## Key data

<table>
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<th>(EUR million)</th>
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<th>1999</th>
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<tr>
<td>Accession Countries</td>
<td>2 948</td>
<td>2 373</td>
</tr>
<tr>
<td>(of which Pre-Accession Facility)</td>
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<tr>
<td>Partner Countries</td>
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</tr>
<tr>
<td>• Mediterranean Countries (excl. Cyprus and Malta)</td>
<td>1 214</td>
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</tr>
<tr>
<td>• Africa, Caribbean, Pacific, OCT</td>
<td>401</td>
<td>341</td>
</tr>
<tr>
<td>• South Africa</td>
<td>140</td>
<td>150</td>
</tr>
<tr>
<td>• Asia, Latin America</td>
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<td>310</td>
</tr>
<tr>
<td>• Balkans</td>
<td>154</td>
<td>60</td>
</tr>
<tr>
<td>Loans approved</td>
<td>40 940</td>
<td>35 117</td>
</tr>
<tr>
<td>Within the European Union</td>
<td>35 003</td>
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</tr>
<tr>
<td>Accession Countries</td>
<td>3 268</td>
<td>2 677</td>
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<td>2 669</td>
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<td>Disbursements</td>
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<td>27 612</td>
</tr>
<tr>
<td>From own resources</td>
<td>29 809</td>
<td>27 449</td>
</tr>
<tr>
<td>From other resources</td>
<td>185</td>
<td>163</td>
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<td>Resources raised</td>
<td>29 038</td>
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<tr>
<td>Community currencies</td>
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<td>19 658</td>
</tr>
<tr>
<td>Non-Community currencies</td>
<td>5 273</td>
<td>8 697</td>
</tr>
<tr>
<td>Outstandings</td>
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<td></td>
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<tr>
<td>Loans from own resources</td>
<td>198 918</td>
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</tr>
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<td>Guarantees</td>
<td>223</td>
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</tr>
<tr>
<td>Financing from budgetary resources</td>
<td>2 386</td>
<td>2 352</td>
</tr>
<tr>
<td>Short, medium and long-term borrowings</td>
<td>159 860</td>
<td>146 223</td>
</tr>
<tr>
<td>Own funds</td>
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<td>20 494</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>219 196</td>
<td>201 104</td>
</tr>
<tr>
<td>Subscribed capital at 31 December</td>
<td>100 000</td>
<td>100 000</td>
</tr>
<tr>
<td>of which paid in</td>
<td>6 000</td>
<td>6 000</td>
</tr>
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</table>
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<td><strong>A top-flight financial intermediary</strong></td>
<td>30</td>
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<td>Cooperation with the banking community</td>
<td>31</td>
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<td>A partner for the institutions</td>
<td>32</td>
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<tr>
<td>A broad palette of products</td>
<td>32</td>
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<td>Governing bodies</td>
<td>33</td>
</tr>
<tr>
<td>The Management Committee</td>
<td>34</td>
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<td>Administration and staff</td>
<td>35</td>
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<td>Organisation chart</td>
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<tr>
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</tr>
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<td><strong>EIB Group addresses</strong></td>
<td>41</td>
</tr>
</tbody>
</table>
In 2000, the European Investment Bank continued to support the objectives of the European Union both through its borrowing (EUR 29 billion) and lending (EUR 36 billion) activities.

Beyond the sheer volume of activity, the Bank concentrated its efforts on the fulfilment of its core mission, the promotion of economic and social cohesion within the Union (73% of our lending within the Union went to support investment in the less favoured regions).
Another top priority set last year was the start of the “Innovation 2000 Initiative”, a dedicated programme to support investment aimed at facilitating Europe’s transformation into an innovation-led and knowledge-based society, the priority objective set by the Lisbon European Council in March 2000.

An important element in facilitating implementation of this was the creation in June 2000 of the EIB Group within which the European Investment Fund has become a specialist subsidiary for venture capital and SME operations, enabling the Group to offer SMEs the full range of financial products necessary for their development in a rapidly changing economy.

Outside the European Union, fully in line with the recommendations of the European Councils (in particular Helsinki in December 1999 and Nice in December 2000), our activity focused on the countries bordering the Union to the East and South, supporting the accession process and strengthening the Euro-Mediterranean Partnership. In addition to the renewal of its Pre-Accession Facility, effective in 2000, the EIB decided to combine into a single Directorate its financial teams responsible for operations in the European Union and in the Accession Countries. By applying the same criteria, project selection and lending procedures, the EIB aims to facilitate the integration of the future Member States.

On the capital markets, the Bank pursued a diversified and innovative borrowing strategy reflecting its position as one of the leading non-sovereign Triple A borrowers. The prime objective is constantly to optimise the cost of our resources thus providing the best possible financial terms for the projects financed.

Looking towards the future, the EIB will focus its activities on the areas where it provides the maximum value added in contributing to the policy objectives of the European Union, as laid down in its Statute and in decisions of the European Council. This will involve a review of internal procedures and a reorientation of our lending activity as well as evolution towards greater transparency.

Philippe Maystadt
President and Chairman of the Board of Directors
Operational background and overview 2000

Bank activity in 2000 was marked by the establishment of the EIB Group and the guidelines laid down by the Helsinki (December 1999) and Lisbon (March 2000) European Councils, which placed emphasis on preparing for enlargement and developing a knowledge-based, innovation-driven society.

In June 2000 the Governors authorised reform of the European Investment Fund (EIF), to turn this institution into the EIB Group’s venture capital and SME guarantee arm. The EIF operates throughout the Union and will see its activity gradually extended to encompass the Accession Countries, in order to promote the development of venture capital and the emergence of high-tech enterprises in those countries.

In response to invitations from the European Councils, the EIB Group took a number of initiatives aimed at strengthening its capacity to provide effective support to meet the needs of the European economy and of the countries that have applied for EU membership.

• Structures have been adjusted in order to adopt standardised operational practices and procedures with regard to lending and project selection, both within and outside the Union. This reform is designed, in particular, to speed up transposal of the existing body of Community legislation and regulations (the “acquis communautaire”) to the Accession Countries, which is one of the EIB’s cardinal objectives in preparation for enlargement.

There was a sharp increase in activity in the Central European Accession Countries (2.9 billion, an increase of 24%), more than half of which related to the Pre-Accession Facility implemented at the Bank’s own risk.

• Since the Lisbon European Council (March 2000), the EIB Group has resolutely embarked upon a new programme intended to support projects paving the way for the transformation of Europe into a knowledge-based, innovation-driven society. Dubbed the “Innovation 2000 Initiative”, this programme serves to complement the EIB’s traditional activities and channels a substantial proportion of finance towards five priorities: promotion of human capital (training), research and development, new networks based on information and communication technologies, dissemination of innovation and development of an entrepreneurial spirit among innovative SMEs.

Unless otherwise indicated, the amounts in this report are expressed in EUR million.
The programme provides for loans totalling between 12 and 15 billion over the next three years. In the same context, the Board of Governors has also decided to double to 2 billion the amount budgeted by the EIB Group for venture capital operations.

- The EIB Group also devoted special attention to the issue of financing projects with a positive impact on the environment. Very significant growth was recorded in lending in this area, and particular emphasis was placed, by the Projects Directorate, on the methodology for assessing the environmental impact of projects and on defining a strategy for supporting the commitments by the Union with regard to halting the effects of climate change.

- The Bank diversified its financial products and developed a gamut of structured finance with a view to accommodating more effectively the specific requirements of certain projects, notably in the transport and telecommunications infrastructure sectors.

Loans signed by the Bank totalled 36 billion, compared with 31.8 billion in 1999 (+13%). Loans concluded in the European Union amounted to 30.6 billion, an increase of 10%. Individual loans for regional development accounted for 73% of the total.

Disbursements totalled 30.2 billion, of which 28.6 billion in the European Union. Of these, 58% were made in euro.

The 310 or so capital projects appraised by Bank staff in 2000 resulted in 40.9 billion in loan approvals (as against 35.1 billion in 1999, i.e. +17%).

By the close of 2000, outstanding lending from own resources and guarantees came to 199 billion. Aggregate outstanding borrowings amounted to 159.9 billion. The balance sheet total, which rose by 9%, stood at 219.2 billion.

Borrowings, after swaps, amounted to 29 billion. They involved 136 operations, with funds being mobilised in 11 currencies. After swaps, 94% of operations on the market were in EUR, GBP and USD.

