IMPACT INTO THE FUTURE
Cover photo:
Pelicans in the Danube delta rewilding area, Romania. See page 32

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What’s next?

Good green news from China
As Europe emerges from a decade of uncertainty and anaemic growth, we need to shift our attention from recovery to increased competitiveness – to the great value of the EU project and the strengthening of the tools that will make the Union more economically resilient.

For the European Investment Bank, this means leveraging our key position as the bank of the European Union and our status as global market leader in areas such as climate, innovation and major infrastructure.

It means continuing to work hard to identify projects that will improve the lives of EU citizens and of those outside the Union, where the negative effects of climate change and lack of economic opportunity are sometimes greatest. And it means helping lay the foundations for a stronger, more innovative, more competitive Europe.

As a bank, the EIB finances bridges and broadband, solar power and supercapacitors. We also think deeply about the role our projects play in the future prosperity of Europe. We focus on the path by which innovation can be an actor in the next
triumphant stage in the development of human society. We welcome disruption, but we must not allow it to leave our citizens feeling alienated. Innovation carries a promise that the great technological developments of today can nourish the future of the human race and protect our planet. We must do more to ensure inclusion, so that everyone can benefit from innovation.

The EIB’s economists published an in-depth report in November on investment in Europe. They discovered: large firms are twice as likely as SMEs to be innovators; and innovative young firms are 50% more likely than other firms to be credit-constrained. One big current failure in Europe is that even if a small company has an innovative idea, it is hard for that company to become a large innovator. Small firms may introduce an innovative product, but they lack growth finance and, in the current financing environment, are unable to progress. What this shows is that innovation is much more than a matter of a bright idea. It is built around the different kinds of financing required at specific stages in a company’s life cycle. Increasingly, the work of the EIB in 2017 aimed to bridge each of those different stages to crowd-in the various types of private financiers whose investment drives the innovator’s growth. That is why, for example, we approved a record number of loans with an average size much smaller than traditional EIB deals. We recognise that we must support smaller companies with smaller loans, if we are to have a bigger impact on a broader cross-section of the European economy.

The EIB is, in a sense, accustomed to handling times of uncertainty and change. In 2018 we celebrate our sixtieth year of operations. Our founders operated on a continent still rebuilding after World War II in the shadow of the Cold War. Ever since, the EIB has played an important role in helping Europe deliver on the promise of prosperity to its citizens. The political upheavals of today present us with a choice for our next sixty years. We must make the future innovative, if we are to confront the challenging demographics of our Union and be more competitive. This report demonstrates how, in key strategic sectors, the EIB aims to keep Europe strong by reinforcing its position on the frontier of global innovation.

Werner Hoyer

“Innovation is much more than a matter of a bright idea. It is built around the different kinds of financing required at specific stages in a company’s life cycle. Increasingly, the work of the EIB in 2017 aimed to bridge each of those different stages”
2017 Highlights

The European Investment Bank Group is the world’s biggest multilateral borrower and lender, financing and advising on sustainable investments across the globe. As the EU bank, it is owned by the EU Member States and represents their interests in implementing EU policy.

The Bank marks its sixtieth anniversary in 2018. Its activity in 2017, which you will read about in this report, demonstrated the EIB Group’s ability to respond to major new challenges:

• Throughout the year, the Bank worked to expand the reach of its Economic Resilience Initiative, which is designed to increase financing for the EU’s Southern Neighbourhood and the Western Balkans by EUR 6 billion over five years.

• The European Fund for Strategic Investments, under which the Bank makes investments backed by an EU budget guarantee to boost Europe’s economy, surpassed original expectations, when the European Parliament voted in December to extend and increase the facility. This takes EFSI, a part of the Investment Plan for Europe created in response to the market failures revealed by the financial crisis a decade ago, to a projected EUR 500 billion of investment supported by the end of 2020.

Investment Plan for Europe

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<th>EUR 21 billion of financing approved</th>
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<tr>
<td>295 operations approved</td>
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<tr>
<td>EUR 93 billion of EFSI-related investment mobilised</td>
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<tr>
<td>Projected EUR 500 billion of investment supported by the end of 2020</td>
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Christos Pierdas undergoing treatment for multiple sclerosis with Maria Charalampous, a physiotherapist at the Cyprus Institute of Neurology and Genetics. See story, page 16.

<table>
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<tr>
<th>EIB Group</th>
<th>EUR 78.16 bn</th>
<th>Total financing</th>
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<tbody>
<tr>
<td>EUR 29.6 bn</td>
<td>for SMEs</td>
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<td>EUR 18.0 bn</td>
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<td>EUR 16.7 bn</td>
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<td>EUR 13.8 bn</td>
<td>for Innovation</td>
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Total investment supported

EUR 250 bn in 901 approved projects
Anders Bohlin likes to compare the dangers of cybercrime to a city that builds a lot of roads — but forgets to add traffic lights.

“This is what has happened in cybersecurity. We forgot to build the traffic lights, and now we have all these malicious attacks going on,” says Bohlin, a digital specialist at the European Investment Bank who works with information and communications technology companies.

Over the past few years, cyberattacks have threatened thousands of companies and billions of people’s private data around the globe. The WannaCry attack shut down computers in hospitals and businesses worldwide. Hackers stole data from billions of users at Uber and Yahoo. Russia was accused of using cybercrime to disrupt elections in the US and Europe.

So why worry so much about how to stop cybercrime? Well, besides the threats to our personal data, cyberattacks cause billions of dollars in losses to the global economy. The European Commission says there were more than 4,000 cybercrime attacks a day in Europe in 2017 and that 80% of European companies experienced a cybersecurity incident.
Cybersecurity becomes a priority

In response to the rising risks, the EIB made cybercrime investments a priority.

“We have been actively looking to help the cybersecurity sector,” says Jussi Hätönen, head of the Bank unit that invests in young, innovative companies. “If you look at any industry, everything is moving to digital. This explodes the amount of data, and that data has to be kept secure.”

The Bank completed several recent cybercrime deals. It signed two loans in December 2017 with the Swedish companies Nexus Group and Clavister to develop more advanced cybersecurity software and create better identification systems. Both deals are part of the European Fund for Strategic Investments, an initiative to increase growth in the EU by working with younger and more innovative companies.

The Bank loaned Nexus EUR 29 million to help accelerate its identity and access management products. Nexus’s “Smart ID” technology lets people identify themselves visually, log in, open doors, sign transactions electronically and make payments with a card or other mobile instrument.

Lars Pettersson, the chief executive of Nexus, says its Smart ID technology is the “holy grail” against cyberthreats, because it bridges the physical and digital worlds with one device that gives users access to their home, office, computer, email accounts, cloud services, car garage, and more.

