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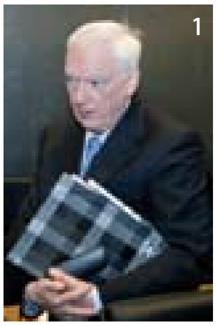
EIB Board of Governors' 2006 annual meeting reviews progress

At its 2006 annual meeting, the EIB's Board of Governors, consisting of the Ministers of Finance of the EU Member States, commended the Bank's commitment to moving forwards, increasing its risk appetite for priority projects, cooperating closely with the European Commission, launching new initiatives to improve the environment, and being a transparent institution.



1. P. Maystadt, EIB President
2. P. Solbes Mira, Finance Minister for Spain
3. Z. Balcytis, Finance Minister for Lithuania
4. K. H. Grasser, Finance Minister for Austria
5. J. C. Juncker, Prime Minister and Finance Minister for Luxembourg

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Increase of the SFF

Innovation, quality and increased value added were the focus of the new strategic orientations endorsed by the Board of Governors in 2005. In line with this strategy, there has since been a strong emphasis on financing projects under the Structured Finance Facility (SFF), which allows the Bank to finance projects with a higher degree of risk. To keep the momentum going, the Governors decided to make additional SFF resources available.

The SFF was originally established in 2001 with an overall indicative ceiling set at EUR 750m. It was designed as a special financial instrument for the Bank to finance the higher risk end of the investment grade spectrum and non-investment grade investments. Under the SFF, the Bank can provide financial products such as senior loans, mezzanine and subordinated debt, as well as financing investment funds with equity-type instruments. The SFF provides high added value, especially for research and innovation projects and for Trans-European Networks.

The Governors decided to increase the provision for the Bank's SFF from EUR 750m to EUR 1 250m, to be financed from the Bank's surplus. In addition, it also approved an overall ceiling for future SFF capital allocations of EUR 3 750m .

JASPERS/JEREMIE

The Governors gave their full support to JASPERS (Joint Assistance to Support Projects in European Regions) and JEREMIE (Joint European Resources for Micro-to-Medium Enterprises), two joint policy initiatives of the EIB Group, the European Commission (Regional Policy Directorate) and, in the case of

Activity in 2005

Total lending	*EUR 47.4bn (up 10%)*
Lending within the EU	*EUR 42.3bn*
Lending to new Member States	*EUR 5.8bn (+50%)*
Lending to Acceding and Accession Countries	*EUR 2bn*
Lending outside the EU	*EUR 5bn*
New borrowings	*EUR 50bn, through 330 bond issues in 15 currencies*
Outstanding loans at 31/12/2005	*EUR 294.2bn*
Outstanding borrowings at 31/12/2005	*EUR 248.3bn*
Net profit for the year	*EUR 1.39bn*
Economic and social cohesion within the EU	*EUR 34bn*
Innovation 2010 Initiative	*EUR 11bn*
Protection/improvement of the natural/ urban environment	*EUR 11bn*
Trans-European Networks	*EUR 8.2bn*
SMEs	*EUR 4bn in dedicated global loans*

JASPERS, the European Bank for Reconstruction and Development (EBRD). JASPERS and JEREMIE are aimed at maximising the impact of structural and cohesion fund support in the programming period 2007-2013.

EU Commissioner for Economic and Monetary Affairs Joaquín Almunia, representing the Commission at the EIB Board of Governors' meeting, underlined the importance of JEREMIE for supporting SMEs, a core EIB operational priority. JEREMIE will enable European Member States and regions to use part of their structural funds to obtain a set of financial instruments that are specifically designed to support micro and small and medium-sized enterprises. This initiative will contribute to growth and employment in line with the renewed Lisbon agenda agreed in March 2005.

Renewable energy

The Board of Governors also applauded recent initiatives of the Bank in the sector of energy savings and renewable energy (RE). The EIB aims to increase the share of RE in total new electricity generation capacity financed by the Bank in the EU to 50% by 2010. This includes a greater share for new technologies (other than wind and hydro schemes) and is in line with the EU's target of 22% of electricity generation being met from RE by 2010. To this end, the Bank is stepping up its funding of RE projects involving new and innovative technologies that can demonstrate that they have the potential to become economically viable within a reasonable timeframe. Such projects are also important in the context of the Lisbon agenda.

The road ahead outside the EU

The President also drew attention to important decisions that need to be taken later this year, in particular the renewal of the Bank's external mandates for the period 2007-2013 and a decision on the future set-up of the EIB's financing activities in the Mediterranean.

The Bank has intensified its dialogue with the Commission and other international fi-

Towards an increase in EIF's capital

Also on the agenda of the Board of Governors' meeting was an increase of the European Investment Fund's capital. The Governors voted unanimously in favour of issuing up to 1 000 new EIF shares, which would increase the subscribed capital of the EIF by 50% to EUR 3 000m. The EIB's participation in the increased paid-in capital would be EUR 200m. The Commission is launching a proposal to the Council and the European Parliament. EIF's General Meeting will receive a proposal on which to formally vote later this year.

Innovation, quality and increased value added were the focus of the new strategic orientations. The Structured Finance Facility (SFF) allows the Bank to finance projects with a higher degree of risk.

The EIB Board of Governors' meeting, underlined the importance of JEREMIE for supporting SMEs

Mr Genuardi stays on as Vice-President of the EIB

Mr Gerlando Genuardi was reappointed Vice-President of the EIB by the Board of Governors during their annual meeting. Mr Genuardi was appointed Vice-President of the Bank in 2001. His current responsibilities within the EIB's Management Committee include: financing operations in Italy, Greece, Cyprus and Malta as well as in the south-west Balkan countries; the budget; accountancy and financial risk control; and information technologies.

nancial institutions to ensure that the various EU funds and instruments available outside the Union are deployed with maximum efficiency. For example, the proposal for an increased mandate for Russia, Ukraine and other eastern countries builds on the respective strengths and expertise of the EBRD, the EIB and the Commission. Partnerships for infrastructure financing in Africa are being established with the goal of leveraging budgetary funds with EIB loans.

Corporate governance

Greater transparency on how it makes decisions, works and implements EU policies is a continuing corporate objective of the EIB, President Maystadt underlined at the meeting. In 2005, the Bank implemented most of the commitments laid down in its transparency policy. In particular, it redrafted its disclosure policy in consultation with civil society. The disclosure policy is based on a presumption of disclosure, limited only in specific cases by rules of confidentiality to protect clients' commercial interests. A Code of Conduct for Members of the Management Committee has also been established, along the lines of the provisions applicable to European Commissioners. □

by Daniela Sacchi-Cremmer
Communication and
Information Department

The Board of Governors applauded recent initiatives of the Bank in the sector of energy savings and renewable energy (RE).

The EIB's Annual Report was presented to the Board of Governors at its annual meeting on 7 June 2006. It can be consulted on the Bank's website www.eib.org/publications.

4th meeting of the FEMIP Committee of Experts:

foreign direct investment and energy at the heart of the discussions

by Joyce LIYAN
FEMIP Department

How to improve the business climate and attract more foreign direct investment (FDI) to the Mediterranean region? How to stimulate the development of Mediterranean energy markets and increase the use of renewable energy?

These two questions were the focus of discussions by participants in the meeting of the Committee of Experts of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which took place on 20 and 21 March 2006.[1]

Held in Vienna at the invitation of the Austrian presidency of the European Union (EU), the 4th meeting of the Committee of Experts brought together some 100 high-level participants from the EU Member States and Mediterranean partner countries[2] from both the public and private sectors. Representatives of the European Commission, international financial institutions and European bilateral development agencies also took part in the debates alongside academics and consultants.