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In the supplement enclosed with this brochure, readers will find all statistics on activity for 2000 and the period 1996-2000, together with the list of projects financed during the year. These data are also available on the CD-ROM included with this brochure and on the EIB’s website (www.eib.org).
Activity in the Year 2000
Five lending priorities have been formulated:

- support for economic and social cohesion and regional development; to this end, greater emphasis will be placed on enhanced cooperation with the Commission;
- setting up the “Innovation 2000 Initiative”, aimed at promoting investment in a knowledge-based, innovation-driven society;
- preparing the Accession Countries for EU membership;
- support for the Union’s development and cooperation policy with the Partner Countries;
- encouraging environmental protection and sustainable development, *inter alia* by contributing towards implementing the objectives laid down in the Kyoto Protocol.

The EIB will also continue to diversify and modernise its range of funding instruments, in order to take account of market developments and to respond more effectively to customers’ requirements. It will continue to review loan pricing policy.

Adding value to the EIB Group’s operations in furtherance of its remit within the Union, rather than maximising turnover, will remain the principal focus of its activities over coming years.

The first Corporate Operational Plan (COP) was drawn up following adoption, by the Board of Governors in June 1998, of the Strategic Framework. The COP is an instrument for defining a medium-term policy and setting operational priorities in the light of the objectives assigned to the Bank by its Governors. It is also an instrument for ex post evaluation of the EIB’s activities. The plan covers a three-year period, but the strategic projections may be modified in order to take account of new mandates and changes in the economic climate. The COP adopted in December 2000 therefore covers the period 2001 - 2003.
Fostering balanced development throughout the Union

The Bank’s chief remit - conferred upon it by the Treaty of Rome and reaffirmed by the Treaty of Amsterdam (June 1997) - is the balanced development of the Union. Thus, on average, more than two thirds of EIB individual loans help to finance a wide range of projects in regions lagging behind in their development or contending with structural problems.

Working in close cooperation with the Community’s Structural Funds, the EIB complements the impact of budgetary grant aid, encouraging optimum allocation of resources. This aspect of the Bank’s activity is expected to increase with implementation of Agenda 2000, which serves as a blueprint for the Union’s structural and cohesion policies over the period 2000-2006.

73% of individual loans directed towards regional development

Working closely with the Union’s Structural Funds, during 2000 the EIB earmarked 13.7 billion in individual loans - i.e. 73% of this category of operations in the Union - for funding projects located in regions lagging behind in their development or those contending with structural problems.

If the impact of global loans on small-scale ventures in assisted areas is also taken into account, the aggregate figure for EIB funding in favour of regional development runs to some 20 billion.

Developing communications infrastructure, a vital ingredient in generating and giving impetus to economic activity, and financing projects which safeguard the environment number among the priority objectives in less favoured regions.

Under the heading of improving the quality of life, 2.8 billion went towards funding schemes to protect the natural environment, revitalise urban areas and develop public transport as well as to build and modernise health infrastructure.

At the same time, 8.8 billion was advanced in support of transport, telecommunications and energy infrastructure. The level of funding was particularly high in Spain, Greece, Italy and Portugal as well as in the United Kingdom.

Regional development
1996 - 2000 : 94 billion

2000
1999
1998
1997
1996

Objective 1
Objective 2
Multiregional
Global loans

73% of individual loans directed towards regional development

Regional development
Sectoral breakdown of individual loans (2000)

<table>
<thead>
<tr>
<th>(EUR million)</th>
<th>Total</th>
<th>Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>2 216</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>6 613</td>
<td>48</td>
<td></td>
</tr>
<tr>
<td>Water management and sundry</td>
<td>1 096</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Urban development</td>
<td>644</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Industry, services</td>
<td>2 109</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Health, education</td>
<td>1 031</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td><strong>Total individual loans</strong></td>
<td><strong>13 709</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
<tr>
<td>Global loans</td>
<td>6 000</td>
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</tr>
</tbody>
</table>
EIB Forum: Regional Development -
Making Efficient Use of Financial Resources

The sixth EIB Forum, held on 19 and 20 October 2000, drew together some 350 experts from
government and political circles, EU organisations as well as administrative, industrial and bank-
ing sectors. The Forum participants explored the factors determining success or failure which
explain the performance gap existing between the regions in Europe.

In his opening address, Mr Philippe Maystadt, President of the EIB, observed that Agenda 2000,
which maps out the financial framework for the European Union budget until 2006, makes no
provision for a sharp rise in regional policy spending. The only way to achieve a better outcome
in the next few years is therefore to use the available financial resources more efficiently.

The debates flagged up the need for effective coordination between all the major players in the
regions, between these players and central governments, as well as with the European
Commission. They further highlighted the need for close cooperation between the Commission
and the EIB, a prerequisite for maximising the positive impact of regional assistance. Only by
working tirelessly to ensure that the Union institutions, national and local structures and opera-
tors on the ground pull together will it be possible successfully to meet the new challenges raised
by the advent of the information society, but also and above all by enlargement of the European
Union, which will magnify regional disparities to an unprecedented degree.

The guest of honour was Mr Günter Grass, winner of the 1999 Nobel prize for literature, who
evoked the image of a Bank which pursues social aims alongside other objectives and which
invests where needs are greatest: “The Europe of today, with its huge disparities between rich
and poor, offers many opportunities to support under-developed regions”.

Closing the Forum, EIB Vice-President Wolfgang Roth summed up the proceedings as follows:
“Coordination is crucial”. Unerring vision, mobilisation of all resources as part of a strategy for
turning this vision into reality and finally coordination among all the parties concerned are all
essential ingredients for a fruitful outcome to any project: “Ensuring success always requires a
clear goal and efficient organisation, and this also holds good for successful regional develop-
ment. It has to be organised”.

Addressing the needs of Central and Eastern Europe in particular, the EU’s regional policy, cur-
cently going hand-in-hand with a high level of financial assistance, could not be expected to be
transposed lock, stock and barrel into the Accession Countries. In the circumstances, more effec-
tive use had to be made of financial resources. Consequently, the EIB, the EU’s financing institu-
tion, was set to play an even more important role in future in furthering the development of dis-
advantaged regions throughout the Union.

A summary of the contributions
from the speakers at the
EIB-Forum 2000 was published in
December 2000 in
EIB-Information N° 106, available
from the EIB’s Information and
Communications Department
(e-mail: info@eib.org).
Lastly, some 2.1 billion was made available for promoting a dynamic economy by supporting the extension, modernisation or establishment of industrial enterprises.

Such projects served to add to the international competitiveness of European industry in the automotive, electrical engineering and electronics, metalworking, paper and rubber sectors.

Helping industry to adapt to future business challenges, boosting its competitiveness and contributing to the development of efficient enterprises capable of withstanding international competition and creating jobs - all these are indeed crucial factors for Europe’s economic success.

**50% of regional development lending targets Objective 1 areas**

In 2000, regions lagging behind in their development, listed as Objective 1, attracted individual loans totalling 6 875 million. Germany’s Eastern Länder received 1 101 million, the Cohesion Countries (Spain, Portugal, Ireland and Greece) 4 081 million and Italy’s Mezzogiorno 955 million.

Communications infrastructure, telecoms and energy supply networks accounted for 60% of overall lending, thereby helping to alleviate the comparative isolation of these regions. Schemes to enhance the natural and urban environment took up 13% of the amount signed and industry 16%. The remaining 11% of individual loan finance was devoted to projects in the health and education sectors.

**Pressing ahead with economic modernisation**

Individual loans made available in Objective 2 regions benefiting from economic and social reconversion support for areas facing structural problems added up to 5 247 million. The sectoral breakdown of this lending highlights the major part played by transport infrastructure (35%) and the emphasis placed on protecting the natural and urban environment (16%). Industry and the service sector absorbed 18%, while health and education attracted 7%.

The figures demonstrate that four fifths of the projects financed by the Bank in these sectors are located in assisted areas, such that they help to narrow the gap with the more advantaged areas of the EU.

**Financing the networks**

An amount of 1 585 million in all was directed towards telecommunications network infrastructure serving several assisted areas or an entire country.

**Working closely with the Commission**

With a view to forging even closer operational links with the Commission, in 2000 the EIB signed cooperation and framework agreements with this institution, under which the Bank will provide a greater input towards evaluation of projects eligible for grant aid and be able to coordinate its activities more effectively with those of the Commission.

The Bank has also made a contribution towards programming structural initiatives over the period 2000-2006 and, at the request of other parties, is involved in implementing the new EEA Financial Mechanism.
Innovation 2000 Initiative

In response to the guidelines mapped out by the Heads of State or Government in Lisbon on 23 and 24 March 2000 with a view to building a European knowledge-based, innovation-driven economy, the EIB Group unveiled its “Innovation 2000 Initiative”.

Over the next three years, EIB Group support for the Lisbon strategy will take the form of a dedicated EUR 12 to 15 billion programme of medium and long-term loans.

