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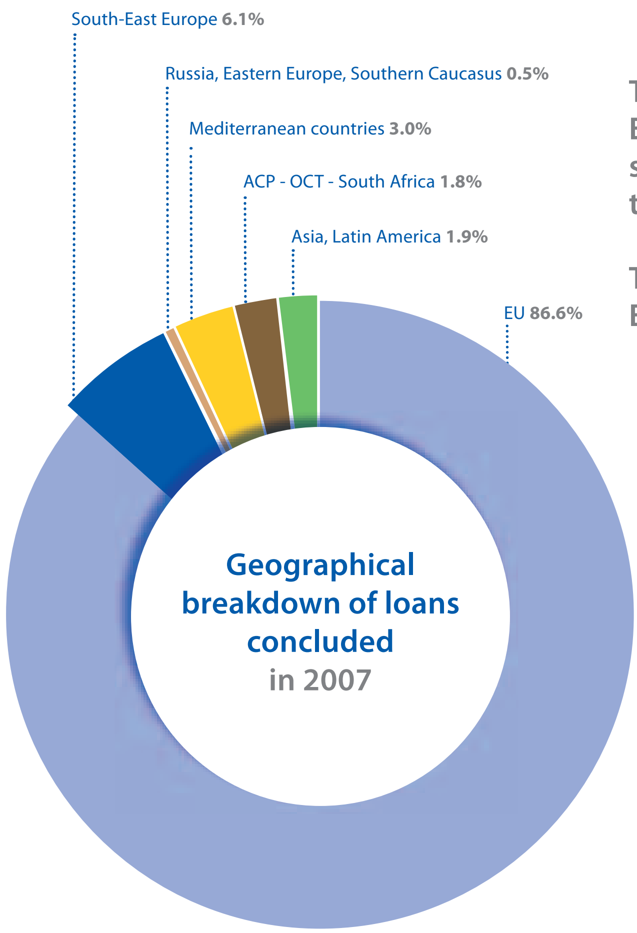
An 'Exceptional Year'

for the EIB, energy in the spotlight



The EIB's total lending last year amounted to just under EUR 48bn to support EU policy objectives. The lion's share – just over EUR 41bn – went to projects within the EU, in line with the Bank's principal mission.

To support this lending, the EIB borrowed nearly EUR 55bn on the international capital markets, issuing bonds in 23 different currencies.

"2007 was an exceptional year for the EIB, one in which we met, and in some cases exceeded, the ambitious lending goals we set ourselves in support of EU policy priorities", EIB President Philippe Maystadt told the Bank's annual press conference in Brussels on 28 February.

During his presentation of the EIB's results, Mr Maystadt focused in particular on three areas where the Bank was especially successful in 2007: energy, innovation, and transport.

1958 2008 European Investment Bank

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Renewable energy lending quadrupled

The EIB has been increasingly active in the energy sector for some time, responding to growing awareness around the world of the gravity of the challenge posed by climate change.

In June 2007 the Bank's Governors endorsed a new energy policy – called "Clean Energy for Europe: a Reinforced EIB Contribution" – which clarified and strengthened the EIB's role in working towards tough EU targets on energy use and supply.

The Bank immediately translated the new approach into real action and last year it signed loans in the energy sector for a total of EUR 6.8bn, of which more than EUR 5.4bn supported projects within the EU.

This represents both a huge increase on 2006 and a remarkable advance on the total target of EUR 4bn that the Bank had originally set itself for 2007.

The EIB put a particular focus on two areas: renewable energy and energy efficiency.

Meeting EU targets for renewable energy will be a major challenge, the required investment being in the order of EUR 600-700bn up to 2020. EIB lending for renewable energy projects within and outside the EU last year topped EUR 2bn, about four times the figure for 2006, representing about half of all EIB lending for electricity generation. This covers both proven technologies (such as onshore wind, hydro- or geothermal power), and those still under development (such as photovoltaic and solar thermal generation).

One example of this is the EIB's finance last year for the Alto Minho Parques Eolicos in Portugal. This EUR 162.5m loan concerned the construction and operation of five terrestrial wind farms in northern Portugal, with a combined capacity of 240 MWe, and installation of associated electricity transmission infrastructure. The project responds to initiatives taken at the national and EU level, which indicate a target for Portugal of 39% of total energy consumption to be produced from renewable energy sources by 2010.

P. Maystadt, President, P. de Fontaine Vive, Vice-President and G. Tudor, spokesperson at the EIB press conference in Brussels.

Alto Minho Parques Eolicos will make use of relatively strong local wind to generate renewable energy for supply to the public grid, replacing old generation fossil fuel-fired plants, thereby reducing the impact of electricity generation on climate change.

Energy efficiency at the core of EIB lending decisions

The EU energy efficiency target is also very challenging. In order to reduce total energy intensity by 20% by 2020, a reduction in primary energy consumption of some 10% will be required compared to 2004 levels.

Energy-saving projects financed by the EIB in 2007 include the "Facilité Haute Qualité Energie Environnement" in France. This project aims to support the financing of construction projects and the refurbishment of public buildings in France – such as schools and colleges, crèches, administrative buildings, sports and leisure centres, and community centres – in line with energy efficiency and environmental standards that are more stringent than those currently in force.

In 2007 the Bank also became involved in the financing of several high efficiency CHP (combined heat and power) plants; in the modernisation of district heating systems (Vilniaus Energija in Lithuania); in the financing of buildings achieving high energy efficiency standards; and in the rehabilitation of social housing.

Internally too, the Bank takes energy saving very seriously. The new building that will open in June to expand the Luxembourg headquarters is designed to meet the very highest standards of energy efficiency.

"The EIB is making energy efficiency an integral part of its lending decisions – not only in specific energy projects, but in all its projects," Mr Maystadt said. "Energy is a key concern than runs increasingly throughout the Bank's activities and is colouring its lending in other priority areas."

Innovation: EIB main player in Europe's R&D financing

The EIB continues to make a significant contribution to research and development, particularly through the creation of flexible new financing mechanisms such as the Risk Sharing Finance Facility (RSFF), which was set up jointly last year with the European Commission.

The RSFF is built on the principle of credit risk-sharing between the Commission and the EIB, extending the Bank's ability to provide loans or guarantees to projects whose promoters have a lower-grade risk profile.

By the end of 2007 a total of EUR 459m had been lent under the RSFF for a range of projects in energy, engineering and biotechnology. "The emphasis on energy-related projects was particularly strong, including two pioneering solar power plants in Spain and research aimed at producing cleaner, more energy-efficient motor vehicles," Mr Maystadt said.