Cutting red tape

The first workshop analysed the positive impact of FDI on the economy and examined the main factors conducive to establishing

[1] Further information on the FEMIP Committee of Experts and the texts of the presentations given by the various speakers are available on the EIB's website: http://www.eib.org/news/events/

[2] Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey.

an attractive investment climate. There was a detailed presentation of successful experiences in the new EU Member States, the Netherlands, Jordan and Tunisia. The Netherlands example particularly caught the attention of the participants, who suggested forming a working group within the finance ministry of each Mediterranean partner country with a mandate to introduce measures to simplify the type of administrative procedures that discourage the local and foreign entrepreneurs.

The participants also invited FEMIP to help the Mediterranean partners identify the priority reforms necessary to cut red tape and called on professional associations and chambers of commerce to formulate enterprise development services.

Increasing energy interconnection projects and supporting renewable energy

The second workshop on energy emphasised the need to strike a balance between sustainable development, competitiveness and security of supply, in accordance with the EU's Green Paper on energy, published in March 2006. As investment requirements in the energy sector are deemed to be huge (estimated at some EUR 30 billion for electricity generation alone in the next five years), the participants agreed on the need to press ahead with energy sector reform in the Mediterranean countries in line with the most recent EU directives. This especially entails liberalising the electricity and gas sectors with the aim of improving energy efficiency and ensuring a supply of affordable energy.

With this in mind, the experts asked the Bank to continue playing, through FEMIP, its leading role in the electricity and natural gas sectors, in close cooperation with other financial institutions, by financing energy interconnection projects and the enhancement of national energy infrastructure. They also called on FEMIP to continue supporting renewable energy projects and schemes under the Clean Development Mechanism (CDM) as defined by the Kyoto Protocol[3].

Following a lively debate, the participants unanimously stressed the need to follow up more closely the meetings of the FEMIP Committee of Experts, which has gradually developed into a genuine Euro-Mediterranean think tank on economic and financial issues.

In the closing session of the meeting, the experts agreed to submit their recommendations to the Euro-Mediterranean Finance Ministers, who will be meeting in Tunis on 25 and 26 June. ☐

[3] The CDM is based on the implementation of projects enabling public or private sector entities in industrialised countries to invest in activities that reduce greenhouse gas emissions in developing countries in return for carbon credits.

FEMIP: in addition to financing, a forum for dialogue and exchange

FEMIP brings together all the EIB's support mechanisms for economic development in the Mediterranean partner countries. In operation since October 2002, it has financed more than 77 projects totalling over EUR 7.2 billion.

Forming part of the Barcelona Process, FEMIP encourages the economies of the Mediterranean partner countries to modernise and open up. To that end, it focuses on private sector development and the creation of a favourable climate for investment.

FEMIP also pursues a policy of dialogue with its Mediterranean partners. It holds an annual Ministerial Committee meeting bringing together the Finance Ministers of the EU and the partner countries, whose deliberations are prepared by a committee of experts that meets twice a year.

The Euro-Mediterranean Ecofin and FEMIP Ministerial Meeting was held in Tunis on 25 and 26 June.
From left to right:
J. L. Biancarelli, EIB Director General for FEMIP; P. de Fontaine Vive, EIB Vice-President;
N. Jouini, Tunisian Minister of Development and International Cooperation;
M. Ghannouchi, Prime Minister of Tunisia; K. H. Grasser, Finance Minister for Austria;
J. Almunia, European Commissioner; A. de Lecea, European Commission.

FEMIP deepens its expertise on economic issues in the Euro-Mediterranean region

Henry Marty-Gauquié
Director – Liaison with International Organisations
EIB – Paris Office

In addition to its financing operations, FEMIP aims to make available to the participants in the Euro-Mediterranean Partnership the analytical data required to understand the challenges of development and, in particular, the factors strengthening the financial and banking sector of the partner countries.

To supplement its financing in support of the development of the Mediterranean partner countries, FEMIP has put together an ambitious technical assistance programme based on two instruments:

- the FEMIP Support Fund, financed by the European Commission (MEDA), to assist investment projects;
- the FEMIP Trust Fund, financed – to date – by 15 EU Member States and the European Commission, to support private sector development by financing studies and upstream assistance and providing private equity .

In 2003-2005, these two instruments underpinned some 50 operations aimed at bolstering the financial and banking sector of the partner countries (31% of financing) or involving environmental protection (32%), infrastructure (32%) or human capital formation (5%).

In the framework of its Trust Fund, FEMIP recently completed the first benchmark study on remittances made by Mediterranean migrant workers from Europe to their

FEMIP is about to launch the consultation process on the measures to be taken to improve the economic impact of the EUR 7bn transferred by migrants each year from Europe to the Mediterranean countries.

country of origin. In parallel, on 13 March the EIB signed a framework cooperation agreement with the FEMISE university network, which specialises in studying economic issues in the Euro-Mediterranean Partnership area.

Putting migrant remittances to the Mediterranean region to better use

The study on migrant workers' remittances[1] reveals the extent of the phenomenon – some EUR 7bn is "officially" transferred each year from Europe to eight Mediterranean countries. It also shows that the transfer methods used prevent the funds from being put to sufficiently good use in order to finance productive investment.

A number of obstacles (low level of bank usage by migrants and recipients, exclusive contracts between money transfer companies[2] and the postal services, non-transparency of costs, etc.) impose high transaction costs – either transfer costs (which can be as much as 18% of the sum transferred) or costs connected with the foreign exchange terms applied to the recipients.

By virtue of the range of issues addressed and recommendations made, the study provides a sound basis for engaging in a process of information and consultation on the measures to be taken to improve the terms offered to migrant workers and increase the impact of remittances on financing the development of the Mediterranean partner countries. Accordingly, FEMIP intends to place this issue on the agenda of a future Committee of Experts meeting and raise awareness among banks in both the Member States and the partner countries with which it has dealings so as to explore the feasibility of the following proposals:

- encourage increased use of banks by those sending and receiving remittances and devise savings or investment products coupled with transfer methods using modern technology;

- improve the efficiency of payment systems by modernising those of the partner countries and linking them to European and international systems;

- improve banks' refinancing terms in the partner countries by helping to introduce remittance-backed securitisation mechanisms. These would enable banks in the Mediterranean countries to access the international capital markets on keener terms than those offered by the refinancing methods currently available to them, which, in any event, are limited by the credit rating of the country of the issuing bank;

- provide migrant workers with better information on ways to access remittance services by introducing new instruments (such as websites) and involving emigrant organisations in the design of tailored products.

Partnership with the Femise network

As part of the EIB Group's new partnership policy towards universities, the EIB has entered into a partnership agreement[3] with the Euro-Mediterranean forum of economic institutes, FEMISE, which brings together 55 institutes specialising in the study of the Euro-Mediterranean Partnership. FEMISE is run jointly by the University of Cairo's Economic Research Forum and the Marseille-based Mediterranean Institute and covers 12 EU countries and all of the Mediterranean partner countries.

Cooperation with the FEMISE network[4] will encompass a number of fields: studies, consultation on particular issues, exchanges of experts, labelling of joint operations, etc. It will be based on a programme of network activities that fully accord with FEMIP's objectives:

- transition and economic reforms, including economic governance and private sector development;

- social policies, especially on public health and employment;

- regional integration: North-South and South-South;

- the role of the State and the reform of economic institutions;

- the potential social and economic contribution of the Wider Europe-Neighbourhood Policy. ☐

[1] Available on the EIB's website at: http://www.eib.org/publications/publication.asppubl=244.
[2] The two leaders being Money Gram and Western Union.

[3] The text of the agreement is available on the EIB's website at: http://www.eib.org/publications/publication.asp?publ=245.
[4] Further information on the FEMISE network is available at: www.femise.org.