Rather than increasing the volume of lending, the “Innovation 2000 Initiative” will mark a qualitative shift of emphasis in the activities of the EIB Group towards cutting-edge, high-tech value added sectors.

Presentation of “i2i”

This three-year programme focuses on five objectives:

- the development of SMEs and entrepreneurship, in particular by expanding venture capital activities encouraging the development of innovative SMEs within the Union. Such operations are the province of the European Investment Fund (EIF), the EIB Group’s specialist venture capital arm;
- the dissemination of innovation, by financing projects of all sizes, undertaken by both public authorities and private enterprise, with the aim of propagating and deploying innovation and building up the skills needed to apply the new technologies;
- research and development, by supporting public or private research programmes, especially those bringing together private enterprise and public bodies, promotion of research infrastructure, centres of excellence and structures facilitating SMEs’ access to research programmes;
- information and communications technology networks, by financing trans-European multimedia and broadband networks, as well as physical or virtual infrastructure providing local access to those networks, notably in the less developed regions of the Union;
- human capital formation, by modernising and increasing computerisation in schools, colleges and universities and through loans for IT training centres.
Initial results

Following the launch of the “Innovation 2000 Initiative”, the EIB approved projects encompassing modernisation of universities and schools, development of telecommunications and the Internet, audiovisual installations, as well as research and development in the pharmaceuticals sector. Contracts signed in 2000 amounted to 1.6 billion in eleven EU countries: venture capital (214 million), education (448 million), telecommunications and television (965 million).

Audiovisual “i2i”

On 19 December 2000 in Brussels, Viviane Reding, European Commissioner responsible for cultural and audiovisual issues, and Philippe Maystadt, President of the EIB Group, announced a new strategy for cooperation between the Commission, the EIB and the EIF in the audiovisual field. This novel aspect of the EIB Group’s activities should be seen within the context of i2i.

This strategy encompasses four core priorities:

- EIB credit lines (or “global loans”) to banks specialising in the audiovisual sector for financing small and medium-sized enterprises (SMEs) involved in audiovisual production and technologies or undertaking subcontracted work in this industry. Some of these global loans can supplement arrangements providing government assistance for audiovisual production activities, while others may involve risk-sharing and be eligible for external guarantee facilities supported by the EIF in particular;

- EIB medium and long-term finance, in cooperation with the banking sector, for major private or public-sector groups involved in television or audiovisual production and distribution, for their infrastructure projects (studios, digital facilities, transmitter stations, etc.) or their productions (film “packages”, distribution of works or catalogues);

- financing venture capital funds specialising in the audiovisual industry, through EIF equity participations. Acting as a fund of funds, the EIF will thus be launching out into a highly specialised sector, where the lack of resources and pan-European players is hampering establishment of an efficient venture capital market. A number of operations are in place or under way and will involve in particular the establishment of specialist “TIME” funds (Telecom - Internet - Media - Entertainment);

- joint ventures involving the EIB Group and the European Commission for developing the audiovisual industry, especially cinema and television, or for training the economic players in the industry; these operations will aim to achieve greater complementarity between the Group’s banking resources and Community grants under the Media Plus programme, which has an EUR 400 million budget spread over five years.
Preparing the Accession Countries for EU membership

Since 1990, lending by the Bank in the Accession Countries has totalled over 14 billion, including 2.9 billion in the year 2000. These operations, designed to facilitate the transfer of the “acquis communautaire”, are helping the economies of these countries to catch up with those of the Union as a prelude to accession.

These loans were granted under an 8.7 billion Union mandate covering Central and Eastern Europe up to the year 2007 and under the 8.5 billion Pre-Accession Facility set up at the Bank’s own initiative and risk, valid until 2003.

In 2000, lending in the Central and Eastern European Accession Countries amounted to 2,948 million, of which 1,618 million was drawn from funds available under the Pre-Accession Facility.

Increased support for the natural and urban environment

Projects that help to improve the natural and urban environment are receiving increasing attention. Loans totalling 496 million were devoted to water and waste management programmes, the modernisation of metro and tram systems and the development of composite urban infrastructure.

The Bank was also active in Romania, lending 250 million for repairing basic infrastructure damaged by floods and, at the same time, donating EUR 500,000 to assist with relief operations in the disaster areas.

Support for industry

The EIB is also giving its backing to the industrial sector in the Accession Countries, mainly through global loans granted to partner financial institutions, i.e. EU banks present in the region or national establishments.

Communications: the main priority

A well-developed communications network built to Community standards is the key to the economic expansion and successful integration of the Accession Countries. For this reason, the financing of rail and road links, ports, airports and air traffic control, together with telecommunications networks, has become the EIB’s main priority.

In 2000, lending for communications infrastructure reached 1.5 billion with loans being granted for rail networks, the rehabilitation of the existing road network and the development of new motorways, air and sea transport and telecommunications.

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### Accession Countries Loans provided in 2000 (EUR million)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>941</td>
</tr>
<tr>
<td>Romania</td>
<td>853</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>385</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>242</td>
</tr>
<tr>
<td>Hungary</td>
<td>240</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>160</td>
</tr>
<tr>
<td>Slovenia</td>
<td>65</td>
</tr>
<tr>
<td>Estonia</td>
<td>42</td>
</tr>
<tr>
<td>Latvia</td>
<td>10</td>
</tr>
<tr>
<td>Lithuania</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>2,948</td>
</tr>
</tbody>
</table>

* of which Pre-Accession Facility: 1,618 million
Aggregate financing advanced since 1990 in support of the ten Central and Eastern European Accession Countries, as well as Cyprus and Malta also waiting in the wings for EU membership, has run to 14.2 billion, of which 4.5 billion made available under the Pre-Accession Facility established by the EIB in early 1998. In a comparatively short space of time, the Bank has become the largest source of international funding for projects in Central Europe.

**Special focus on communications projects**

The transport sector has accounted for the largest share of Bank activity, with 47% of total lending, including 1.7 billion for railways and 700 million for urban transport. The telecommunications sector has also been a leading recipient of EIB loans to the extent of 2 billion.

This communications infrastructure is building up physical links with the Union and laying the foundations for fruitful development and economic integration.

**Growing priority accorded to the environment**

A considerable number of projects in the transport and energy sectors contribute towards improving the natural and urban environment. The Bank has financed a range of major projects in the public transport sector, notably the Budapest and Prague metros and tramway systems in Cracow, Timisoara and Bucharest.

Similarly, the EIB has financed a multitude of municipal infrastructure schemes designed to redress environmental degradation, especially in the areas of water supplies, sewerage, sewage disposal and district energy conservation.

**Proactively paving the way for enlargement**

**Enhanced interplay between Community instruments**

Cooperation between the Bank and the Commission has served to mobilise the full potential of the Union's financial instruments and to maximise their impact. Bank and Commission teams have worked in close cooperation to formulate and finance an appreciable number of projects in all sectors eligible for EIB backing. Furthermore, whenever a project is suitable for cofinancing the Bank takes pains to associate other multilateral finance institutions active in the region, particularly the European Bank for Reconstruction and Development and the World Bank.

**A facilitator for capital markets in Central and Eastern Europe**

The EIB's maiden borrowings in the currencies of this region date back to 1996, since when it has been active on the Euro-market, through its bond issues denominated in Czech koruny, Estonian kroons and Slovak koruny as well as Polish zloty operations. These issues have served to channel savings by western investors into the CEECs. As from 1997, the Bank arranged debt issuance programmes on the Hungarian forint and Czech koruny domestic markets, enabling it to establish long-term benchmarks for this market segment, while attracting local investors. Generally speaking, where national legislation so permitted, the Bank has been in a position to offer loans in local currencies, so relieving its borrowers of the exchange risk.
The environment in the Accession Countries

Since 1990, 2.3 billion in loans, or 16% of lending over the past decade, has gone directly towards supporting projects designed to protect the environment, both natural (wastewater treatment, waste processing, reforestation) and urban (metro and tram systems, district heating and other related amenities). In 2000, environmental projects accounted for almost a quarter of all lending; the steady growth of the Bank’s operations in this sector reflects both the swing in public opinion in the countries concerned in favour of sustainable development and the harnessing of local skills supported by funds from the Commission’s PHARE programmes.

The financing of these projects, weighted towards investment with a direct impact on the problems of the environment, is doing much to facilitate compliance with the regulations in force in the European Union and thus assist the Accession Countries to prepare for EU membership. In fact, a number of these countries have already adopted environmental legislation drawing directly on that applicable within the Union. Moreover, when appraising every project, the EIB makes a careful study of its impact on the environment and, if necessary, with reference to standards in force in the Union, insists on the adoption of satisfactory measures.

