



Environmental Report 2003



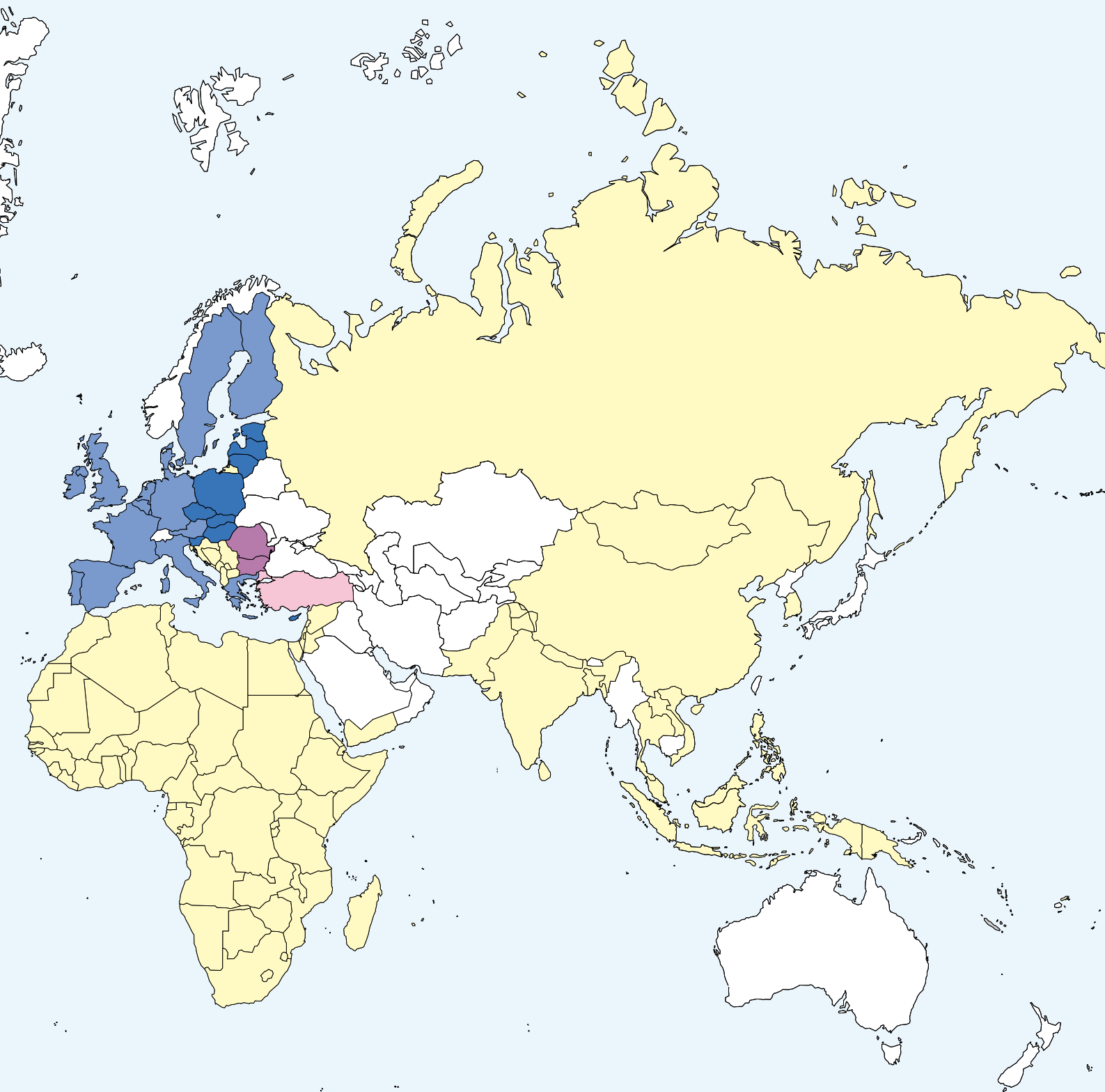
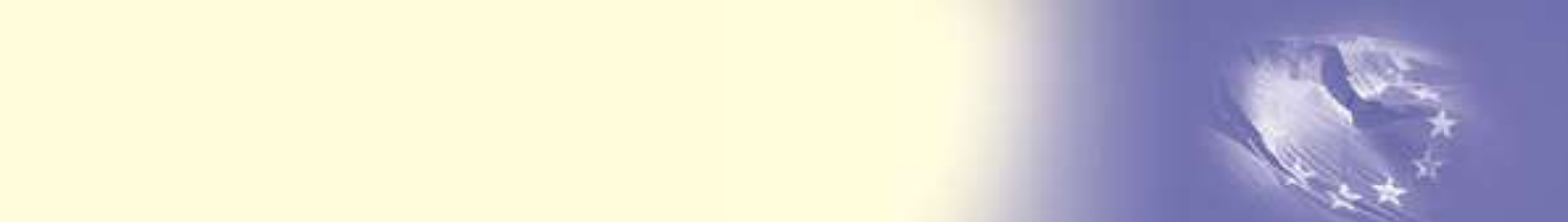
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Areas of EIB Lending (2003)

-  **EU Member States**
-  **Acceding Countries**, (New Member States - 1 May 2004)
where negotiations for EU Membership have been concluded.
-  **Accession Countries**,
where negotiations for joining the EU are in progress.
-  **Candidate Countries**,
where an application for accession has been approved by a European Council Decision.
-  **Partner Countries**,
where a country forming part of a group has signed a cooperation agreement with the European Union, ie ACP, ALA, Mediterranean and Western Balkans.







President's Foreword

It gives me great pleasure to present the second Environmental Report of the European Investment Bank (EIB), prepared by its Environment Unit.

The Environmental Report 2003 bears testimony to the importance the EIB attaches to the protection and improvement of the natural and built environment and the quality of life throughout its regions of activity. As a public body driven by the policy objectives of the European Community, the environmental policies and practices of the Bank aim to support the overriding goal of sustainable development.

The Report provides an account of the main features and recent changes in the environmental policies, practices, organisation and staffing of the EIB. It also importantly describes another year of significant environmental lending.

2003 has been a challenging year for the EIB from an environmental point of view. We are continuing to improve the organisation of environmental activities within the Bank. The Bank has launched a major initiative in the field of climate change as this subject has continued to grow in importance. And finally, it has stepped up its lending activity in countries preparing for membership of the Union to help them comply with EU environmental standards.

At the same time as issuing the Environmental Report 2003, the EIB is publishing a new "Environmental Statement" that updates its environmental principles and the interested reader might wish to read the two documents in conjunction.

A handwritten signature in blue ink, which appears to read "P. Maystadt". The signature is stylized and written in a cursive-like font.

Philippe Maystadt
President of the EIB



Executive Summary

The European Investment Bank (EIB) plays an active role in promoting the environmental policy of the European Community (EC). The protection and improvement of the environment have been confirmed by the Board of Directors as one of the priority objectives of the Corporate Operational Plan (COP).

In anticipation of the enlargement of the European Union (EU) in May 2004 the EIB has increased lending in Acceding Countries and, through the projects financed, supported the implementation of EU environmental legislation.

The environmental work of the EIB has kept pace with the latest orientations of the Sixth Environmental Action Programme and in particular with the new initiatives in the sectors of water and energy. The Bank has also launched a number of actions in the field of climate change in support of the European Climate Change Programme, designed in particular to mitigate the adverse effects of emissions of carbon dioxide in the context of the EU Emissions Trading Scheme.