The Republic of Maldives

Signature of framework agreement and post-tsunami line of credit to Ministry of Finance

The President, H.E Gayoom, and Mr Jean-Louis Biancarelli

On 5 April 2006, the first ever loan agreement between the Republic of Maldives and the European Investment Bank was signed by Mr Jean Louis Biancarelli, Director General for Lending Operations outside Europe, and H.E. Gasim Ibrahim, Finance Minister. From the EIB, Mr Biancarelli was accompanied by Ms Regan Wylie-Otte and Ms Sunita Nilles-Lukkhoo.

The signature was preceded, as a precondition, by the inclusion of the Republic of Maldives as an eligible country under the mandate conferred on the EIB by the Council of the European Union. Furthermore, the conclusion of a framework agreement for financial cooperation between the Republic of Maldives and EIB was also necessary. These two acts paved the way for possible future operations.

The tsunami in the Indian Ocean region on 26 December 2004 caused widespread damage to certain coastal regions in surrounding countries. In its wake, the EIB promptly identified potential projects in the most seriously affected countries, including Maldives, which could benefit entities that had suffered direct or indirect losses as a result of the tsunami. This was by far the greatest natural catastrophe ever experienced by Maldives, which was moreover the only country to be hit by the disaster on a nationwide scale. Although the loss of life was fortunately low, there was nonetheless widespread damage to infrastructure.

The agreement signed represents the EIB's concrete response to the destruction caused by the tsunami. It will enable the financing of projects in areas such as the rehabilitation, replacement or reconstruction of infrastructure and business facilities (mainly in the tourism sector) as well as environmental improvement and disaster prevention.

Despite the extraordinary response to the catastrophe by the international community, none of the funds pledged appeared to target the tourism sector, which on its own suffered substantial damage and losses. Overall macroeconomic developments have been affected by the pace of the restoration of tourism, as well as by the amount and timeliness of the external assistance that is being made available.

The EIB funding provided will contribute to the rapid reestablishment of tourism as a tsunami-affected sector and will thus represent a first step towards long-term and fruitful cooperation between the Republic of Maldives and the European Investment Bank. ☐

By Sunita NILLES-LUKKHOO
Asia and Latin America Department

Reconstruction after the October 2005 earthquake in Pakistan

By Sunita NILLES-LUKKHOO
Asia and Latin America Department




New cement plant in Khairpur

On 2 April 2006, a loan of EUR 35m to DG Khan Cement Co Ltd. for the construction of a new cement plant in Chakwal District in central Pakistan was signed by Mr Jean Louis Biancarelli, Director General for Lending Operations outside Europe, and Mr Raza Mansha, Chief Executive Officer.

This operation has been made possible by the cooperation of various actors, notably the prominent and successful Nishat Group, the well-established ABN AMRO Group, and as a European industrial partner, FLD Schmidt. With the support of such well-known and respected participants, this is the EIB's first private sector financing operation in Pakistan.

It is worth noting that this loan to DG Khan will "cement", a long-term partnership between an EU technology provider and the Pakistani company, which includes inter alia the transfer of expertise regarding operation and maintenance, staff training and the introduction of high international environmental standards.

The project will also involve the exploitation of low-priced domestic raw materials through the production of local cement by a modern, internationally competitive, industry, thereby contributing directly to the country's industrial development and economic diversification in a particularly backward rural region.

An increase in cement production capacity will assist Pakistan in maintaining sufficient growth of cement output, which is clearly essential for the development of the country's infrastructure and implementation of affordable housing projects, especially in the wake of the October 2005 earthquake. Increased production will induce greater competition in the domestic market and give a boost to the export market to Afghanistan and Iran.

A positive social impact and contribution to poverty alleviation is expected in the vicinity of the new plant, which is located in one of the less developed rural areas of Pakistan, where unemployment is relatively high. □

2005: a fruitful year for EIF

Innovative finance to finance innovation

by Delphine Munro
Corporate Affairs and Finance

EIF: focus on SME financing

As the only European Community institution with a specialised focus on SME financing, the European Investment Fund has an essential role to play in pursuing core EU objectives such as innovation, research and development, entrepreneurship, growth and job creation.

Within the Community policies, the Lisbon Strategy for European competitiveness remains a key driver of EIF's activities. The European Research Area objectives, which revolve around maximising Europe's considerable research potential in science and technology and encouraging greater private investment in R&D, are also of increasing importance.

Furthermore, in March 2006 the Lisbon Coordination Group stressed the need to reinforce the financial instruments operated by EIF on behalf of the Commission in order to enhance SME finance with venture capital and guarantees and extend its activities to the financing of technology transfer.

EIF: contributor to the EIB's strategic priorities

As part of the EIB Group, EIF is a significant contributor to three of the European Investment Bank's five strategic priorities: the "Innovation 2010 Initiative", SMEs, and cohesion and regional policy. As such, EIF is a pillar of the newly-adopted Group strategy, approved by the EIB's Board of Governors in June 2005, which aims at better operational coordination and an increasing number of joint operations, as already initiated through joint securitisation deals in 2005. By developing such instruments, both institutions are in a better position to increase the value added of their operations for clients as well as to address the financing requirements of SMEs more effectively.

Highlights

2005 was another positive year for EIF in terms of both investment activity and the institution's growth and ability to respond to new opportunities.

Broadening of venture capital investment activities

In 2005, venture capital commitments ran to EUR 468m invested in some 24 funds. This compares to EUR 358m committed in 2004.

VC commitments amounted to EUR 3.2bn at end-2005. With investments in some 220 funds, EIF is a leading player in European venture capital, due to the scale and scope of its investments, especially in the high-tech and early-stage segments, and its policy of taking positions alongside private sector investors. EIF has established itself as a key institution in promoting innovative financial instruments for SMEs developing best practice and corporate governance.

EIF has continued to broaden its investment activities beyond early-stage funds, adding mid- and later-stage funds. However, in terms of sector, EIF's VC portfolio still concentrates on technology (primarily information and communications technologies - ICT) and life sciences, which account for 56% of the portfolio.

EIF was closely associated with one of the 2005 success stories through its investment in Skype (voice over internet) via the first fund managed by Luxembourg-based Mangrove. Having supported Mangrove since its inception, this also confirms EIF's competence in identifying successful new fund management in the technology segment.

EIF's expertise and breadth of portfolio enables it to specifically target niche strategies in European venture funding, as demonstrated by its investment in Nordic Biotech. Nordic Biotech is a special situation investor in life science companies aimed at assembling late-stage assets in newly-established firms to achieve critical mass in their market position.

The ERP-EIF Dachfonds – the fund EIF is managing on behalf of the German

Federal Ministry of Economics and Technology (BMWi) and The European Recovery Programme – is exceeding expectations. EUR 115m was committed in four funds, which in turn helped raise another EUR 554m from private investors, highlighting EIF's leveraging effect on the market.

In 2005, an investment mandate with a first close of almost EUR 200m, managed by EIF in collaboration with CDTI (the innovative technologies development centre of the Spanish Ministry of Industry), was set up to support investments in Spanish SMEs fostering innovation and research and development together with a range of private sector corporate investors.

In a still uneven macro-economic environment, the private equity and venture capital industry is actively contributing to job creation in the EU's 25 countries, as highlighted by a recent study published by EVCA[1]. In this context, EIF's commitment has substantially impacted the creation of jobs in Europe.

With a strong improvement in exit opportunities, the portfolios managed by EIF have yielded stronger capital gains and reflows from realisations during 2005 and early 2006.

EIF is set to continue performing a significant role in European VC as a steady and reliable player in technology investments alongside private investors, while developing support for technology transfer.

The guarantees portfolio

SME guarantees for EUR 1.7bn were issued in 2005 bringing the total portfolio to EUR 9.3bn at year-end 2005. EIF's guarantee activity is conducted with EIF's own resources and under mandates from the European Commission.