Environmental protection projects financed in the Accession Countries from 1990 to 2000

- District heating/heat/power generation
- Urban transport
- Water management
- Urban infrastructure
- Reforestation
- Post-flood reconstruction
Working together with the Partner Countries

Since the 1960s, the EIB has been an active participant in the cooperation policies pursued by the Union in some 150 third countries.

In the Euro-Mediterranean Partnership Countries, the EIB furthers the objectives of the Barcelona Process with a view to a free trade area between the European Union and the countries concerned. It is also participating in European endeavours to demonstrate solidarity with the countries of Africa, the Caribbean and the Pacific and is making its contribution to the Stability Pact for South-Eastern Europe. Finally, it is supporting certain types of project of mutual interest to the Union and the countries of Asia and Latin America.

The terms of reference for the Bank’s cooperation activity are laid down under the multi-annual mandates assigned to it by the Union (1).

On 10 April 2001, the EIB’s Board of Directors held a meeting in Cairo. The choice of Egypt as the venue for hosting this annual meeting away from Bank headquarters demonstrates the importance which the EIB attaches to that country as an economic and political force. In fact, Mr Mayer, Vice-President whose supervisory responsibilities include operations in the Euro-Mediterranean Partnership Countries, has reaffirmed the EIB’s intention to increase its lending for projects in Egypt as well as throughout the Mediterranean basin.

Euro-Mediterranean Partnership

In 2000, with a view to creating an area of economic stability and prosperity, the EIB took forward the objectives of the Euro-

Mediterranean Partnership with loans totalling 1 214 million, including 21 million in risk capital from Union budgetary funds. Of this sum, 375 million was granted to Turkey under the TERRA facility set up by the Bank to support rehabilitation of the Turkish economy following the 1999 earthquakes.

Special emphasis was placed on modernisation of the private sector, including SMEs, development of the financial sector and infrastructural and environmental improvements.

The Bank resumed its operations in Syria by helping to finance power conversion and transmission facilities.

(1) See Table G “Conventions, financial protocols and decisions in force or under negotiation at 12 February 2001” of the statistical supplement to this publication (these data are also available on the CD-ROM included in this Corporate Brochure and on the EIB’s website: www.eib.org).
African, Caribbean and Pacific States and OCT

In the ACP States and the OCT, the Bank mounted operations in 25 countries and assisted implementation of five regional projects. Altogether, 401 million was made available, including 215 million in risk capital. The EIB concentrated its efforts primarily on development of the private sector.

ACP - OCT

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<th>Loans provided in 2000</th>
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<td>Africa</td>
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<td>Southern Central and Equatorial</td>
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<td>West</td>
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<td>All ACP States</td>
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<td>ACP-OCT</td>
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In a spirit of solidarity with the poorest countries, the EIB decided to contribute 70 million to relieving the debt of a dozen countries under the Highly Indebted Poor Countries (HIPC) Initiative.

South Africa

Loans totalling 140 million ranged from support for telecommunications and industry to the financing of small-scale infrastructure projects of local significance.

Asia and Latin America

Aggregate loans signed in 2000 (532 million) broke down as to 400 million for Latin America and 132 million for Asia.

More than three quarters of these loans was devoted to private-sector investment in favour of joint ventures involving European operators and banks working alongside partners in the countries concerned.

Asia and Latin America

Loans provided in 2000

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<th>Loans provided in 2000</th>
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<td>Thailand</td>
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<tr>
<td>ASIA, LATIN AMERICA</td>
<td>532</td>
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</tbody>
</table>

Balkans

The EIB contributed to the Stability Pact for South-Eastern Europe by lending a total of 154 million in the region. It helped to finance a bridge across the Danube linking Bulgaria with Romania, rehabilitate the power transmission networks in Bosnia and Herzegovina and improve the main north-south road corridor in Albania.

Altogether, five of the fourteen Quick-Start projects have already been financed for a total of 548 million.
In 2000, individual loans for protecting the environment rose steeply as compared with 1999 (+ 40%), reaching 6.4 billion. To this should be added some 2 billion in global loan allocations for sewerage and sewage disposal and urban development projects, mainly in Germany. Thus, altogether, in 2000 the Bank devoted more than 8.4 billion to the environment.

56% for the natural environment

Individual loans deployed for safeguarding the natural environment amounted to 3.6 billion; projects included wastewater treatment and drinking water supplies, processing of urban waste, generally combined with heat and power generation, and reduction of harmful industrial emissions.

Sustained support for urban development and transport

The first step towards improving the urban environment is to reduce the nuisance caused by traffic. Accordingly, for many years, the Bank has been keen to develop urban transport within dedicated corridors. Thus, in 2000, it provided support for tram, metro and urban railway projects in a dozen conurbations and facilitated the construction of bypasses and tunnels for relieving congestion in city centres.

The EIB has also helped to finance numerous urban renewal schemes and the refurbishment of social housing in less favoured parts of the United Kingdom.
The environment in the Accession Countries

In the Accession Countries, special emphasis is being placed on projects that serve to improve the environment - water supplies, wastewater treatment and municipal waste processing, transport and urban development. In 2000, such projects attracted almost a quarter of all loans granted in these countries.

The EIB and mitigating climate change

Protection and improvement of the environment and support for the Union's commitments to mitigating climate change ("Kyoto Strategy") are among the priorities assigned to the Bank under its Corporate Operational Plan.

The EIB has therefore regularly provided assistance for renewable energy projects, as well as for energy conservation, combined heat and power generation, solid waste processing and public transport.

Between 1997 and 2000, renewable-energy loans for hydroelectric, wind, geothermal and biomass power plants (excluding waste processing) amounted to 800 million, of which 535 million went towards projects in the Union. Lending for public transport, including urban and intercity railways, metro lines and tram systems, reached 10.9 billion, the majority of which (9.6 billion) in the Union.

The target set by the Rio Summit in 1992 was to maintain greenhouse gas emissions at their 1990 level. In 1997, this measure was reinforced by the signing of the Kyoto Protocol which recommended that the most industrialised countries reduce their emissions by 5% below the 1990 level within the timeframe 2008 - 2012.

The Bank will be actively supporting the Union's policy on combating climate change. In so doing, it will work in close cooperation with the European Commission, the Member States, the financial sector and other multilateral institutions.

Thus, the EIB is planning to expand its financing operations in two main sectors: energy savings (public transport systems, combined heat and power generation) and alternative energy sources (promotion of more efficient use of fossil fuels and replacement of those fuels by renewable energy).

Both individual loans and global loan allocations could be deployed for this purpose. Moreover, the Bank proposes to develop to the maximum possible extent the synergies between its environmental loans and those provided under the "Innovation 2000 Initiative" which involves, in particular, funding innovative research and development projects in fields likely to have a favourable impact on the environment and contributing to investment based on the industrial application of such research.
The EIB Group promoting SMEs

For over 30 years, the EIB has attached priority to supporting the development of SMEs by improving the financial environment in which they operate. Small and medium-sized enterprises in fact account for 98% of all private firms in Europe and make a considerable contribution as generators of economic activity and jobs. They also have a linchpin role nowadays in the introduction of advanced technologies.

By offering a broad mix of products, spanning medium and long-term loans, venture capital and guarantees, the EIB Group is able to underpin the development of SMEs and help them gear up to the changes taking place in the European economy.

Formation of the EIB Group

As a follow-up to the conclusions of the Lisbon European Council, in June 2000 the EIB’s Board of Governors gave the go-ahead for setting up the EIB Group. The EIF, while maintaining its tripartite shareholder structure comprising the EIB, the Commission and commercial banks, has become a subsidiary of the EIB, which holds over 60% of its capital.

Under this arrangement, the EIF will undertake all the newly-established Group’s venture capital operations and continue to deploy a wide array of guarantee instruments in favour of SMEs. This fresh start to relations between the EIB and the EIF will help to target operations in these highly specialised areas more effectively and boost the catalytic effect of the Group’s activities within the European banking and financial community for the benefit of SMEs.

This reform involved the transfer to the EIF of the portfolio of venture capital operations signed by the EIB, for which the EIB was itself responsible for deployment between 1997 and 2000.

Within the context of the interactive redistribution of Group remits, the EIB has taken over some of the EIF’s administrative tasks so as to enable the latter to devote itself to the operational side.

The EIB’s Governors have further authorised the Bank to release up to EUR 2 billion from its operating surpluses, earmarked for venture capital operations to be concluded by the EIF up to 2003.

Financing SMEs through EIB global loans

During 2000, the Bank signed global loan contracts amounting to 11.4 billion, i.e. credit facilities made available to banks and...
other financial institutions. This pro-
active cooperation with local financial
intermediaries gives SMEs direct access
to partners who are close to hand, have
high-quality information at their finger
tips and are in touch with the real needs
of businesses.