The EIB offered a EUR 20 million loan to help Clavister, whose firewall products protect the entry points of computer networks and block hackers before they strike. The company is one of the top cybersecurity firms in the world.

The Bank also signed a EUR 20 million deal in October 2017 with CS Communication & Systèmes, a French firm that helps industries detect and prevent cyberattacks. The EIB made a EUR 25 million loan to the Franco-German company Qwant, which has developed a search engine that protects users’ private data.

“Everyone needs to be careful”

Bohlin doesn’t enjoy talking about it, but he has also been a victim of cybercrime. When he worked at a Swedish technology company 14 years ago, he discovered one day that hackers had infiltrated his private computer in a so-called Zombie attack and were remotely sending spam emails. “It was very uncomfortable and a lesson for me that everyone needs to be careful, not only companies,” says Bohlin.

Cybercrime is going to get harder to fight over the next decade as technology advances and gets more complicated, EIB officials say. The battle will not be won easily.

“At the end of the day, cybercrime creates massive losses not only for companies but also for individuals,” Hätönen says. “Someone has to pay for this and someone has to fight it.”

The EIB will be with them on the front line.
Impact for jobs and growth

EIB economists used a well-established economic model to assess the future impact of the investments supported by all its operations during 2015-16, as well as of the loans it made specifically under the Investment Plan’s European Fund for Strategic Investments. They found that the EIB Group’s lending is likely to have a major impact on Europe’s economy.

By 2020, overall finance approved by the EIB Group within the EU in 2015-2016 will:
• support EUR 544 billion of investment
• add 2.3% to GDP
• add 2.25 million jobs

By 2020, the EIB Group’s loans approved under the Investment Plan by the end of 2016 will:
• support EUR 161 billion of investment
• add 0.7% to EU GDP
• add 690,000 jobs

The EIB findings demonstrate that the EIB Group’s loans – whether made in good economic times or bad – lay the foundations for long-term growth, beyond providing an immediate boost to the economy. “Our main purpose is improving EU competitiveness and long-term growth,” says Debora Revoltella, the Bank’s director of economics. “These findings show that in the long term we will have a much bigger European economy, regardless of the economic cycle.”

Success against market failure

It’s important for the EIB Group to assess the impact of its work, so it can ensure its financing is effective on behalf of EU citizens. The EU bank’s lending under the Investment Plan has already been welcomed in Brussels, where the programme has been extended and its size has been increased. The European Fund for Strategic Investments, which is operated by the EIB, started in mid-2015. It’s backed by a guarantee from the EU budget and was originally...
intended to trigger EUR 315 billion of investment over three years. That has been increased to EUR 500 billion by 2020.

The aim is to support companies that might otherwise have had a tough time finding bank financing, targeting key areas of innovation and small businesses. “We built this programme to answer a crisis when there were specific market failures,” says Natacha Valla, head of the EIB’s economic policy and strategy division. “This study shows that we are making a difference.”

**Conservative assumptions**

To measure its impact, EIB economists had to account for the complex interaction between the Bank’s operations and other activities in the economy. The economists teamed up with the European Commission’s Joint Research Centre in Seville and worked with an economic model called RHOMOLO that was used to calculate whether increasingly scarce public financing was being used effectively. “We were conservative in the assumptions we made in the model,” says Georg Weiers, an EIB economist who worked on the study, “and yet the impact results are still very sizeable.”

Once the initial boost to the economy dissipates, the study shows that the Investment Plan will continue to have a strong structural effect on the economy in the long term, just as other loans by the EIB Group do.

In 2036, the investments supported by the EIB Group’s loans approved under the Investment Plan by the end of 2016 will:
- add 0.4% to GDP
- add 344,000 jobs

Overall investment supported by loans approved in the same 2015-16 period by the EIB Group will make an even bigger impact after 20 years. It will:
- add 1.5% to GDP
- add 1.3 million jobs

“The impact is big and it persists over time,” says Valla. “In 20 years, there will still be jobs around that are the result of these investments. That’s a key positive outcome from the Investment Plan and all the Bank’s operations.”
Innovation for competitiveness
EUR 13.8 bn for innovation and skills

- 7.44 million new and upgraded Very High-Speed digital connections
- 1.1 million students with improved facilities
Supercapacitors or coconuts

The problem with coconut shells, naturally, is that the distribution and size of their pores has great variability,” says Taavi Madiberk, chief executive of Skeleton Technologies, a company established in Estonia where, one might expect, the main problem with coconuts would be the small likelihood of finding them, rather than the qualities of their shells. What’s truly surprising is that a company in this northern country is solving a truly important coconut problem.

This coconut issue is, in fact, a multi-billion euro problem, when you consider the size of the market for supercapacitors, which are devices for storing energy. By 2024 it’s expected to rise to EUR 6 billion. They have thus far been made of activated carbon generated by charring discarded coconut shells. Until an inorganic – and much more efficient – alternative was developed by Skeleton Technologies. In 2017, the company received a EUR 15 million loan from the EIB to continue its R&D, backed by the EU budget guarantee of the Investment Plan for Europe.

Why not just keep using coconuts?

When a coconut is charred, it produces carbon that, if thinly spread on a sheet of foil and exposed to electrically charged ions, can store the ions in its pores. The more densely the carbon is covered by correctly sized pores, the more energy it can store for a given gram of material. Trouble is, depending on the weather and the time of its harvest, a charred coconut will have a varying density of pores.

“Ultracapacitors are the backbone, the skeleton of an energy system.”

The key ingredient in powerful devices for storing energy has been charred coconut. Now a company in icy Estonia has figured out how to make a supercapacitor without tropical fruit.
With its proprietary technology for deriving carbon from inorganic carbides, Skeleton Technologies can tune the pores. The result: curved sheets that are one atom thick, one gram of which contains close to 2,000 square metres of uniformly porous area for ions to fit into. The way Skeleton then attaches the carbon to the aluminium foil and stacks or rolls these sheets tightly into cells creates supercapacitors with four times the power density of coconut-based competitors. The name Skeleton, by the way, comes from the fact that under a microscope, the company’s material resembles a human skeleton. Madiberk adds, “Ultracapacitors are the backbone, the skeleton of an energy system.”
When Joseph Ioannou was six months old, doctors at Nicosia’s Cyprus Institute of Neurology and Genetics diagnosed him as suffering from spinal muscular atrophy, a disorder that affects motor neurons in the spinal cord and leads to muscle weakness. It happened that, in a city divided by an invasion that took place almost two decades before his birth, Ioannou was born a Greek Cypriot. To the Institute’s doctors, it didn’t matter. “Turkish Cypriots and Greek Cypriots have similar diseases,” says Professor Leonidas Phylactou, a geneticist who is the Institute’s chief executive. “It’s part of our mission to treat both communities.”

