still unclear, and the problems of remoteness from suppliers and poor infrastructure. **Robert Guillaume**, General Manager of Peugeot Citroën, also mentioned lower wages for qualified and motivated staff as a significant factor in his company's decision to site a motor vehicle plant in the Czech Republic. **Herbert Stepic**, Vice-President of Raiffeisen Zentralbank Österreich, described the contribution that foreign banks were making, or had already made, in the Accession Countries, with the rapid development

The Bank intends to strengthen further its support for foreign direct investment

of an efficient banking system capable – by virtue of familiarity with EU borrowers and also with local markets – of mobilising foreign direct investment in the industrial and service sectors. **Alessandro Profumo**, CEO of UniCredito, stressed that it was a courageous decision on the part of the Accession Countries' governments to open up their banking systems to foreign banks. Around 60 per cent of bank assets in Central and Eastern Europe was now controlled by foreign banks. The decision had clearly paid off, however, as both companies and private customers now enjoyed significantly improved and more cost-effective services. Finally, EIB Director General **Terence Brown** described the Bank's strategy in the Accession Countries and the EIB's financing facilities. He emphasised that, as well as financing infrastructure, the Bank intended to strengthen further its support for foreign direct investment, through both direct



Ewald Nowotny, Michael Häupl, Aleksander Kwasniewski, Philippe Maystadt, Wolfgang Roth and Michael G. Tutty

loans to companies and global loans to partner banks in the Accession Countries, including all banks with foreign parent companies.

Summing up, EIB Vice-Presidents **Ewald Nowotny** and **Wolfgang Roth** pointed out that certain tasks still had to be accomplished in order to bolster direct investment: in particular, the legal framework had to be strengthened and laws implemented, over-regulation and red tape had to be eliminated and a bolder approach had to be taken to restructuring companies, including necessary labour shedding; firms also needed to cooperate closely with universities and colleges in their area with a view to training a well qualified workforce. In addition, companies prepared to embark on investment would find it helpful if industrial

development agencies spared them protracted administrative procedures by offering a one-stop shop for all essential services.

The Austrian Chancellor, **Wolfgang Schüssel**, brought the Forum to a close, underscoring the particular importance of eastward enlargement for Austria, which was surrounded by four Accession Countries. The strong economic growth anticipated in those countries should especially lend fresh impetus to Austria. He stressed that – not only for Austria but for the whole of the existing

The costs of enlargement are far outweighed by the much greater expected gains

EU – the costs of enlargement were far outweighed by the much greater expected gains.

It is worth adding, although the Chancellor did not spell this out, that enlargement will reunite Aus-

tria (as well as Germany) with its neighbours directly to the east, countries with which, for centuries, it experienced cultural exchange but which it also dominated politically. Neighbouring peoples will now come together again under the umbrella of the European Union, within which – in an historically unique and revolutionary model of co-existence – small countries are not controlled by larger ones, but rules are laid down jointly and respected by all.

The speakers' message to the Vienna Forum was clear: the EIB is recognised as the most important source of external finance and a stalwart partner in the Accession Countries, and even more will be expected of it in the decades ahead.

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The next EIB Forum will be held in Dublin in autumn 2003

Central European Flood Relief Programme



Rainfall in the second week of August this year in the Elbe catchment area was unprecedented. On 12 August, a daily total of 312 mm (312 l/m²) of rain fell in Dresden, more than ever registered in Germany and 30% more than the previous record rainfalls in 1906 and 1954. The EIB reacted without delay :

- On 18 August, an aid programme was proposed to the Heads of Government of the countries affected.
- By mid-September, the Bank's decision-making bodies had approved an immediate aid programme of EUR 1 billion in 2002.

- By early December, almost all finance contracts had been signed.

Of the immediate aid, EUR 430 million are being directed to Saxony and Saxony-Anhalt, EUR 170 million to Austria and EUR 400 million to the Czech Republic. Direct loans to the Federal States of Saxony and Saxony-Anhalt for infrastructure repairs account for half of the immediate aid for Germany, the balance consisting of global loans. In Austria, all aid is being made available via global loans to partner banks. Aid for the Czech Republic comprises a direct loan to the Government which, in agreement with the EIB, is

passing on the proceeds to businesses and local authorities.

The loans were provided on particularly favourable terms. The Bank stands ready to grant further loans for up to EUR 4 billion in coming years on very advantageous conditions in order to finance major repairs and damage prevention measures.

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EU Commissioner,
Jordi Pujol,
President of the
Generalitat de
Catalunya,
Rodrigo Rato,
Spanish Finance
Minister,
Philippe Maystadt,
EIB President and
Antonio Pugliese,
EIB Director for
Lending in MPC



The EIB's new Euro-Mediterranean financial partnership

At a meeting held in Barcelona on 18 October 2002 at the EIB's initiative, the Finance Ministers of the 15 EU Member States and 12 Mediterranean Partner Countries (MPC) launched the Bank's new Facility for Euro-Mediterranean Investment and Partnership (FEMIP).

FEMIP was set up in the wake of the Barcelona European Council (March 2002) and Valencia Euro-Mediterranean Conference (April 2002). The Union's decision to entrust the Bank with strengthening the financial component of the Euro-Mediterranean Partnership was grounded in the EIB's 30 years' experience in the MPC: since 1974, the Bank has advanced EUR 12.6 billion to these countries and, between now and 2006, a further EUR 8-10 billion will be made available through this new instrument.

A major development

The goal of the new Facility is to help the Mediterranean Partner Countries meet the challenges of economic and social modernisation while fostering the region's integration with a view to the creation of a Euro-Mediterranean free-trade area by 2010.

Already operational, the Facility represents a major step forward in economic and financial cooperation between the Union and the MPC. Its priorities are:

- development of the wealth- and job-creating private sector, increased backing for "South-South" regional cooperation projects and support for investment in human capital (health and education);
- greater technical assistance for the design of projects and the process of economic reform and privatisation in the MPC;
- provision of innovative financial products and risk capital.

In addition, one of the cornerstones of FEMIP is extensive involvement of the MPC in the deployment of EIB assistance through the creation of a Policy Dialogue and Coordination Committee (PDCC) and opening of two EIB regional offices, one in the Maghreb and the other in the Mashreq countries.

The EIB will implement FEMIP in close cooperation with all participants in the region's development: the European Commission, the banking community in Europe and the beneficiary countries, multi- and bilateral development finance institutions.

Barcelona, 18 October 2002

FEMIP's inaugural meeting took place in the Palace of the "Generalitat de Catalunya" in Barcelona, the city that hosted the launch of the Euro-Mediterranean Partnership in 1995. It provided the occasion for the PDCC to adopt the new Facility's Business Plan for the coming four years and hold an initial debate on the opportunities for, and obstacles to, private-sector investment in the MPC.