The RSFF and its sister initiative, the Structured Finance Facility or SFF, created in 2001, are concrete examples of the EIB's relatively new strategy of financing higher-risk operations where this is justified by its strategic objectives. The EIB set itself a challenging 2007 lending target of EUR 1.5bn for the SFF and RSFF, but in fact new loan signatures under the two facilities amounted to more than EUR 1.7bn last year.

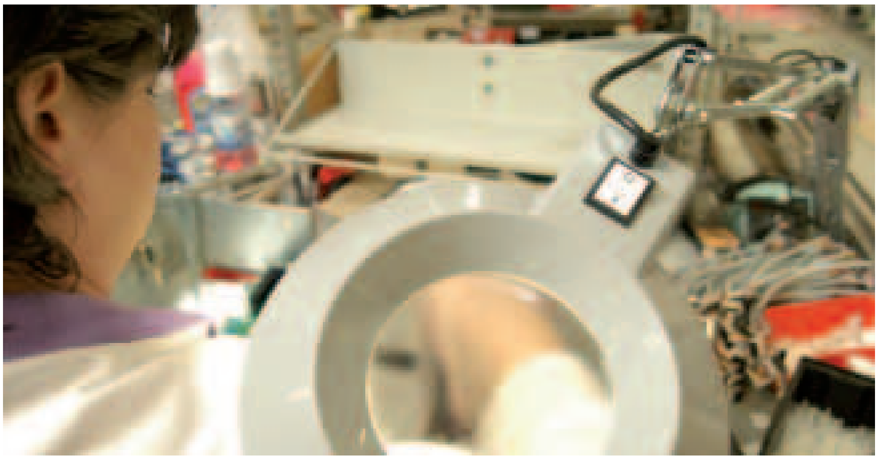
LGTT, a new financial instrument for transport

The EIB's approach to transport has also been strongly influenced by climate change considerations. Building efficient transport links has long been a major priority for the Bank – moving people and goods efficiently is vital for social and economic develop-

European Post-2012 Carbon Fund ready for launch

The EIB is also active in supporting the market in carbon credits. Last year the Bank launched an innovative fund with four national and regional public banks to underpin the market value of carbon credits after the Kyoto Protocol expires in 2012. This European Post-2012 Carbon Fund is the first such fund to address the post-Kyoto period and complements three other carbon funds created by the Bank with national and international institutions. The final preparations for the launch are expected to be completed very soon.

The new building that will open in June to expand the Luxembourg headquarters is designed to meet the very highest standards of energy efficiency.



ment. In 2007 the EIB signed loans worth more than EUR 8bn to help build Trans-European Networks (TENs). Since transport can also be a major source of greenhouse gas emissions, the EIB reviewed its approach to transport lending to make sure that climate change effects were fully integrated into its transport policy. "We have placed a clear emphasis on the more environmentally friendly forms of transport, such as railways, ports and inland waterways, and established detailed environmental due diligence requirements and a more selective approach to projects involving roads and airports," Mr Maystadt said.

The investment required to complete and modernise the Trans-European Networks, a precondition for the achievement of a true single market and regional integration, exceeds the capabilities of public funding. For the period 2007-2013 alone, the investment needs in TEN infrastructures are expected to amount to some EUR 300bn in total. A significant financial gap in public sector resources is anticipated and it will only be overcome by mobilising private investment in large infrastructure projects.

Stepping up support for SMEs

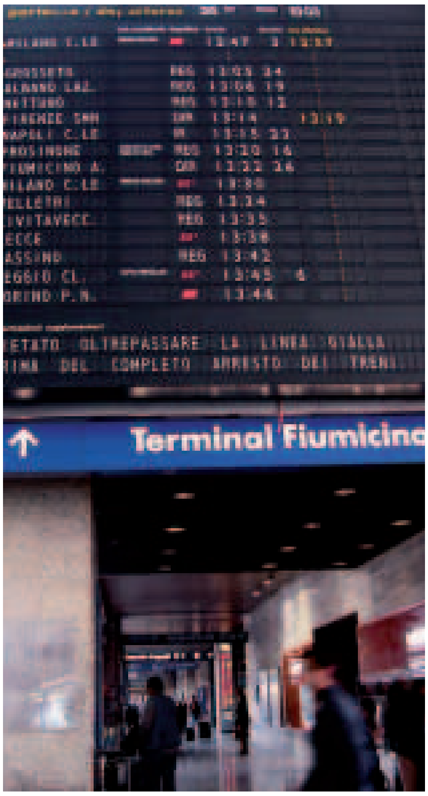
SMEs are a crucial part of the economic fabric and a major source of employment, entrepreneurial skills and innovation. In 2007 more than 160 000 SMEs benefited from EIB Group support, which focused on innovative companies with high growth potential, small renewable energy schemes promoted by SMEs, and micro-enterprises. EIB support was provided through lines of credit totalling some EUR 5bn, granted to the Bank's intermediaries throughout the European Union. The EIF's role as a major player in the European venture capital markets was confirmed, with 2007 venture capital operations amounting to over EUR 500m. Guarantee operations amounted to EUR 1.4bn. A significant pick-up of this activity is expected in 2008 after the new EU "Competitiveness and Innovation Framework Programme" mandate went into force towards the end of 2007.

Besides continuing its traditional credit line activity with more than 100 partner banks throughout Europe, especially appreciated by the sector in the market turmoil of the second half of the year, the Bank has put continued efforts into extending the group of partner institutions and diversifying its product offering for SMEs to meet their financing needs.

In 2007, the EIB granted credit lines for the first time, for instance, to Işbank, Finansbank and DenizBank in Turkey; Hypo Tirol Bank AG in Austria; EFL and Millennium Leasing in Poland; and SEB Vilniaus Bankas in Lithuania.

Following its strategy of taking more risk to provide more value added, the EIB also engaged in a number of risk-sharing transactions, where the EIB takes part of the risk on the SMEs and thus encourages the banks to develop their SME lending activity. Operations of this type approved in 2007 include for example Avenir Entreprises Mezzanine in France, a closed-end fund of up to EUR 20m co-sponsored with OSEO and CDC Entreprises, which will finance SMEs with convertible bonds.

In 2007 the EIB Group began to look at ways in which it can boost still further the support it provides to SMEs, holding a consultation exercise with its banking partners, public authorities and SMEs themselves. The consultation, which should be completed in March this year, was launched against the backdrop of the European Commission's work to finalise a "Small Business Act for SMEs" in 2008.