For 29 years, Ioannou has received that vital care at the Institute, where he sees a neurologist, as well as lung and heart specialists, and a nutritionist. He also visits for regular sessions with a physiotherapist. In that time he has completed studies in computer science and founded his own business repairing PCs. Engaged to be married, he dreams of having a family. “If I wasn’t treated at the Institute, I would be in much worse condition,” he says. “With the guidance and follow-up of the Institute, I have a better quality of life. I’m productive. I can have dreams and make plans for my future.”

Ioannou is one of 12,000 patients on the rolls of the Institute, which stands on a hillside in Nicosia, close to the Green Line that divides the island between the area under the control of the Republic of Cyprus and the territory occupied by Turkey since 1974. The Institute carries out 40,000 lab tests each year, battling genetic disorders known all around the world, such as multiple sclerosis, as well as some that have been particularly prevalent in Cyprus, like the blood disorder thalassemia. Founded in 1990, the Institute is also a centre of research into treatments for these diseases. Most importantly, it’s a life-saver. “At best, life would be very, very difficult for these people without the Institute,” says Phylactou, who is 47. “I dare say that some of them wouldn’t live.”

Beyond health, a social impact

Like many important medical facilities, the Institute’s impact spreads beyond the health of its patients. Its effect on the social and economic life of Cyprus is significant, because it keeps people healthy enough to work, and prevents them becoming a burden on their families and the state. The Institute’s pre-natal testing for thalassemia, for example, has brought the rate of this disease “down close to zero now” in new-born children, says Phylactou.

To develop its important work further, the Cyprus Institute of Neurology and Genetics is undergoing a EUR 40 million expansion programme that will upgrade its research capacity and revamp the facilities for treating and rehabili-
itating patients. The EIB is financing EUR 26 million of the programme with a loan that aims mainly to support the Institute’s research and development work. “This is a very important centre for research,” says Nicos Yiambides, the EIB’s Cyprus loan officer. “It’s also a very good thing that it works with both communities in Cyprus.”

The EIB, the EU bank, has financed a series of medical and research facilities in Cyprus as part of a bigger campaign to boost the island’s economy, which was devastated by a banking crisis in 2012 and 2013. That includes the German Oncology Centre, which opened in autumn 2017 in Limassol, financed by the EIB through a local intermediary.

The EIB Group has signed EUR 1.7 billion in financing for Cyprus over the last five years, including big research-oriented loans, infrastructure financing, and loans aimed at small businesses. Loans in 2017 alone totalled EUR 333 million, equivalent to 1.8% of the island’s GDP, the highest proportion of any EU Member State.

Go online for more EIB Innovation

- Latvia’s cardiac chocolate eib.org/cardiac-chocolate
- Diagnostic tests that take only three hours, instead of three days eib.org/molecular-diagnostics
Big investments in SMALL businesses
EUR 29.6 bn for small and medium-sized enterprises

- 285,800 SMEs and mid-caps supported
- 3.9 million jobs sustained in SMEs and mid-caps
Rockets and dinosaurs that make kids smarter

If it’s slimy, noisy, strange or smelly, kids are going to love it.

That’s what Miguel Pina Martins realised 10 years ago when he was searching for a new career. He felt that kids were not getting what they needed from science toys, so he quit a promising job in finance and started his own company to offer something different. “I threw all the money I had into my new project,” says Martins.

Today, his company, Science4You, based near Lisbon, offers hundreds of toys and employs more than 200 people. In 2008, the company’s sales were EUR 54,000. In 2017, sales were expected to hit EUR 20 million.

Pushing science toys to the limit

So what did Martins do that was different? He made science toys funnier and quirkier. He gave the toy kits names like Explosive Science, Rocket Factory or Slimy Factory Slippery Slugs. His concept grew out of a final project at university in Lisbon, where the assignment was to find a new market for scientific toys. “We tried to find things that kids might enjoy, like making soap, making slime, making a rocket, making candy, making an explosion, and then also showing them how to do it in a new way,” he says.

Martins’ toys are amusing and even silly, but they also teach children about science, chemistry and physics, while improving creativity and social skills. The games also foster curiosity and an awareness of the child’s surroundings. The company publishes the Little Scientist blog, which teaches children why they yawn, why mosquitoes bite and why triangles are important.

The EIB made a EUR 10 million loan to help Science4You grow. The loan is part of the Investment Plan for Europe, which aims to boost smaller, innovative companies that commercial banks view as untested or too risky. “Science4You is a fast-growing company that began as an academic project, and every year they have been growing and showing positive financials,” says Francisco Alves da Silva, the EIB loan officer who made the deal. Science4You will combine the EIB loan with EUR 10 million of its own money to invest in better equipment to assemble toys, improve online sales and promotions, and come up with new toy ideas. The company, which sells 40% of its toys in Portugal, will also use the financing to expand in Europe and beyond.

Maximising cognitive capabilities

Besides perfume, soap and slime, Science4You offers toy kits on spas, medicine, dinosaurs, chemistry, rockets, explosions, crystals and cooking. Each kit is based on scientific studies and comes with colourful, detailed guidebooks explaining the experiments and the research.

The company is even playful in its advertising. Its videos for Perfume Factory, Lipstick Factory or Explosive Science show a scientist pouring one liquid into another liquid and then sending his laboratory up in smoke. “We believe we have hit the right balance between education and fun, when Mum and Dad buy an educational toy and when the kids really want to play with it,” Martins says. “It’s always very hard to find this balance.”

“We tried to find things that kids might enjoy, like making soap, making slime, making a rocket, making candy, making an explosion, and then also showing them how to do it in a new way.”
Science4You’s Vera Marques (left) and Madalena Ribeiro conducting a fun experiment at Carlota Costa’s birthday party.
Microfinance for a Syrian refugee and a tango maestro

After a year working at a pharmacy in Luxembourg, Syrian refugee Mahmoud Al-Fayyad heard about a local microfinance firm, microlux. “I have always been a passionate cook”, he thought. “Why not give it a try. After all, cooking is an excellent bridge to share one’s culture”. The food at the restaurant he opened is all homemade by Syrian refugee women. Syriously seats 100 people in a house donated for a symbolic EUR 1 by a property owner who met Mahmoud through the Luxembourgish Red Cross. It’s often fully booked for its two evening services.

“I am now employing eight people and I decided to repay the loan in two years,” he says. “This microcredit helped me to start a new life and contribute to the economy of my new homeland. I am very grateful to all the people who trusted and supported me right from the beginning”.

Since March 2016, microlux, a microcredit institution supported by the European Investment Fund thanks to the EU’s Programme for Employment and Social Innovation, has been giving hope to Luxembourg’s small entrepreneurs. Although Luxembourg is a rich country with strong growth, it does contain pockets of job insecurity and poverty. No local microfinance institution previously targeted Luxembourg.