Meeting twice a year and composed of representatives of the Finance Ministries of the 15 EU Member States and 12 Partner Countries, the PDCC is the body charged with guiding and supervising FEMIP activities. Underlining the importance of this new facility and the commitment to forging a stronger partnership, the first session of the PDCC was held at ministerial level under the joint chair-

manship of Spanish Finance Minister, Mr **Rodrigo De Rato** and EIB President, Mr **Philippe Maystadt**, in the presence of Mr **Pedro Solbes**, European Commissioner for Economic and Monetary Affairs. In addition to delegations from all the Mediterranean Partner Countries, bringing together Ministers of Finance and Cooperation for the first time since 1995, delegates from the World Bank (WB), International Monetary Fund (IMF) and African Development Bank (AfDB) participated in the discussions.

EUR 8 to 10 billion investment in the MPC by 2006

The target set in the FEMIP Business Plan is a gradual increase in the annual volume of EIB lending in the MPC from EUR 1.4 to 2 billion. To this end, the EIB disposes of funds under the existing mandates ⁽¹⁾, risk capital entrusted to it from the EU budget, and technical assistance and investment aid resources provided by the Union in application of the decision of the Barcelona European Council (March 2002) ⁽²⁾.

The Facility will therefore significantly enhance the nature and volume of EIB operations in the MPC. It is a key element of the Heads of State or Government of the Fifteen's declared aim of revitalising

(1) 6 425 billion under the Euro-Med mandate, expiring in 2007; 600 million under the Turkish Earthquake Rehabilitation and Reconstruction Assistance Programme (TERRA), expiring end-2003; 450 million under the Special Action Programme for the EC-Turkey Customs Union, expiring end-2004; 1 billion under the Mediterranean Partnership Facility, set up at the Bank's own risk and expiring end-2004; for Cyprus, Malta and Turkey, part of the 8.5 billion under the Pre-Accession Facility, set up at the Bank's own risk and expiring end-2003.

(2) Under Community budget mandate: 250 million of risk capital and 162 million of technical assistance resources.

Three questions to Jean-Louis Biancarelli Director General, Directorate for Lending Operations in the Partner Countries



EIB Information: Is FEMIP already operational?

J-L. B.:

Yes indeed! Even before the Barcelona meeting on 18 October, at the instigation of the Bank's Management Committee and with the personal commitment of Vice President **Francis Mayer**, the EIB worked intensively on setting up FEMIP and finalising arrangements for cooperation with our colleagues at the Commission. Consequently, the first operations were submitted to our Board of Directors from September onwards, and some have already been - or are close to being - signed. These mainly concern private-sector development, the Facility's top priority. I can give you the examples of financing for expansion of the Toyota factory in Turkey, creation of a natural gas liquefaction plant in Egypt (an interesting "North-South" joint venture between British Gas, Gaz de France, Edison and Egyptian operators in the hydrocarbons sector) and construction of the first private-sector cement plants in Tunisia and Algeria (the latter being a model project for "South-South" cooperation implemented by the Egyptian Group Orascom). For those interested, our operations pipeline is published in the Mediterranean section of the EIB's website.

EIB Information: And what about organisation?

J-L. B.:

There too, everything is in place. The Facility will be managed as a dedicated operational unit within the EIB to take account of its mixed funding: EIB own resources and Community budgetary funds entrusted to the Bank under a Union mandate. FEMIP's Business Plan was approved by the Finance Ministers in Barcelona and a new "private-sector" division is currently being set up within the Mediterranean Department to underpin the expansion of activities in support of both large and small enterprises: innovative financing operations, risk capital and global loans. A regional EIB office will also be opened in Cairo, followed by another in the Maghreb region. In keeping with the operational objectives, these offices will play a support role in project identification, local authority contacts, project monitoring and technical assistance. The inauguration of the Cairo office is scheduled for the beginning of 2003, and the Maghreb office will be set up shortly afterwards.



Jordi Pujol,
President of the
Generalitat de
Catalunya,
Philippe Maystadt,
EIB President
and
Isabel Martín
Castellá,
EIB Vice-President

the "Barcelona Process" and involving the beneficiary countries more closely in the implementation of EU assistance. FEMIP's progress will be examined by the Bank's shareholders and the EU institutions after one year of operation, i.e. during the last quarter of 2003 under Italy's Presidency of the Union.

Further information on the EIB's activities in the MPC since 1974, the origins of the Facility, the economic background of the MPC and the inaugural FEMIP meeting

EIB Information: FEMIP has ambitious objectives!

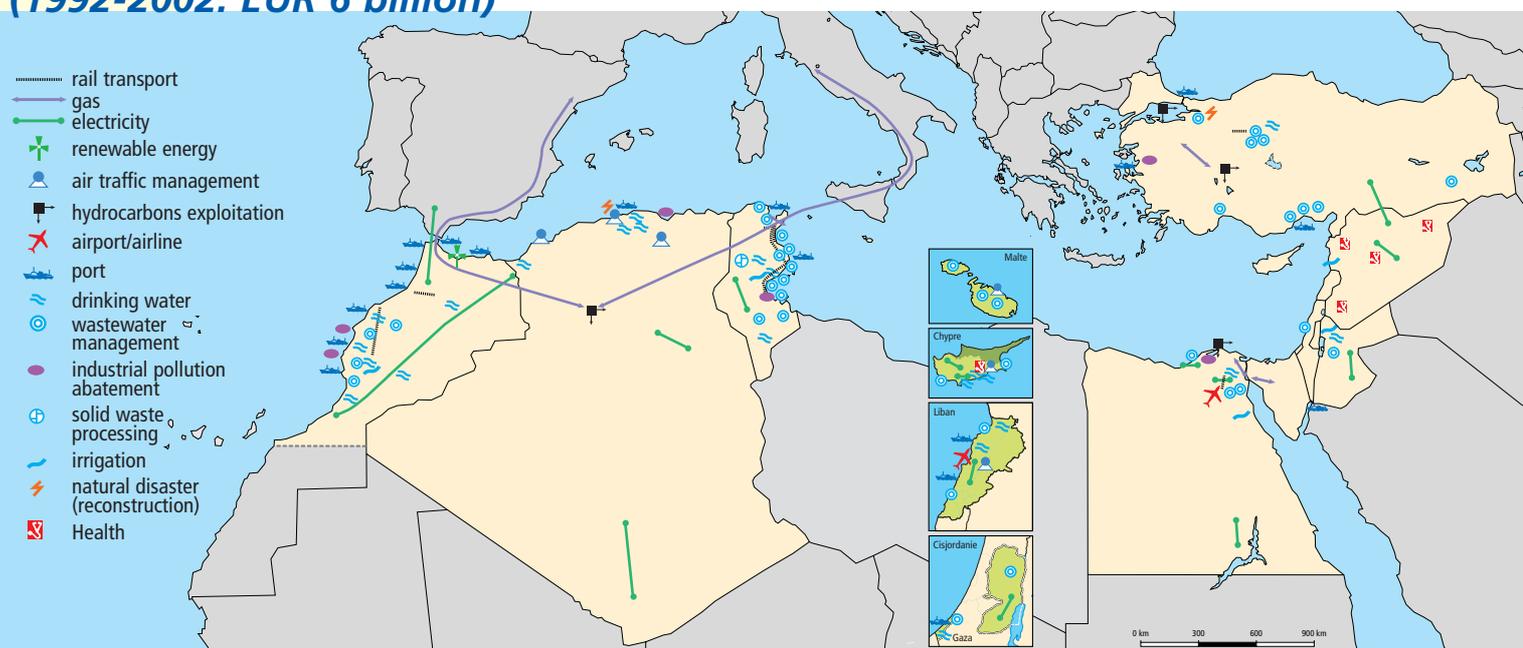
J-L. B.:

We received a clear mandate from the March 2002 European Council: to assist the modernisation of the partner countries with a view to creating a Euro-Mediterranean free trade area by 2010. Of course, this is ambitious, but I am confident that the calibre of our teams and the vast stock of excellent relations built up by the EIB with all players in the region will enable us to meet this challenge successfully. Nevertheless, I do not underestimate the problems facing the MPC, and to tackle these we are, amongst other things, rapidly introducing a variety of forms of enhanced cooperation with our partners active in the region. This is particularly the case with the Commission, with which we must ensure the most effective deployment of credit lines for risk-capital and technical assistance operations entrusted to us under the Community budget. Finally, I wish to stress that we are benefiting from a long tradition of cooperation with large companies, the banking community, multi- and bilateral organisations and, last but not least, local authorities in these countries.

in Barcelona is available on the EIB's website in the section dedicated to the Mediterranean Partner Countries: www.eib.org/lending/med

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Financing for economic development projects in the MPC (1992-2002: EUR 6 billion)



EIB financing for water sector projects



of potable water, flood protection measures and storm water drainage, schemes to reduce water losses and sanitation services including wastewater treatment.

EIB's strong commitment to support quality improvement of water supply and sewerage services is a tangible response to:

- investments needed to meet increasingly stringent new environmental regulations at European and national levels;
- the recognition that water supply and wastewater systems and management need to be integrated at the river basin level;
- a growing participation of the private sector in the implementation and operation of water and sanitation systems.

EU policy and legal framework

The EIB operates within the framework of the Treaty on European Union. Its reason for existence is to facilitate the concrete implementation of EU policy objectives and legislation.

The European Union's water policy is underpinned by a large body of European legislation, which in itself has become a major driving force for investment in European Union and Accession Countries water markets. With its 2005 compliance deadline, the Urban Waste Water Treatment Directive is a crucial piece of European legislation currently driving investment in sewerage and treatment systems. In future, the key driver will be the Water Framework Directive, whose first objective is to promote sustain-

Since the mid-eighties, the water sector has been a key financing area for the EIB as a component of its support for environmental protection and human well-being. In non-EU-member countries, the Bank's support for water and sanitation projects is also enforcing its backing for sustainable development.

Over the last decade, EIB's annual finance for water and sanitation projects throughout the world totalled EUR 2 billion on average, ranking the Bank among the largest financiers in the water sec-

tor. More than 300 water and sanitation projects in the public and private sector have been supported over the last 5 years, spanning a wide variety of types of project, such as improvement of the supply

EIB focus on the environment

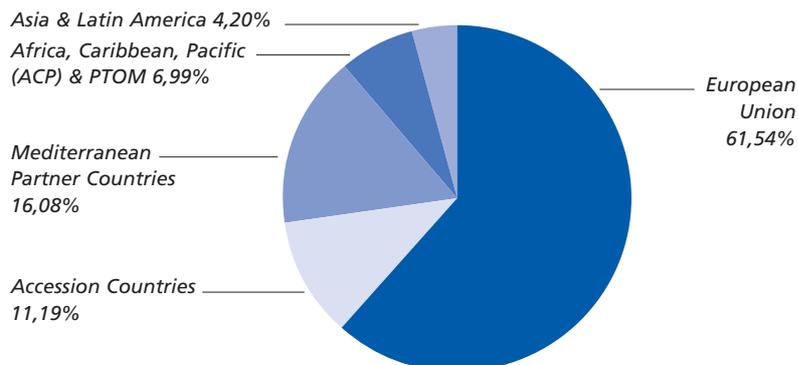
Improving the environment and human well-being ranks among the EIB's top operational objectives, in line with European Union policies. The Bank's target is to ensure that between a quarter and a third of its individual loans in the European Union and Accession Countries support environmental investment. In 2001, over a quarter of total lending in the Union went for environmental projects, while in the Accession Countries nearly 20% of lending supported environmental schemes. EIB activity in the environmental field covers the protection of the natural environment, human health issues (such as air pollution abatement, the provision of safe drinking water and wastewater treatment), improvement of the urban environment, and regional and global environmental issues (including climate change and support for various regional sea and river basin programmes). Small-scale environmental schemes undertaken by small and medium-sized enterprises (SMEs) and local public bodies attract EIB finance through its global loan arrangements with local partner banks.

able management of water resources. By 2015, a good ecological status for all water bodies should be reached on the basis of the development of integrated river basin management plans.

The regional spread

European Union – Investment in the European Union constitutes the major part of EIB's overall lending portfolio in the water services sec-

Loans signed from 1997 to 2001 in the water sector



tor with a EUR 6.8 billion share of aggregate EUR 8.9 billion financing for individual projects over the years 1997-2001. In most Member States the water services sectors are technically and institutionally relatively mature. The main drivers of investments are the EU's Directives requiring compliance with more stringent standards and implementation deadlines. Over the past five years, total new investment in the water services sectors amounted to some EUR 15-19 billion annually, of which about EUR 4-6 billion was spent on water supply and distribution schemes and more than EUR 11-13 billion on wastewater collection and treatment. The Bank has helped the Member States to sustain their investment efforts in the water sector. Its lending activity over the past few years has been largely driven by German, English and Spanish and, to a smaller extent, by Belgian, French, Dutch, Austrian and Swedish investment schemes, as well as by projects by smaller municipalities through global loans. For instance, the EIB is the largest single lender to the private water companies in the United Kingdom. Most EU countries have made significant progress towards compliance with the Urban Wastewater Treatment Directive, which will continue to be a major investment driver. At the same time, rehabilitation and system optimization schemes are becoming