Half of aggregate global loan funding
goes to SME final beneficiaries. During
2000, the EIB thus channelled 5.7 billion
to some 27 000 SMEs.

Two thirds of the amounts allocated
went to the smallest firms, i.e. those
with less than 100 employees.

Venture capital
The EIB Group has been an active player
in the venture capital arena since 1997
under its special programme in support
of economic growth and employment.

The European Council meeting in
Lisbon, held on 23 and 24 March 2000,
placed even stronger emphasis on this
approach by inviting the EIB Group to
step up its equity financing for innova-
tive SMEs in the Union, via the EIF.

In 2000, 450 million served to finance
24 venture capital funds in 10 countries
of the Union. These funds acquire equi-
ty stakes in innovative high-technology
SMEs and help bolster their capital base.

Since 1997, EIB commitments add up to
more than 1.2 billion for 80 operations.
Running in parallel with this funding,
venture capital operations by the EIF
total 296 million. Since establishment of
the EIB Group, the EIF has become the
Group’s specialist venture capital arm.

EIF portfolio of SME guarantees
The guarantee mechanism for SMEs is
designed to facilitate access to borrow-
ings for small European businesses
which are potential job generators.

The EIF also furnishes guarantee instru-
ments, serving chiefly to cover the risks
associated with the SME business of
banks or other financial institutions; it
manages 54 such operations, which at
end-2000 amounted to close on 1.4 bil-
lion. Given the leverage effect of this
type of instrument, this figure corre-
sponds to coverage of over 5.5 billion of
SME credit from the intermediaries con-
cerned.
Financing Trans-European Networks

Efficient communications and energy transfer networks are an essential prerequisite for the economic integration of the Union and for preparing its enlargement.

Following adoption, at the December 1994 Essen European Council meeting, of the list of priority trans-European transport, energy and telecommunications networks (TENs) and their extension to regions bordering on the Union, especially in the Accession Countries of Central and Eastern Europe, the Bank has considerably stepped up its operations under this heading.

The EIB is the leading source of bank finance custom-made for these large-scale networks, thus placing it at the heart of the drive to build Europe’s major infrastructure. Not only is it in a position to mobilise the substantial sums needed for this purpose on the keenest terms, but also to offer maturities and lending conditions tailored to the scale of these projects and to act as a catalyst for attracting other sources of funding. This is illustrated by the growing number of public-private partnerships supported by the EIB, which harness the advantages of both sectors to develop this infrastructure.

6.6 billion within the Union

During 2000, financing directed towards TENs within the Union totalled 6.6 billion, channelled into transport (4 billion), energy (0.4 billion) and telecommunications networks (2.2 billion). More than two thirds of this funding targeted projects in assisted areas. Financing in Greece, Spain and Portugal was particularly buoyant (over 50% of the total).

Noteworthy projects in the transport sector concerned the bridge at the western end of the Gulf of Corinth in Greece, a high-speed rail link in Italy and rehabilitation of the Mont Blanc Tunnel.

Resources channelled into energy supported natural gas supplies and power grid interconnections.

The bulk of funding for telecommunications networks went to Spain, followed by Italy and Portugal, thus helping to offset the effects of geographical isolation of assisted areas.

1.5 billion in the Accession Countries

Financing in the Accession Countries, where the need to develop and upgrade transport infrastructure is considerable, amounted to 1.5 billion. Benefiting from these resources were rail, road and motorway schemes situated on priority corridors, as well as projects concerning port installations, telecommunications and mobile telephony.

Capital investment worth 244 billion in all

Since 1993, the EIB has approved 73 billion in loans for Trans-European Networks; the aggregate cost of the projects concerned can be put at 244 billion.

Finance contracts signed in respect of these loan approvals total 51 billion to date. The sectoral breakdown over the period in question reveals the predominance of loans for transport networks, accounting for 60% of lending. Development of telecommunications systems represents 30% of total financing and energy grids 10%.
Eleven of the fourteen priority transport projects and seven out of ten priority energy projects have been approved to date (including the high-speed rail link in northern France and Belgium as well as the Dutch section of the PBKAL in 2000).

**The Structured Finance Facility**

In order to match the types of funding to the requirements of projects with a high-risk profile and to pursue its equity financing and guarantee operations in favour of large-scale infrastructure schemes, the EIB has established a Structured Finance Facility (SFF). Total reserves of 750 million have been set aside under this heading over the next three years for the purpose of generating operations amounting to between 1.5 and 2.5 billion, providing a broad mix of financial products:

- senior loans and guarantees incorporating pre-completion and early operational risk;

- subordinated loans and guarantees ranking ahead of shareholder subordinated debt;

- mezzanine finance, including high-yield debt for industrial companies in transition from SME scale or in the course of restructuring;

- project-related derivatives.

The aim of the SFF is to furnish value added for priority projects by complementing the commercial banks and capital markets. These operations will be undertaken chiefly in the countries of the European Union, but also in non-member countries.
Conference on Development of Trans-European Transport Networks - Strasbourg, 14 February 2001

At a time when the European Commission is taking a hard look at future Union transport policy, the EIB brought together some 300 transport experts from Member and Accession Countries, the business and financial communities and civil society to explore the priorities and guiding principles of such a policy on the scale of the enlarged Union.

The proceedings were led by EIB Vice-President Francis Mayer, who summed up the lessons to be learned from this exchange of views and expertise:

- The development of transport TENs will continue to be a top priority of both the Union and the EIB to prevent Europe’s major corridors from becoming increasingly saturated and to prepare for enlargement.

- Although a sustained investment drive will still be necessary, in qualitative terms it will have to be directed towards projects which, in addition to involving new construction, will enable the most to be made of existing links, in particular by giving rail a larger share of the freight transport market.

- Investment will also be required to develop intelligent transport systems designed to improve the performance of the logistics chain. Participants welcomed the fact that finance for research and development in this vital field is also available under the Bank’s i2i programme.

- The scale of investment needed will continue to require a high level of private-sector involvement in the form of public-private partnerships, which the EIB is in a position to encourage thanks to its extensive range of financial products and especially its newly introduced Structured Finance Facility.

- Member States, like the sector’s economic operators, will have to incorporate an environmental dimension into their strategic thinking and into the formulation of their priority investment policies. This means, especially, that in future the user will have to pay charges that reflect the real costs of transport, including their externalities in terms of environmental impact, safety measures and energy consumption.

Mr Ewald Nowotny, EIB Vice-President responsible for the Bank’s TEN activities, wound up the Conference by emphasising the responsibilities of government. “Neither private-sector investment nor recourse to innovative forms of financing can replace the participation of the public sector in TEN development. Nevertheless, the involvement of the private sector will be decisive in helping the Union to achieve its priorities in this field. As for the EIB, it is determined to act as a catalyst in mobilising available resources to this end”.

The statements by the speakers at the February Conference are available on the EIB’s Internet site (www.eib.org)
Investing in human capital

Since 1997, with a view to channelling resources into health and education, areas of primary importance for the future of the European economy, the EIB has been helping to finance the Union’s “human capital”.

After initially focusing on financing infrastructure in these sectors, the EIB has diversified its operations within the context of the “Innovation 2000 Initiative”, which offers the Bank scope to invest in medical and scientific research and to add to the value of human capital by encouraging wider use of computers in schools, colleges and universities as well as development of information technology training centres.

In 2000, EIB financing in the health and education sectors amounted to 1.2 billion.

Some 536 million of this targeted the education sector in six Union countries, for the benefit of schools and universities.

As for the health sector, it received 652 million for financing serology laboratories in Denmark and hospitals in Spain and Germany.

Moreover, many smaller schools and hospitals were financed through global loans in favour of regional or local authorities.

More than 80% of funding went to projects in assisted areas with a view to providing their inhabitants with improved access to health and education infrastructure comparable in quality to that found in the rest of the Union.

The EIB and support for public-private partnerships (PPP)

In order to maintain a high level of economic investment, the Member States of the Union are seeking to develop public-private partnerships, not only to keep their budgets in check but also to take advantage of the opportunity to pool the different types of expertise specific to the two sectors. The Bank is now thoroughly experienced in setting up such partnerships.

For several years, the EIB has been furnishing particularly strong support for public-private partnerships set up to implement transport infrastructure projects. The most significant projects financed include Athens airport, the Channel Tunnel high-speed link, the Oresund link between Denmark and Sweden, the Elbe tunnel in Hamburg and several motorway sections in the United Kingdom and Portugal.