EIF offers two main product lines for its SME guarantee activity: credit enhancement for securitisation and credit insurance/re-insurance (including for micro-finance). Under EIF's own resource activity, some EUR 457m worth of credit enhancement operations were signed and one credit insurance deal for EUR 15m was completed.

EIF's role in securitisations is to enhance SMEs' access to debt finance by facilitating credit risk transfer from the originating banks to the capital markets. This is achieved by guaranteeing certain risks. EIF's top credit rating and MDB status make possible reduced regulatory capital allocation on assets guaranteed by EIF and thereby enable financial institutions to expand their lending capacity. When opportunities arise, this activity is conducted in cooperation with banks, especially EIF shareholders, with EIF often taking mezzanine tranches. This was the case in the BPI (Banco Português do Investimento) transaction in Portugal in early 2005, where EIF was advisor and guarantor alongside the EIB and KfW as investors.

In 2005, EIF signed 24 guarantee operations amounting to EUR 1.2bn under the guarantee window of the current EU programme of DG Enterprise (MAP – Multi-Annual Programme for SMEs 2001-2006). Over 260 000 SMEs have benefited from this programme and its predecessor.

We estimate that, since inception, the guarantees issued by EIF on these programmes have helped to generate loans worth at least 15 times the accountable EU budgetary commitment; this leverage effect has been key to the financing of SMEs in Europe, particularly small SMEs and those in the new Member States and Acceding Countries.

The micro-finance guarantee facility included in this MAP window supports entrepreneurs and micro-enterprises with up to 10 employees, guaranteeing micro-loans of up to EUR 25 000. It is aimed at entrepreneurs who are starting a business and face particular difficulties in gaining access to financing due to the relatively higher risk they represent and the insufficient security they can provide to lenders. Guarantee commitments have reached roughly EUR 147m, a substantial amount considering that the size of the micro-loans is on average just below EUR 10 000.

In a groundbreaking operation in Europe, EIF structured and co-arranged the securitisation of loans to micro-finance institutions (MFIs). This is a very significant transaction involving several countries, mostly in southern Europe. Through this asset-backed funding deal, MFIs will secure long-term funding to support continued growth in their micro-lending. Despite the small size of the micro-loans, there is high potential in terms of business productivity gains and job creation supported by this important niche lending activity. It is estimated that this transaction will result in the direct financing of at least some 20 000 new micro-loans. Total note issuance was for EUR 30m. Another similar transaction was completed in early 2006, for EUR 50m.

Developments

EIF has developed its role in technical assistance in the SME sector, notably with national and regional authorities implementing early-stage venture capital schemes. Examples include the assessment of venture capital funds and schemes in Andalusia and Flanders.

The JEREMIE (Joint European Resources for Micro to Medium Enterprises) initiative was set in motion in late 2005 by the European Commission's DG Regional Policy and EIF to enhance SME access to finance in the EU regions.

Member States and regional authorities can outsource the management of structural funds for financial engineering/SME finance programmes to EIF, thus transforming parts of the ERDF (structural funds) grants into a range of financial products for SMEs. These products will include equity, venture capital, guarantees and technical assistance, and will allow a multiplier effect on the budget. Special emphasis may be given to micro-finance.

In 2006-2007, EIF's implementation team and the national or regional programme authorities will assess the gaps between supply and demand for SME access to finance in cooperation with national institutions and agree on operational action plans. Following this phase, EIF will help implement the financing schemes in close cooperation with lending institutions such as the EIB, other

[1] Undertaken for EVCA by the Center for Entrepreneurial and Fiscal Studies (CEFS) at Munich Technical University, and published in November 2005, the study examines both the current levels of employment by private equity and venture capital-financed companies as well as the new jobs created by the industry in recent years.

international financial institutions and national or local banks, including several EIF shareholders.

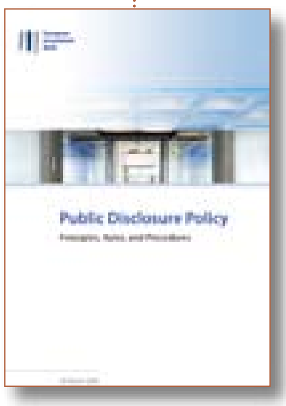
EIF's AAA/Aaa/AAA ratings were reconfirmed in 2005 by the rating agencies Standard & Poor's, Moody's and Fitch. EIF's Compliance Function has been established. Important progress towards meeting IFRS accounting requirements is to be completed in 2006.

As far as financial performance is concerned, 2005 showed a significant improvement on the previous year, with an audited net profit of EUR 42.9m, compared to EUR 27.2m in 2004 (EUR 19.7m in 2003), and a return on equity of 7.44%, compared to 4.9% in 2004. □

Public consultation on public disclosure policy

by Matilde del Valle Serrano
Communication and Information Department

The EIB's Board of Directors approved the Bank's revised public disclosure policy on 28 March 2006. The policy is now published in all the official EU languages on the EIB's website. Before Board consideration, the draft disclosure policy went through a public consultation process, which started in May 2005. This was the first consultation on an EIB policy. A public consultation report, outlining the consultation process and summarising the stakeholder contributions and the EIB's comments on these has also been posted on the Bank's website[1].



The consultation process

The consultative process focused on a revised proposal for the Bank's disclosure policy. The Bank adopted a flexible approach in terms of timetable and procedures to allow as full a consultation as possible. The consultation process formally started in May 2005

[1] The Public Disclosure Policy and the Public Consultation Report may be consulted at www.eib.org.

and ended in July 2005. A revised draft disclosure policy (Draft I) was posted on the website for comments with a time limit for reception of responses of 45 working days. At the same time, the draft was sent by mail to over 200 organisations and individuals who had shown a particular interest in the Bank's disclosure and information policy, including members of the European Parliament and the European Economic and Social Committee, think tanks, academics, NGOs and other civil society organisations (CSOs).

Following written comments from and discussions with interested stakeholders, the Bank launched a second 20 working day consultation process on a re-edited draft policy that took into account public contributions received during the first consultation period. The second round of consultation started in October 2005, when the new draft was posted on the Bank's website for public comment. Stakeholder contributions (7) in the first round of consultation were published on the EIB's website for information. After completion of the second round, the more than 30 contributions received during this period were also published on the Bank's website.

Review panel

A review panel was set up within the EIB to consider all stakeholder contributions and examine the extent to which these could be taken into account. The panel's evaluations of the contributions provided the framework for re-drafting and editing the draft policy.

The stakeholder proposals and comments are listed in the public consultation report. A table indicates whether or not the Bank has taken them into account. Where comments were not considered, the reasons for this are also set out.

Public consultation meetings

In addition to the web-based consultation process, the Bank held two public consultation meetings to discuss its policy review with interested stakeholders. The first was held in Brussels in June 2005, chaired by Peter Sedgwick, EIB Vice-President with responsibility for transparency. The meeting brought together some 20 people, including representatives from NGOs and think tanks, consultants, observers from EU and international financing institutions, and EIB staff members.

The second meeting was held in Brussels in November 2005, chaired by the Deputy Secretary General. Among the 20 attendees were 12 NGO representatives and staff from the EIB, the European Parliament and the World Bank. Stakeholder proposals and comments voiced during the public meetings were then submitted to the review panel.

Internal consultation

As part of the consultation process, internal stakeholders were also encouraged to comment. The draft policy and details of the consultation process were distributed within the Bank. EIB Directorates had an opportunity to submit contributions, as had all EIB staff members. They were invited to discuss the policy draft with Vice-President Peter Sedgwick and the Deputy Secretary General in a seminar.

End of the consultation process

The final draft disclosure policy and consultation report were submitted for approval to the Management Committee in February 2006. In March 2006, the Board of Directors approved the revised policy.