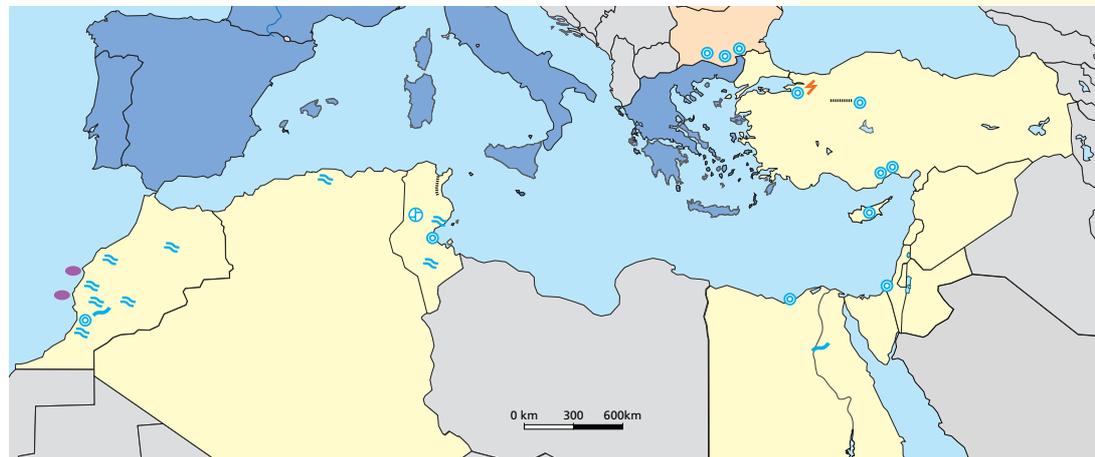
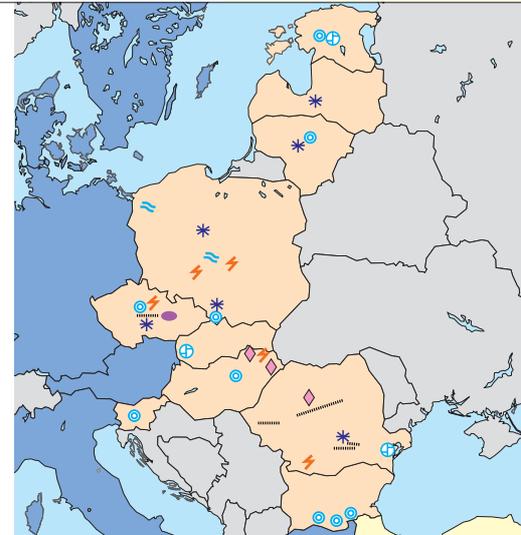
important areas of investment. Investments in water services are expected to continue at above EUR 15 billion in the years to come, mainly to meet the obligations of the Water Framework Directive.

Accession Countries – The EIB has allocated EUR 490 million for projects in the water sector over the years 1997-2001, while its overall lending for environmental projects totalled EUR 2.8 billion since it started operating in these countries (in 1990). Last year, environmental projects accounted for 20% of total lending, with loans going to flood prevention and reconstruction following the floods which hit Poland and Hungary, as well as to wastewater treatment (Hungary) and distribution and sewage disposal networks (Poland, Czech Republic, Hungary and Slovenia). The environmental sector will continue to require increasing levels of investment as countries fall into line with the standards laid down by the EU's environmental directives. Available best estimates suggest that some EUR 50 billion would need to be invested to ensure full compliance with EU water legislation, while EUR 15-20 billion would be required to cover the most urgent investment needs in the upgrading of treatment facilities, new connections infrastructure and rehabilitation works for systems in poor conditions. The EIB and EBRD are the

main lenders together with ISPA⁽¹⁾ grant aid, which has a catalytic and leverage effect in making investment affordable. Co-financing and a rational deployment of EIB loans and ISPA grants help to mobilize the full potential of the Union's financial instruments and maximize their funding impact, accelerating the catching-up process in attaining EU standards. The EIB is working closely with the European Commission and national authorities by programming joint appraisal missions and giving early input to help ensure a pipeline of well-prepared projects are ready for future Structural and Cohesion Fund grants when the countries join the EU.

EIB Financing for water & sanitation projects in the Accession and Partner Countries

- rail transport
- ⚡ natural disaster (reconstruction)
- ◇ district heating/heat/power generation
- * urban infrastructure
- ⊕ wastewater management
- ⊕ Solid waste processing
- ≈ drinking water
- ~ irrigation
- industrial pollution abatement



Mediterranean Partner Countries -

The EIB is particularly active in the critical water sector in the Mediterranean region. Some 70% of public infrastructure projects financed by the Bank in the Mediterranean Partner Countries (MPCs) over the past five years related to water supply and wastewater treatment, i.e. EUR 1.2 billion. Most of the environmental infrastructure financed along the coastal regions in these countries was linked to the shortage of water resources and inadequate wastewater treatment offering limited scope for re-use. In 2001, the bulk of total lending of EUR 580 million benefiting the environment went to water schemes and wastewater treatment and disposal in Morocco, Turkey, Algeria and Tunisia.



Water management, South Africa

The Bank has a number of important instruments for enhancing project development and its lending opportunities in the water sector in the MPCs. In October 2002, the EIB launched the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) to pro-

mote economic development and political and social stability in the MPCs. This aims to provide between EUR 8 and 10 billion in financing in the MPCs by 2006. Sustained support for the environment and the quality of life is one of FEMIP's priority areas. Another important tool is the "Mediterranean Environmental Technical Assistance Programme" (METAP), which was jointly established by the EIB, World Bank, UNDP and European Commission in 1990 to help identify and prepare environmental proj-

ects. METAP promotes the coordination and acceleration of the transfer of funds and technology for the preparation and implementation of studies aimed at environmental investment. It also supports regional exchanges of expertise and information and the formulation, design and implementation of policy reform and institutional development. So far, EIB financed METAP studies have generated over 50 water and sanitation projects. The EIB and the Commission are cooperating closely within the

(1) ISPA is the EU's pre-accession structural policy instrument for the environmental and transport sectors. A total of EUR 1.05 billion in grant aid is provided annually (50% for each sector). Upon accession, ISPA funds will shift to the Union's Regional and Cohesion Funds.

EIB and the EU Water Initiative

Together with the European Commission and the EU Member States, the EIB is participating in the design of an Action Plan for the EU Water Initiative. The Bank is involved in the preparatory works on all the aspects relevant to this activity, in particular the financing strategy. The next international forum to present the EU's Water Initiative will be the World Water Forum in Kyoto on 16-23 March 2003.

The objectives and targets of the Water Initiative follow mainly from the UN Millennium Declaration (2000) and the agreements reached at the Johannesburg Summit (2002). Key aims are to halve the proportion of people lacking access to safe drinking water and sanitation by 2015; to balance human needs with those of the environment by 2015; and to support the development and implementation of water resource management strategies and plans. Sustainable water resource management will be based on the principle of integrated river basin management.