The Bank recently set up an innovative financing mechanism with the European Commission, a loan guarantee instrument known as LGTT, designed to encourage more private sector investment in transport infrastructure. This new instrument will facilitate greater private sector participation in the financing of transport infrastructure of European significance, especially for investment in TENs projects where there is a high level of revenue risk in the early operational period of a project.

LGTT will make available an EIB guarantee for subordinated debt in the form of a stand-by liquidity facility to be provided by commercial banks, providing security for the initial traffic revenue risk over the first 5-7 years of a project's operation. The LGTT will therefore help the project to cope with the initial risk while relying on the long-term perspective of the project being financially viable. The capital contribution of EUR 1bn (EUR 500m each from the Commission and the EIB) is intended to support up to EUR 20bn of total capital investment and is additional to the TENs budgetary resources from the Commission and existing loans from the EIB.

Reaching out to candidate and potential candidate countries

The EIB is particularly active in some of the EU's closest neighbours under the external mandates granted by the EU. In 2007 loans totalling EUR 2.9bn were agreed in the "Enlargement" countries – states that are directly in line to join the EU, notably Turkey and Croatia, as well as potential candidate countries in the Western Balkans.

The EIB recorded new heights of activity in Turkey and Croatia – with lending of EUR 2.2bn and EUR 330m respectively.

Lending in the Western Balkans region (Albania, Bosnia and Herzegovina, FYR of Macedonia, Montenegro and Serbia) reached a record EUR 443m, bringing total lending since 1995 to some EUR 2.5bn. The EIB also lent EUR 120m to small and medium-sized enterprises in the region via credit lines to local intermediaries. One of these SME credit lines was made available in Kosovo, the first loan in this part of the Western Balkans.

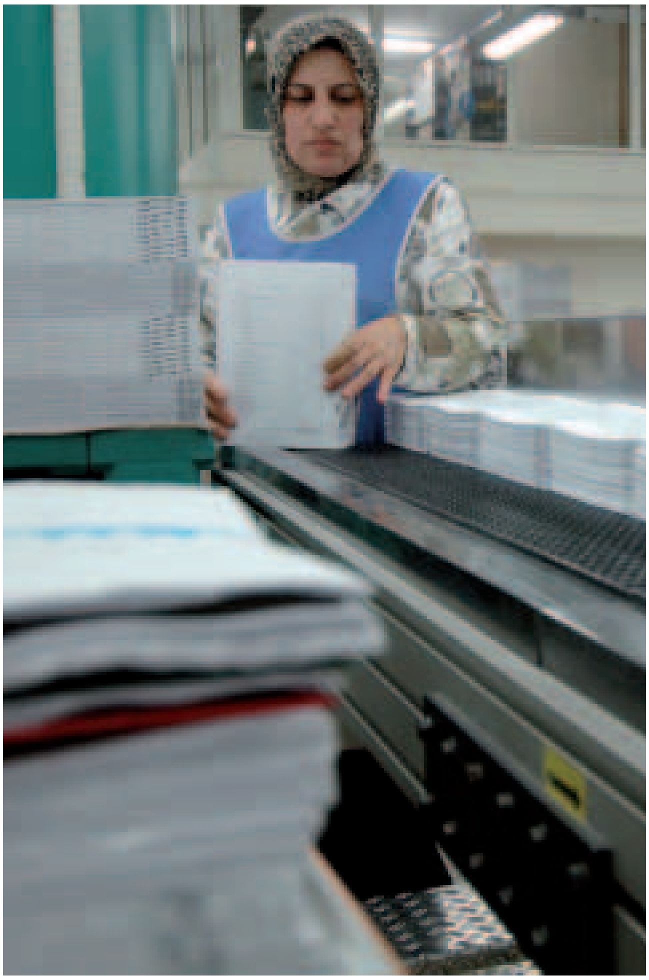
In addition, the EIB invested EUR 25m in the European Fund for South-East Europe (EFSE), which will on-lend the funds via intermediary financial institutions to micro and small enterprises. The majority of EFSE's investments will be in the Western Balkan countries and the rest in Bulgaria, Romania and Moldova, and possibly other countries of South-East Europe.

Supporting the private sector in the Mediterranean

The EIB strengthened its commitment in the Mediterranean in 2007 and registered record funding of EUR 1.4m, of which 68% went to the private sector. The funds invested in the southern Mediterranean were allotted through the financial instrument created by the EIB, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), whose mission is to promote development by supporting projects that create a favourable environment for investment, especially in infrastructure, and adequate banking systems. FEMIP covers nine Mediterranean countries: Algeria, Egypt, the Palestinian Territories, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia. The EIB's commitment is concentrated mostly on supporting SMEs, small and medium-sized projects and micro-credit. FEMIP plays a fundamental role in the development of certain investment funding instruments (private equity) in the Euro-Mediterranean region, with a portfolio of almost EUR 490m distributed among 700 operations.

Further afield, the EIB strengthened its presence in Africa, the Caribbean and the Pacific in an effort to boost economic development in support of the Millennium Development Goals.

In 2007 the Bank extended the scope of its Economic and Social Impact Assessments for lending outside the EU. It is also endorsing and supporting the Extractive Industries Transparency Initiative. It will actively encourage both companies and countries to move towards applying EITI criteria, and will reinforce and monitor EITI principles when it appraises and finances projects in the extractive industries.



The design of LGTT, by improving the ability of borrowers to service senior debt, will enhance the overall credit quality and thereby encourage a reduction of risk margins applied to senior loans for the project. These savings should exceed the cost to the borrower of the guarantee, resulting in added financial value for the project. By making private sector investment in a project more attractive and therefore less costly, LGTT will thus provide benefits to society as a whole.

Taking care of the planet's future

Protection of the natural environment and a commitment to balanced development are at the core of the EIB's activities. In 2007, the Bank signed loan agreements for 110 environmental projects, amounting to EUR 14.6bn, which represents 31% of its total lending.

The EIB has applied a broad definition of the term "environment" to include a number of related economic and social issues, and these are being given greater attention as the general approach of the Bank evolves into a more holistic treatment of the interrelated environmental, social and economic strands of sustainable development. The EIB finances a wide variety of activities, including renewable energy projects in the EU, programmes for environmental infrastructure improvements supported by EU funds, and water and sanitation programmes in the African, Caribbean and Pacific countries. The Bank also provides finance through financial intermediaries for smaller projects that may also be dedicated to environmental objectives or contain environmental components.

The bulk of environmental lending goes to EU countries: in 2007, the EIB provided direct financing for 98 environmental projects for a total of EUR 13bn in the European Union.