Formal reviews of the disclosure policy will take place every three years. The EIB will also review the public disclosure policy from a legal perspective in order to bring it into line with the "European Parliament and Council Regulation on the application of the provisions of the Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters to EC institutions and bodies" (the "Aarhus Regulation").

The EIB is now considering undertaking a consultation process on its anti-fraud and corruption policy. □

VP Peter Sedgwick and Deputy SG Rémy Jacob held an open forum on the Bank's public disclosure policy.

Discussing the disclosure of information with civil society

Innovation and cohesion: a happy partnership

by Cees Post
Communication and Information Department

It is a well known fact that, at the Lisbon Council of March 2000, the European Union set itself the goal of establishing a competitive, knowledge-based economy by 2010. It is sometimes forgotten that the ultimate purpose of this new economy is to create sustainable growth, with more and better jobs, and greater social cohesion. The European Investment Bank's Innovation 2010 Initiative (i2i), which underpins the Lisbon Strategy, finances investment that both stimulates innovation and promotes social cohesion.

The EIB's i2i lending focuses on three broad categories: a) research, development and innovation (RDI); b) education and training; and c) the diffusion of technologies and development of information and communication technology (ICT). Since i2i was set up in 2000, the Bank has lent EUR 34.7bn for innovative investment projects. Of this amount, EUR 25bn (72%) went to projects in the European Union's poorest regions. Financing innovation in the regions helps to offset the tendency for such investment to be concentrated in the wealthiest parts of the EU. The focus on the regions is testimony to the high value added of the EIB's involvement and its commitment to the transfer of knowledge to areas of the Union that are lagging behind.

2005 was a top year for innovation and cohesion

In 2005, EUR 8.8bn of the EIB's lending for projects furthering economic and social cohesion also supported the Lisbon Strategy. Or, putting it the other way around, of the EUR 10.4bn in loans for innovation, 84% went to projects in the less developed regions.

Research, development and innovation accounted for EUR 5.8bn, an impressive 95% of all RDI financed by the Bank in 2005. Investment at research institutes in assisted areas in Germany attracted EUR 3.2bn, going inter alia to basic and applied research at independent national research institutions such as the Max Planck Gesellschaft and Fraunhofer-Gesellschaft; research activities in three leading science centres in Bavaria; the construction of a research, development and production site for semiconductors in Dresden; and research activities at universities and university colleges of technology in Lower Saxony. EUR 650m went to R&D-driven investment in the automotive sector in the Czech Republic and Slovakia.

The EIB recognises that education plays a significant role in stimulating long-term economic growth as well. Of a total of EUR 2.2bn for i2i investment in education in 2005, close to EUR 1bn (44%) went to assisted areas. Projects included the construction, refurbishment and maintenance of schools, for example in North Lanarkshire and Argyll and Bute, but also innovative schemes such as the Hungary Student Loan Centre, Diákhitel Központ, which is channelling EUR 100m in Bank funds as student loans to higher education students on favourable terms and conditions. Hungary's higher education system has undergone massive changes in recent years. Undergraduate and graduate numbers have more than doubled over the last decade, reflecting an evolution towards a more inclusive educational system.

In 2005, EIB lending for information and communication technology networks, the third category of i2i investment, which is crucial for the diffusion of innovation and the sharing of data, was heavily concentrated in assisted areas. Loans in the regions totalled more than EUR 1.8m, equivalent to fully 97% of all ICT networks financed. The rollout of broadband access networks, for example, attracted EUR 400m in Spain, EUR 350m in southern Italy and EUR 500m in Germany's eastern Länder.

Continuing a dual strategy

The extreme concentration of lending for RDI and ICT projects in assisted areas in 2005 is not likely to be repeated in the years to come: much depends on the availability of investment opportunities in any given year. Nevertheless, the EIB will continue to combine cohesion policy and the implementation of the Lisbon Agenda whenever possible. The i2i experience has shown that these two mutually reinforcing strategies have been able to create sustainable growth and high-quality jobs. ☐

Science Parks
– a tool for the development of the knowledge economy?

by
Luisa Ferreira
Laura Piovesan
Patrick Vanhoudt
Projects Directorate

If the EU wishes to maintain and further improve its living standards, it has to safeguard its competitive edge in the global technology race. On 18 May a conference organised by the Projects Directorate of the EIB examined the role and impact of science parks in the development of the knowledge economy.

Nobody would deny the role of science and innovation in the context of the knowledge economy. Buzzwords like R&D, venture capital, incubators and industrial clusters have gained the attention of policy makers and business managers worldwide.

In the perspective of stimulating innovation, Science and Technology Parks (STPs) – complex real estate developments with strong scientific, production and service components – constitute one type of organisational response. Following their emergence in the US in the 1960s, STPs have been established at an increasing rate across Europe, mainly since the 1980s, with the task of encouraging the growth of knowledge-based industries by offering state-of-the-art infrastructure and a range of services to high-tech firms and by facilitating links with universities and research centres. The diversity of levels of economic development, as well as of national and regional cultural and legal frameworks, has led to the creation of a broad array of STP models. Also, the success rate of science parks as drivers of the transformation of knowledge into technology has been rather uncertain, as some have turned out to be successful, while others have either remained underutilised or developed into heavily subsidised industrial zones.

Currently, STPs are spurring renewed interest. One may wonder whether this is a fashion that is here to stay or whether it could be too much of a good thing. Consequently, the Bank's Industry and Services Department took the initiative of studying the role and impact of science parks in the development of the knowledge economy.

As part of the study and in order to validate its findings, a conference was organised in collaboration with the International Association of Science Parks (IASP).

The conference was divided into three sessions. The first dealt with innovation policy in general (D. Pilat, OECD) and the economic rationale for science parks in particular (P. Vanhoudt, EIB). The second session started off with a discussion on the appraisal of science parks, for which L. Sanz (IASP) presented an application being developed called "Strategigram". This was followed by an overview of the financial instruments available from the EIB Group to support sound science park projects and the challenges faced in this respect (F. Riedl, EIF; and T. Barrett, EIB). In the afternoon, the conference continued with lessons learnt from particular case studies, both in the EU (L. Ferreira and L. Piovesan, EIB) and outside the EU, in Tunisia, where the EIB has financed several technopoles (Ph. Guinet, EIB, and S. Harbi, Tunisian Government). The conference concluded with a round table debate on the critical factors and bottlenecks for science parks to become a success (M. Baccanti, San Raffaele, Italy; A. de Oliveira, TagusPark, Portugal; P. Huuskonen, Technopolis, Finland; K. Plate, Heidelberg, Germany; L. Sanz, IASP; and P. de Visscher, Icoms Communications, Belgium).

Key messages of the conference

Four key messages emerged from the conference:

- Firstly, science parks need to be thought of in the context of a wider technology transfer strategy. A consequence of this is that it may neither be desirable nor feasible to equip all urban regions and cities with a science park. Also, contemporary science parks should be demand-led, not supply-driven. This makes it likely for science park developments to follow regional economic growth, as opposed to preceding it. It may thus be preferable to support emerging winners, rather than trying to pick potential champions in advance or attempting to merely replicate successes seen elsewhere. In fact, given that science parks typically require a long time to mature, political interference, possibly connected with short-term political cycles and targets, was perceived as one of the barriers to the success of science parks.

- Secondly, management is at the core of any successful science park. In the end, the quality of a science park depends on the success of its tenant companies, and it is the role of the science park manager to attract, select, retain and support companies with a high potential. Yet the complexity of stakeholders requires a science park manager to combine the knowledge of a scientist, the expertise of a businessman and the acumen of a politician in one single person. This calls for dedicated training programmes of a type which is so far non-existent. The IASP has recently recognised this lacuna and will be acting on it.

- Thirdly, successful science parks turn out to be those that are embedded in a sufficiently strong economic fabric that includes the majority of specialised services and productive enterprises. While close cooperation with a university or research centre plays a crucial role in the efficacy of a science park, a formal association with either of these is perceived as desirable, but by no means an essential element of success.