The EIB is also giving high priority to financing public-private partnership projects intended to improve social infrastructure. In particular, it has contributed towards refurbishment and modernisation of schools in Falkirk, Glasgow, Liverpool, Sheffield and Kirklees in the United Kingdom and modernisation and renovation of hospitals in Jena, Nordhausen and Eisenberg in Germany, where it has also provided a loan for the extension of an engineering academy.
A strong and varied presence on the capital markets

By virtue of its position as the leading non-sovereign AAA issuer worldwide, the Bank borrowed EUR 29 billion in 2000. Its borrowings, raised against a background of volatile markets, reflect the cornerstones of the Bank’s funding strategy: seeking increased liquidity for its bonds and lower financing costs. To achieve this, the EIB is committed to harmonising its key strategic principles in anticipation of growing capital market globalisation as well as to bringing its risk control and management systems into line with best banking practice. Its mission of developing EU markets, especially in euro, is also prompting it to foster the opening-up and development of the markets in the Accession Countries. Lastly, on the strength of the Bank’s presence on most non-European capital markets, the EIB has cemented its position as a major benchmark borrower whilst at the same time diversifying its investors and counterparties.

In marketing EIB securities, emphasis has been placed on innovation and diversification. The first electronic “e-bonds” were launched in EUR, GBP and USD. With a view to enhancing the transparency of its operations and boosting liquidity on the secondary market, an intensive market-awareness drive was launched to accompany these bonds, in conjunction with an extension of arrangements with market-makers in GBP bonds, on similar lines to those used for the EARN programme. Moreover, the range of structured products - which help to cut the cost of raising funds - was broadened to meet the needs of those investor groups keen to invest in high-income paper. In the case of all structured borrowings, scrupulous care is taken to analyse and hedge against any risk element.

As in 1999, the EUR, GBP and USD accounted for over 90% of the EIB’s borrowings, especially by means of benchmark issues the length of the respective yield curves, either through the launch of new issues or re-opening of fungible tranches.

While the euro accounted for a smaller proportion than in 1999 owing to the state of market conditions, it nevertheless remained the leading currency disbursed in loans as a result of the proceeds of swaps from other currencies. The Bank was the first non-sovereign issuer to have its paper along the full length of the yield curve accepted on the MTS electronic trading platforms in the secondary market. EARN issue maturities ranged from 2003 to 2010, for a total of 29 billion.

Transactions in GBP, the leading currency among the Bank’s borrowings, favoured by an extremely dynamic strategy, consolidated the Bank’s position as a major benchmark issuer, alongside the UK Treasury, by virtue of an agreement with a sterling dealer group. The yield curve for GBP benchmark issues now runs from the current year up to 2039.

In USD, in which fewer resources were mobilised than in 1999, the Bank launched two new benchmark issues and took advantage of favourable market conditions to re-open existing tranches the length of the yield curve.
Total borrowings signed, before swaps, amounted to 29 002 million, slightly down on 1999 (29 295 million, including 961 million signed under the debt exchange offer into euro), whereas total resources raised were up 2% (28 334 million in 1999). The proportion collected in EU currencies worked out at 72% (68% in 1999). Aggregate borrowings were garnered in 10 different currencies (16 in 1999) and 136 operations.

Resources raised after swaps ran to 29 038 million in 11 currencies (28 355 million in 1999). The Bank’s recourse to the swap markets, yielding 24 197 million in all (before fixed/reverse floaters), remained very high (83% of resources raised as opposed to 87% in 1999 at 24 581 million). This was prompted by the need to accommodate borrowers’ requirements in terms of currencies and interest rates, for the purposes of managing the treasury or for converting structured issues into plain vanilla products, chiefly at floating rate.

Floating-rate resources (24 006 million compared with 21 850 million in 1999) accounted for 83% of the total raised, whereas fixed-rate borrowings fell from 6 506 million in 1999 to 5 032 million. The average maturity of borrowings was longer last year at 12.5 years (as opposed to 10.1 years in 1999), with individual maturities ranging from 2 to almost 40 years. Longer-dated paper mainly took the form of GBP issues.

As part of its debt management, the Bank engaged in early redemptions and buy-backs worth 828 million.

Borrowing activity on the markets

The Bank remained the number one issuer in euro in terms of the total volume issued by supranational bodies. Like the EIB, the whole supranational and agency sector experienced a decline in euro issuance in 2000 for the second year in a row as other markets, such as sterling and the USD, presented more cost-effective sources of funding. From the investors’ perspective, the introduction of the euro has been a success as it has created a huge pool of assets and also significantly increased the diversity of borrowers competing to raise funds on keen terms.
Euro: EUR 6 607 million before swaps/12 366 million after swaps

- EARN - benchmark issues: 5 681 million before and after swaps:

After launching medium-sized issues worth 2 181 million, the Bank continued to optimise costs and add liquidity to existing lines by re-opening two issues for a total of 500 million. In addition, it extended its marketing campaign in order to attain the requisite level of longer-term liquidity by the year-end. The EIB’s largest EARN operation for 3 billion was launched for the key 2010 maturity.

Towards the end of 2000, 8 benchmarks were issued at regular intervals along the yield curve between 2003 and 2010. EIB bonds amounting to 29 billion are thus covered by stringent market-making agreements which enhance both their liquidity and investors’ perception. Appreciable progress was made in improving the legal and technical infrastructure for benchmark issuance, hedging and bond trading in the secondary market.

The first euro transaction of the year incorporated some electronic features, currently standard practice for the EIB’s major initiatives in the primary market. The 2004 EARN was admitted to the Euro-MTS platform and seven other EARNs were admitted to Supranational MTS, another segment of the MTS network. In this way, the Bank became the first non-government issuer to achieve electronic trading over the full length of its yield curve. The EIB’s dealers can now exchange bonds via the MTS system regardless of their physical location and differing regulations. An embryonic pan-European electronic market has thus been brought into being.

- Other euro operations: 926 million before and after swaps

To meet European investors’ demand for high-income products, the EIB prudently launched a series of bonds in complex structured formats, such as share-indexed securities. A new product, floated jointly with an insurance company, linked a bond issue with a life-assurance policy and was targeted at investors seeking to construct a private social-security scheme.

Sterling

GBP 8 730 million before swaps/6 757 million after swaps

The GBP market continued to provide a steady source of arbitrage funding, primarily for AAA and financial issuers. The EIB was successful in building up sizeable liquid benchmark issues alongside UK public debt (“Gilts”) and cemented its position as the issuer of choice.

Under its Sterling market borrowing strategy, the Bank capitalised on the establishment of a Sterling dealer group to develop a pricing policy aimed at providing a high degree of transparency and consistency and introduced measures to increase the secondary market liquidity in its Sterling bonds.
The EIB’s Sterling outstandings increased from GBP 18 billion to GBP 27 billion in 2000 over 1999. Of this amount, 20 billion constituted benchmark issues running right along the yield curve, with maturities of 2009, 2014, 2021 and 2028 and four new issues at 2011, 2025, 2032 and 2020 (the latter being linked to the retail price index - RPI). The Bank’s strategy was further complemented by the launch of the first Sterling e-bond and of the EIB’s first inflation-linked bond issue. Secondary market turnover in EIB benchmark bonds by EIB Sterling dealers totalled GBP 40 billion, which is an impressive dealing volume compared with the average volume issued during the year. The resultant liquidity is a major motivating factor for institutions to own EIB paper. Almost one quarter of the Sterling funds raised was swapped into other currencies.

US dollar

USD 5 603 million before swaps/
3 734 million after swaps

An initial operation for 1 billion with a 3-year maturity was launched in January. The Bank took advantage of favourable conditions in the Euro-dollar market to re-open ten existing benchmark operations, for amounts ranging from USD 100 to 250 million, and for maturities of 2, 3, 5, 7, 8 and 9 years. Those operations were conducted extremely smoothly as the re-opened issues were pre-placed with institutional investors. These transactions served to boost market liquidity. In June, the Bank launched a new 5-year 1 billion benchmark issue offered to investors via lead managers’ Internet sites.

During the year, two USD-denominated issues, targeted at Japanese retail investors, were launched, thereby further diversifying the EIB’s investor base.

Other European markets

Scandinavian currencies - DKK, SEK and NOK - were raised via swaps. Back-to-back disbursements were thus feasible in the currency required by the EIB’s local customers. The Bank’s Swiss franc (CHF) funding activities were focused on refinancing maturing bond issues.

Emerging Central and Eastern European markets

- Having established a debt-issuance programme in HUF - which was increased to 50 billion - and another in CZK on the respective domestic markets, a similar programme was set up in Poland for PLN, which will ensure the EIB’s presence on that country’s market in 2001. This will contribute to developing the local markets in Accession Countries. In 2000, the Bank’s funding programme included, for the first time, the raising of PLN on the Euro-market, thereby allowing the EIB to disburse PLN on a back-to-back basis to clients in Poland requesting funds with a longer maturity.
- Two issues were launched on the domestic CZK market. One of the bonds, a 15-year benchmark issue, enabled the Bank once again to extend the CZK yield curve. The funds raised were retained in the Bank’s treasury, prior to being disbursed to Czech borrowers. The EIB was also an active issuer in this Euro-market segment.