In Luxembourg, the EIF, which is part of the EIB Group, estimates the potential number of loan applications to be 400 over five years. That’s important, says Karin Schintgen, who represents microlux’s main shareholder BGL BNP Paribas, because “in Europe, 30% of new micro and small businesses are started up by people without jobs”.

A passion for tango

With a EUR 10,000 loan from microlux, Rodolfo Aguerrodi brought the tango from his hometown, Buenos Aires, to set up the Dance Factory in Luxembourg, where he has lived for three years. “I started out giving classes in the clubs of the European institutions, but I soon felt that there was a need to make the discipline more professional,” Aguerrodi says.
He repays EUR 258 per month. It's a small amount, but it's the kind of credit that keeps Europe's economy oiled. “We could have carried on working without the loan, but it enabled us to get our head above water and concentrate on our core business,” says Aguerrodi.

He employs eight teachers and has a full house almost every day of the week. That includes dance classes as therapy to treat Parkinson’s and Alzheimer’s disease.

So even in a generally rich country like Luxembourg, there’s demand for microcredit.

“I am very grateful to all the people who trusted and supported me right from the beginning”

Go online for more EIB SMEs

• Look for more of our start-up cartoon, The Brood, by Estonian artist Madis Ots online at eib.org/startup-cartoon

• Check out the Swedish company that helps you “zettle” your bills eib.org/izettle
Infrastructure to connect Europe
• 10,924 MW of new electricity generation capacity
  • Of which 99.6% is from renewables
• 76,557 km of power lines constructed or upgraded
• 36.8 million smart meters installed
• 10.4 million households powered
• 572,324 households in new or refurbished social and affordable housing
• 735 million additional passengers on EIB-financed transport
• 45.7 million people with improved healthcare services
Mobility is a daily concern for David Pena, who lives in a small riverside town about 30 km west of Paris. “It’s not uncommon for me to get to the station and experience delays or see that the train has been cancelled,” says the 42-year-old helicopter engineer.

The Paris Métro often ranks among the top subways in the world and a recent global survey placed the city in the top 10 for urban mobility. Its region, however, has big challenges. “Paris has a very old system, similar to London,” says Caroline Lemoine, an EIB transport engineer. “Upgrading the network and keeping up the expansion to improve the level of service and increase accessibility requires huge investment, and that is what we, at the EIB, are contributing to.”

The region in and around the city, known as the Ile de France, has a population of about 12 million, a number that has tripled over the last century. More than eight million trips are made daily on the Paris region’s transport network. The surge in population has contributed to skyrocketing property prices, forcing many residents to relocate 40 km outside the city to areas with fewer transport connections. “We are coping with problems from more than a century ago and finding solutions today,” says Laurence Debrincat, a Paris mobility specialist with Ile-de-France Mobilités, which runs the region’s transport network.

Planning for the future

The EU bank has been helping Paris invest in transport for decades. Big recent deals include:

• EUR 800 million in loans from the EIB to bring back trams
• EUR 200 million to support Autolib’ electric cars
• a total of EUR 2.5 billion to finance part of the ambitious project known as the Grand Paris Express, a Métro expansion plan that is one of the biggest in the world.

The Grand Paris Express will double the size of the Métro, adding 200 kilometres of track and more than 70 stations. The project aims to:

• stitch together isolated suburbs
• reduce daily traffic jams that contribute to smog
• link business districts, airports, and universities
• connect the otherwise isolated suburbs to Paris.

“The Grand Paris project is going to take a long time, but it is going to ensure we have one of the best transport networks in the world,” Debrincat says.

The RER commuter trains that serve the suburbs are also being upgraded, with new cars and signalling. The RER A line, at more than 100 kilometres long, is the busiest in Europe, carrying 1.2 million passengers a day. This line, which slices through the centre of Paris on its way to the western and
eastern suburbs, is being renovated from 2015 to 2020. The project will replace 24 kilometres of rails.

“There is a really big need to maintain the suburban railway network,” Debrincat says. “It costs billions of euros to change the rail lines and electric signalling, but it is something we have had to do for many years.”

Paris is also home to one of the most successful bike-sharing projects in the world. It has about 14,500 bicycles at 1,230 stations. The city has been increasing its bicycle lanes since the late 1990s, and now has about 700 kilometres of bicycle routes.

It’s expanding its electric bus lines, with the goal that 80% of buses will be electric by 2025 and the rest will use biogas. Paris already has one all-electric line served by 23 buses.

Let’s not forget the Autolib’ electric car sharing service, which began in 2011 and offers nearly 4,000 electric cars in the Paris area, with more than 100,000 registered users. The EU bank financed the research and development of Autolib’ car batteries and the deployment of the service.

Pena, who lives in the western suburbs, says he is optimistic about the future of mobility in Paris – and his commute. There are plans to bring the RER commuter train to his small town. “France is definitely in front in terms of taking advantage of new technology,” he says, “but it still needs to improve.”

The Grand Paris project “is going to ensure we have one of the best transport networks in the world.”
An investment pipeline to fix Italy’s pipes

Finance for Italian water operators upgrades leaky reservoirs and old pipes

It hardly rained in Rome during spring and summer 2017. The low rainfall and the high temperatures meant less water for Romans, who feared the kind of water rationing already implemented in several towns in central Italy.

But summer heatwaves aren’t the only reason for the water woes. Antiquated networks cause the loss of an average 35% of water in the pipes before it reaches the tap. Upgrades are needed urgently, but small Italian water companies struggle to get financing.

So the EIB stepped in with a EUR 200 million programme loan to support investments in water and wastewater infrastructure throughout Italy. It will provide financing for four to eight water projects worth EUR 30 million to EUR 100 million each. “Small water utilities are considered too high risk for direct financing,” says Despina Tomadaki, the EIB loan officer in charge of the operation, “but the Investment Plan for Europe makes this financing possible. This is the first operation of this kind targeting small and medium-size water utilities.”

Water services in Italy are regulated by the state and organised around 64 service areas. Over 2,700 operators provide services to some 7,700 municipalities. A few large players serve around 50% of the population. However, the majority of the operators are small, so it is hard for them to qualify for loans. The result: the investment gap between the work needed and the work being done in the Italian water sector has been growing for years. It is around EUR 3 billion a year today. The EIB programme loan will help reduce this gap.

Some regions of Italy are especially struggling to get financing. “The programme loan will target those companies in central and south Italy where investment needs are greatest,” says Patricia Castellarnau, the EIB economist who worked on this operation.

The programme loan is expected to support around 2,000 new jobs, further helping local populations and businesses.
By year-end, two sub-operations were signed under this programme loan: a EUR 50 million loan to Brianzacque, which operates in Monza and Brianza in the Lombardy region; and a EUR 20 million loan to AMAP, a Palermo utility.