"The EIB is making an ever more significant contribution to sustainable growth: in helping to build a balanced European economy, in serving to underpin the integrity of its financial system, and in working to ensure that the growth that is achieved does not come at the expense of the planet itself", concluded Mr Maystadt. ■

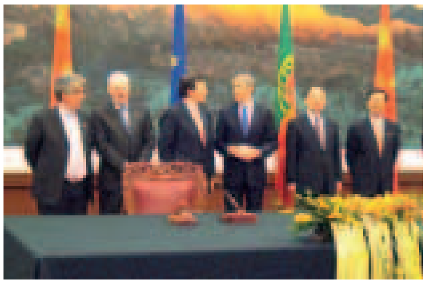
Record borrowing: flight to quality

Last year the EIB confirmed its position as one of the largest and most frequent borrowers on the international capital markets, and its ability to tap those markets has held up strongly in the face of the turmoil that struck in mid-2007. At nearly EUR 55bn, the 2007 funding volume was significantly larger than the EUR 48bn raised by the EIB in 2006. In times of uncertainty, investors felt able to trust the EIB thanks to its first-class credit rating underpinned by the Bank's sovereign shareholders and conservative risk management policies.

"The European Investment Bank has shown that it can be a force for stability during the turbulence that has shaken financial markets in general, and the credit markets in particular, since mid-2007", Mr Maystadt said.

by Daniela Sacchi-Cremmer, Communication Department

EIB supports China's fight against climate change



On 28 November 2007, EIB President Philippe Maystadt and Chinese Minister of Finance Xie Xuren signed the China Climate Change Framework Loan (CCCFL). Established in the context of the EU-China Partnership on Climate Change, this operation is designed to support China's efforts to mitigate climate change.

A multi-investment scheme

A EUR 500m loan was signed at the 10th EU-China Summit in Beijing in the presence of the President of the European Council and Prime Minister of Portugal, José Socrates, the President of the European Commission, José Manuel Barroso, and the Chinese Prime Minister, Wen Jiabao.

This multi-investment scheme is designed to support energy and industrial investment projects in China that will help to prevent or reduce the emission of greenhouse gases. This is one of the largest loans ever granted by the EIB outside Europe and the first to be provided under the EUR 3bn Energy Sustainability and Security of Supply Facility (ESF) authorised in June 2007 by the Governors of the Bank to enhance EU action in addressing climate change and ensure the security of its energy supplies (see EIB Information 127).

A broad range of project categories will be eligible for EIB financing under the CCCFL, including projects using renewable energy sources, energy efficiency enhancement, carbon capture and storage and afforestation projects.

During implementation, which the Bank expects to complete in 2-3 years, priority will be given to projects that significantly reduce greenhouse gas emissions, have the potential to generate Clean Development Mechanism (CDM) carbon credits, and can lead to co-financing with other international and bilateral financial institutions.

The projects to be supported by the EIB will be identified by China's Ministry of Finance and National Development and Reform Commission. The Bank will select, appraise and submit to its decision-making bodies all individual schemes. It will ensure that the projects are sound and implemented satisfactorily, in compliance with the EIB's environmental and social requirements.

EIB role in China

The EIB delegation headed by President Maystadt also visited the new Beijing International Airport terminal, designed by Sir Norman Foster and financed by the EIB in 2005. Other visits included several sustainable energy projects such as those potentially eligible for the CCCFL in the north-eastern province of Liaoning.

The EIB delegation met senior Chinese Government officials and representatives of other international financial institutions, European bilateral development finance institutions and the European Commission in China, to discuss possible developments in EIB lending in support of EU cooperation policy in China.

EIB lending in China is governed by mandates from the Council. Under the current 2007-2013 mandate for Asia and Latin America, the EIB can lend up to EUR 3.8bn to finance operations supporting EU cooperation strategies in these regions and complementing other EU development and co-operation programmes and instruments. The EUR 3.8bn regional ceiling is broken down into sub-ceilings of EUR 2.8bn for Latin America and EUR 1bn for Asia. The EIB can also support EU policies by financing operations outside the mandate. This was the case of the EUR 500m loan to support the Beijing Airport Expansion project and also applies to the CCCFL.

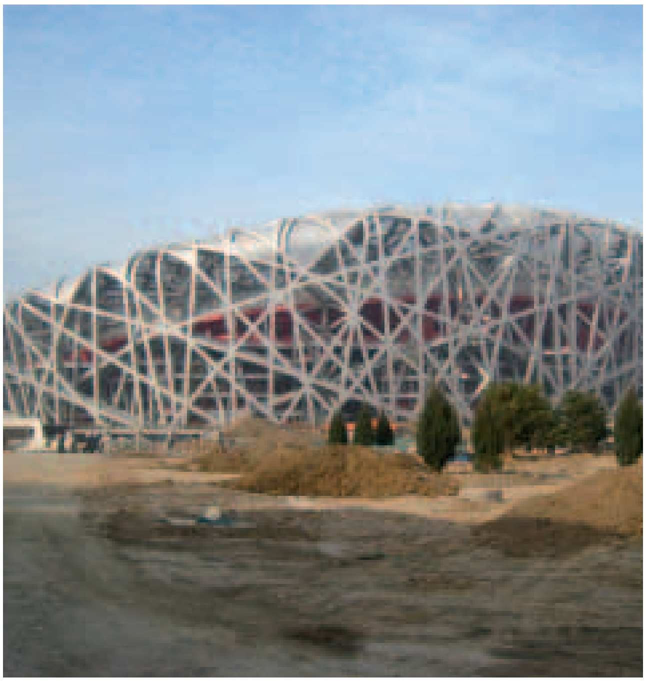
To date, in addition to the CCCFL, the EIB has helped to finance four other projects in the People's Republic of China:

- 2005 Beijing International Airport (EUR 500m)
- 2001 Guangxi toll expressway to the Vietnamese border (EUR 56m)
- 1999 Chengdu drinking water treatment plant (EUR 23m)
- 1995 Ping Hu oil and gas development (EUR 55m).

The EIB will continue to support EU policies in China and other Asian and Latin American countries. It will focus future lending in these regions on:

- Environmental sustainability, in particular climate change mitigation; and
- Support for the EU's presence through foreign direct investment and transfers of technology and know-how.

by Juan Manuel Sterlin Balenciaga
Communication Department



Sorin Group,
at the heart of medical technology

The EUR 100m loan to Sorin Group, under the EIB's Risk Sharing Finance Facility (RSFF), is at the forefront of the EIB's support for research and development (R&D).