During 2003, the EIB continued to work together with various external partners sharing common environmental interests, particularly DG Environment of the European Commission, other Multilateral Financial Institutions (MFIs) and a number of environmental Non-Governmental

Organisations (NGOs). Bank staff attended and contributed to a large number and variety of external environmental events.

At the same time the process of review and update of the internal environmental practices of the Bank continued, reinforced by appropriate training that in 2003 focused on environmental policy and law for the staff of the Projects Directorate.

The core of the second EIB Environmental Report describes the environmental lending of the Bank in 2003, that is lending which aims to fulfil one or a number of the environmental objectives of the EU. The COP objective for 2003 was to increase environmental lending to 25-35% of the overall EIB lending activity in the EU and Acceding Countries. This was achieved. At the same time, the Bank continued to ensure that all projects met its environmental safeguard requirements. Overall, whilst lending increased by 7% from the previous year, environmental lending increased by 14%, from EUR 10.8 billion to EUR 12.3 billion in a

12-month period, broken down to EUR 10.7 billion in the EU, EUR 0.8 billion in the Acceding Countries and EUR 0.8 billion in other countries.

The environmental findings and recommendations of the Operations Evaluation Department (EV) of the Bank are also reported upon.

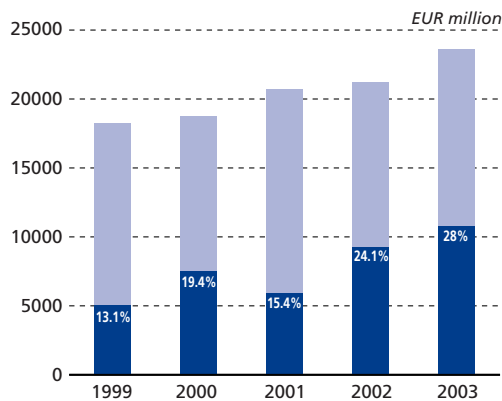
As the long term lending institution of the European Union, the EIB aims to add value through promoting EC policies and focusing on the quality of its projects and innovative financing. This report presents the EIB's environmental lending and achievements in 2003 and in particular, where the Bank considers that it has added value in the field of the environment.

Elsam Offshore Wind, Denmark

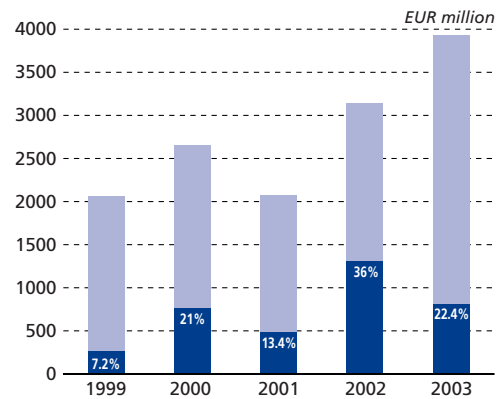


Total Environmental Lending, 1999-2003 (as a proportion of total lending for individual projects)

EU



Acceding Countries



Illustrative Environmental Projects 2003



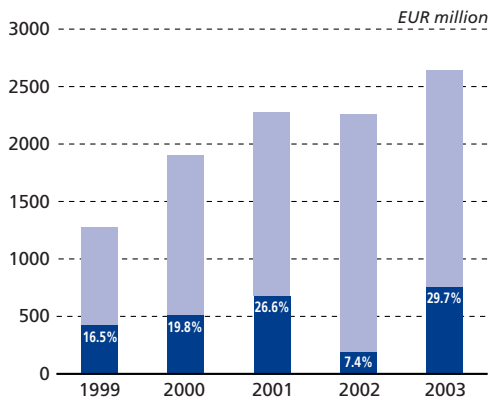
Wastewater Treatment Plant,
St Petersburg, Russia

- **St Petersburg South West Wastewater Treatment Plant, Russia**, will strongly support the environmental clean-up of the Baltic Sea by providing sound wastewater treatment services for some 700 000 residents of St. Petersburg, one of the hot spots identified by the Helsinki Commission for the environmental protection of the Baltic Sea (HELCOM). Treatment process will allow for biological nutrient removal (nitrogen and phosphorous) and removal of organic compounds in line with HELCOM standards. The Gulf of Finland, a shallow and small sea area of the Baltic Sea shared by three countries and impacted by three large cities, St Petersburg, Tallinn and Helsinki, is one of the most pollution loaded areas within the Baltic Sea. In order to improve the environmental situation, the completion of the St Petersburg Wastewater Treatment Plant has been ranked the highest priority.
- **Glasgow Urban Renewal (housing), UK**, will entail a very extensive refurbishment of the social housing stock in a predominantly Objective 2 area undergoing industrial restructuring. There is a close relationship between the housing improvement program and the broader based urban regeneration strategy in the City Plan. The project is directed at improvement in the built environment, and specifically the renewal/regeneration of localities experiencing physical decay and multiple deprivation. The project promoter (Glasgow Housing Association) and its financiers won an award from Project Finance Magazine for Best Municipal Finance – Social Housing Transaction of 2002.
- **Dar es Salaam Water Supply and Sanitation, Tanzania**, is expected to dramatically improve the delivery of water supply & sanitation services to the 2.8 million inhabitants of Dar es Salaam and the coastal region, with additional benefits to public health, the local economy and the environment. Water supply is currently inadequate, intermittent, of low coverage and poor quality. The sewage collection, treatment and disposal system is in a state

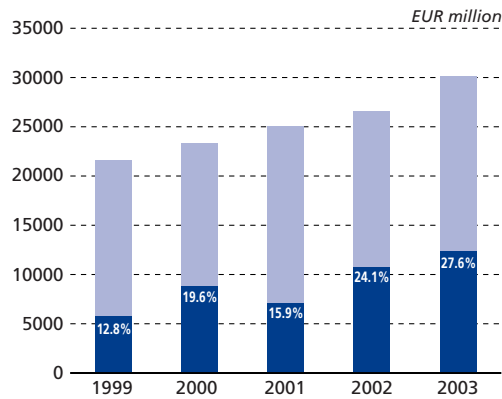


■ Non environmental lending ■ Environmental lending

Other Countries



All Regions



of near collapse, with raw sewage flowing over the town centre beaches. In addition to new first time connections and network expansion of standpipes/kiosks in low income areas, the project includes funding for 50 small-scale community water & sanitation systems to be implemented by NGOs benefiting 170 000 poor people and thus further contributing to the Millennium Development Goals.

- **Tranvía de Barcelona Glòries-Besós, Spain**, results from the willingness of Barcelona and its main neighbour municipalities to maintain its role as a major international business and tourist centre in the Mediterranean basin, investing with a view to improving the quality and capacity of public transportation. In practice, the implementation of the new tramway network is being carried out in several phases: the first one already benefits from an EIB loan (“Tranvía del Baix Llobregat”) and the objective of the current project consists of the development of a second tramway network in the northern and sea front districts of Barcelona, where other urban renewal initiatives are under way in parallel to the “Àrea Fòrum” investment programme, which will host the celebration of the Universal Forum of Cultures - Barcelona 2004 (a multi-cultural world event under the sponsorship of UNESCO).