- Fourthly, different science parks are faced with different financial needs, and no single financing model fits all. Broadly speaking, the required type of finance follows the three distinct phases in the life cycle of a science park. The first is the provision of the infrastructure, for which long-term loans seem to be a suitable instrument. The second phase is that of financing start-up companies on-site, which often necessitates the availability of seed capital. The third phase is that of deployment and initial industrial-scale production of spin-offs, possibly accompanied by a move off-site. Here accessibility to both venture capital and traditional loans would seem to be an enabler.

In conclusion: science parks constitute a suitable tool in the palette of innovation policy for the development of the knowledge-based economy, if they are well designed, form part of a dedicated regional innovation strategy, are well managed, and can benefit from access to appropriate capital markets in each of their phases.

A short overview of the conference and the speakers' presentations can be found on the Bank's website (www.eib.org). ☐

EIB Universities Research Action

by Alain Javeau
General Secretariat

To broaden its long-term university relationships and channel EIB support to European universities more systematically, the Bank recently launched a Universities Research Action.

This Action will provide a more coherent response to the numerous requests, notably for financial assistance but also for research inputs, from a multiplicity of academic centres. It will also create a channel for some of the academic and research expectations of staff.

The Action consists of three separate programmes:

EIBURS, the EIB University Research Sponsorship programme, which provides grants to EU university research centres working on research topics and themes of major interest to the Bank.

STAREBEI, Stages de Recherche BEI, a programme for financing young researchers working on joint EIB-university projects.

EIB University Networks, a mechanism for sponsoring university networks, focused on areas of interest to the EIB.

A specific committee (Comité BEI-Universités – CBU), chaired by the President of the Bank, is supervising the Action[1].

The EIB University Research Sponsorship (EIBURS) programme

The EIBURS programme will provide support to EU university research centres working on research themes of major interest to the Bank and become a vehicle for facilitating research and continuous education for EIB staff.

Sponsorship will be awarded through a competitive process to interested university departments – or research centres associated with universities in EU, Acceding and Accession Countries – with recognised expertise in topics of direct interest to the Bank. An EIBURS sponsorship will entitle the beneficiary (the EIBURS centre) to obtain up to EUR 100 000 per year, for a period of three years, in exchange for a commitment to develop activities additional to those normally carried out by the centre. These will be jointly agreed and entail the delivery of a variety of outputs (research, education, networking, dissemination of results, etc.) that will be the subject of a contractual agreement with the Bank. The initiative for academic and research activities is expected to come from the university. The Bank could, however, propose some specific activities, in particular relating to research and continuous education involving EIB staff.

For its first year of operation, the programme has selected the following four lines of research:

[1] Comité BEI-Universités: Philippe MAYSTADT, Chairman (President of the Bank); Matteu TURRÓ, Coordinator (management team); Hugo WOESTMANN, Roderick DUNNETT, Eric PEREE, Jacques LILLI, EIF; Alain JAVEAU, Secretary (management team)

• Financial and economic valuation of environmental impacts

• Technology assessment and acceleration of innovation

• Public-private partnerships

• Social dimensions of sustainable development

These lines of research must fall within one of the main areas of interest of the candidate centre. The calibre of the research carried out in the centre, the quality of the activities proposed, the staff assigned and the management structure of the EIBURS centre, along with the capacity to host and work with EIB staff and the potential to send trainees to the EIB, are the main criteria that the selection committee will apply in appraising bids.

Stages de recherche BEI (STAREBEI) a programme for financing young researchers working on joint EIB-university projects

The STAREBEI programme supports the joint interests of university centres and EIB staff by providing traineeships for junior researchers interested in carrying out research projects proposed by the Bank under the joint supervision of a university tutor and an EIB tutor. This synergy between the academic world and the Bank's professionals is designed to produce research outputs that help to improve the know-how of both the Bank and the academics involved, raise the Bank's profile, motivate its staff and provide a rich experience for young researchers. In contrast to EIBURS, which is based on activities proposed by the university centres, research initiatives under STAREBEI must originate from the Bank.

Main features of STAREBEI

The programme supports university researchers for periods of between six months and one year. Traineeships will be channelled through the university and involve some presence on the Bank's premises, but most working time will be spent at the university centre.

The STAREBEI programme has a different approach than the traditional EIB traineeship. It is research-oriented and has stronger academic requirements. The programme will also finance certain expenditures linked to the research and, in particular, necessary travel expenses both for the trainee and his/her tutor at the university.

STAREBEI could provide for some eight to ten research traineeships per year. Each will involve a contract between the EIB and the university supporting the research.

Any university located in the EU and awarding doctorate level degrees in line with the Bologna process is eligible to participate in the STAREBEI programme. Whilst universities must be EU-based, there are no constraints on the nationality of the researchers proposed by the university, provided that they have the proper status (connection with the university, visa, etc.).

The EIB tutor will supervise the work of the trainee, in close cooperation with the university tutor. Tutors are required to ensure that the work is carried out appropriately. The desired outcome of the exercise is a thesis and/or research paper (preferably publishable), which should usually be co-authored by the tutors. The CBU team supervises and administers the programme.

Sponsoring of university networks using the "EIB University Network" label

The EIB Group has established a mechanism for sponsoring university networks presenting characteristics that are of particular relevance to supporting the Group's objectives. These networks will be used by the EIB as preferred vehicles for publicising EIBURS and STAREBEI and meeting other research requests from departments that cannot be accommodated by these two programmes. They will provide the Bank with information relevant to its activities. Where appropriate, universities will be entitled to use the "EIB label" in their promotion.

Main features of the network sponsoring mechanism

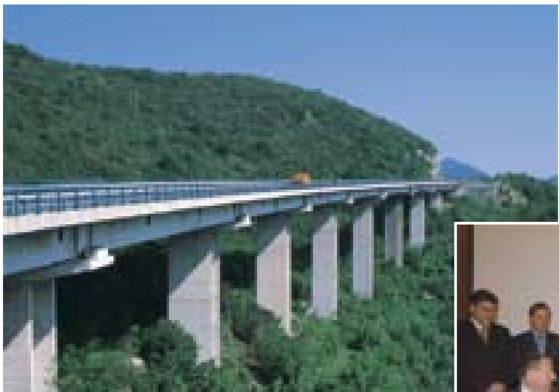
The "EIB University Network" label will be available to any university network, defined as a cooperative network for educational, research and development activities with a specific purpose. The network should have an academic focus, even though it could include non-university organisations. To obtain the label, the main purpose of the network and the activities it supports must be of direct interest to the EIB Group. The network must also prove that it has worked adequately for a period of at least three years. Proposals received from university networks should provide sufficient information on their activities, indicate their expectations from the envisaged collaboration with the EIB and propose the procedures that the association would use, notably indicating a focal point for EIB communications with the network.

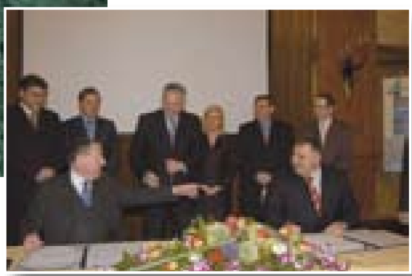
The Comité BEI-Universités (CBU) will accept or reject the proposals. Approved proposals will be the object of a specific agreement with the network through a Memorandum of Understanding that will have similar features for all sponsored networks.

Whilst the fact of belonging to a sponsored network will be considered a positive aspect in the selection processes of EIBURS and STAREBEI, all EIB programmes will comply rigorously with transparent and non-discriminatory selection procedures. ☐

For further information go to:
www.eib.org/universities

EIB finances 72% of Rijeka-Zagreb Croatian motorway





by Fabio Bargagli-Petrucci
Adriatic Sea Department

With a EUR 210m loan to Autocesta Rijeka-Zagreb d.d. (ARZ), the EIB recently financed the doubling and upgrading to full motorway standard of 44 km of existing 2-lane road between Stara Susica and Kikovica in Croatia.