R&D is the driving force behind Sorin's role as an industry leader – the largest cardiovascular company in Europe. It is therefore no surprise that Sorin became Italy's first corporate entity to receive a EUR 100m loan (signed in December 2007) under the Bank's RSFF.

The RSFF is the latest of a series of joint EIB-European Commission initiatives to support research, technological development and innovation activities (RDI) of strategic interest to the EU.

Outside hospitals and the world of research, few know that the Milan-based Sorin Group stands for over 40 years of experience in producing heart valves, oxygenators, implantable pacemakers and, more recently, defibrillators.

With global sales that cover more than 5 000 hospitals in 80 countries, it is estimated that more than 1 000 000 Sorin brand heart valves have been implanted in patients since the 1970s. For a number of devices used in cardiac surgery, such as heart-lung machines, Sorin is currently the world leader.

R&D constitutes the basis for this success, helping to defend and build on the Group's position in the vanguard of medical technologies for cardiac surgery. For this purpose, Sorin Group employs some 500 people in its R&D centres in Mirandola and Saluggia (Italy), Munich (Germany), Paris (France) and Vancouver (Canada). Furthermore, long-standing cooperation with university hospitals and other research institutes lays the necessary basis for continuously bringing innovative products onto the market.

The EIB project will co-finance R&D activities for core products of the Sorin Group carried out over the next three years. Eligible project expenses cover the personnel and other operating costs of selected R&D activities, mainly concentrated in the fields of Cardiac Surgery (CS) and Cardiac Rhythm Management (CRM), as well as expenses for related clinical trials, clinical post-market studies, cooperation with universities and patent registration, etc. The EIB loan has been extended to Sorin SpA for a period of seven years and includes financial covenants.

Sorin Group CEO André-Michel Ballester commented on the signing of the EIB loan:

"Hospitals and physicians around the world require innovative and cost-effective therapies to meet tomorrow's challenges of cardiovascular diseases – a rapidly growing market in countries with ageing populations, such as most of Europe and the USA. Developing new technologies that address these needs requires above all continuous efforts and investment in R&D activities. At Sorin, we invest some EUR 50m per year in R&D programmes, equivalent to around 7% of total Group turnover. By financing part of our 2007-2009 R&D activities with the EIB loan, we are able to better align over time the economic return and funding of our research projects – a key element that improves our financial flexibility in managing R&D investments. We view the EIB loan as a sign that healthcare R&D is also at the heart of European interests."

Background information on the RSFF:

The RSFF, an innovative debt-based facility, designed by the European Commission and the EIB, was launched in June 2007. It is part of the EU's 7th Framework Programme for Research (FP7), and the EIB's Innovation 2010 Initiative. The RSFF creates additional capacity of up to EUR 10bn for higher-risk financing in support of research, technological development, demonstration and innovation activities (RDI). The Commission, via FP7, and the EIB will each contribute up to EUR 1bn to the RSFF, which will provide the necessary capital to underpin the expected EIB loans and guarantees of several billion euros. ■

by Peter Bandilla
Adriatic Sea Department

Sorin Group CEO André-Michel Ballester

EIB/NGO workshop in spring 2008

As part of its ongoing dialogue with civil society the EIB held two workshops during 2007. The first took place in Paris on 24 May with the topics: partnering with NGOs in water and sanitation projects in developing countries; and EIB environmental and social safeguards and appraisal guidelines. The second was held in Lisbon on the occasion of the European Development Days and involved discussions on the Bank's Economic and Social Impact Assessment Framework (ESIAF) and the standardisation of indicators.

The 2008 spring workshop is now in the preparatory phase. The EIB will post an advertisement on its website announcing the time and location of the workshop. It is planned to hold it in Brussels, and the EIB proposes discussing energy and climate change themes. CSOs will be asked to provide feedback on this topic. The EIB intends to invite an energy and climate change specialist NGO to co-host the event. CSOs and the EIB will then decide the agenda together and provide the speakers for the workshops. As important as the initial aim as a platform for NGOs and EIB staff to discuss issues of common interest, the side meetings to discuss other specific issues of concern have become of special interest.

Over the years, the EIB has attached increasing importance to having an open relationship and active dialogue with civil society organisations that take a particular interest in the European Union and the EIB. In future, the Bank intends to approach the format of the workshops in a more flexible way to tailor them to specific sector, topic or country-related groups and to allow more involvement from them and give more substance to discussions. ■

by Matilde del Valle
Communication Department

Public consultation on review of EIB's Environmental Statement

In May 2005 the EIB launched its first public consultation on the Bank's public disclosure policy, in line with the transparency policy adopted in 2004, which committed the Bank to giving active consideration to opening up to public consultation on selected EIB policies. Last year the EIB held a second public consultation process on a review of the Bank's anti-fraud policy. This policy was approved by the Board of Directors on 8 April 2008 and will subsequently be published on the EIB's website together with the consultation report.

The EIB is now preparing a review of its Environmental Statement (2004). The third consultation process will focus on a review and update of the existing statement. The consultation will allow stakeholders to provide suggestions and comments on the draft revised statement. The consultative process was launched on 25 March 2008.

A first announcement was published on the Bank's website on 20 December 2007. The draft statement was posted on the website on 25 March for a first round of

45 working days, together with a timetable and guidelines giving further details about the process. During this time all interested parties and individuals will be invited to comment on the draft and make suggestions. The public consultation will in principle include a second round of a further 20 working days of consultation, unless there is a lack of stakeholder interest. The consultative process will include online web consultation and, in parallel, a direct dialogue with stakeholders at workshops and public meetings. A review panel will be set up within the EIB to consider the public contributions and to see the extent to which they can be taken into account. The process will be run along a set of guidelines based on the Bank's first public consultation.

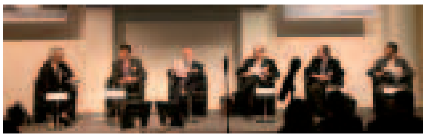
The final draft policy will be published on the Bank's website (before approval by the Board of Directors, to show external stakeholders how the Bank treats their contributions) along with a public consultation report outlining the consultation process and containing stakeholder proposals and the Bank's comments. The approved revised policy and the report will be published on the Bank's website. The aim is to have the policy review completed before the end of the year. ■

by Matilde del Valle
Communication Department

2008 FEMIP Conferences, Berlin and Tunis

Tourism and microfinance: supporting and financing development

The 2008 FEMIP Conference, on the theme of sustainable tourism in the Mediterranean, was held as part of the International Tourism Fair in Berlin on 6 March 2008. The inclusion of this event in the world's biggest gathering of tourism professionals was intended to highlight FEMIP's commitment to supporting the development of sustainable tourism, the driver of balanced economic growth in the Mediterranean region.