South African, Asian and Pacific Rim markets

The major achievement in rand fund-raising in 2000 was the establishment of a ZAR treasury, and 800 million were raised on highly favourable conditions. In JPY, structured operations provided for very attractive after-swap funding costs, serving to raise the EIB’s profile further in this sector. On the Hong Kong dollar (HKD) market, the Bank reaffirmed its position as the benchmark issuer by covering a full range of maturities across the yield curve, with 3, 5 and 10-year issues. The Bank’s issuance in the Taiwanese dollar (TWD) market reached record levels last year despite the high degree of volatility. The proceeds, raised on attractive terms, in these two currencies were swapped into USD or EUR.
A top-flight financial intermediary
Cooperation with the banking community

The EIB works in close cooperation with the banking sector, both with respect to its capital market operations and lending activity. Cooperation at this level offers an essential channel through which the EIB can:

• contribute funding to a raft of large-scale individual projects, where appropriate through intermediated financing;

• obtain adequate security for funding private-sector individual projects, with one third of guarantees offered to the EIB being furnished by banks or other financial institutions;

• on the strength of its experience in evaluating projects calling for long-term financing, act as a prime mover in arranging sound financing packages so that projects can be funded on the keenest interest rate and maturity terms;

• enhance the financial environment for SMEs and promoters of small and medium-scale infrastructure schemes by extending global loans to the banking sector.

Lending undertaken in partnership with the banking community focuses mainly on global loans. This decentralised indirect financing of small and medium-scale projects is tailored closely to the needs of SMEs and local authorities, which for reasons of efficiency the EIB cannot finance directly because of their size. Meeting real needs, global loans are currently deployed through a network of some 180 partner banks - more than one quarter of which have forged ties with the EIB during the past three years. Global loan operations have expanded steadily and in 2000 accounted for nearly 40% of activity within the Union. Every year they benefit tens of thousands of SMEs and local authorities.

Since 1997, the EIB has also been fostering development of venture capital structures throughout the Union, in close cooperation with the financial community, with a view to strengthening the equity base of innovative and high-technology SMEs. In the wake of the EIF reform, this portfolio of operations has been transferred to the Fund.

In non-member countries, the EIB also cooperates with commercial banks at both national and European level, multilateral and bilateral financial institutions, as well as those EU institutions deploying European Member States’ budgetary funds.

To secure optimum interaction between the resources available, tailored to the project in question, the EIB will continue to work together with these entities, especially in promoting the most effective financing packages, sharing risks and ensuring coordination and complementarity between the various partner financial institutions.
A partner for the institutions

The European Council is increasingly calling on the services of the EIB Group to translate the main thrust of its economic policy swiftly into reality, a notable example being the Lisbon European Council (March 2000) with the unveiling by the EIB of its “Innovation 2000 Initiative”.

Moreover, the significance of the Bank’s contribution towards implementing the EU’s cornerstone policies has led to a closer relationship with the European Parliament and the Parliament’s wish to incorporate the EIB’s operations into its assessment of how well the EU’s objectives are being fulfilled. In February 2001, a key milestone on the institutional front was established when the Parliament’s first report on the EIB’s activities was adopted and during the debate on this the President of the Bank addressed the European Parliament in Plenary Session.

The Bank’s stronger ties with the Commission are also steadily deepening in all operational areas covered by the EIB. For instance, a Cooperation Agreement has been signed for the purpose of strengthening the complementary nature of the Bank’s operations and deployment of Community budgetary resources for structural measures and the groundwork for enlargement of the EU over the period 2000-2006.

In Partner Countries, the Bank is also working closely with multilateral and bilateral financial institutions and the EU institutions so as to formulate optimum funding packages and to ensure maximum interplay at the level of such cofinancing operations.

In common with all EU institutions, the Bank is keen to safeguard the Union’s financial interests. On this score, those operations undertaken by the EIB drawing on Community budgetary funds are controlled by the Court of Auditors. In the same spirit, the Bank adopted an in-house decision to enable the European Anti-Fraud Office (OLAF) to fulfil its brief in scrutinising the EIB’s operations.

A broad palette of products

In its endeavours to provide the optimum financing facilities for its clients and to remain alert to market trends, the EIB is continually broadening and modernising the array of its financial instruments.

In addition to medium and long-term loans, global loans and venture capital, the EIB Group, on the strength of its Structured Finance Facility (SFF), is now offering a full range of products in the areas of corporate and project funding.

Similarly, as its venture capital and SME portfolio guarantee operations now all come under the EIF umbrella, the EIB Group is capable of responding immediately to the full gamut of SME financing needs.
Governing bodies

The Board of Governors consists of Ministers designated by each of the Member States, usually Finance Ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, decides on the Bank’s participation in financing operations outside the European Union as well as on capital increases. It appoints members of the Board of Directors, the Management Committee and the Audit Committee.

The Board of Directors ensures that the Bank is managed in keeping with the provisions of the Treaty and the Statute and with the general directives laid down by the Governors. It has sole power to take decisions in respect of loans, guarantees and borrowings. Its members are appointed by the Governors for a (renewable) period of five years following nomination by the Member States and are responsible solely to the Bank. The Board of Directors consists of 25 Directors and 13 Alternates, of whom 24 and 12 respectively are nominated by the Member States; one Director and one Alternate are nominated by the European Commission.

The Management Committee is the Bank’s permanent collegiate executive body. Under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day running of the EIB, recommends decisions to Directors and ensures that these are implemented. The President or in his absence one of the Vice-Presidents chairs meetings of the Board of Directors. The members of the Management Committee are responsible solely to the Bank; they are appointed by the Board of Governors, on a proposal from the Board of Directors, for a period of six years.
The three members of the Audit Committee are appointed by the Board of Governors for a renewable mandate of three years. Since 1996, the Committee has also included an observer, appointed annually for a mandate of one year. An independent body answerable directly to the Board of Governors, the Audit Committee verifies that the operations of the Bank have been conducted in compliance with the procedures laid down in its Statute and its books kept in a proper manner. The Governors take note of the report of the Audit Committee and its conclusions, and of the Statement by the Audit Committee, before approving the Annual Report of the Board of Directors.
Administration and staff

Individual Development
Maintaining staff qualifications and job-related skills at a high level, thereby equipping the staff to master the Bank’s current and future requirements, as well as offering scope for professional development are leading priorities for the EIB’s human resource management strategy. In 2001, responsibility for operational training budgets will pass to the individual directorates, which will in turn be involving their senior managers closely in implementing training programmes in liaison with the Human Resources department acting as facilitator.

Staff Attitude Survey
To gain a clearer understanding of the impact of the rapid pace of change in the working environment, the Management Committee commissioned a consultancy firm to conduct an opinion poll amongst the Bank’s staff. Although the staff expressed a strong sense of professional achievement, the survey also brought to light areas where improvements were advocated. The appraisal exercise, in particular, and all related aspects such as performance, training, staff development and promotions are key issues which have attracted very strong interest from the President.

Recruitment
In 2000, the Bank pressed ahead with its active policy of seeking out high-quality external candidates, whilst simultaneously developing the potential of existing staff.

For recruitment as a whole in 2000, the equal breakdown between male and female recruits was maintained, whilst among executive staff one third of new employees were women. At end-2000, the EIB’s total staff complement numbered 1 033, an increase of 2.18% on the preceding year.

The creation of the EIB Group gave rise to a number of staff secondments and exchanges between the EIB and the EIF with a view to obtaining optimum interplay and cooperation at operational and administrative level.

Staff Representation
In 2000, the College of Staff Representatives continued the discussions embarked upon the year before with the Bank’s management on modernisation of personnel policy and working conditions. It negotiated with the administration introduction of a new appeals system and took forward its negotiations with the Human Resources Department on revision of the Staff Regulations.

Equal Opportunities
The Joint Committee on Equal Opportunities (COPEC) oversees implementation of the policy on equal opportunities in terms of career development, training and social welfare infrastructure. At the EIB, the COPEC has, in particular, been the driving force behind the launch of a programme for operational assistants, which will open up new career prospects for support staff.

Management Structure
Looking to respond to developments in its business environment and range of activities, the EIB regularly updates its organisational and operational set-up. Changes occurring in the course of 2000 are reflected in the organisation chart on pages 36 and 37. This chart is also regularly updated on the Bank’s website (www.eib.org).