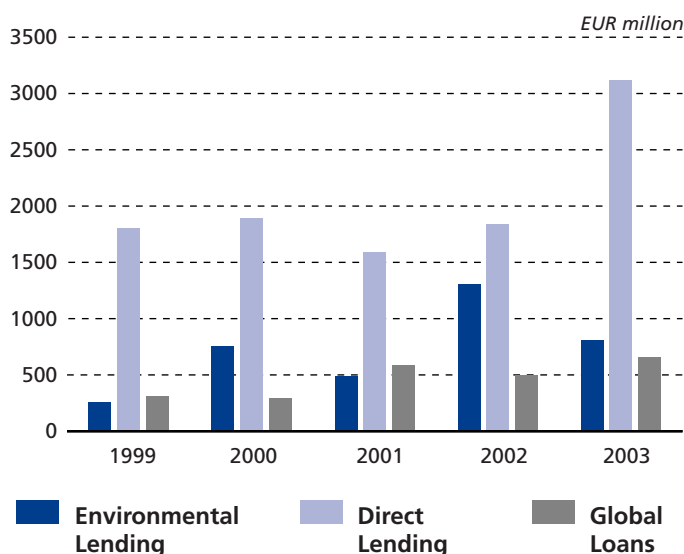
Barcelona Tram, Spain

- **Environment Sector Loan III (ISPA), Hungary**, concerns the rehabilitation, expansion and upgrading to EU standards of several wastewater treatment facilities (sewerage collection, treatment and sludge disposal) located in three regional centres of the country (ie Debrecen, Kecskemet and Szombathely). All the investment schemes are to be co-financed with ISPA and State grants and comply with the relevant national strategies and with the ISPA requirements.

1. Policy Context and Objectives

The European Investment Bank (EIB) continues to play an active role in promoting the environmental policy of the European Union (EU). The development of the EU and the evolution of European Community (EC) Policy and Legislation determine the Bank's own policy and approach to the environment.

Lending in Acceding Countries, 1999-2003



EC Policy

The European Treaty, the EIB Statute and the policy of the EC establish the mandate and underpin the lending and policies of the EIB. This is formalised in specific EIB policy statements (published separately) that establish eligibility and standards that are turned into objectives in the Corporate Operational Plan (COP).

The most significant development in European policy in 2003 has been the signing of the Accession Treaty. The EIB will be welcoming the 10 Acceding Countries as shareholders in May 2004.

In response, the Bank is continuing to increase lending to the new Member States and is working actively with the European Commission to support and co-finance projects and

programmes under Cohesion and Structural Funds.

EC Environmental Policy

The European Commission is in the process of developing thematic strategies that will provide clear targets to deliver the Sixth Environmental Action Programme. Other initiatives include the continuation of work following the World Summit on Sustainable Development (WSSD) in 2002, in particular the EU Water Initiative and the EU Energy Initiative.

In addition to strategic policy, the Commission establishes environmental objectives through legislation. The legislation applicable to the members of the EU provides the framework and standards for projects that are financed by the EIB.

In some cases new legislation identifies sectors where financing opportunities may arise. The most significant development in legislation for the EIB in 2003 has been the adoption of the EU Emissions Trading Directive designed to help the EU and its



The Accession Treaty

On 1st May 2004, the European Union (EU) will welcome 10 new countries to the Union. In order to join, the Countries had to meet the Copenhagen criteria in that they must have a stable democracy, a functioning market economy and be able to adopt the rules, standards and policies that make up the body of EU law (*acquis communautaire*).

The implementation of the *acquis communautaire* requires heavy investment. The environmental *acquis* is one of the hardest chapters to implement, placing a huge financial burden on those countries wishing to join. Recent estimates by the European Commission suggest that the total amount of environmental investment required to reach compliance

for all states is between EUR 80–110 billion. The EIB is ready to support projects required in order to compliment European grant funds.

In the New Member States, the public sector is often responsible for the prioritisation of investment sectors. The EIB cannot override national prioritisation exercises – in some cases, environmental projects are not the top priority. The different priorities given to environment may be due to historic investment, current priorities (eg post-war reconstruction, health, education etc), environmental awareness and progress with compliance with the environmental *acquis* to fulfil the requirements of EU membership.

Sixth EU Environment Action Programme (6EAP)

The 6EAP, published in July 2002, outlines a strategic approach to meeting the environmental objectives of the EU for the period 2001-2010, including four priority areas for action:

- Climate change;
- Nature & biodiversity;
- Environment & health and quality of life;
- Sustainable use of natural resources and management of wastes.

The Commission expects to publish the first of a number of thematic strategies that should provide clearer targets to deliver the 6EAP. Strategies for Soil Protection and Pesticides are expected in 2004, whilst strategies on the Marine Environment, Air Pollution, Urban Environment, Sustainable Use of Natural Resources and Prevention & Recycling of Waste are expected in 2005.

The EIB will support the implementation of the strategies wherever possible within its framework of environmental lending.

Member States to fulfil their respective commitments under the Kyoto Protocol.

EIB Policy

In January 2003, the EIB subscribed capital was increased by 50% to EUR 150 billion raising the statutory ceiling of loans outstanding to EUR 375 billion. The Board of Directors emphasised the need for the Bank to maximise the value-added of operations by identifying clear criteria to that effect. In particular, financing decisions are based on three pillars of value-added:

1. Consistency between each operation and the priority objectives of the EU;
2. The quality and soundness of each project;
3. The particular financial benefits obtained by the use of EIB funds.

The consistency between operations and EC policy is achieved by establishing operational priorities for the EIB identified in the Corporate Operational Plan (COP). The five policy objectives identified for the period 2003-2005 were:

- EU regional development and economic and social cohesion (the Bank's leading priority);
- Implementation of the Innovation 2010 Initiative (i2i);
- Environmental protection and improvement;
- Preparation of Candidate Countries for accession;
- Support of EU development and cooperation policies with Partner Countries.

For the environmental area of the EIB's operational activity, this means aligning lending with the Commission's Sixth Environmental Action Programme and the specific policies relating to the key objectives of that programme, ie tackling climate change, nature and biodiversity, environment and health, sustainable use of natural resources and waste management, and improving the urban environment.

EIB Environmental Policy

The environment continues to be one of the main operational priorities of the EIB. The Bank seeks to support the environmental policies of the European Union through both its lending activities as well as by assessing the environmental impact of projects financed.

The environmental objectives included within the COP for 2003 were:

- To increase environmental lending to 25-35% of the EIB's overall lending activity in the EU and Acceding Countries;
- To double the share of renewable energy projects in overall EIB energy sector financing between 2002-2007 (from 7 to 15%);
- To increase focus on upstream environmental technologies and research and development.

Other related objectives include the preparation of countries for accession to the EU and the further support of EC development and cooperation policies with Partner Countries.

In 2003, EUR 12.3 billion of individual environmental loans were signed by the EIB out of the EUR 42.3 billion in overall lending for that period. In addition, for other projects there may often be an environmental component that is not picked up by these figures. The objective to increase environmental lending was met with 27% of the EIB's overall lending activity in the EU and Acceding Countries relating to environmental projects. Regional differences existed; environmental projects accounted for 31.5% of projects in the EU, 18.1% in Acceding Countries and 20.7% in Partner Countries. Excluding global loans, this accounted for 45.6%, 21% and 27.9% respectively.