The conference concentrated on the tourism sector, a vital concern for the Euro-Mediterranean countries. At the event, FEMIP unveiled the study financed by its Trust Fund on the tourism strategies adopted by the Mediterranean partner countries, which formed the basis of the discussions of the conference participants.

A major financial player supporting private sector development in the Euro-Mediterranean arena, FEMIP is seeking to contribute to the sustainable and dynamic development of tourism with the study and the conference, looking ahead to the first meeting of Euro-Mediterranean Tourism Ministers on 3 April 2008 in Fez.

As at previous conferences, one of FEMIP's key objectives was to bring together a variety of players from the public and private sectors, resulting in the conference's inclusion in the International Tourism Fair. Some 200 participants listened to the contributions of a variety of speakers and panellists during the half-day conference, which also provided a forum for exchange between the representatives of public institutions (tourism ministries, World Tourism Organisation, Blue Plan, European Commission) and the private sector, international (Club Med, TUI AG) and local businesses, banking and venture capital investors, and academics specialising in the tourism sector.

The study published by FEMIP reveals trends and the strategies adopted by the Mediterranean partner countries, identifying factors of success and the areas requiring more substantial reforms. It also highlights the differences between countries, with tourism already accounting for 9.5% of GDP in Morocco and 8.8% in Turkey, for instance, compared to 2.1% in Syria and 1.8% in Algeria.

Unparalleled potential

A number of findings emerged from the discussion of the study. In particular, the expansion of tourism is based on virtually unparalleled geographic, cultural and human potential, which can sustainably underpin economic growth in these countries. Tourist arrivals in the partner countries grew by an average of 12.2% a year between 2001 and 2006, i.e. twice the average increase worldwide. Nonetheless, these flows corresponded to only 6.8% of the total worldwide and do not yet even match those for Spain alone each year. This illustrates the sector's still considerable growth potential, which makes the goal of increasing the Mediterranean partner countries' share of total worldwide tourist arrivals in 2010 to 8.8% attainable.

But to achieve that, the sustainability of the sector's growth must be ensured in environmental, social and vocational training terms. Diversifying the tourism product range is also necessary to make the most of the region's potential.

Environmental value added and improved funding of the sector

The discussion then spotlighted a number of priority actions required for developing sustainable tourism.

First of all, the environment is now viewed as a key factor in the long-term development of tourism, with tourism both the perpetrator and victim of environmental degradation. In this connection, the promotion of environmental tourism, enabling the diversification and enhancement of the product range, and the fostering of best practice as regards compliance with international environmental standards, have served to underline the fact that environmental protection provides real economic value added to the sector.

Furthermore, the financing of the investment required to achieve significant and sustainable growth in the sector was discussed. In the course of this debate, the benefits of effective public-private partnerships and of supporting SMEs to ensure that tourism is firmly embedded in the local economy were set out. The discussion also focused on the role of banks in the Mediterranean economies and the expansion of private equity and financial services in order to attract major foreign investment. But these criteria for the successful funding of tourism are not always met by the region's economies and it is therefore important to continue the reforms undertaken in these areas to promote tourism.

FEMIP's role

FEMIP already fosters the growth of tourism by supporting the above-mentioned reforms and the sectors vital to tourism (transport, energy, the environment). It also provides technical assistance, so helping to bolster the sectoral capacities of the partner economies. Lastly, it promotes the development of financial services by supporting private equity companies operating in the tourism sector. ■

by Alain Nadeau, European Neighbour and Partner Countries Department

The next FEMIP conference

FEMIP is holding its next conference on the impact of microcredit in the Mediterranean region on 5 May 2008 in Tunis, in partnership with Sanabel, a network of microfinance institutions in the Arab countries. It aims to promote the expansion of microcredit in order to improve the funding of the economy.

The issues to be addressed will especially include the methods used to measure the economic and social impact of microfinance, the professionalisation of MFIs, the connection to be established with migrants' remittances and the growing involvement of the private sector.

Seed capital fund for innovative start-ups:
a first in Tunisia

FEMIP has initiated and promoted the first privately managed start-up fund in Tunisia. Dubbed the "Phenicia Seed Fund", this investment fund is focused on innovative Tunisian companies that are in the process of being set up or have been established for less than five years.

Three years of close cooperation with the Tunisian Ministry of Finance has culminated in the launching of the Phenicia Seed Fund project, the first of its kind in this country. This project is being carried out under the FEMIP Trust Fund. It is based in Tunisia and provides seed capital to local young companies making use of new technologies.

Under the direction of the Bank, a dedicated fund manager was identified and recruited. He helped to assemble other investors in addition to the Bank, who took a EUR 2m stake equating to 30% of the total capital. CDC Entreprises of France took a 20% stake in the fund, whilst the remaining 50% was subscribed by local institutional investors. The fund management company is also an example of north-south cooperation, as it includes a European company among its shareholders.

Because of the unique design of this project, changes to the law to allow it to proceed were necessary; hence the extensive partnership with the Ministry of Finance and the local financial market authorities in order to provide an adequate legal framework.

In addition, technical assistance will be provided to the project's fund management team in the first year of operation. The management team will benefit from the knowledge of an international seed capital specialist in order to implement the highest international standards in this field.

The financing of this operation by the EIB meets the strategic needs of the Euro-Mediterranean region regarding job creation, the use and dissemination of new technologies as well as the development of the private and financial sectors. Furthermore, it will help the Mediterranean partner countries' modernisation process ahead of the planned creation of a Euro-Mediterranean Free Trade Area (EMFTA) by the target date of 2010. ■

A Trust Fund for the Mediterranean

The FEMIP Trust Fund was created in 2004, following a decision by the EIB and a number of donor countries to establish a fund dedicated to the Mediterranean partner countries.

The purpose of the FEMIP Trust Fund is to direct resources to operations in certain priority sectors in order to foster private sector development in the region. To attain this objective, two windows were defined: upstream technical assistance and support for private equity.

By December 2007, 15 Member States and the European Commission (EC) had contributed EUR 34.5m. As of December 2007, 18 operations for a total amount of EUR 6.9m had been approved.