The EIB loan represents about 72% of total project cost – in percentage terms the most substantial financing effort in relation to total project cost ever made by the Bank in the transport sector in the region.

Croatia became an Accession Country on 4 October 2005 and is therefore eligible for financing on equal terms with the full Member States. In the context of implementation of the European Growth Initiative, the Bank, on an exceptional basis and depending on the urgency of the investment, is willing to finance up to 75% of project costs.

The remaining 28% of the upgrading of the Rijeka-Zagreb motorway will be covered by the EBRD (EUR 50m or 18%) and by the own funds of ARZ (EUR 30m or 10%).

The project is of particular importance to the Croatian Republic. In order to speed up investments, the Ministry of Finance asked the Bank to increase its financing share above the usual limit of 50%. Underlining the urgency of the investment, the Republic will also provide a State guarantee in order to be able to accelerate the investment in this high priority project. The EIB has also been asked to finance a maximum share in view of the scarcity of alternative long-term funds, including Structural Funds, available in the market.

The Rijeka-Zagreb motorway forms part of Pan-European Corridor V, branch B, linking Budapest to Zagreb and Rijeka. Developing major trans-European transport networks, both rail and road, is one of the main priorities of EU transport policy. Completing Croatia's main motorway will benefit trade, industry and tourism by reducing journey times and operating costs while improving safety for travellers.

Traffic on the Zagreb-Rijeka motorway has been growing steadily at a rate of some 8% per year. In 2004, around 9 500 vehicles per day used the section between Karlovac and Rijeka. The proportion of heavy vehicle traffic is some 20%. Traffic almost doubles during the three summer months when the tourism season is at its peak, demonstrating the importance of this route to local and international tourism flows to the Adriatic coast. Demand for new road capacity along this route is forecast to remain strong, growing at a similar sustained rate and thus resulting in a flow of some 20 000 vehicles per day by 2015. □

"The EIB is proud to support the rehabilitation and upgrading of Croatia's transport infrastructure. This project will accelerate the country's economic development and strengthen its economic integration into the European Union", said EIB Vice-President Wolfgang Roth upon signing the financing contract in Rijeka on 9 March.

The transport sector is a traditional area of EIB activity in the Balkan region. The development of transport infrastructure is essential to stimulate economic activities – including private sector industrial investments – and ensure the balanced development of the pan-European corridors crossing the region (V, VII, VIII and X). The EIB began its involvement in 1978 with a highway rehabilitation project in former Yugoslavia. From the early 1990s, the Bank has financed transport projects in almost every Balkan country with a view to modernising this sector.

In Croatia, the Bank has since 2001 financed 16 projects for a total amount of EUR 911m. Half of these projects were in the transport sector and include roads, motorways and air traffic control. ☐

EIB voted "Most impressive borrower" for the second consecutive year

by Peter Munro
Head of Division Investor Relations & Marketing

The market's positive reception for the Bank's funding strategy and activities in 2005 was reflected in the annual Euroweek poll, where market participants voted EIB the top borrower overall, in the form of the award for "Most Impressive Borrower". This and other flagship awards for "Most Innovative Borrower" and "Best Supranational or Agency Borrower" were achieved for the second consecutive year. For an individual transaction, the Bank obtained the award for "Euro Supranational or Agency bond" for the second consecutive year, receiving this for the 30-year EUR benchmark issue.

Euroweek's evaluation of its market poll explained how "Race leader EIB stays ahead of the pack". The combination of achievements that made EIB "borrower of the year" was deemed "no mean feat, considering the competition it faced from other prestigious issuers such as the Republic of France, the Republic of Italy or GE capital." In its commentary on these results, Euroweek highlighted the Bank's coordinated approach to benchmark and tailor-made issuance. It in particular underlined the Bank's achievements in its core currencies. Among the achievements highlighted in these three currencies was the innovation of the 30-year EUR benchmark transaction; the position achieved in USD as the largest non-US issuer, and as a provider of liquid benchmarks across the yield curve; and in GBP, the maintenance of EIB's role as the largest and most frequent non-Gilt issuer. In terms of tailor-made issuance, the poll evaluation singled out the fact that EIB "was particularly active in the structured notes market", raising EUR 8bn in EUR alone.

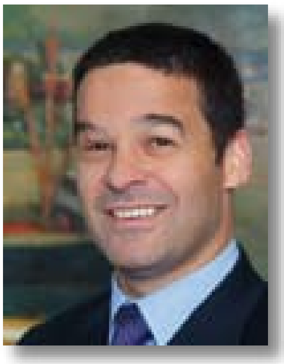
Achievements in other currencies were also emphasized, both in developed markets, such as the debut in the Global yen market, and in emerging markets. Euroweek singled out the building of the first ever Turkish lira yield curve going out 10 years, as well as issuance in several new currencies – the debuts in Latin American currencies (Mexican pesos, synthetic Brazilian real), in synthetic Russian rouble and in Icelandic krona. ☐

EIB Senior Management Cadre appointments

Ms Nicola Barr has been appointed Associate Director (Financial Issues Division) in the JU I Department of the SG-JU Directorate, with effect from 1 July 2006.

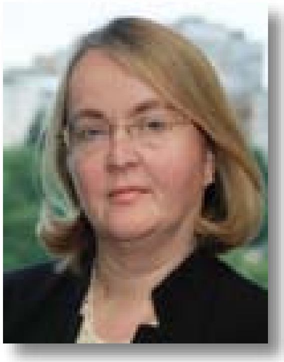
With a degree in law from Trinity College, Dublin, Ireland, Ms Barr qualified as a solicitor in 1983. She joined the Bank's Legal Affairs Directorate in 1994. From 1996 onwards, she dealt with legal matters relating to capital markets, treasury products and derivatives, and in 2001 she became Head of the Legal Aspects of Financial Issues Division. Prior to joining the Bank, she worked in a private law firm in Dublin.

Mr Jose Grincho has been appointed Associate Director (Technology and Infrastructure Division) in the IT Department.



Mr Grincho joined the Bank's IT Department in 1985 as a systems engineer. From 1991 to 1997 he was responsible for the setting-up and operation of IT facilities within the various external offices of the EIB.

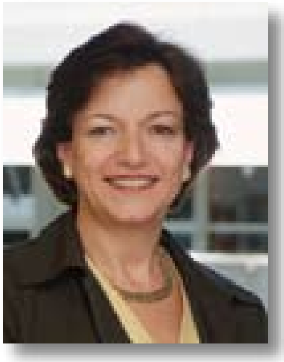
From 1997 onwards, he managed the IT/Engineering Unit and in 2001 he was appointed Head of the Technology and Infrastructure Division. Prior to joining the EIB, Mr Grincho worked in the Entry Systems Division of IBM Portugal following his mechanical engineering studies at Lisbon Technical University.



Ms Peggy Nylund Green has been appointed Associate Director (Northern Germany Division) in the Central Europe Department of the Directorate for Lending Operations in Europe.

With a Swedish degree in International Business Administration, Ms Nylund Green joined the Bank's Credit Risk Department in 1996. Since 2001, she has dealt with lending operations in Germany as Head of Division. Prior to joining the EIB, she worked for commercial banks in Stockholm, London and New York in various fields, primarily international finance and restructuring but also general management.