The EIB is on target for doubling the share of renewable energy projects in its energy sector financing by 2007. The increased lending in the wind power sector reflects the strong demand for financing the very large amount of capacity being installed in the EU, notably

in Germany, Italy, Denmark and the Iberian peninsula. This also reflects a maturing technology with steadily decreasing costs, the financial support provided under national legislation in several EU countries and its status as the technology of choice for meeting the ambitious targets set by the EU and national governments.

In 2003, the EIB gave a greater recognition to the need to increase research and development of upstream environmental technologies within the European Commission's 6th Framework Programme. For renewable energy, the Bank focuses on those technologies that have reached commercial viability.

Climate Change

In the course of 2003, EIB stepped up its activities in support of the EU policy on climate change. The Bank launched a number of new initiatives (see "Carbon Market and Climate Change") designed to facilitate implementation of the EU Emissions Trading Scheme that will start formally in 2005.



Carbon Market and Climate Change

The aim of the EU climate change policy is to reduce greenhouse gas (GHG) emissions by 8% in the period 2008-2012 in a cost-effective way. This policy is consistent with the Kyoto Protocol. Its main ingredients will almost certainly be applied even without ratification of the Kyoto Protocol. These include, the operation of the EU Emissions Trading System (ETS) that became law in October 2003 (Directive 2003/87/EC).

Starting in 2005, the ETS will establish a “cap and trade” allowance system, according to which about 14 000 installations located in the EU will be required by law to operate within an allocated - initially carbon dioxide (CO₂) only - emissions ceiling or pay a fine. The ‘cap’ will produce a significant reduction in carbon dioxide emissions and the trading system will give enterprises a degree of flexibility while complying with their respective CO₂ reduction obligations. In addition, it is proposed through an amendment to the Directive to supplement the liquidity of the ETS through carbon dioxide emission reduction projects under the so-called Joint Implementation (JI) and Clean Development Credits (CDM) mechanisms of the Kyoto Protocol, the last remaining details of which were agreed at a ministerial conference (COP 9) in Milan in December 2003.

The EIB has proposed two initial mechanisms with which to promote the carbon market and thus help deliver the GHG emission reduction commitments of the EU.

- A Climate Change Financing Facility, of EUR 500 million, for disbursement in the period 2004-2006, to provide finance for investment projects that help participants in the ETS meet their respective CO₂ emission reduction obligations. Most of this investment will take place within the EU. Part of the facility will be used to finance JI and CDM projects inside and outside the EU, including a modest number of carbon sequestration projects.
- A Climate Change Technical Assistance Facility (CCTAF), of a maximum of EUR 10 million - with a contribution from external sources of at least EUR 5 million - to provide conditional grant finance for the identification, preparation and marketing of JI and CDM credits, most of which are expected to be financed by the EIB. Discussions are underway with the Commission as a potential co-financing partner and other partners are also being targeted (eg Multi-lateral Financial Institutions and EU Member States).

The EIB will also investigate further the possibility of a Carbon Investment Trust that would invest in carbon credits.

The EIB will also review its performance in the field of renewable energy.



*Mitigating
climate change*

2. Organisation

The Environmental Organisation within the EIB is responsible for developing and safeguarding the application of the environmental policies and procedures of the Bank in particular in the Projects Directorate and the Operational Directorates.

In 2002, the EIB introduced a new structure for its internal management of environmental issues. In 2003, this has been consolidated into the organisation of the Bank:

- The Environmental Steering Committee (ENVSC) advises on policy development and difficult projects;
- The Environmental Assessment Group (ENVAG) safeguards the application of the environmental policies and procedures and examines each project;
- The Environment Unit (ENVU), in conjunction with ENVAG and ENVSC, develops policy, procedures and guidelines, provides training, disseminates information and works closely with the Commission especially the Directorate General for the Environment, other Financial Institutions and Governmental and Non-Governmental Organisations.

Generally, the objectives of the organisation have been met, namely to provide direction and advice on the Bank's environmental policy, ensure a consistently high

quality of assessment, improve visibility and create a stronger capacity for external dialogue. A number of improvements have also been identified, including:

- Strengthening the relationship between ENVU and other Directorates within the Bank;
- Developing internal guidance specific to the environmental assessment of projects that involve a number of sub-projects;
- Focussing the work of the Steering Committee on strategic issues;
- Capturing the environmental benefit of other projects, not necessarily those targeted to improve the environment;
- Improving the guidance given to financial intermediaries for environmental assessment to meet EIB objectives.

For project finance it continues to be the responsibility of Project Team (made up of an economist, engineer and financial expert) to apply the environmental policies and procedures of the Bank. This is a significant resource in terms of sector and geographic expertise.

Lending Department for Europe

In order to support the operational priorities of the EIB a number of centres of expertise will be established in the Directorate General for Europe in 2004. This will include centres of expertise for regional development, enlargement, innovation 2010 initiative (i2i), financial products and the environment. In coordination with other parts of the Bank, the dedicated resources of the centres are designed to help ensure a unified approach to specific issues, contribute to the further development of lending policies and financial products, and increase staff efficiency.

The centre of expertise for the environment will develop a more detailed knowledge of environmental issues and projects in order to increase EIB environmental financing opportunities as well as strengthen the framework for application of the Bank's environmental safeguard procedures.



3. Working with Others

Protecting the environment for future generations is a shared responsibility. The European Investment Bank (EIB) works closely with other organisations to develop and apply its environmental policy.

Inter-Institutional Cooperation

The EIB has continued to work with other European Community Institutions at all levels in the context of both its environmental policy and its environmental lending activities. In cases where there are strong common objectives, notably the Directorate General for the Environment (DG ENV), the parties have strengthened relations through the implementation of a Memorandum of Understanding (April 2002).

The Bank continues to be an active member of various environmental task forces and working groups covering a variety of environmental topics and regions, including the Multilateral Financial Institution Environmental Sub-group, the Danube and Black Sea (DABLAS) Task Force, the preparation of the EC Environmental Technologies Action Plan and various arrangements for progressing the EU Water and Energy Initiatives.

The Financial Sector

The EIB co-finances projects, rarely providing more than 50% of a

Environmental Events

In 2003, the Bank has participated in a number of key external events, including:

- World Water Forum, Kyoto (March 2003);
- G8 Environmental Futures Forum, Fontainebleau France, where Vice President Peter Sedgwick participated in a roundtable on financiers involvement in the protection of the environment (March 2003);
- EIB-San Paolo IMI Forum, facilitating an exchange of ideas and discussion on common environmental issues (March 2003);
- The 5th Pan-European Ministerial Conference of Environment Ministers “Environment for Europe”, Kiev, including discussion on the Århus Convention and biodiversity financing (May 2003);
- European Commission Green Week, focusing on the EU’s energy and water initiatives. EIB President, Philippe Maystadt, co-chaired, together with Commissioner Margot Wallström, a session of the 1st International Conference of the Johannesburg Renewable Energy Coalition, hosted by the Commission (June 2003);
- Ad-hoc meeting between major financing institutions concerning incorporating social issues into investment decision making (June 2003);
- Convention on Climate Change Conference of the Parties (COP 9), Milan, to take part in discussions as well as to launch the EIB carbon initiative (November 2003);
- ECNC Workshop, Budapest, Getting the most out of Biodiversity (November 2003);
- EIB-NGO Workshops Thessaloniki and Marseille;
- Meetings of the Multilateral Financial Institutions Environmental Working Group.

project's costs. The Bank therefore has a crucial co-financing partnership role with the European Commission in terms of grants, other International Financial Institutions and the private sector. The Bank works with more than 180 banks and other financial institutions throughout its regions of activity.