The "Phenicia Seed Fund" operation is the first private equity operation financed under the FEMIP Trust Fund.

by Jean-Christophe Laloux
European Neighbour and Partner Countries Department

EIB supports Ugandan hydroelectric project

to stabilise electricity production

The European Investment Bank extended a loan of up to USD 136m (EUR 92m) to Bujagali Energy Ltd. (BEL) in December 2007 for the construction of a dam and hydropower station situated some 10 km from the outflow of Lake Victoria at Bujagali on the upper White Nile. The 250 MW project will double Uganda's electricity generation by 2011.

The demand for electricity in Uganda is rising and as yet unmet. Electricity provision in the country is unstable, which is hindering Uganda's economic and social development.

This EIB-promoted project is a prime example of a tailored partnership between the State and private investors designed to maximise benefits on both sides. The private investors were selected through international competitive bidding to contribute strategic equity to the project. They will profit from returns based on performance, once the dam and hydropower station are fully built and operating efficiently. Uganda's power transmission utility and the government will absorb key risks such as volatile electricity demand and water flow, which would make power generation too expensive if the private investors had to support all the risks. Equally, the USD 850m project cost could not be covered by the public sector alone. Uganda requires sovereign loans with a grant element which few lenders can provide. The country has to channel its scarce resources into many other important development areas. Thanks to some USD 675m of loans raised by BEL, combined with the private investor contribution, Uganda's borrowing capacity will not be negatively affected by the project.

The European Union and EIB have both prioritised support for renewable energies in Africa. Hydropower is a key renewable energy source and the financing of Bujagali contributed to the Bank's strong performance in this area in 2007. The polluting oil-fired generators that supplement electricity production from Uganda's two existing dams on the Nile can be switched off once the Bujagali dam and power station are completed. The project's environmental footprint is quite small. The project promoters have worked to minimise or compensate for negative environmental and social impacts according to best international practice, including the resettlement of about 600 residents. The interests of residents and other stakeholders including civil society organisations are taken into account through consultation and the consideration of grievances, some of which have been addressed by the World Bank's Inspection Panel. Hydropower is the least expensive source of electricity for landlocked Uganda, which will allow for cost reductions and eliminate the need for government subsidies.

The EIB and other lenders placed particular emphasis on the Government of Uganda's efforts to preserve the natural habitat downstream of Bujagali and regulate the Lake Victoria water level in line with international agreements. The World Bank supports a national power sector development programme which ensures that power from Bujagali will be used efficiently. Other financiers of the project include the International Finance Corporation (IFC), the African Development Bank (AfDB), and a group of European finance institutions comprising Proparco, Agence Française de Développement (AFD), Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden (FMO), Deutsche Investitions- und Entwicklungsgesellschaft (DEG) and Kreditanstalt für Wiederaufbau (KfW). The involvement of the EIB and the other development financiers helped to build investor confidence, as demonstrated by the participation of two commercial banks. The EIB's loan is among those with the longest tenor and its repayment profile will help to level out the project's cash flow requirements, so contributing to the financial stability of the Ugandan power sector. ■

by Marcel Gounot
Directorate for Operations outside Europe, ACP-IF Department

A coin for the 50th anniversary of the EIB

On 8 January, at the premises of the EIB, Yves Mersch, President of the Luxembourg Central Bank (BCL), officially handed over to President Maystadt the first specimen of the collector's coin commemorating the 50th anniversary of the European Investment Bank. This silver coin, of which only 4 000 have been minted, was released for sale on 10 January at the counters of the BCL's numismatic department, 43 avenue Monterey, Luxembourg, at a price of 60 euros.

The EIB coin is the final one in a series of seven coins relating to the European institutions, the first one having been issued in 2002.

The reverse of the coin depicts the Bank's new building and bears a stylised representation of the figure "50" with the EIB logo in the background, the inscription "Banque européenne d'investissement", the years "1958" and "2008" and its face value of 25 Euro.

The obverse bears a portrait of the Grand Duke Henri, the inscription "Lëtzebuerg", the euro symbol and the date "2008". Struck in "proof" quality in sterling (.925) silver, the coin has a smooth edge, is 37 mm in diameter and 2.2 mm thick, and weighs 22.85 grams. ■

Y. Mersch, President of the Luxembourg Central Bank (BCL) and P. Maystadt, EIB President.

Establishment of a European Studies Library

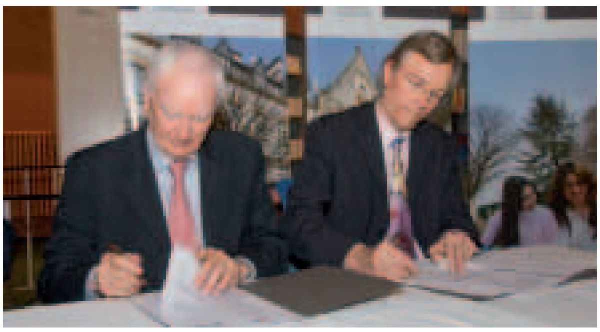
EIB transfers its documentary collection to the University of Luxembourg

EIB President Philippe Maystadt, the President of the University of Luxembourg, Raymond Kirsch, and the University's Rector, Rolf Tarrach, signed an agreement on 5 March recording the handing over to the University of Luxembourg of the EIB's documentary collection. With this agreement, the two partner institutions established the "European Studies Library of the European Investment Bank and the University of Luxembourg".

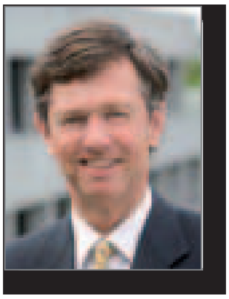
This library will initially comprise some 10 000 works, testimony to the activities, priorities and strategies of the Bank since it was founded in 1958. Together, these works form a unique collection, including many rare items, which might be of interest to those researching the history of the European Union.

The EIB chose the signing of this agreement as the first in a series of official events to mark its fiftieth anniversary. With this decision, the EIB also wishes to demonstrate its openness and strengthen its cooperation with the academic community of its host country.

The EIB's documentary collection will be available to researchers, but EIB staff will still have access to it. The new European Studies Library will initially be physically located in the Faculty of Language and Literature, Humanities, Arts and Education (FLSHASE) on the University's Walferdange campus, in a room specially fitted out by the university library. It might eventually be moved to the Esch-Belval site in order to accommodate the entire EIB collection. ■



EIB Senior Management



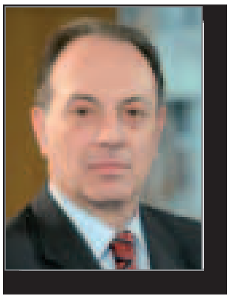
Romualdo Massa Bernucci has been appointed Director of the Adriatic Sea Department, covering Italy, Malta and the Western Balkans, with effect from 1 July 2007.