**Go online for more EIB Infrastructure**

- Find out what a metroguagua is in Las Palmas eib.org/metroguagua
- See some of Bratislava’s historic buildings get an upgrade eib.org/bratislava-urban-renewal
Climate and environment for a SUSTAINABLE future
The Rhodope Mountains, Bulgaria, site of one of Rewilding Europe’s pilot nature conservation projects

This includes biodiversity, clear air, clean water, transport safety, renewable energy and energy efficiency

The Bank commits to climate action loans that amount to more than 25% of total lending across all its public policy areas

In 2017, the EIB financed EUR 19.4 billion of climate action

That’s 28.2% of all financing

- Renewable energy – EUR 4.4 billion
- Energy efficiency – EUR 4.8 billion
- Lower carbon and climate friendly transport – over EUR 7.1 billion
- Research, development and innovation – EUR 1 billion
- Mitigation in afforestation, waste and wastewater – EUR 0.5 billion
- Mitigation in other sectors – EUR 0.7 billion
- Adaptation to climate change – EUR 0.8 billion

* Figures above are subject to an external audit

The Rhodope Mountains, Bulgaria, site of one of Rewilding Europe’s pilot nature conservation projects
The Rhodope Mountains in Bulgaria rise to over 2,000 metres, with deep river gorges and steep cliffs covering close to 15,000 square km. They are one of the most important breeding sites for the globally endangered Egyptian vultures, and the only one for griffon vultures in the country.

The Rhodopes are one of eight pilot sites for a network with a new vision for nature conservation that’s called Rewilding Europe. As people increasingly move into urban locations, Rewilding Europe takes rural areas where the population is diminishing and makes them wild again, restoring self-sustaining ecosystems that are vital for biodiversity and, at the same time, developing new, nature-based economies.

It turns out they have a business case that the EIB is backing with EUR 6 million, supported by the Natural Capital Financing Facility, which was established by the EIB and the European Commission. “There is increasing recognition that public grants are not enough to cover the costs of conservation efforts,” says EIB environmental and climate finance investment officer Jane Feehan. “Rewilding Europe has nature at its heart, but they’re building a strong business model too, and are now able to take on loan finance to expand their activities.”

In the Bulgarian Rhodopes, this took the form of working with local entrepreneurs to boost small-scale nature tourism by repairing wildlife photography hides, training local entrepreneurs and demonstrating the commercial value of wild nature. The ultimate objective is to finance the rewilding of the region, and stop the poisoning, poaching, and power-line electrocutions that had reduced the number of griffon vultures to only ten pairs.

Rewilding Europe introduced an anti-poisoning dog unit to spot hazards for vultures. It is building artificial nests to attract black vultures to start new colonies, and it works with local electricity companies to insulate their power lines. While the locals were using poison baits to keep the wolf population down, Rewilding Europe brought in fallow and red deer, so that there would be more natural prey for wolves. That’s key to attracting vultures, because the birds feed on what’s left of the carcass once the wolves finish eating.

Interest paid in wild horses

So how do the locals react? “We are, of course, involving them in the new approach,” says Rewilding Europe’s head of rewilding Wouter Helmer. “There are fewer and fewer shepherds in this area. The ones remaining understand that if we bring in deer, we also distract the wolves from their sheep and their cattle, as it is always easier for wolves to go for the wild animals.”

The locals also understand that the rewilding efforts help diversify their income by appealing to tourists from the capital Sofia and outside the country. That means business for bed-and-breakfasts, in addition to livestock management. “They understand a wolf alive is worth more to them than a dead one,” says Helmer. “So our work helps them re-think their relationship with nature.”

Bringing back an ancient species that went extinct

The tourism opportunities are not limited to photography hides in the Rhodopes. In fact, Rewilding Europe has launched European Safari Company. Compared to the African beasts usually associated with safaris, what could be so exciting about European fauna? What about aurochs? These are the big-horned wild ancestors of domestic cattle, up to 1.80 metres tall and weighing up to more than a ton, which are depicted on cave paintings. In Greek mythology, Zeus took the form of an aurochs bull to seduce and kidnap the beautiful princess Europa, thus founding Europe.

The aurochs developed during what is called the Pleistocene and went extinct around 400 years ago, but their genes are still alive and well in some ancient cattle breeds. Part of Rewilding Europe’s job is using these ancient cattle to breed the Tauros, a species of aurochs-type wild cattle that’s able to survive on its own. What makes that so important? “Biodiversity requires a diversity of landscapes,” says Helmer. “Not only forests, but also more open areas. Now, for the first time in history we have come to a stage where in many places there is no grazing anymore, so the diversity of natural grasslands with their flowers, birds and butterflies is no longer maintained by its natural architects.”
Originally, the aurochs was one of the key species to take care of that. Along with them, and especially for the last millennia, this task has partly been accomplished with the help of farmers and their livestock, which at least in its traditional grass-grazing mode, is quickly coming to an end. With fewer rural people wanting to work farms, there are large areas where natural grazers like the aurochs are extinct and domestic cattle numbers are way down too. “We decided to try to bring back the original grazers,” Helmer says.

He explains that 99% of the genes of the original grazers are still in the genes of domesticated breeds today, so the Tauros Programme has been using various primitive breeds to create a more resilient cow that could fend for itself. There are currently several hundred animals bred, and early results of introducing them to the wild are showing promise.

Wild horses released in the Rhodopes, as well as the new aurochs-like tauroses and the European bison are all part of another innovation that Rewilding Europe’s brought about: the European Wildlife Bank. It is almost like a real bank, Helmer says. Landowners can borrow primitive horses to graze on their territory, and in five years they give back half of their herd. As the herd typically grows by around 25% annually, the bank gets back a higher number of horses than it loaned, and the landowner keeps an equal number. “You can consider it a very nice interest rate,” Helmer says.

If the landowner shows that they have increased the grazing area available for the wild horses, they can keep the additional horses for another five years.
At the time of German reunification, two-thirds of Essen’s sewage drained into the Emscher River. Slaughterhouses and steel mills discharged offal and refuse, and the river was a depository for heavy metals and faeces. The Emschergenossenschaft, which 19 municipalities and numerous companies founded in 1899 as Germany’s first wastewater management association, drafted an ambitious plan to restore the river to its natural state. It was a big job, but it worked.

Emschergenossenschaft chief executive Uli Paetzel now takes his children to verdant playgrounds on the river banks. “This is Europe’s biggest attempt to restore a complete river landscape and be a driver of structural change,” he says. “We’re giving the river back to its people.”

In 2017, the European Commission named Essen European Green Capital, an annual award for a city at the forefront of environmentally friendly urban living. The former coal-mining city now features a 23-hectare public park, high water quality and city centre traffic restrictions. “Soot, dirt, stench and billowing chimneys – this is what people in other places still associate with Essen,” says Matthias Sinn, head of the city’s environmental department. “But Essen is prettier and greener than you’d think. All the parks and expanses of water give you a real zest for life.”