In 2003, EIB stepped up its dialogue with investors that take environmental and other sustainability issues into account, in the light of growth in this area of the investment market.

Civil Society and Non-Governmental Organisations (NGOs)

Relations with civil society, notably NGOs, have also been maintained in a variety of ways, with the aim to achieve a better consensus on a variety of general and project specific issues. Finally, the EIB has worked particularly closely with numerous public and private sector parties to tailor its role to maximum effect in the emerging carbon market.

The EIB recognises that NGOs, as public interest groups, can have a valuable input into the evolution of policy at both a national and international level. They can help to ensure that public institutions are sensitive and more aware of local issues when considering support for a project and can provide additional information that can be useful in helping such institutions in assessing potential investments.

Environmental issues are a key feature of the dialogue between



EIB Forum 2003

The theme of the 2003 EIB Forum, held in Dublin on 23 and 24 October, was “Environmental Sustainability in the Energy and Water Sectors”. The Forum focused on Europe’s long-term energy and water policies. It gathered some 350 participants from all over Europe to listen to and exchange views with 25 speakers.

The conference examined the efforts of EU Member States to achieve commitments made under the Kyoto Protocol towards reducing greenhouse gas emissions to counter climate change. It also explored alternative energies, their financial viability and investment strategies needed for their implementation. The European Commission and the EIB used the occasion to highlight a closer cooperation on Europe’s climate driven energy policy. Other issues discussed included the management of water resources in Europe, in particular the application of incentive pricing for more efficient water use and the implementation of the “polluter pays” principle. A special session addressed investment requirements in the energy and water sectors and innovative approaches to their financing.



*Margot Wallström,
EU Commissioner responsible
for the Environment*

the EIB and NGOs. In 2003, environmental protection was the principal subject discussed at the Bank’s workshops with NGOs. Both workshops in 2003 were held in the Mediterranean region (Thessaloniki and Marseille), covering in particular regional water



issues as well as domestic solid waste, sustainable development issues and the Bank's public information policy. The presentations made at the workshops have been posted on the EIB website.

The NGO workshops are organised on a regional basis, primarily to allow local and regional NGOs to meet with the Bank. Whereas, routinely throughout the year,

most EIB contacts are with international NGOs, many of them working in the environmental field. Some international advocacy NGOs take a particular interest in the role and activities of the Bank. They organise, among others, EIB campaigns and conduct correspondence with the Bank on mostly specific investment projects submitted to or financed by the EIB. From their side, EIB staff members

participate in NGO events dealing with EIB or related topics.

During the year EIB operational staff also met with local NGO delegations for discussions on projects that have raised particular public interest, including the Sofia Airport and the E-79 Motorway (both in Bulgaria), the Veracel Pulp Mill (Brazil) and the S-1 Expressway (Poland).

4. Internal Procedures

The EIB Environmental Policy and its Corporate Operational Plan define lending objectives and eligibility for environmental projects. All individual projects financed by the EIB are subject to an environmental assessment to determine their environmental acceptability. In addition, the Bank encourages transparency of information through implementing its public access to information policy.

Environmental Assessment

The environment is considered throughout the project cycle (see Project Cycle, www.eib.org), from project identification through to completion and ex-post evaluation. The environmental assessment (see Annex I) of the project fulfils two roles, to safeguard the protection of the environment and, wherever possible, to identify ways in which to improve the quality of the environment through mitigation and/or compensation measures.

Social issues are reviewed particularly in countries where local legislation may not give adequate protection to individuals. Issues may include health and safety in the workplace, labour laws (eg discrimination and child labour), resettlement issues and transmissible diseases. In 2004, the EIB intends to review and formalise its approach to social issues.

In 2003 the Environment Unit consolidated existing internal guidance for the environmental

Training

In 2003 the Bank organised a number of internal training seminars on European and international environmental law with the purpose of bringing staff in the Projects Directorate up to date on new and emerging policy and legal issues. The training will be followed in 2004 with training of other departments as well as delivering a structured training programme with seminars focused on specific aspects of emerging EU policy, for example climate change and biodiversity.



Case Study: Veracel Pulp and Paper Mill, Brazil

In 2003 the EIB approved the co-financing of the construction and operation of a large pulp production mill in Brazil, based on eucalyptus plantations. During the project appraisal a number of social issues were raised including:

- Standards of employment (eg salaries)
- The provision of housing and health care
- Improving education in the area
- Managing migration (flow of job seekers)
- Minimising the impact on indigenous people

assessment of projects, at the same time strengthening the guidelines in certain areas, eg biodiversity.

Monitoring

The monitoring of individual projects occurs throughout the different phases of the life of the project, from contract signature and disbursement through to project implementation and follow up. Environmental monitoring where required may range from ensuring permits are in place prior to disbursement of the loan to following up the recommendations of the Environmental Impact Assessment (EIA).

Evaluation

The EIB Operations Evaluation Department (EV) assesses the quality of projects financed by the Bank and the contribution of the Bank to the EC policy objectives. In recent years there have been a number of EV reports that have covered the environment, eg

(1) 42 projects were reviewed in-depth, normally including a field visit and 86 projects were subject to a desk review.

urban development, solid waste management, energy and water projects (in the Mediterranean region). Where appropriate, these have been acted upon. Ex-post evaluation reports are posted on the EIB Internet site (www.eib.org).

In 2003, the EIB completed 3 ex-post evaluations involving 128⁽¹⁾ projects:

- Evaluation of the impact of EIB financing on regional development in Greece;

Evaluation 2003

In the view of EV, environmental issues were handled in a satisfactory way for all projects in the evaluation on regional development in Greece. All the internal appraisal reports included a review of the potential environmental impacts and mitigation measures undertaken or planned. In one case, the environmental assessment was exemplary and could be used a benchmark for other projects.

In the evaluation of the transport projects in Central and Eastern Europe, the EV report found that the EIB has given preference to road rehabilitation over new build projects for economic reasons. By improving the road systems in this way, there has been a positive impact on the environment (eg lower fuel consumption and emission) as well as a reduction in pressure on undeveloped land. The promoters for 3 projects carried out an Environmental Impact Assessment (EIA). The Bank reviewed those EIA's and recommended additional mitigation measures to reduce negative environmental impacts. These recommendations were all carried out. All the projects evaluated in-depth were rated good from an environmental point of view.

Generally, urban development projects contribute to a wide range of objectives, including enhancing the environment. The evaluation found that often the promoters wanted to achieve too many objectives and normally no clear links were established between objectives, inputs and outputs. This may have had a negative impact on the projects' effectiveness and made the ex-post evaluation more difficult. The contribution to improving the environment was significant in many cases, although it was normally a secondary objective of the projects.



- Evaluation of transport projects in Central and Eastern Europe;
- EIB financing of urban development projects in the EU.

Whilst environmental protection was not a specific remit of these evaluations, of the projects reviewed no significant negative environmental impacts were noted. However, in several projects, it was noted that certain environmental issues and criticism raised by the Bank had to be addressed during the project planning and implementation phase.