Mr Massa Bernucci, an Italian national, joined the EIB in 1985 as Monitoring Officer for East Africa and the Indian Ocean Countries. In 1994 he moved to deal with EIB operations in Egypt, becoming Deputy Head of Division. Four year later he went to the EIB's Rome Office, focusing on Industry and Banks as Deputy Head of Division. In 2000 he shifted to the Infrastructure Division, covering Italy, Greece, Cyprus and Malta, still acting as Deputy Head of Division.

In 2004 he moved back to Luxembourg and was appointed Head of Division, Lending Operations in the Western Balkans and Cyprus, South-East Europe Department. In 2006 he became Head of Division for Slovenia, Croatia and the Western Balkans within the Adriatic Sea Department.

Prior to coming to the Bank, Mr Massa Bernucci worked for the United Nations as an Economist at the Economic Commission for Africa (1983); for Banco Ambrosiano in Milan (1982); and for Fideuram in Rome (1980).

Mr Massa Bernucci holds a degree cum laude from Rome's "La Sapienza" University and an MBA from Milan's Bocconi University, with specialisation in international finance.



José Luis Alfaro has been appointed Associate Director in the Projects Directorate with effect from 1 January 2008.

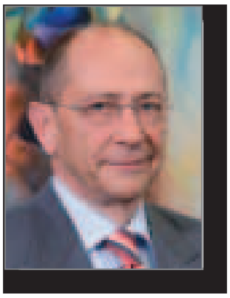
Mr Alfaro joined the Bank in 1994 in the Infrastructure Department, where he became a Technical Adviser in 2000.

In 2002 he was appointed Head of the Rail and Road Transport Division and in 2006 became Head of the Air and Sea Transport Division in the Transport and Energy Department.

Prior to joining the Bank, Mr Alfaro worked for consultancy and construction companies and Spain's Department for the Environment. He also held academic positions in the transport field at the Polytechnic University of Madrid and worked for three years at the European Commission.

Mr Alfaro has an MSc in Civil Engineering and an MSc in European Institutions (Economy and Law).

Cadre Appointments



Tassilo Hendus has been appointed Associate Director in the Africa, Caribbean, Pacific – Investment Facility Department with effect from 1 January 2008.

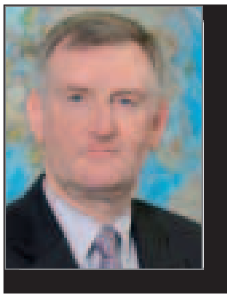
Mr Hendus joined the Bank in 1982 as a senior investment officer for lending operations under the EU/ACP Lomé Convention in West Africa and the Caribbean.

In 1994 he became Head of Division for lending operations in West Africa. In 2003 under the new EU/ACP Cotonou Partnership Agreement he became Head of Division for lending operations in Central and East Africa.

Since 2007, Mr Hendus has been Head of the Resource and Business Development Division in charge of private equity, micro-finance, structured finance, credit enhancement and restructuring operations. He is also responsible for overall supervision of operations in the African, Caribbean and Pacific partner countries.

Prior to joining the EIB, Mr Hendus worked for Banque de Bruxelles (1969) and Deutsche Bank (1970-1971). From 1976 to 1982 he worked for BHF-Bank, a Frankfurt-based merchant bank, as assistant to the CEO and coordinator for the New York branch and business development in Africa and Central Europe.

Mr Hendus has an MBA from Cologne University.



Stuart Rowlands has been appointed Associate Director in the Credit Risk Department (CRD) of the Risk Management Directorate with effect from 1 January 2008.

Mr Rowlands is Head of the "Corporates, Public, Infrastructure" Division in CRD. He joined the Bank in 1988 in the Internal Audit Division, of which he became Deputy Head in 1994.

In 1998 he moved to the Project Finance Division in CRD. Two years later he went to the Infrastructure Division and in 2001 became Head of the Infrastructure Unit in the Industry and Infrastructure Division. In 2002 he was appointed Head of the "Corporates, Public, Infrastructure" Division in CRD. In 2005 and 2006 he was Head of the Internal Ratings working group under the Basel II project.

Prior to joining the Bank, Mr Rowlands was a Senior Manager with Price Waterhouse on the external audit of the EIB. He also worked for two years at the European Court of Auditors.

Mr Rowlands has a BSc in Economics from the University of London and is a Fellow of the Institute of Chartered Accountants and a Member of the Institute of Internal Auditors.

The information magazine of the European Investment Bank Group

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Please consult the Bank's website for the updated list of existing offices and their contact details.

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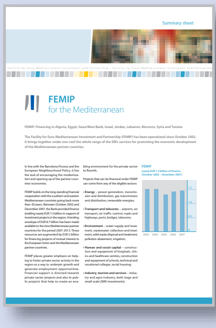
Dates for the Diary...

- **05/05/2008** – 4th FEMIP Conference: Microfinance in the Mediterranean: What impact? Tunis - Tunisia
- **May 2008** – Public consultation meeting on Environmental and Social Statement. Brussels – Belgium
- **02/06/2008** – Inauguration of the new EIB building. Luxembourg
- **03/06/2008** – Board of Governors Annual General Meeting 2008. Luxembourg
- **June 2008** – CSO Workshop on Climate Change issues. Brussels – Belgium

Details and registration at www.eib.org/events

New EIB publications



December 2007

- 2007 Annual Economic Report on Partner Countries
- EIB Eligibility Guidelines

February 2008

- Corporate Operational Plan 2008-2010
- EIB Study: "EIB Flood Risk Management Guide"
- FEMIP and the Mediterranean partner countries
- Nine FEMIP Country fact sheets: Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia
- FEMIP for the Mediterranean: promoting tourism development

March 2008

- FEMIP Study: "Analysis of Tourism Strategies and Policies in the FEMIP Countries and Proposals for Sub-regional Tourism Development"
- The European Investment Bank's financing operations in Italy

Coming soon:

- Operations Evaluation Overview Report 2006
- FEMIP and ACP Annual Reports
- EIB Group Annual Report
- EIB Papers 2008

Brochures are available in various languages according to audience and business requirements. They can be downloaded free of charge at www.eib.org/publications.

Change in telephone numbers on 1 January 2008!

As from 1 January 2008, the direct telephone numbers in our offices in Luxembourg will be changed to nine digits.

Please call our central switchboard on (+352) 43 79 -1 to reach the person you wish to contact.