The Integrated Strategic Information System (ISIS)
In July 2000, the Management Committee decided to act on the results of the Medium-Term Information Systems Review (MTISR) by approving a large-scale multi-annual programme to renew and replace the majority of the Bank’s existing IT applications and infrastructure.

However, the Integrated Strategic Information System (ISIS) is much more than an IT project: driven by business requirements, it represents an initiative for organisational change. The potential benefits are far-reaching and are likely to have a considerable impact on the Bank’s structure and working methods.
For regular updates on the latest developments in the organisation chart, readers are invited to visit the EIB's website: www.eib.org

In the case of the EIB's external offices, full telephone numbers are given, whereas for the Bank's Luxembourg head office only extension numbers are indicated (to be preceded by +352 4379).

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Director

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Gianmaria MUSELLA

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Erling CRONQVIST

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Yves KIRPACH

Systems and Loans Databases
Charles ANIZET

Financial Policy, ALM and Market Risk Management
Alain GODARD

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Henri-Pierre SAUNIER

**Projects Directorate**

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Director General

Infrastructure
Peter BOND (2668)
Director

Barendt STOKOPER
Axel HÖRHAGER (Coordinator for the Balkans)
Philippe OSTENC (Procurement)

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Rail and Road
Lars NORDIN
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Luigi MARCON

Air Transport and Shipping
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Luis LÓPEZ RODRÍGUEZ
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Water, Sewerage and Sewage Disposal
José FRADE

Energy, Telecommunications, Waste Management
Günter WESTERMANN (2444)
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Heiko GEBHARDT (Waste Management)

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Carillo ROVERE

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Gerhardus van MUISWINKEL

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Director

Primary Resources and Life Sciences
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Peder PEDERSEN

Manufacturing Industry and Services
Bernard BÉLIER
Pedro OCHOA

Human Capital
Stephen WRIGHT
Economic and Market Studies
Hans-Harald JAHN

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Deputy Director

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Operational Coordination
Angelo BOIOLI

General Policies
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Legal Affairs Directorate
Eberhard UHLMANN (3602)
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Gerhard HÜTZ

Spain, Portugal
Ignacio LACORZANA

Denmark, Ireland, Finland, Sweden, United Kingdom
Patrick Hugh CHAMBERLAIN

Belgium, France, Luxembourg, Netherlands
Pierre ALBOUZE

ACR Asia and Latin America, Mediterranean, OCT
Regan WYLIE-OTTE

Greece, Italy, Cyprus, Malta
Manfredi TONCI OTTIERI

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Infrastructure and Industry
Per JEDEFORS (6337)
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Klaus TROMEL

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Development
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Adminstration
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At the start of 2001, the Bank took a series of decisions to provide the public with a greater range of information on its procedures and operations and generally to work on the basis of increased transparency.

As part of this new disclosure strategy, the EIB has in particular included on its website (www.eib.org) a special section entitled “Information Policy”; this contains all documents covering the EIB’s relations with the public, a range of publications describing our institution’s policies and procedures and information on projects about which questions have been received from various sections of the general public. A list of projects eligible for financing and under appraisal since the start of 2001 is also published on the Bank’s website; this information is displayed even before a lending decision is taken by the EIB’s Board of Directors, except in cases where the project promoter has good reasons, on the grounds of confidentiality, to ask that it not be made public.

These measures form part of a dialogue embarked upon many years ago between the EIB and the European Parliament, underpinned in particular by the Bank’s participation, each year, in a number of Parliamentary committee meetings. A significant step forward has been taken with this institutional dialogue in spring 2001 following the adoption in plenary session of the first report from the Parliament on monitoring of the Bank’s activities. On that occasion, the EIB’s President spoke in front of the full Assembly, replying to questions from the Members of the European Parliament and, through them, the EU citizens they represent. The text of the President’s statement to Parliament, observations from the floor and the EP’s report can all be found on the Bank’s website.

Moreover, the EIB also maintains an ongoing dialogue with various organisations representing the interests of society in general, with a view to clarifying its objectives and achievements in support of European integration.

In this way, the Bank, while mindful of the specifics of its relationship with a mostly private-sector clientele, is seeking to contribute to the endeavours of the European institutions to build closer links with the EU’s citizens, who are ultimately the beneficiaries of its activity.
Projects eligible for financing

Within the European Union, projects considered for EIB financing must contribute to one or more of the following objectives:

• strengthening economic and social cohesion: promoting business activity to foster the economic advancement of the less favoured regions;

• promoting investment focused on a knowledge-based and innovation-driven society;

• improving infrastructure and services in the health and education sectors, key contributors to human capital formation;

• developing transport, telecommunications and energy transfer infrastructure networks with a Community dimension;

• preserving the natural and urban environment, notably by drawing on renewable energy;

• securing the energy supply base by more rational use, harnessing of indigenous resources and import diversification;

• assisting the development of SMEs by enhancing the financial environment in which they operate:
  • through medium and long-term loans,
  • through venture capital support.

In the Accession Countries, the EIB underpins development of basic infrastructure, the creation of new activities, protection of the environment and transfer of the existing body of pertinent Community legislation.

Outside the Union, the Bank participates in implementing the Union’s development aid and cooperation policies through long-term loans from own resources or subordinated loans and risk capital from EU or Member States’ budgetary funds. It operates in:

• the non-member Mediterranean Countries by helping to attain the objectives of the Euro-Mediterranean Partnership with sights set on the establishment of a Customs Union by 2010;

• the African, Caribbean and Pacific States (ACP), South Africa and the OCT;

• Asia and Latin America where it supports certain types of project of mutual interest to the Union and the countries concerned;

• the Balkans where it contributes to the goals of the Stability Pact by directing its lending specifically towards reconstruction of basic infrastructure and projects with a regional dimension.

The EIB wishes to thank promoters and agencies for the photographs illustrating this report:
Fränk Weber (cover, pp. 1, 2), Masterfile (pp. 4, 8, 9, 11, 12, 21, 22, 25, 26, 38), Image Bank (pp. 6, 7, 10, 20, 26, 28), Sue Cunningham (pp. 9, 13, 14, 15, 29), European Commission (pp. 10, 15, 32), Stone (pp. 12, 19, 20, 21), Photodisc (pp. 10, 12, 20), Fotostock (pp. 12, 18), La Vie du Rail (pp. 18, 23, 24), TAV (p. 22).

Brochures outlining the Bank’s financing facilities and presenting EIB operations according to countries, areas or objectives are available on the Bank’s website as well as on request from the Information and Communications Department.
EIB Group

Summarised balance sheet as at 31 December 2000 (in EUR '000)

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. cash in hand, balances with central banks and post office banks</td>
<td>24 726</td>
</tr>
<tr>
<td>2. treasury bills eligible for refinancing with central banks</td>
<td>1 474 510</td>
</tr>
<tr>
<td>3. loans and advances to credit institutions</td>
<td>87 159 595</td>
</tr>
<tr>
<td>a) repayable on demand</td>
<td>135 178</td>
</tr>
<tr>
<td>b) other loans and advances</td>
<td>11 257 184</td>
</tr>
<tr>
<td>c) loans</td>
<td>75 767 232</td>
</tr>
<tr>
<td>4. loans and advances to customers</td>
<td>92 926 379</td>
</tr>
<tr>
<td>specific provisions</td>
<td>175 000</td>
</tr>
<tr>
<td>5. debt securities including fixed-income securities</td>
<td>29 926 379</td>
</tr>
<tr>
<td>a) issued by public bodies</td>
<td>1 423 468</td>
</tr>
<tr>
<td>b) issued by other borrowers</td>
<td>2 310 668</td>
</tr>
<tr>
<td>3 734 135</td>
<td></td>
</tr>
<tr>
<td>6. shares and other variable-yield securities</td>
<td>632 409</td>
</tr>
<tr>
<td>7. intangible assets</td>
<td>10 018</td>
</tr>
<tr>
<td>8. tangible assets</td>
<td>83 459</td>
</tr>
<tr>
<td>9. other assets</td>
<td>3 444 117</td>
</tr>
<tr>
<td>a) receivable in respect of EMS interest subsidies paid in advance</td>
<td>7 636</td>
</tr>
<tr>
<td>b) sundry debtors</td>
<td>902 504</td>
</tr>
<tr>
<td>902 504</td>
<td></td>
</tr>
<tr>
<td>c) receivable in respect of currency swap contracts</td>
<td>29 067 793</td>
</tr>
<tr>
<td>29 067 793</td>
<td></td>
</tr>
<tr>
<td>10. prepayments and accrued income</td>
<td>219 467 279</td>
</tr>
<tr>
<td>219 467 279</td>
<td></td>
</tr>
</tbody>
</table>
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