Although none of the recommendations formulated in these three evaluations directly concern the environment, there were a number of indirect implications. For instance, EV recommended a more pro-active approach to project selection in order to maximize the Bank's impact, an improvement of the analysis of alternatives, including how to deal with large projects, and the greater use of indicators to measure project success.

Transparency

As a strategic corporate objective, the EIB is constantly seeking to further increase transparency in its external communications, taking account of relevant EU policy initiatives and related legislation. This concerns all EIB stakeholders, including civil society. The interest of citizens in the EIB is increasing. In 2003, 1.2 million people visited the Bank's website and the number of enquiries that the Bank receives continues to grow. In replying to these queries, the EIB applies the principle of equal treatment to all parties who request information,

be it an individual citizen or an organised group, such as a Non-Governmental Organisation (NGO).

The EIB "Information Policy Statement" (revised 2002), "Rules on Public Access to Documents", and "Code of Good Administrative Behaviour for the Staff of the EIB in its Relations with the Public", outline the principles and practices of the public information policy of the Bank and are available on the Bank's website.

In 2003, an increased number of EIB documents were published on the Internet, contributing to the transparency of the Bank's activities. This included key documents such as the Bank's Annual Report and Corporate Operational Plan, documents on the Bank's organisation and structure such as the Code of Conduct for the members of the EIB Board of Directors, the Management Committee and the Audit Committee, EIB Guidelines on Fighting Corruption and Fraud, and information on the remuneration and terms of employment of EIB staff.

Public Access to Information

The EIB publishes a list on its website that provides advance information on projects that the Bank is considering financing. All projects are included in the list unless the project promoter opposes inclusion on justified grounds of commercial/market confidentiality. The project description is published as early as possible, ie when the Bank has advanced sufficiently in discussions with the project promoter and in principle before

consideration by the EIB Board of Directors. The trigger point for publishing is when the Bank requests the Opinion of the Member State(s) concerned and the European Commission.

If a project raises particular public concern, the Bank may arrange discussions between its operational and technical staff and representatives of those affected during their visits to the region, if appropriate.

Complaints

The "Code of Good Administrative Behaviour for the Staff of the EIB in its Relations with the Public" provides members of the public with a complaint procedure with the Bank's Secretary General if someone considers a reply given by EIB staff as violating his or her rights or interests. The Bank's "Rules on Public Access to Documents" also provides for a complaints procedure in case the Bank failed to reply to a request for documents within the deadline prescribed by the Code or in the event of a total or partial refusal following a complaint.

On two occasions, NGOs lodged formal complaints with the Secretary General under this Code on the way their enquiries had been handled by EIB staff. The Secretary General concluded that the enquiries had been dealt with appropriately.

The Code also refers to the possibility for members of the public to contact the European Ombudsman in case of a complaint.

5. Environmental Lending 2003

In 2003, the European Investment Bank signed 149 environmental projects, amounting to EUR 12.3 billion.

The EIB finances a wide variety of projects both in terms of activity, location and format. For example, the Bank may be asked to finance a combined cycle gas turbine (CCGT) power generation unit in the EU, a programme of environmental infrastructure improvements supported by ISPA funds in Accession Countries, or a water and sanitation programme in Africa. The Bank may also provide finance through a financial intermediary, referred to as a Global

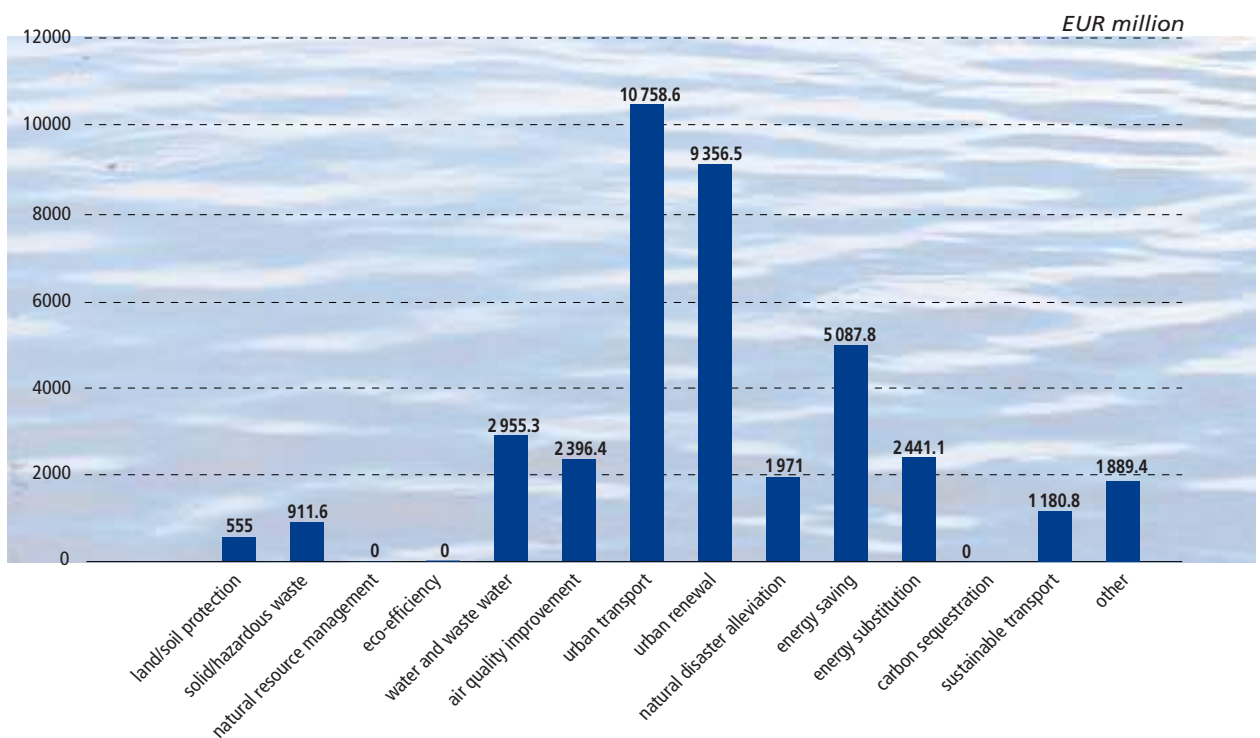
Loan, which may be dedicated to environmental objectives or contain environmental components.

In 2003, the EIB provided direct financing to 149 environmental projects amounting to EUR 12.3 billion against a total of EUR 30.2 billion for all individual projects financed in the period. This does not include environmental components of projects where the overall objective is not related to the environment. This component is

currently not recorded by the Bank. The environmental benefit achieved from each project varies between and within sectors and locations depending on whether it concerns the physical environment or human health.

Of the EUR 42.3 billion of lending for 2003, global loans amounted to EUR 12.1 billion of which EUR 320 million was dedicated to projects with environmental objectives using specialist financial intermediaries.

Environmental Lending for Individual Projects, 2003





The trend of environmental lending has not changed greatly from the previous reporting period. In relation to EIB environmental activity in support of the EC's 6th Environmental Action Programme, the prime environmental lending concerns are:

- Tackling Climate Change (energy efficiency and renewable energy);
- Protecting Nature / Biodiversity and Natural Resources (flood relief and natural disaster prevention and alleviation);
- Environment and Health (reduction of industrial pollution, provision of water and wastewater treatment);
- Sustainable Use of Natural Resources & Waste Management (waste management);
- Improving the quality of life in the urban environment (urban renewal and sustainable urban transport).