Among the environmental achievements that won Essen the Green Capital prize were:

- 13,000 jobs in the innovative, green sector
- 95% of the population now living within 300 m of green urban areas
- 376 km of bicycle lanes
- 128,000 m² of road resurfaced with noise-optimised asphalt

And Essen’s setting itself ambitious targets:

- 20,000 jobs in the environmental sector by 2025
- 65% of all waste recycled by 2020.

The greening of Essen includes a project to build 400 km of new underground sewers and renaturalise 350 km of river banks. “What is striking about this project is its massive regional scale, its advanced engineering work, its enhanced biodiversity,” says Sebastian Hyzyk, an EIB economist.

The cost of the operation is EUR 5.3 billion, of which the EIB is financing around 30%. After two previous loans, the Bank loaned another EUR 450 million in 2017 to continue the project.
“All the parks and expanses of water give you a real zest for life”
Titanium is named after the powerful Titans of Greek mythology, because of its great strength. It's also light, doesn't corrode, and bends without breaking. Those properties make it a strategic raw material for many products, including aeroplane body parts, missiles, spacecraft and defence armour.

The problem is that it is not easy to buy titanium in Europe or recycle unused scraps economically. Big firms like Airbus often look to the US or Russia when they need to buy titanium or recycle scraps. Now a new French factory called EcoTitanium is solving this problem by using advanced furnaces and other technology to recycle titanium. The process also helps the environment by reducing emissions, because recycling titanium uses less energy than refining titanium ore.

“Titanium is a valuable metal and we are going to dramatically improve the supply of it,” says Thomas Devedjian, chief financial officer at Eramet, the mining and metals group that built EcoTitanium in the volcanic region of central France.

EcoTitanium uses the latest technology in plasma and vacuum furnaces that consume less energy than other melting methods. A plasma furnace melts substances with heated gas, while a vacuum furnace melts with the absence of air to prevent contamination. Titanium requires special melting devices because it is so resistant to heat.

Cheaper and less wasteful

Titanium is not rare, but it is costly because it is hard to refine. Its production involves a lot of labour and extreme heat. It is six times more expensive to produce than steel. The machining of titanium creates a lot of scrap titanium that is often sent outside Europe for reuse. For some plane parts, 90% of titanium ends up as manufacturing scrap.

The new recycling plant, in Saint-Georges-de-Mons, will turn out aviation-grade titanium alloy that is a little cheaper than new titanium and less wasteful. The plant will avert the emission of 100,000 tonnes of carbon dioxide a year.
The European Investment Bank loaned the plant EUR 30 million, backed by the Investment Plan for Europe. The plant’s total cost was about EUR 48 million.

“Europe needs this type of innovation,” says Mariateresa Di Giacomo, a senior loan officer at the European Investment Bank.

Titanium is also used in hulls of ships, bicycle frames and in the chemicals industry. It connects well with bone, so it is found in dental implants and prostheses. Titanium dioxide, the material used to refine titanium metal, is an excellent whitener for paint, sunscreen and toothpaste.

“This is a wonderful project,” Di Giacomo says. “It has a little bit of everything – new technology, new jobs, less waste, helping the circular economy.”
The global player
EUR 7.91 bn in new loans outside the EU

• Eastern Neighbours – EUR 0.88 billion

• Enlargement countries and EFTA – EUR 1.62 billion

• Mediterranean – EUR 1.96 billion

• Africa, Caribbean and Pacific, OCTs and South Africa – EUR 1.47 billion

• Asia and Latin America – EUR 1.99 billion
Once every two weeks, families in Jordan turn on the taps and pipe up to four cubic metres of drinking water into their rooftop tanks. It’s only a third of the amount they need — and it’s all they get. “People suffer a lot,” says Nabil Zoubi, project director of an ambitious venture to use the waters of the Red Sea to alleviate the shortage and to revitalise the Dead Sea.

One of the world’s driest countries, Jordan lacks sufficient fresh water for its growing population and the 1.3 million Syrian refugees it hosts. Water is also a problem in Israel and in Palestine, and it is worsening with climate change. Meanwhile, the diversion of Dead Sea feedwater has caused the biblical lake to shrink, sparking environmental problems.

Under the plan, seawater from the Red Sea will be turned into drinking water. The brine — the high-saline solution left over after the desalination — will be transferred into the Dead Sea by a 180 km pipeline, reducing the decline in its water level. In Jordan there will be running water three days a week, instead of the current eight hours every two weeks.

Another benefit: as the Dead Sea is the lowest point in the world, the water will channel down over 600 metres, generating 32 megawatts of hydroelectricity a year.
The EIB has mobilised an EU-funded technical assistance agreement worth EUR 2 million for the project. The French government agency that promotes sustainable development, Agence française de développement, is working with the EIB to ensure the project’s success.

**Water swapping and sharing**

The idea of a pipeline from the Red Sea to the Dead Sea dates back to the peace agreement between Israel and Jordan in 1994. But it was only in 2013 that Israel, Jordan and Palestine signed a memorandum of understanding on the current plan.

The Red Sea-Dead Sea project contributes to the EIB’s Economic Resilience Initiative, a major programme to boost investment in the region. The EIB is also considering a EUR 60 million loan alongside financing from French, Italian and Spanish development agencies to the Government of Jordan for supporting its contribution to the project.

This joint EU financial package may be blended with a EUR 40 million grant from the EU-funded Neighbourhood Investment Facility. “The EU is supporting this massive project with an integrated approach,” says EU Ambassador to Jordan Andrea Fontana. “There are EU grants, money pledged by Italy, France, Spain, and it is all coordinated by the AFD and the EIB.” The project should also benefit from a USD 100 million grant from USAID.

The EIB is also expected to provide a loan of up to EUR 200 million to the company that wins the tender for the project.

“Jordan will have running water three days per week, instead of the current eight hours every two weeks.”
Amadi leans back against the mud wall of her home and recalls the days she used to spend queueing in the burning Ethiopian sun to receive her social security payments. Often the money simply wouldn’t be there in the end and Amadi, an old woman, would trek hours back to her remote village with no money, only to go through the same ordeal another day. “There were a lot of troubles. It was very hard,” she says. “But now we’re in a much better condition.”

Amadi is one of two million Ethiopians who benefit from M-Birr, a mobile banking service that takes its name from the birr, the country’s currency. Now her government social payments are paid directly each month into her mobile M-Birr account at the regional microfinance institution (MFI). Instead of the long hike to collect her cash, she visits a nearby agent to make a withdrawal. “I am respected and I get my money,” she says.

