

SUSTAINABLE COMMUNITIES PRESENTATION TO INFORMAL MINISTERIAL MEETING IN BRISTOL

SLIDE 2

I am very happy to be here today to talk about Sustainable Communities. This is a subject that exactly coincides with the European Investment Bank's (EIB's) role. I will show how we are contributing to this objective, and what innovations lie ahead for us.

First of all, let me say something about the EIB. The slide shows our structure. Big player in financial markets.

Of the total signatures in 2005 of EUR 46 billion :

- EUR 36 bn in the EU 15
- EUR 5.5 bn in the EU 10 (but rising quickly)
- EUR 4.8 bn outside the EU (+ COTENOU)

To this, we raise large sums on capital markets (more than EUR 50 billion per year) at very favourable rates. We are a non-profit making institution and pass the benefits of our finding to borrowers from us at competitive rates. I should also add that, while we lend to project we never provide 100% of the finance – it is always necessary to find co-cofinance.

SLIDE 3

The EIB is essentially a policy-driven bank. So, although it operates on sound banking principles, it directs its very competitively-priced lending to the policy objectives of the European Union. I will say precisely how we do that in this talk.

The Conclusions of the European Council are particularly important for us in shaping our lending policies. But clearly, conclusions of EU Ministerial meetings such as this are "policy drivers" for the EIB. Many EIB initiatives relevant to this meeting's agenda were launched at European Councils : for instance, the Amsterdam Council in 1997 launched a new social dimension to EIB lending – schools,hospitals, and social housing.

But, of course, how we implement these policies, and which targets we concentrate on is for EIG Governors – the EU Finance Ministers – to decide.

[Marriage of finance ministries/bankers]

SLIDE 4

These are the key priorities for the EIB recently approved by EIB Governors in June of this year.

All of these can involve the sustainable communities agenda.

The categories can overlap :

To give an idea of the dimensions :

- EC & Social Cohesion EUR 31 billion
- i2i EUR 9 billion
- TENs, Env., SMEs Each in the region of EUR 7-11 billion in 2005

SLIDE 5 With that background, I turn to the urban agenda. A massive change is occurring world-wide in the way we live.
[Jim Wolfensohn's prediction of 1 billion more city inhabitants by 2050 : a new city or cities for 20 million inhabitants each year.]
We had better get this agenda right!

SLIDE 6 The EIB's role helps to create sustainable communities by lending for investments that contribute to this objective, as shown in slide 6.

SLIDE 7 But we insist on EIB-financed investment projects being part of a coherent strategy or plan. Even if we were asked to support a specific project – for instance, for social housing or a road or an urban railway system - this has to be part of a coherent plan.

This relates to a most important principle. The EIB does not design urban strategies for Member States, regions or cities. This is clearly their role and responsibility. But we do provide finance where these strategies further EU policies. Of course, if asked, we do give advice on the structuring of urban strategies.

- We can help with financial design. An obvious example is where a PPP structure is justified. We will help the authority design it in a way that both achieves their objectives and will attract the necessary finance from banks and the markets.
- We may also advise on project design : for instance, how to comply with procurement rules,, EU environmental standards, etc. We may also advise on tariffs and charges.

But the responsibility for policy is the democratically elected authority.

SLIDE 8 I turn now to our loan activity. Basically, three ways we help to finance regeneration investment.

The first is through individual projects. Two examples in Barcelona :

- The World Trade Centre;
- The Opera House.

Other examples in Barcelona :

- Barcelona Tram (2001 – EUR 138 million)
- Barcelona Tram (2002 – EUR 132 million)
- Infrastructure (2002 – EUR 100 million)

- SLIDE 9** In a slightly different way, we can support projects to renovate a whole sector in a City or region. We have done this twice in Glasgow : (***Expand on housing transfer.***)
- Preparatory catalytic role;
 - Financial and political preparation
 - Co-operation with other financial institutions.
- SLIDE 10** We can lend to a region, City, or municipality for its whole regeneration policy. So, for instance, the Warsaw loans covered **(TO BE ADDED ON MONDAY)**.
- Such “programme” or “framework” loans can be combined with EU budget finance. We have agreed such loans in the New Member States to Katowice, Poznan, and Budapest – to give you examples. I would expect many more.
- SLIDE 11** Shows the breakdown of urban renewal lending between 2000-2004. Looking ahead, I expect a still substantial amount of lending in EU 15. But the share of the new Member States (EU 10) should rise markedly.
- SLIDE 12** Finally, I turn to how we can develop and improve on our work.
- One key area will be co-operation with the Commission on blending grants and loans.
 - Welcome the idea of a working group which will report to the German Presidency.
- SLIDE 13** New initiatives that the Commission has described.
- JASPERS : Preparation of projects using structural cohesion funds and blended with loans.
 - Co-operate with other IFIs (e.g. Council of Europe, Development Bank)
- TO CONCLUDE** Main lessons for the EIB as a bank are to :
- Help the legitimate authorities – not to replace/duplicate government as a policy maker;
 - Co-operate with EU budget funds;
 - Take the wide/comprehensive view – not just look at components.