Tackling Climate Change

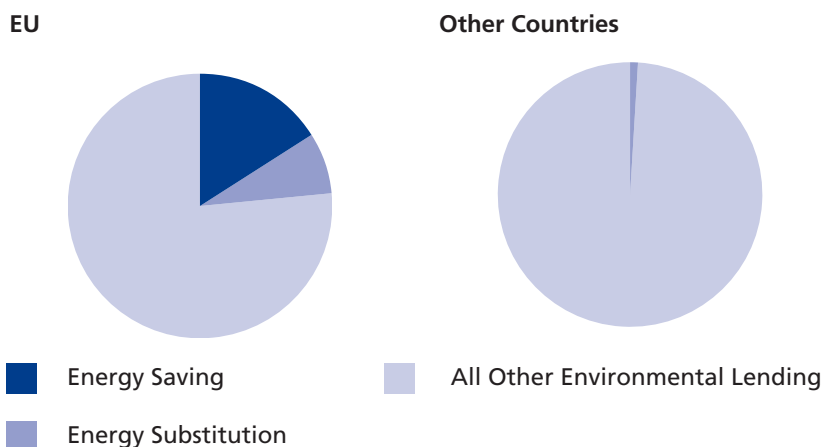
Renewable Energy and Energy Efficiency

EIB lending in the energy sector ranges from upstream exploration to supply of energy in its various forms. Many projects meet environmental objectives where they significantly improve the efficiency of existing facilities (eg plant upgrade) or substitute one fuel for another (eg renewable energy).

Key legislative drivers for energy efficiency and renewable energy in the EU include a Directive on the promotion of electricity from renewable energy sources (2001/77/EC), the Pollution Prevention and Control Directive (96/61/EC),

Energy Saving and Energy Substitution, 2003

(as a proportion of total lending for individual projects)



Case Study: Elsam Offshore Wind, Denmark

The project concerns the construction of a new offshore wind farm south of Horns Rev in the North Sea 14-20 km west of Blaavandshuk on the west coast of Jutland, Denmark. The project comprises a total of 80 wind turbines, each with a capacity of 2 MW, connected to the grid by an offshore substation, a 21 km submarine cable and a 34 km underground land cable. The project will generate renewable energy for supply to the public grid, replacing fossil fuel-powered generation. The Horns Rev project is one of 2 large offshore wind farms planned by the Danish government to act as demonstration projects for the future development of additional offshore wind power.



the draft Directive concerning the promotion of co-generation and measures taken to implement the Kyoto Protocol within the EU.

The targets set by the European Commission include increasing the share of renewable energy consumption from 6 to 12% by 2010 and the amount of electricity produced from renewable energy sources to 22% of electricity consumption by the same time. Future initiatives include the commitment to meeting the UN Millennium Development Goals Declaration and the related EU Energy Initiative launched at the

World Summit on Sustainable Development (WSSD) in 2002.

Protecting Nature and Natural Resources

Flood Defence

The EIB has provided finance to a number of projects concerning flood protection and restoration. The main purpose of flood defence is the protection of the urban environment. Decision-making is often based on the economics of damage prevention rather than the environmental impact of the defences themselves. In some countries a transition is being made from hard to soft defences, however the greening of flood defence policies is a slow process.

Natural Disasters

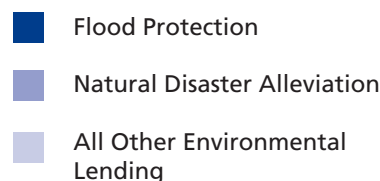
The EIB has seen an increase in lending for reconstruction and restoration projects following natural disasters, eg floods, forest fires and earthquakes. This increase has been the result of:

- The growing frequency of these events;
- The acceptance by Public Authorities to fund the reconstruction process through loans as opposed to grants;
- The offer of special conditions in the event of catastrophic events within the EU or neighbouring countries.

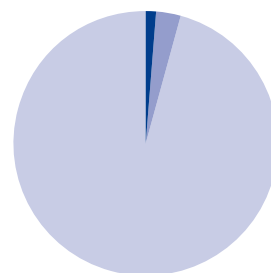
EIB loans have been concentrated principally on reconstruction of the damaged infrastructure and short-term clean up operations as well as for preventive measures, in particular flood prevention (see above).

Flood Protection and Natural Disaster Alleviation, 2003

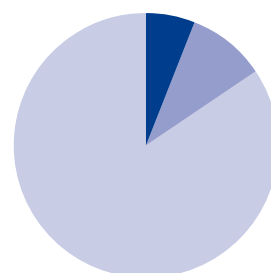
(as a proportion of total lending for individual projects)



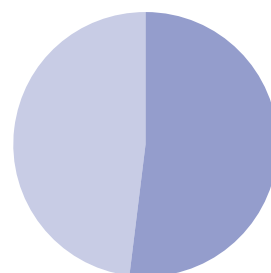
EU



Acceding Countries



Other Countries



The EIB is improving its internal financing procedures in order to allow rapid project finance following the occurrence of disasters.

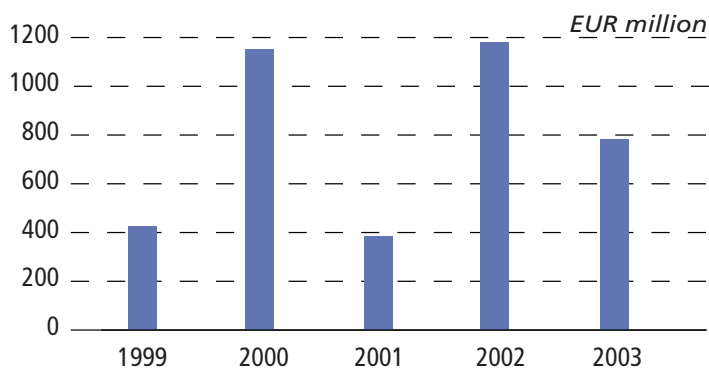
EU Energy Initiative

The EU Energy Initiative aims at improving access to adequate, sustainable and affordable energy services in rural, peri-urban and urban areas throughout the world in order to reduce poverty and support the achievement of the other Millennium Development Goals.

Actions being developed under the energy initiative include rural electrification, development of decentralised energy systems, increased use of renewable energy and enhanced energy efficiency (including cleaner, more efficient fossil fuel technologies, technology for more efficient appliances and more efficient use of traditional biomass). The main thematic components of the Initiative have been agreed with Member States and include energy policy development, institutional capacity building and technical co-operation, cross-sectoral planning, market development, and co-operation with financial institutions.



Lending for Natural Disasters, 1999-2003



The EIB is improving its internal financing procedures in order to allow rapid project finance following the occurrence of disasters.



The catastrophic economic and ecological effects of the oil spill from the tanker "Prestige" in Galicia, Asturias and Cantabria

Environment and Health

A wide range of projects contribute to the quality of the environment in terms of improving air quality, reducing the pollution of land through industrial activities and the protection and improvement of water resources, all of which will have a direct impact on human health and the natural environment.