M-Birr aims to be the Ethiopian spearhead for the mobile phenomenon that’s transforming finances for ordinary Africans. In Kenya, over 40% of national GDP moves through M-PESA’s mobile payments system. Apart from a few countries where mobile banking has taken hold, the continent still relies heavily on cash payments. Logistics are not easy in Africa, so a mobile network allows money to move around safely and simply. “Mobile has already proved to be an effective way to increase financial inclusion,” says Hannah Siedek, an EIB microfinance expert.

Impact Financing Envelope backing

The EIB is backing the next stage of M-Birr’s expansion with a EUR 3 million equity investment – to which a further EUR 1 million may be added – made under the Impact Financing Envelope, a EUR 800 million financing tool that allows the Bank to take on more risk in Africa, the Caribbean and the Pacific than it does in regular projects. It’s the first time the EIB has invested in mobile financial technology in Africa and is a co-investment with DEG, a subsidiary of Germany’s KfW.

Before its full roll-out in 2015, M-Birr ran a one-year programme that enabled five local microfinance institutions to provide mobile money services. The microfinance institutions offer M-Birr services in more than 7,000 locations – M-Birr MFI branches and agents in shops, pharmacies and petrol stations around Ethiopia. The company, founded by a Frenchman and an Irishman, today processes social payments for over 750,000 households with around three million beneficiaries, as well as serving 280,000 mobile-money core clients. That’s a transformation for a country where only one in five people have a bank account, while half of all adults own a mobile phone. “We play a big role in social inclusion,” says M-Birr executive chairman Thierry Artaud. “The EIB investment will allow us to develop the business and allow the country to grow.”
‘Access to the benefits of mobile money’

Outside the shop, an old woman named Mareh pulls a cellphone from a pouch round her neck. Most M-Birr users buy a phone for only a few dollars, but those who can’t afford even that can get a scratch card with a PIN code that they enter during their visit to the M-Birr agent to recover their social payments. Mareh gestures emphatically with her phone as she lists the improvements to her life brought by M-Birr.

Like Amadi, she used to be exhausted by long walks to distribution points for government money that often turned out not to be available. “It’s not easy for me to use a phone, but the agent helps me and I get my money through M-Birr,” she says. “I like it better this way.”

In a country the size of France and Spain combined, a broader network is vital. “M-Birr and its partners are opening up Ethiopia to a whole world of mobile money that will have a tremendous impact on the daily life of users,” says Benoît Denis, an economist in the EIB’s digital economy division. “The company’s really meeting a need. Their aim is to spread access to the benefits of mobile money across all sectors of the economy. That’s what we want to help them do.”
Where the finance comes from

The EIB, the world’s largest multilateral borrower and lender, raised EUR 56.4 billion on the international capital markets in 2017 in addition to EUR 3.8 billion in pre-funding at the end of 2016. Of that total, EUR 4.3 billion was in the Bank’s green bond format, called Climate Awareness Bonds. This came as the Bank celebrated a decade since it became the first issuer of green bonds. The Bank’s issuance reaches investors who might not typically invest in Europe and who contribute indirectly to European projects by investing in EIB bonds.

The Bank issued bonds in 15 currencies, with the majority raised in the core currencies EUR, USD and GBP. Diversified sources and tenors give flexibility to the Bank’s funding strategy. The multicurrency approach also enables the EIB to access some local currencies for disbursements.
Good news for climate action. The green bond market is expected to continue its expansion now that China is in on the action. “China faces huge environmental challenges that must be taken seriously,” says Aldo Romani, the EIB expert who structured the first green bond exactly a decade ago. “Green bonds are a way for China to establish an increasingly meaningful link with international markets to help solve global problems.”

EIB officials visited China last year to reinforce the Bank’s support for climate projects there. The EIB expects to approve lending to many climate projects across China in urban transport, forestry and energy efficiency. The EU bank and the Chinese Central Bank also agreed to work towards a shared framework for green bonds and to make it clearer which projects qualify. The two sides hope that a common language will lift the confidence of Chinese and international investors.

The importance of this work was highlighted by the EU-China summit in Brussels in June, when officials underlined a joint commitment in the fight against climate change. While cooperating on green bonds with the China Green Finance Committee, the EIB has contributed to what is known as the High-Level Expert Group on Sustainable Finance, a forum created by the European Commission to advise on how to promote sustainability in EU policy.

If green bonds are flying high now, it wasn’t always clear they’d take off. Romani remembers the difficult days in his office a decade ago. Fixing climate change was becoming a hot topic in Europe, but few people thought the idea for a green bond could be one of the solutions. Many experts believed it would be too hard or controversial to monitor and confirm that the money raised from these bonds was actually spent to help the environment.

“Nobody had confidence in the endurance of green bonds in 2007 and people were wondering why the EIB was the only one talking about it,” says Romani, a manager in euro funding at the EIB. Today, as the EIB celebrates the eleventh anniversary of its first green bonds, this market is one of the biggest success stories in climate finance.

Go online to listen
Aldo Romani talks about green bonds on the EIB’s podcast
A Dictionary of Finance: eib.org/green-bonds-podcast
Governance that’s sustainable, responsive and vigilant

The EIB governance structure

Shareholders

The 28 Member States of the EU

Board of Governors

Ministers of the Member States

Board of Directors

Nominated by the Member States

Audit Committee

Independent

Management Committee

- President
- 8 Vice-Presidents

Sustainable finance is based on investments that take into account environmental, social and governance considerations. That includes finance to address greenhouse gas emissions and tackle pollution, as well as minimising waste and improving efficiency in the use of natural resources.

The EIB is coordinating a group of Multilateral Development Banks to develop “Common Principles for Climate Mitigation Finance Tracking”, which will incorporate the goals of the Paris Agreement. The Bank also took on a similar key role in 2017 as part of its involvement with the European Commission’s High-Level Expert Group on Sustainable Finance, which was established in December 2016. The group’s aim is to make recommendations for a comprehensive EU strategy on sustainable finance. In its interim report, published in July 2017, the Expert Group suggested the EIB should coordinate the creation of a classification for climate finance, starting with climate change.
mitigation. After consultations with key stakeholders, the EIB developed a proposal for a draft taxonomy for climate mitigation, contributing to the ongoing work of the Expert Group. In its final report in January 2018, the Expert Group recommended that the European Commission adopt a 2018-19 roadmap for a full sustainability taxonomy. This would build on the EIB’s work on climate change mitigation as a first step, followed by climate adaptation and other environmental and social elements. It is an essential step in establishing clarity to stimulate the market for sustainable financial products and to enhance support for public policies.
Voices heard

The EIB Complaints Mechanism handled more cases in 2017 than ever before.

That’s partly because the Bank is increasingly visible, which creates more awareness of its environmental and social impact, and of its independent, public accountability mechanism. It’s also the result of the growing number of complex deals in which the Bank is involved and some relatively high-profile projects that attracted multiple complaints.

