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The Bank promoting European objectives

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Promoting innovation

EU policy background

When the European Council met in Lisbon in 2000, it decided on an agenda to establish a competitive, innovative and knowledge-based European economy, capable of sustainable growth with more and better jobs and greater social cohesion. The EIB supports this ambitious objective through its Innovation 2010 Initiative (i2i) lending window. In 2000, the EIB pledged to lend EUR 50bn for innovative projects over the period 2000-2010. As it turned out, the Bank was three years early in reaching its objective. With EUR 10.3bn in loans under i2i in 2007, total innovation lending stood at EUR 56bn at the end of the year.

The EIB finances three areas of investment to support technological modernisation and the tailoring of education and training to a European economy as proposed 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 all levels of education and training (primary, secondary, university, adult education), integration of research into education projects, upgrading related IT infrastructure, etc;
- the dissemination of technologies and development of information and communication technology (ICT) – involving the roll-out of fixed and mobile broadband networks and access technologies, the creation of networks in a number of sectors (e-health, e-transport, etc.).

Loans in 2007 were divided by sub-sector as follows:

(in EUR bn)	2007	2006	2000-2007
RDI	7.2	6.7	30.2
Education/training	1.3	2.1	12.9
ICT	1.6	1.7	11.9
Total	10.3	10.9	56¹

Of the EUR 10.3bn in innovation loans in 2007, EUR 9.8bn was for projects in the European Union and EUR 455m for investment in Turkey. For three consecutive years now, EIB lending for projects underpinning the Lisbon Agenda has exceeded EUR 10bn.

RDI

New financial instruments have a key role to play in RDI finance. The Risk Sharing Finance Facility (RSFF), set up jointly by the EIB and the European Commission and operational since mid-2007, is particularly relevant. The RSFF is built on the principle of risk sharing between the Commission and the EIB and extends the Bank's ability to provide loans or guarantees to projects carried out by promoters with a low or sub-investment grade risk profile. With a capital contribution of EUR 1bn each from the EU's 7th Research Framework Programme and the EIB's Structured Finance Facility, the RSFF is expected to leverage EUR 10bn of additional financing for RDI.

The take-up proved almost immediate. By September eight financing operations concerning renewable energy technologies, energy efficiency, automotive components, engineering and biotechnology projects had already been concluded for a total amount of EUR 359m. By year-end a total of EUR 459m had been lent under the RSFF for projects located in four Member States.

¹ Lending figures do not add up because, exceptionally, innovative projects at times do not fall within the three sub-categories.

Education and training

The bulk of the Bank's investments in the education sector to date have been in support of infrastructure – buildings, facilities and equipment – required for the acquisition of knowledge and skills. For instance, in 2007, in the region of Valencia, Spain, the Bank financed the construction, rehabilitation and extension, as well as furnishing and equipping of primary, secondary and vocational education facilities and other related educational infrastructure. More recently, a big effort has been made to promote education projects that will improve the quality of education more directly. This implies giving greater consideration to investments in demand side measures and intangible assets, such as student loans and academic RDI, that will widen access and enhance the quality of education. In Hungary for example, the Bank lent EUR 150m for a student loan scheme that is part of a wider national strategy to increase the quality of higher education, encourage participation and enhance equal opportunity of access. The future may also see the Bank financing investment in modern curricula, improved methods of instruction and, especially, better teaching at European schools and universities.

Information and communication technology

ICT is a key sector for implementing the Lisbon Agenda. ICT projects are normally on a large scale and require large loans. In 2007 British Telecom took up EUR 455m for investment in the next generation of telecommunications services, while Telefonica borrowed EUR 375m for the construction of a new UMTS broadband mobile telephone network in Spain.

A Memorandum of Understanding was signed between the Commission and the EIB in 2007 to support the EU regulatory framework for electronic communications and notably the EU policy to reduce the "broadband gap". The investment requirements for next generation networks are potentially large and the Bank is expected to play an increasing role in encouraging private sector investment in such infrastructure. Moreover, the Bank is supporting the establishment of alternative broadband access platforms, which may include wireless technologies and require new types of financing options.

Some key projects

Automotive Energy Efficiency – AVL (Austria): One of the first loans under the Risk Sharing Finance Facility was to AVL, a leading, family-owned technology and engineering specialist focusing on powertrain/engine and related technologies. The EIB lent AVL EUR 30m for the development of clean and efficient automotive powertrains, as well as for research on hydrogen fuel cell technology, nanocomposites and engine technologies to increase energy efficiency and reduce the impact on climate change.

Strengthening of Turkey's science and research promotion: Turkey's progress in RDI will ultimately be important for its competitive position in the European Union. A EUR 400m EIB loan went to TÜbitak, the Scientific and Technological Research Council of Turkey, for a range of investments including academic research programmes, laboratories and scientific equipment.

Slovenia Telekom Broadband: The EIB lent EUR 100m for the nationwide upgrading of the fixed-line telecommunications network in Slovenia in order to modernise the existing copper and fibre network, the backbone transmission systems and operational support systems. The loan also goes toward the roll-out of Digital Subscriber Line technology to enable the provision of advanced broadband services.

For further information on the EIB, visit its website www.eib.org.

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