The implementation of the EU Water Initiative will initially concentrate on Africa and Newly Independent States (NIS), with other (Mediterranean, Asian and Latin American) regions to follow. EIB has long-standing experience and expertise in financing projects in the water sectors in these regions.

Key to successful implementation of the Water Initiative is effective co-operation between donors and lenders. A mix of soft money and loans helps make investment affordable through cost-effective projects, generating revenues at affordable prices and targeting both the urban and peri-urban poor populations. Ownership is another paramount issue: the recipient countries and populations should fully endorse the initiative.

METAP framework. Another key tool is a 3% interest rate subsidy from the Union's budget for EIB loans (from its own resources) for selected environmental projects.

Western Balkans – The EIB is involved in post-war reconstruction and is currently widening its financing for vital transport infrastructure to include water and other environmental projects, such as the protection of the Danube river basin and wastewater management in major cities. The Bank is coordinating a key study for the environmental management of the Adriatic Sea and is associated with the Danube and Black Sea Task Force, set up by the European Commission.

ACP Countries – EIB's operations in the water sector are a key component of its overall environmental

activity in the ACP Countries with over EUR 190 million of finance in the water sector over the past five years. For instance, in 2001, the Bank part-financed drinking water supply projects in Burkina Faso and Senegal and a sewerage scheme in Mauritius. To promote environmental projects, interest rate subsidies (from budgetary resources) can be obtained for EIB loans.

In developing and transition countries, water sectors are generally less developed, lack sound (cost-effective and affordable) projects and face problems due to inadequate institutional and policy frameworks, fragmentation, low performance of utilities, a lack of experience on the project promoters' side, etc. Projects are mostly small-scale with complex institutional settings. At the same time, investment

needs are high. EIB strongly promotes an effective co-operation between donors and lenders to make the best use of available resources. The Bank is currently playing an active role collaborating with the European Commission to prepare an action plan for meeting the Millennium Goals in water and sanitation under the banner of the EU Water Initiative (see Box).

Asia and Latin America – The Bank has signed EUR 232 million in contracts in the water sectors in these regions over the past five years. EIB financed projects all include a European interest, usually involving private water companies from the European Union as promoters. Their local business partners and consumers benefit from improved service levels and management, technical and managerial know how, etc. The Bank has financed various Public Private Partnership (PPP) projects, including schemes in Argentina, Brazil, Indonesia, Philippines, and China.

Russia – the EIB is involved in financing environmental schemes in St Petersburg and Kaliningrad within a special EUR 100 million lending mandate authorized by its Board of Governors. The Bank is also participating in two international environmental programmes for Europe's Northern region and, more specifically, the Baltic Sea region: the "Northern Dimension Environmental Partnership" and the "Baltic Sea Joint Comprehensive Environmental Action Programme".

The EIB's value added

The EIB places a strong emphasis on maximizing the value added of its operations. Key elements are the particular financial benefits that projects obtain by the use of EIB financing; the quality and soundness of each project; and, the consistency between each financing operation and the priority policy objectives of the European Union.

Memorandum of Understanding between the EIB and the Commission

The MoU lays out the working procedures between EIB and Commission services, in particular DG Environment (ENV), in the process of consulting the Commission provided for under Article 21 of the EIB's Statute. Article 21 stipulates that loan applications made to the Bank shall be submitted to the Commission for its opinion.

The MoU's objective is to clarify the distribution of tasks during the consultation procedure so as to ensure that all projects to be financed by the Bank comply with EU policy and legislation in the environmental field.

Whereas the Bank satisfies itself that projects comply with good environmental standards and practices on the basis of an environmental assessment by its staff, DG ENV undertakes to keep the Bank well informed on infringement procedures, new legislation, policy developments, etc.

Water treatment plant, Jakarta



The Bank's finance acts as a catalyst attracting other financiers. Its rigorous project appraisal and the professional (technical) expertise of EIB staff give a "seal of competence" to projects, pulling in other sources of finance. This is particularly important in areas where the water services sector is not fully mature. Another important effect is that the long maturities and grace periods of EIB loans help to keep tariff increases within limits of affordability and political acceptability.

The Bank aims to drive project promoters towards sustainability. For this purpose, it has various instruments of which the provision of funds for, and supervision of, project preparation studies is most important. Such upstream activity renders the Bank's involvement in the sector even more effective. Another tool serving the same objective is the project specific loan covenants.

The EIB's contribution towards implementing the European Union's water policy objectives represents value added that is gaining visibility through the Bank's participation in new EU environmental policy initiatives. A recent example is the EU's Water Initiative, which was launched at the World Summit on Sustainable Development in Johannesburg (late August 2002).

Working together with the European Commission

The EIB and European Commission are key operational partners in the water sector, combining their funds particularly in the Accession Countries, the Mediterranean Partner Countries and the ACP Countries. Synergies between the Bank's loans, focusing on infrastructure financing, and the Commission's grants, targeting project preparation, capacity building and institutional reform, as well as co-operation with other donors, are crucial for an effective and efficient transfer of funds. In addition, the Bank acts as an adviser to the Commission in the appraisal of Cohesion Fund and ISPA projects, which again has a positive impact on identifying and evaluating potential projects suitable for EIB finance.

In May 2002, the EIB and the Commission signed a Memorandum of Understanding (MoU) designed to improve the effectiveness and efficiency of working together, building upon earlier agreements and experience.

Growth potential

The EIB has the potential to increase its contribution to the de-

velopment of the water sector, particularly in the southern countries of the European Union and regions outside the Union where investment needs are high and affordability is lower. As a naturally monopolistic, essential public service, a steady flow of projects can be expected, even in times of economic setback and uncertainty about other new investment.

EIB co-operation with the European Commission and with other providers of funds will be crucial to creating the necessary conditions for a successful move towards the sustainable use of water resources by balancing human water needs with preservation of the quality of environmental resources.

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European Parliament Resolution on the EIB Annual Report 2001



The EP debate took place during the November session which was marked by the presence of Parliamentarians from the Candidate Countries. Confirming the Bank's ongoing policy dialogue with the Parliament and its continued cooperation with the Commission, EIB President, Philippe Maystadt, replied to questions raised by the report

On 21st November 2002, for the third year in succession, the European Parliament discussed a report on the EIB by Parliament's Committee for Economic and Monetary Affairs (EMAC). This year, the rapporteur was Dutch MEP Ms **Ieke van den Burg** (PSE), who presented the "Report on the European Investment Bank annual report for 2001" to Parliament's Plenary Session in Strasbourg.

EIB President Mr **Philippe Maystadt** and European Commissioner **Mario Monti** attended the debate in which speakers from all political groupings took part. The opportunity was particularly welcomed by Mr Maystadt in view of the presence during that week of Parliamentarians from the Candidate Countries and the EIB's own contribution to preparing for their accession to EU membership.

