

**Annual Press Conference 2005****Briefing Note N°02**

Luxembourg, 3 February 2005

I2I (innovation 2010 initiative)

Since the Innovation 2010 Initiative was put in place by the EIB Group (EIB and EIF) in 2000 to support the "Lisbon Strategy" with the objective of building a European economy based on knowledge and innovation, the European Investment Bank has concluded loans for investment under the initiative for over EUR 24.1 billion (plus EUR 4 billion in EIF equity participations). EIB loans for i2i investment projects in 2004 reached more than EUR 7 billion. The European Investment Bank, together with its subsidiary, the European Investment Fund, is a major player in implementing the Lisbon agenda "on the ground" by providing essential financial support. In so doing, the EIB Group cooperates, inter alia, with the European Commission and the European Council, acting as a powerful market-based complement to the grant instruments operating through the EU budget.

The EIB Group supports i2i operations, which focus on four key fields: Research, Development and Innovation (RDI); Development of SMEs and Entrepreneurship; Human Capital, notably education and health; and Information and Communications Technology Networks, including e-services and audiovisual innovation. It does so through:

- medium- or long-term EIB financing (possibly with risk-sharing or structured loans) and
- EIF participations in venture capital funds that provide SMEs with equity resources in the form of venture capital.

From 2000 to 2010

The EIB has lived up to its commitments under i2i. From 2000 until the end of 2004, the Bank concluded 176 i2i operations throughout the European Union, including the new Member Countries that joined the Union in 2004. Close to 80% of total lending under i2i is in the private sector, with the remainder in the public sector, mainly in the field of university research and education. About two thirds of the lending went to the less developed assisted areas in the EU-25. This ties in well with the prominent role which the Lisbon agenda is called upon to play in the Union's future cohesion policy. Based on the first five years of experience, the EIB's overall objective of mobilising up to 50 billion of lending to support innovation under its i2i programme over the current decade is on track.

New financial products

In cooperation with the European Commission, the Bank continued its efforts in 2004 to define new financial instruments designed to increase the leverage between loans and grants (typically from the European Union, but also of national origin) and to mobilise resources for R&D-related investment. It also set up a special window for "midcaps", medium-sized corporates, which are often very active in innovation, for financing i2i investments with a total cost of up to EUR 50 million. The Bank is also increasingly involved in financing Public Private Partnerships. The EIB, together with the EIF, is actively brainstorming with the Commission, notably DG Research, but also DG Regio, to develop a "toolbox" of financial engineering instruments. These could be introduced into the planned support programmes (for example FP7, regional programmes under ERDF) for the new budgetary programming period 2007-2013, the basic outline of which is now under preparation.

Research, Development and Innovation

Further progress has been made in financing a number of “quick start” priority projects, such as the Laser Sincrotrone R&D project in Trieste for which the Bank lent EUR 60 million. This loan is helping to construct a free electron laser enabling molecular and atomic microscopy. The EIB is also working on diversifying the range of financial products available for RDI investment, including dedicated global loans for R&D-intensive SMEs and operations backed by security in the form of Intellectual Property Rights.

In 2004, the EIB invested over EUR 4.1 billion in 27 RDI projects. Most of these were in the fields of ‘nano’-electronics, optics, biotechnology and telecommunications. Among those projects, the EIB lent EUR 162 million to Novo Nordisk in Denmark, the world leader in research into diabetes therapies, and EUR 50 million to the Austrian Villach Automotive Chips project, for the construction of electronic car components. These loans brought the EIB’s RDI financing since 2000 to a total of EUR 10.1 billion.

Development of SMEs and entrepreneurship

The EIB’s support for SMEs through its global loans was further developed in 2004 with specific lines of credit for i2i-related investments in Austria, Italy and the Slovak Republic. In Italy it supported the creation of a Science and Technology Center for innovative SMEs with a loan of EUR 100 million. The EIB Group’s specialised subsidiary, the EIF, committed EUR 357 million in 15 venture capital funds providing innovative SMEs with equity resources. These new operations brought the EIF’s total portfolio to around EUR 2.8 billion, invested in 199 funds.

Human capital formation

In 2004, the EIB lent almost EUR 1.7 billion for 18 education and research-related health projects in 2004. Many projects concern the provision of higher education or university facilities, such as in Niedersachsen, Nordrhein-Westfalen, Bremen and Schleswig-Holstein in Germany. Between 2000 and the end of 2004, loans for investment in human capital reached EUR 7.2 billion.

Information and Communications Technology (ICT) Networks

Being essential vehicles for the diffusion of innovation and data exchange between companies, ICT networks attracted close to EUR 1.3 billion in EIB loans in 13 transactions in 2004. Such loans included EUR 400 million for the TIM mobile network in Italy, introducing third generation UMTS mobile telecommunications services. E-services also play an important role: the Bank lent EUR 50 million to Otto Versand in Germany to extend its e-business.

Audiovisual i2i is intended to support European audiovisual production and distribution, help the industry to embrace new technologies and encourage greater involvement by the European banking and financial community in financing the industry’s players. The initiative is implemented in tandem with the Commission’s “MEDIA Plus” programme. In 2004, the EIB signed two framework agreements for EUR 20 million each, continuing its cooperation with two financial institutions in France specialised in audiovisual sector finance. Up to the end of 2004, the EIB’s partnership with these institutions resulted in a portfolio of 50 films or television programmes with a total production cost of some EUR 0.5 billion. EIB loans to the audiovisual sector since the year 2000 have reached a total of EUR 518 million.

For more information on the EIB, visit the internet site www.eib.org.

Press Contact: Press Office, press@eib.org, Tel: +352 43 79 31 51; Fax: +352 43 79 31 91
General Questions: Infodesk EIB, info@eib.org; Tel: +352 43 79 31 22; Fax: +352 43 79 31 91