In January 2017, the Complaints Mechanism received the first of 13 complaints about the implementation of the Corrective Action Plan put in place within the Mombasa Port Access Road project in Kenya. The plan’s aim was to compensate 120 owners of structures of the Jomvu area evicted in May 2015 without due procedure. While the people affected had received cash compensation, the Complaints Mechanism found that the valuation of assets was not communicated transparently. Some affected people may also have been left out of the compensation. In December 2017, the complainants and the implementer of the project agreed that the Complaints Mechanism would facilitate a mediation process in 2018 to clarify the valuation methodology used for calculating compensation and to review the outcome of these valuations.

Mombasa Port Access Road

Mombasa homes whose residents may be left out of the compensation agreement

Trans Adriatic Pipeline

Known as TAP, this is the proposed Western part of the Southern Gas Corridor from the Greek-Turkish border to Italy via Albania. Complaints reached the Bank at an early stage of the project cycle, mainly about the valuation of expropriations in Greece and Albania. These complaints were circulated within the Bank for analysis during loan appraisal. The Complaints Mechanism registered a number of complaints from individuals and communities in Italy expressing concern about the project’s environmental and industrial risks. In 2017 the Complaints Mechanism received 22 new complaints, for a total of 38 complaints about TAP.
European Ombudsman

In 2017, the European Ombudsman informed the EIB of 11 new complaints concerning the Bank’s activities. Three of the complaints concerned delays in responses to complaints already submitted to the Bank: Ambatovy Nickel Mining in Madagascar; Castor Underground Storage in Spain; and an alleged failure to issue a decision on a conflict of interest investigation. The Ombudsman closed the last case, because the complaint was resolved after the complainant received the reply of the EIB. However, the Ombudsman carried out on-site inspections of the Bank’s files in the Ambatovy and Castor cases. The Ombudsman’s conclusions are expected to be published in 2018. Total outstanding complaints at the end of the year doubled to ten.

The EIB Complaints Mechanism in 2017

- 114 new complaints, up 25 from 2016
- 103 complaints registered as admissible, up 19
- 173 cases handled, up 51
- 101 complaints open at year-end, up from 59

Policy revision

In May 2017, after consultations with the European Ombudsman, the Bank launched a public consultation to revise the EIB Complaints Mechanism policy, presenting the proposed changes to the public in June with additional written feedback collected at the end of September. This periodic review generated significant interest from individuals and, particularly, from Civil Society Organisations, which submitted a joint letter with extensive comments and proposals. The Bank is carefully reviewing these comments with the objective of implementing changes to the policy in the first half of 2018.

Cairo Metro

The Complaints Mechanism initiated another mediation in December 2017 over implementation of the Cairo Metro Line project. The project involved the involuntary resettlement of several communities, businesses and individuals, including more than 100 shop owners of the El Bohy market, in the Imbaba area. The Complaints Mechanism had already received a complaint from representatives of these groups in 2016, but the situation was exacerbated when the market was demolished in August 2017 without the community having accepted the compensation package. By the time the demolition took place, the Complaints Mechanism had already proposed mediation, in which the implementer of the project and people affected by it agreed to participate. Failure of the mediation would trigger a full review of the complaints.
On watch
EIB investigators uncovered a number of irregularities in 2017

The Bank’s independent Fraud Investigation Division investigates fraud, corruption and other prohibited conduct in Bank-financed projects. It undertakes Proactive Integrity Reviews to identify previously unreported cases as well as training Bank staff, raising awareness and advising colleagues on fraud-prevention and deterrence.

Latvia’s Corruption Prevention and Combating Bureau arrested a number of officials from the “Latvenergo” company in June 2010. The Bureau alleged use of official positions in bad faith for purposes of bribery and laundering of criminally acquired assets. Latvenergo had awarded a contract to the Spanish Company Iberdrola Ingeniería y Construcción, also known as Iberinco, to build a thermal power plant in Riga, which was financed by the EIB. As a result of criminal investigations and judicial proceedings into corruption and influence trading that followed the original arrests, the Bank entered into a settlement agreement in December 2017 with Iberinco.

Under the settlement, Iberinco was excluded from EIB-financed projects for a year. Iberinco and the Iberdrola Group will develop and implement a specific sponsorship programme to fight corruption and fraud. Throughout the investigation, Iberinco cooperated with the EIB in clarifying matters related to the wrongdoing. The company also took steps to hold employees accountable and to review its compliance systems to ensure such misconduct is not repeated.
Proactive Integrity Review on SME loans

The Bank’s Fraud Investigation Division carried out several Proactive Integrity Reviews on loans to banks for on-lending to SMEs inside the EU and outside. The reviews found:

- indications of prohibited conduct and criminal offences such as money laundering;
- high-value loans to beneficiaries allegedly linked to arms smuggling and organised crime;
- front companies and loans linked to politically exposed persons;
- loans to beneficiaries that did not meet eligibility criteria;
- interference to override credit decisions without business rationale;
- the banks provided the EIB with misleading and false information when the EIB was approving allocations.

Phishing scam

In 2017, a number of “phishing” and internet scams misused the name of the EIB or its staff and management to try to cheat members of the public into paying administrative or application fees. Of course, as a publicly owned international financial institution, the EIB does not charge for such services. More importantly in the context of such scams, the EIB does not lend to individuals. The fraud included misuse of the EIB logo, the name and reputation of the institution, fake emails and parallel websites. Once notified of these concerns, the Bank’s Fraud Investigation Division quickly requested removal of the sites from the domain host and the closure of fake email accounts. The EIB also advised victims to contact specialist investigators in national law enforcement.
What’s next?

Here are some highlights for 2018 from the EIB Operational Plan

- Target for new lending signatures: EUR 67 billion
- The number of operations will be maintained, but with smaller sizes as higher-risk Special Activities continue to make up a growing proportion of lending
- Special Activities: about 25% of overall lending, at EUR 17.3 billion
- Inside the EU, the EIB will continue to support EU policy goals aimed at restoring EU competitiveness and long-term economic growth and job creation, building on its financial and technical experience
- Outside the EU, lending will focus on the expansion of basic infrastructure, such as roads, electricity networks and water supply
- Advisory services will continue to increase, with a forecast 530 assignments. It’s estimated these projects will eventually support a total investment cost of EUR 28 billion.

It is now time to focus on structural adjustments that will make Europe economically more resilient and place the economy firmly on the path to sustainable growth. The EIB Group, as the EU’s vehicle for investment, will continue to have a demonstrable impact both inside and outside the EU.

Go online

Find further detailed information on the Operating Framework and Operational Plan 2018 at www.eib.org/infocentre/publications/all/operational-plan-2018.htm
The EIB Group consists of the European Investment Bank and the European Investment Fund.

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