



## Annual Press Conference 2007

### Briefing Note No 02

#### The Bank promoting European objectives

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### Promoting Innovation

#### EU policy objective supported

With the establishment of the Lisbon Agenda in 2000, the European Union set itself the strategic goal of establishing a competitive, innovative and knowledge-based European economy, capable of sustainable growth. The EIB Group has since recognised research and innovation as an important lending priority, to which it has dedicated a multiannual lending program of EUR 50bn. Following the Hampton Court Summit, the EIB is finalising together with the European Commission an additional Facility dedicated to Research and Innovation.

EIB finances three areas of investment to support technological modernisation and the tailoring of human capital to a European economy as foreseen in Lisbon:

- Research, development and innovation (RDI) – private and public sector investment in research, the development of centres of excellence and academic research centres, as well as downstream investment (products and processes) in the private sector;
- Education and training: support for university training by improving access to training as well as life-long learning, integration of research into education projects, upgrading related IT infrastructure, etc;
- The diffusion of technologies and the development of information and communication technology (ICT) – involving the rollout of fixed and mobile broadband networks and access technologies, the creation of networks in a number of sectors (health, transport), etc.

Loans in 2006 were divided by sub-sector as follows:

(in EUR)	2006	2005	2000-2006
RDI	6.7bn	6.2bn	23bn
Education/Training	1.9bn	2.3bn	11.1bn
ICT	1.3bn	1.9bn	9.9bn
<b>Total in the EU<sup>(*)</sup></b>	<b>10.4bn</b>	<b>10.7bn</b>	<b>44.8bn</b>

<sup>(\*)</sup> Total includes projects not categorised as above.

Thus, in 2006, the Bank again exceeded the level of EUR 10bn of contract signatures, as it did the year before, making it clear that the objective of EUR 50bn in signatures over the current decade will be by far exceeded. Within the three components, there was a shift to RDI investment, which is central to the Lisbon Agenda. Within RDI, support for university-based R&D saw a significant increase, with EUR 1.4bn in loans. In Germany alone, EUR 900m went to basic research and research facilities at the universities of Mainz, Kaiserslautern, Tübingen and Freiburg.

Given the broad definition of assisted areas up to 2006 (including both Objective 1 and 2 areas) and the Bank's efforts to finance innovative projects in the poorest regions, EUR 5.6bn or 59% of the lending still took place in assisted areas. In 2007, when the EU will use the narrower "convergence" criterion for assisted areas, this percentage is likely to decrease. Financing innovation in assisted areas helps to offset the tendency for such investment to be concentrated in the wealthiest regions by transferring knowledge to regions that are lagging behind. In this way, the Bank happily combines two of its priorities (economic and social cohesion, and research and innovation).

#### The new risk-sharing finance facility

The Bank and the Commission are currently developing a new risk-sharing finance facility. A financial contribution made from the EU's 7<sup>th</sup> Framework Programme allows the EIB to cover the additional risk. The objective is to improve access to debt financing for research and development projects. New and additional risk-sharing loans with a minimum size of EUR 10n will be made available, the exact loan format depending

on project characteristics (conditional or subordinated loans, mezzanine, alternative security arrangements). Beneficiaries can be private and public project promoters of all sizes and nature.

In 2006, the EIB met with major players on the European research scene, such as the European Technology Platforms, EUREKA, ESFRI as well as industry and banking partners to develop the new risk-sharing financial instruments.

### Key projects

**RDI & Education/training:** in **Poland** the EIB lent EUR 500m through the Ministry of Finance to finance capital investment in science and technology infrastructure and equipment, recurrent wage costs of scientists employed by the Polish Academy of Sciences and State research institutes, accredited public universities, university colleges of technology, and equivalent institutions, as well as research grants for scientists. The government remains the main investor in research and development in Poland. Foreign firms have located manufacturing plants in Poland, but their R&D has tended to remain with parent companies abroad. The EIB loan is intended to stimulate public R&D investment in an attempt to leverage private sector funding by improving the general science infrastructure.

**RDI & ICT:** in **Spain** the EIB lent EUR 400m in support of Telefónica's investment in R&D. The project focuses on applications for processes, products and technologies of fixed and mobile telecom networks and services at several research centres. Telefónica is the most important private R&D company in Spain and a leading participant in European Research Project under the 6<sup>th</sup> European Framework Programme. It actively cooperates with universities as well as with basic research centres.

**RDI in the automotive sector:** the EIB lent more than EUR 1.9bn for RDI in the automotive sector. These investments are interesting because they fall clearly within the Lisbon mandate (innovation, competitiveness), but at the same time most of the projects also serve environmental and/or energy objectives<sup>1</sup>. Thus in **Germany**, the Bank lent EUR 400m for RDI activities in the areas of exhaust gas reduction, reduction of fuel consumption and CO<sub>2</sub> emissions, and another EUR 400m for the development of hydrogen powered passenger car, while EUR 30m went to RDI on emission and noise reduction projects.

For further information on the EIB, visit its website [www.eib.org](http://www.eib.org).

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<sup>1</sup> For more information on R&D in energy, please refer to the briefing note on Sustainable, competitive and secure energy.