Introducing her report, Ms van den Burg acknowledged the cooperation

that had developed over recent years, demonstrating the Bank's commitment to enhanced policy dialogue with the European Parliament. The Bank's efforts to address the suggestions and recommendations made in Parliament's two previous reports⁽¹⁾ were recognised, and she hoped that this year's report would be given equal attention.

Among the topics covered by the report are: Accession Countries and social issues, employment and SMEs, environmental protection, new mandates, funding, control and prudential supervision.

EIB's contribution to preparing Candidate Countries for Accession...

Parliament having asked the Bank to increase emphasis on social sec-

tors notably in the Candidate Countries, Mr Maystadt summarised the Bank's activity in the region. With a loan portfolio of EUR 18 bn, EIB was already by far the biggest lender in the region and it would continue to make financing available for investments needed to prepare the future Member States for accession. The Bank was especially active in three main areas: the environment, because of the significant amounts of investment needed to bring countries in line with EU standards; infrastructure (in particular transport, energy and telecommunications); and foreign direct investment (FDI), because of the key contribution that the private sector could make in the catching-up process. EIB's attention to social issues focused on bringing to the Candidate Countries state-of-the-art facilities in areas such as health, education, water supply and waste-water management and improving the quality of life in urban areas. Moreover, EIB lending to projects in the Candidate Countries encouraged the adoption of EU standards, and notably EU environmental principles and standards with the inherent public participation and stakeholder involvement. (See also article above on EIB Forum in Vienna).

... while also concentrating on EIB's other operational priorities

The rapporteur welcomed the recent decision to increase EIB's capital, a measure which had been supported by Parliament in its 2000 report. President Maystadt recalled

⁽¹⁾ See *EIB Informations* 2001-No.107 and 2002-No.110

that in approving the 50% capital increase as from January 2003, the Bank's Board of Governors had endorsed a clear strategy for the Bank over the coming years. Its main operational priority remained the fostering of regional development and economic and social cohesion in the Union, with the objective that 70% of individual loans and 50% of global loans should benefit Assisted Areas.

Moreover, EIB had already made a significant contribution to the so-called "Lisbon objective" - to make Europe the most competitive and knowledge-based economy - by lending over EUR 13 bn under its Innovation 2000 Initiative. Support was also continuing for environmental protection and improvement projects, with the aim that environmental lending should account for between one third and one quarter of individual loans in the EU, and a similar proportion in Accession Countries. Present estimates indicated that the upper target would, as in 2001, again be achieved in 2002 within the EU.

EIB support for EU development and cooperation policies with Partner Countries was being channelled notably into two major new initiatives: the Investment Facility in the ACP Countries; and the new Euro-Mediterranean Facility Partnership (FEMIP), which had been launched in mid-October 2002 following the EU Council's call in March 2002 for a new major initiative for the region (see also article above).

Employment and SMEs

EIB Group's activities in support of SMEs and employment effectiveness were singled out by Parliament as requiring increased emphasis by the Bank. Financing medium and small-scale investment was indeed a core activity of the EIB Group, said Mr Maystadt: each year some 100,000 SMEs benefited from either EIB support through long term finance or from support through the European Investment Fund, EIB's specialised subsidiary providing venture capital and guarantee instruments. Representing some 30% of the Bank's overall lending in the EU, this activity also promoted close cooperation with the financial and banking community. EIB projects were of course intended to have a positive impact on the economy, but he advised against establishing too direct a link between employment creation and project approval. Responding also to Commissioner Monti, Mr Maystadt added that EIB would review its definition of SMEs once the question of its support for midcap companies had been addressed.

Funding and capital markets

Recognising the professionalism of EIB's fund-raising worldwide and its pro-active role in the development

(2) See also EIB website under "Project News"

of the capital markets in Central and Eastern Europe, Ms van den Burg asked that cooperation with pension funds be further developed. Mr Maystadt confirmed the Bank's objective to broaden market penetration and investor base in the capital markets: EIB long-term bonds had already been taken up by pension funds in the United Kingdom, and the Bank would continue to seek innovative customised operations which might attract pension funds and insurance companies investing in the euro.

Control and prudential supervision

Several Parliamentarians having expressed reserves regarding the EIB's audit and banking supervisory arrangements as well as the audit agreement with the Commission and the Court of Auditors, Mr Maystadt confirmed Mr Monti's views: The Court had full access to documents for audit matters within its remit concerning EU funds managed by the Bank and the agreement was working to the mutual satisfaction of the parties. The EIB's Audit Committee, assisted by external auditors, audited the Bank's own resources and reported directly to the EIB's Board of Governors. Mr Maystadt also recalled the Bank's openness to being subject to a banking supervisory body, adding: "we follow with interest on-going discussions on the possible creation of a European Banking Supervisor." He further assured the assembly of the EIB's full cooperation with OLAF, the EU anti-fraud body, and other competent authorities. This was notably the case regarding the Lesotho Highlands Water project⁽²⁾ and Mr Maystadt confirmed his availability to provide further clarification to parliamentary committees on any of the above as may be required.

The report by Ms van den Burg is posted on the EIB's website, together with the adopted texts and a verbatim of proceedings

Mr Cox, President of the European Parliament and Mr Maystadt, President of the EIB



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EIB Group in 6th R&D Framework Programme



The 6th EU Research Framework Programme, launched officially in Brussels on November 11, is designed to lay the foundations of a European Research Area.



New funding instruments, such as large Networks of Excellence and Integrated Projects, will 'pool' excellence to achieve critical mass at European scale, under the European Commission managed new Framework Research Programme. The European Investment Bank Group will play an active role in this Programme. The EIB, especially active over the last years in the area of Research & Development via its Innovation Initiative i2i, has committed itself to keep R&D support as a cornerstone of the EIB's future involvement in innovation finance. A specific Task Force has been created to manage this activity, coordinated by **Jean-Jacques Mertens** and **Paolo Munini**.

Towards a knowledge based society

When more than 8000 people from all over Europe met in Brussels in November for the launch of the European Commission's Sixth Framework Research Programme

(FP6), they did so in the hope of meeting potential partners and finding new ways of funding their research and innovation activities. Again, the Research and Development (R&D) segment is facing a moment of truth: the gap in R&D spending and other indicators between the EU and the US has lately increased, making the goal of becoming the most knowledge-based society in the world more difficult to achieve. This goal is not made easy by the decline of investor confidence and the drying up of new funding. Other major obstacles are a low efficiency in transforming research in products, the lack of a performing EU patent system and the lack of coordination and collaboration between national research systems.

Bridging the Gap

The European Commission is setting an agenda for improving R&D in the EU by 2010. In a communication it asks Member States to in-

crease spending from 1.9% of GDP towards 3%. Funding streams should promote collaborative working and national research efforts, which have to become more effective and integrated to reach scientific excellence.