Ms Flavia Palanza has been appointed Associate Director (Portfolio Management and Policy Division) in the ACP - Investment Facility Department of the Directorate for Lending Operations outside Europe. Ms Palanza, who holds a Master's degree in Economics, joined the Bank in 1984. She has spent most of her career working in different capacities relating to the ACP region, initially in the Projects Directorate as an economist for West Africa and subsequently the Caribbean, and since 2001 in the Directorate for Lending Operations outside Europe, first as an adviser and then as Head of Division. Prior to joining the EIB, Ms Palanza worked in the Asian Department of the International Monetary Fund.



Mr Stephen Wright has been appointed Associate Director (Human Capital Division) in the Industry and Services Department of the Projects Directorate.

Mr Wright trained as an energy economist and has a Master's degree in the Economics of Natural Resources. He joined the Bank from the private sector in 1987 to work on energy projects and was subsequently put in charge of industrial sector project appraisal before launching the analytical preparation of the Bank's involvement in health and education in 1997. This position was formalised when he became Head of PJ's new Human Capital Division in June 2000.

EIB finance for 10 schools in the Highlands

The United Kingdom is one of the countries that have attracted the bulk of the Bank's financing in the education sector. Since education projects became eligible for EIB financing in 1997[1], the Bank has signed loans for a total of EUR 10.7bn, of which over EUR 1.1bn in the UK.

All of the Bank's education investments in the UK have been made in public-private partnership (PPP) projects. Five of these were financed using the Structured Finance Facility[2].

The EIB recently advanced a GBP 60m (around EUR 86m) loan for the Highland Council Education Service's second PPP schools project. This will involve the construction and maintenance of three new secondary schools, five new primary schools (including one that will use Gaelic as teaching language), one combined primary and secondary school and a new school for children with special educational needs. The majority of the schools, which will be located throughout Scotland's Highland region, will incorporate a range of sports, lifelong learning and other facilities for use by the local community.

This operation is expected to contribute to the economic growth and development of the Highland region, an EU transitional Objective 1 area. The project meets two of the five main operational priorities of the Bank (regional development and implementation of the EIB's Innovation 2010 Initiative (i2i). The focus on improving educational opportunities and sustaining communities in a disadvantaged area will enhance economic and social cohesion within the Union. The project will also contribute directly to the implementation of i2i by improving education and training. Through its lending activities, the EIB is an active promoter of this EU-wide policy.

The project will take the form of a public-private partnership (PPP) under the UK Government's private finance initiative. EIB funds will be provided directly to a special purpose concession company, Alpha Schools (Highland) Project plc, jointly sponsored by Morrison Project Investments Limited and Northern Infrastructure Investments plc. These private partners have extensive knowledge and experience of implementing UK education PPP projects and will design, construct and manage the project under a concession of up to 31 years granted by the public partner, the Highland Council.

The remainder of the project's finance will come from up to GBP 100m worth of senior bonds (for which RBC Capital Markets acted as lead manager), together with junior subordinated loan stock and ordinary shares. Ambac Assurance Limited will provide a guarantee for the scheduled payments of principal and interest on the bonds and the EIB loan. ☐

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[1] Providing finance for investment in health and education has been a feature of the EIB's activity since 1997, when the Amsterdam Council asked the Bank to widen the scope of its lending to include human capital.

[2] In order to match the types of funding to the requirements of projects with a high-risk profile and to pursue its equity financing and guarantee operations in favour of large-scale infrastructure schemes, the EIB established a Structured Finance Facility (SFF) in 2001. The Bank can provide a broad mix of financial products under this heading: senior loans and guarantees incorporating pre-completion and early operational risk; subordinated loans and guarantees ranking ahead of shareholder subordinated debt; mezzanine finance, including high-yield debt for industrial companies in transition from SME scale or in the course of restructuring; project-related derivatives.

info

The information magazine of the European Investment Bank Group

European Investment Bank
100, boulevard Konrad Adenauer – L-2950 Luxembourg
(+352) 43 79 1 – (+352) 43 77 04
www.eib.org – **info@eib.org**

External Offices

Austria
Parkring 10 – A-1010 Wien
(+43-1) 516 33 31 95 – (+43-1) 516 33 30 49

Belgium
Rue de la loi 227 / Wetstraat 227 – B-1040 Bruxelles / Brussel
(+32-2) 235 00 70 – (+32-2) 230 58 27

France
21, rue des Pyramides – F-75001 Paris
(+33-1) 55 04 74 55 – (+33-1) 42 61 63 02

Germany
Lennéstraße 11 – D-10785 Berlin
(+49-30) 59 00 47 90 – (+49-30) 59 00 47 99

Greece
364, Kifissias Ave & 1, Delfon – GR-152 33 Halandri / Athens
(+30) 210 68 24 517 – (+30) 210 68 24 520

Italy
Via Sardegna 38 – I-00187 Roma
(+39) 06 47 19 1 – (+39) 06 42 87 34 38

Poland
Warsaw Financial Centre, 11 th floor
ul. Emili Plater 53 – PL-00-113 Warsawa
(+48-22) 528 68 83 – (+48-22) 528 68 65

Portugal
Avenida da Liberdade, 190-4°, A – P-1250-147 Lisboa
(+351) 213 42 89 89 – (+351) 213 47 04 87

Spain
Calle José Ortega y Gasset, 29, 5° – E-28006 Madrid
(+34) 914 31 13 40 – (+34) 914 31 13 83

United Kingdom
2 Royal Exchange Buildings – London EC3V 3LF
(+44) 20 73 75 96 60 – (+44) 20 73 75 96 99

Egypt
6, Boulos Hanna Street – Dokki, 12311 Giza
(+20-2) 336 65 83 – (+20-2) 336 65 84

Kenya
Africa Re Centre, 5th floor – Hospital Road, PO Box 40193, KE-00100 Nairobi
(+254-20) 273 52 60 – (+254-20) 271 32 78

Morocco
Riad Business Centre, Immeuble S3, Aile sud, 4e
Boulevard Er-Riad, Rabat
(+212) 37 56 54 60 – (+212) 37 56 53 93

Senegal
3, rue du Docteur Roux – BP 6935, Dakar-Plateau
(+221) 889 43 00 – (+221) 842 97 12

South Africa
5, Greenpark Estates – 27 George Storrar Drive
Groenkloof – 0181 Tshwane (Pretoria)
(+27-12) 425 04 60 – (+27-12) 425 04 70

Tunisia
70, avenue Mohamed V – TN-1002 Tunis
(+216) 71 28 02 22 – (+216) 71 28 09 98

European Investment Fund
43, avenue J.F. Kennedy – L-2968 Luxembourg
(+352) 42 66 88-1 – (+352) 42 66 88-200
www.eif.org – **info@eif.org**

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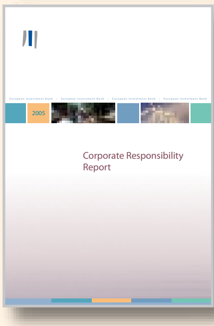
New EIB publications



February 2006

- EIB Group activity in France in 2005
- EIB Group activity in Belgium in 2005
- The European Investment Bank in Brazil

March 2006

- Study on improving the efficiency of workers' remittances in Mediterranean countries
- Memorandum of Understanding between the EIB and Femise
- Overview of FEMIP 2005 Achievements

April 2006

- Public Disclosure Policy
- European Investment Bank loans in Turkey

May 2006

- European Investment Bank loans in the Baltic States

June 2006

- Annual Report 2005: Activity Report, Statistical Report and Financial Report
- Operations Evaluation Overview Report 2005
- Investment Facility - Annual Report 2005
- FEMIP 2005 Annual Report
- EIB Papers Volume 11. n°1/2006 and n°2/2006
- Financing provided by the EIB in Poland
- 1986-2006: 20 años del BEI en España

Coming soon:

- Corporate Responsibility Report
- Small and medium-sized enterprises (SMEs)
- The EIB in Croatia
- Human Capital
- Trans-European Networks

All brochures can be downloaded at www.eib.org/publications.