Will the Research Framework Programme also deliver on its promises? **Philippe Busquin**, European Commissioner responsible for R&D, thinks it will. In his opening address to the Launching Conference in the Brussels Heysel complex, transformed into a massive state of the art technology fair, Busquin said that the Research Framework Programme is a policy tool that will act like a catalyst for change and growth.

Terence Brown, EIB Director General and keynote speaker at the Research and Innovation session of the conference, pointed out that Europe should make the most of its leadership in various scientific and technological fields.

Mr Brown: "Since the 2000 Lisbon Council, and the launch of i2i, the EIB Group has widened its scope. The EIB is now starting to provide finance for Large Research Infrastructure projects, which it did not do before. What EIB can bring there is focus, spreading good practice, and smoothing the expenditures curve for the sponsors. Also, EIB investment in clusters and incubators can further help to provide the infrastructure, which will encourage expansion of R&D, ensure the bridge between academia and industry, and stimulate entrepreneurial culture."

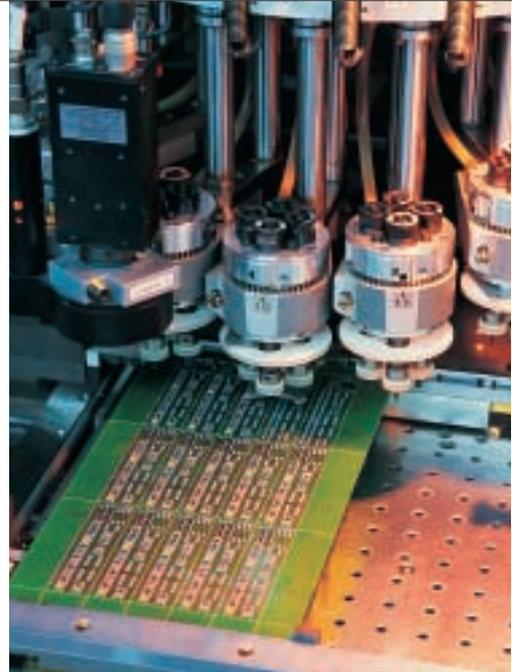
Optimising synergies

He also said it was important to use the full potential for complementarity and synergy between the existing grant and loan instruments, as well as with equity and guarantee schemes. "The EIB Group is already involved, to a significant extent, in financing innovative SMEs, partly also through the **European Investment Fund**, as well as in supporting corporate investment, provided it contributes to our priority objectives such as under our i2i programme or for regional development. Furthermore, we are reviewing our approach and lending instruments so as to cover the mid-size companies better than we have done to date", Mr Brown said. All

these efforts are carried out in close co-operation with the European Commission with the objective of optimising synergies.

At a round table organized by UNICE, **Michel Deleau**, Director-General of the Projects Directorate, stressed that: "The EIB Group is significantly adapting its financial products to the funding of innovation. In particular it now considers research expenditures such as salaries as investment and addresses the financing needs between SMEs and large corporates". In this context, the EIF will continue to innovate and to play its catalytic role by attracting other investors. Michel Deleau added that the EIB is especially well placed to finance research at the interface between higher education and industry. "The EIB is actively present in the funding of both sectors and committed to pursue its effort in Research and Innovation funding, as exemplified by the intention to prolong the i2i programme".

The recently created R&D Task Force – who co-ordinated the EIB presence at the conference – took note of the important policy and operational indications obtained at the conference and is working towards transferring them into the Bank's operations. Meetings



will be organised both in and to highlight R&D projects/programmes features and contents/structures, aiming at further improving the Bank's successful performance in the sector over the years to come.

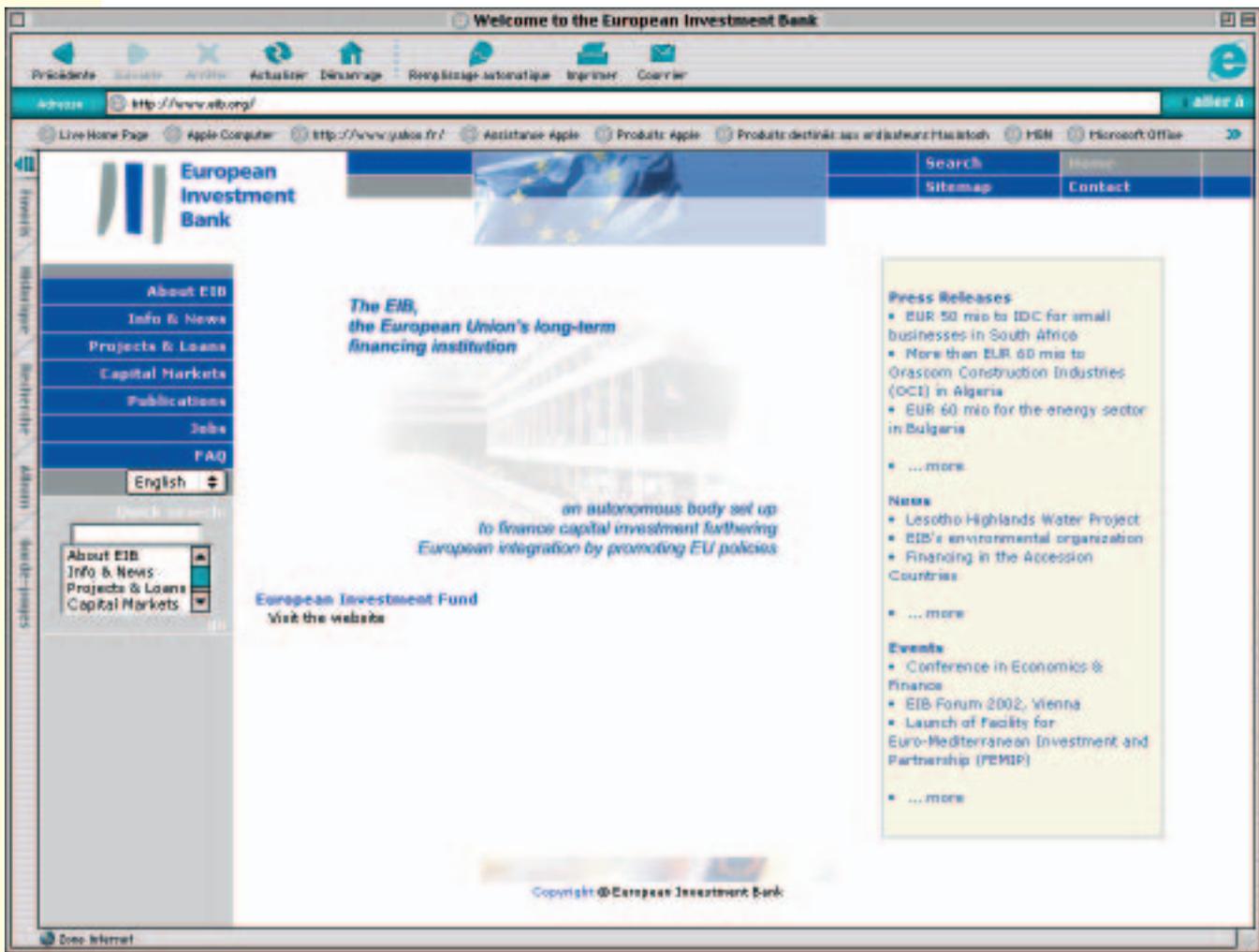
Candidate Countries

A special feature of the R&D Conference was the high representation of the Candidate Countries (15% of the participants came from the accession states). Last October they signed an association agreement with the Commission to participate fully in the FP6, on equal footing with the EU member states for the first time. The EUR 17.5 billion budget agreed for the Research Programme will therefore be the first area where enlargement becomes a reality.

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EC Commissioner Philippe Busquin (research) and Jean-Jacques Mertens (Projects directorate and member of the EIB R&D Task Force)





EIB revises its Public Information Policy

One of the key corporate objectives of the EIB is to achieve a high level of transparency of its activities and communicate even more effectively with all stakeholders. In this context, the Bank carried out an in-depth review of its public information policy and has recently issued new documents to explain the principles and rules governing the policy and describe how it is applied.

These documents can be consulted on the Bank's website, www.eib.org, the principal medium

for releasing and updating information. They are also available on request in paper form. The website provides further information, for example, on the Bank's policy dialogue with other EU institutions as well as with specific interest groups. All EIB publications are either available directly on the website or are listed there.

The Information Policy Statement outlines the framework for the policy and the underlying principles. It describes the EIB's commitment to

EU policy on transparency and public disclosure of information by publishing high-quality information on its strategy, policies, activities and practices. It balances this with the constraints to disclosure which are a prerequisite for continuing to function properly. Thus EIB's aim is to disclose information and documents whenever possible, whilst taking into account, for example, its duty to ensure that the promoters of projects, borrowers, and other parties involved in a Bank-financed project can rely on confidentiality in their banking relationship.

How EIB Communicates - an Overview summarises the means used by the Bank to implement the policy statement. Amongst other things, it contains a list of principal publications issued. This document

will be regularly updated, reflecting the on-going nature of the Bank's commitment to enhanced transparency.

EIB has also revised its *Rules on Public Access to Documents*, replacing those adopted by its Management Committee in 1997. The new rules are the EIB's response to the call by the European Parliament, Council and Commission to those EU institutions and bodies not directly covered by Regulation EC/1049/2001 to review their own rules on public access to documents, taking account of the Regulation's principles and limits.

The main documents outlining the EIB's Public Information Policy are:

- **Information Policy Statement** (available in all EU languages)
- **How EIB Communicates - an Overview** (available in English, French and German)
- **Rules on Public Access to Documents** (available in all EU languages)
- **Code of Good Administrative Behaviour for the Staff of the EIB in its Relations with the Public** (available in all EU languages)
- **Contact Details** (available in English, French and German)

EIB is committed to applying an active information policy and to strengthening its efforts in this field. It regards its public information policy as an evolving, flexible process, subject to continuous evaluation and quality assessment. It welcomes comments from all stakeholders with a view to future development of the policy and has set up a dedicated mailbox infopol@eib.org to promote this.

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Additional EIB premises in Luxembourg-Hamm

The EIB's activities in providing financial support for the European Union's objectives have developed considerably over the last years, notably with new mandates such as the Innovation 2000 Initiative, preparing tomorrow's Europe in Central and Eastern Europe and contributing to the EU's development and cooperation policies with Partner Countries.

To cope with its immediate requirement for extra space for offices and other facilities, the EIB recently purchased a new building in the Rue de Bitbourg in Hamm, near Luxembourg city centre and about 10 minutes from its headquarters in Kirchberg. The new premises will house about 160 staff. Translation, Credit Risk, Internal Audit, Operations Evaluation, Economic and Financial Studies and Human Resources

Training Centre are among the services and departments that will move to the new building as of end-2002.

Telecommunications will continue to be channelled via the Bank's central number, 4379-1. New extension numbers for individual telephones and faxes will be communicated to interested outside parties as soon as they are available. E-mail addresses of individual staff members remain unchanged.

Excellent connections will make the physical distance between the two EIB buildings as insignificant as possible. A regular shuttle will facilitate fast and efficient transmission of mail and other documents that cannot be sent electronically. In addition, a continuous minibus service will

ferry staff and visitors from one building to the other. Naturally, data transmission links will provide staff working in the new building with full access to IT facilities.

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EIB Vice-president Wolfgang Roth, assisted by Rémy Jacob (Deputy Secretary General) and Agustin Auria (Head of Common Facilities Management), signs the contract for the purchase of the Hamm building. On the right: Marthe Thyes-Walch (Notary) and Hanns-Claus Paquet (Architect and builder).



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President's visit to the New York Stock Exchange

A senior delegation of the EIB led by its President, Philippe Maystadt, visited New York on 30th September/ 1st October 2002. Amongst other activities on the agenda, were the concluding of listing arrangements for all EIB's outstanding USD global bond issues – seven issues for a total of USD 18 billion – on the New York Stock Exchange, providing an update to key U.S. financial institutions on the Bank's policies and perspectives and holding media briefings with a view to publicise the Bank's activities in the U.S. capital markets.

The New York Stock Exchange accorded the Bank with the privilege of bringing the trading activities of NYSE to a close at 4:00 p.m. EST at the end of the third fiscal quarter on

September 30th. The President rang the Closing Bell and the event was televised live on all major financial TV channels. Mr. Dick Grasso, President & CEO of NYSE presented Mr. Maystadt with a replica gavel and a medallion to commemorate the event. The EIB delegation was also given a tour of the trading floor and briefed about the Exchange's electronic trading systems. Later, the President was interviewed live on Bloomberg Television.

An NYSE listing facilitates EIB to distribute widely its bonds to institutional as well as retail investors. While EIB's USD securities have been quoted on NYSE since 1964, this is the first time that the entire outstanding global bond curve has been listed. This serves both to re-en-

force the importance attributed by EIB to the U.S. investor base and also as a statement of intent for increased presence in the U.S. capital market.

The Bank's USD funding programme is a key component of its presence in the global capital markets. Currently, the Bank has USD 28 billion outstanding in USD benchmark bonds. Of these, USD 17 billion have been issued in global format since January 2001. Targeting the size and breadth of the U.S. investor base is vital to EIB's strategic approach to the USD market.

**Carlos Guille
& Sandeep Dhawan
Americas, Asia & Pacific
Capital Markets Department**