Reduction of Industrial Pollution

The European industrial sector is experiencing a general improvement in the efficiency of its operations and a shift to cleaner products and processes: direct emissions to air and water have substantially decreased and important progress has been made in reducing energy and material inputs and the generation of waste. These improvements have been in part encouraged by the European environmental legal framework and in particular through the application of the Integrated Pollution Prevention and Control (IPPC) Directive (96/61/EC) as well as representing sound business practice.

EIB support of the industrial sector is in line with European policy and aims at ensuring better protection of the environment while maintaining a competitive industrial base. For all individual projects, before financing as well as at project completion, safety and environmental aspects are analysed by the Bank's technical experts to ensure that the promoter actively incorporates innovation and best practice in environmental matters.

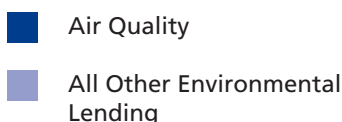
Case Study: Celanese Synthesis Gas Production Plants, Germany

The plant will use natural gas to produce synthesis gas (a mixture of carbon monoxide and hydrogen) and hydrogen and will replace the two existing plants, which still run on heavy fuel oil. Using modern technology, the new plant will improve energy efficiency by 40% and significantly reduce direct emissions: carbon dioxide, carbon monoxide and sulphur dioxide emissions are reduced respectively by 75%, 95% and 99%; the volume of wastewaters is reduced by 35%.

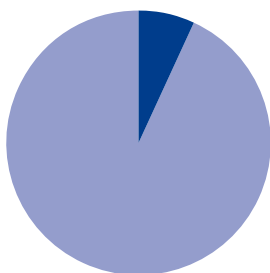


Air Quality Improvement, 2003

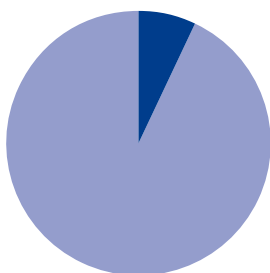
(as a proportion of total lending for individual projects)



EU



Acceding Countries



The **chemical** industry in the EU is responding to the need to improve its environmental performance by developing new, cleaner technologies and by implementing efficiency-enhancing management standards such as Eco-Management and Audit Scheme (EMAS) or ISO 14001. Projects in this sector are financed for environmental reasons when they promote eco-efficiency through the update of existing processes and/or products. Within its Innovation 2010 Initiative, the EIB supports the development and market introduction of new environmental friendly technologies.

In central and eastern Europe, major investments are still needed to raise the environmental standards of the industrial sector to those required by the accession process. This leaves considerable scope for financing the rehabilitation, modernisation and expansion of existing industrial installations, with the aim of enhancing industry efficiency and competitiveness and of supporting the compliance with EU law on environmental norms and standards.

For the **paper** sector in the EU, the Bank has participated in the financing of two projects based on recycled paper, which contribute to the realisation of recovery and recycling targets of the Directive on Packaging and Waste Packaging (94/62/EC). Lending in this sector will remain significant in 2004. In the paper sector, there were also two examples where the Bank financed investments which were using Best Available Technologies as defined in the IPPC Directive, with one of them located outside the EU. In the **cement** sector, the Bank financed a programme that contributed significantly to the reduction of the environmental impact of two plants.

Water and Wastewater Treatment

Within the scope of the EU Water Framework Directive, the EIB seeks to finance investment projects and programmes, often co-financing with EC instruments, to comply with investment heavy Directives, eg Urban Wastewater, Drinking



Water and Bathing Water. The Bank also seeks to promote the sustainable management of water resources through demand management, integrated river basin planning and integrated flood defence. Outside of the EU, water and wastewater infrastructure account for almost a quarter of all environmental lending.

The EIB adds value through assessing project viability, ensuring financial sustainability through incentive pricing and cost recovery, by prioritising regions with an investment backlog, such as Italy and many of the New Member States, and supporting the development of financially viable and efficient water service companies. The Bank is supporting pilot project preparation through upstream input of technical expertise.

Annual lending in this sector amounts to EUR 2 billion and is

expected to increase over the coming years, although the role of the EIB (total lending in this sector) may decline temporarily due to the large amount of grant financing available to the New Member States under the Cohesion and Structural Funds. As well as conducting joint appraisal of EIB-ISPA projects in most Central and Eastern European Countries, the Bank provides expert input into a number of key working groups and provides sector specialist advice to the European Commission.

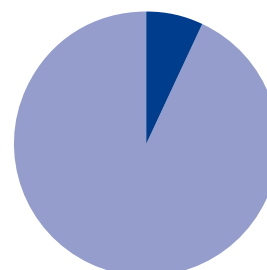
The EIB tries to ensure the long-term sustainability of projects, including encouraging affordability, the use of the appropriate technology, phasing investment and investment in efficiency gains prior to new production. Environment is only one factor to consider in financing water or wastewater treatment facilities - project design and appraisal is a fine balance

Water Sector, 2003

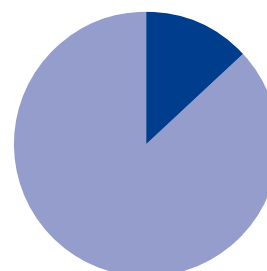
(as a proportion of total lending for individual projects)

- Water & Waste Water Treatment
- All Other Environmental Lending

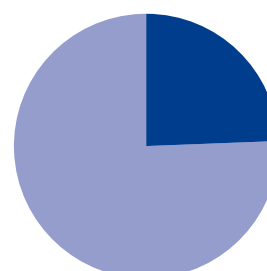
EU



Acceding Countries



Other Countries



Reykjavik Main Drainage, Iceland



Water treatment Plant, Turkey



Delivering Water and Sanitation to the Poor

The European Commission has proposed to allocate EUR 1 billion of previously unallocated money from the 9th European Development Fund to improve access to water and sanitation in Africa, the Caribbean and the Pacific. This forms part of the global campaign to halve by 2015 the proportion of people without access to safe drinking water and basic sanitation (Millennium Development Goals).

The proposal would establish a facility to enhance the use of development aid to leverage significant amounts of funding for water and sanitation infrastructure from other financial sources, including private sector investments. This catalytic effect should be achieved through the provision of (i) technical assistance for the development and reform of water sector policies, and (ii) flexible and innovative methods of financing water and sanitation projects and programmes.

The Bank is committed to using its financial resources and sector expertise to contribute to achieving the Millennium Development Goals (MDG) for water by 2015.

Over the coming decade, financing sustainable water projects will be a priority for the EIB. Within the EU and new Accession countries, the emphasis will be on complying with existing environmental legislation on wastewater treatment, bathing water quality, drinking water quality and achieving good ecological quality of water bodies. In contrast, in Partner Countries, the emphasis will be on extending basic service provision and putting existing services on a sustainable footing. At the same time, investment in productive sectors for balanced development has to deliver economic growth.

If significant progress is to be made towards meeting the MDG targets, there must be a concerted effort to develop innovative, bankable, projects targeting poor communities. Water and sanitation service standards need to be appropriate and affordable. The constraining factors are likely to be macroeconomic conditions, progress in sector reform, the quality of project preparation, and the implementation capacity of local promoters.

In the short term, maximum use needs to be made of economies of scale and scope, grants and cross-subsidy mechanisms to overcome the problems of low affordability in poor areas. But dependence on grant funds for development is not sustainable. The long-term aim must be to develop financial viability and creditworthiness of demand-responsive, local service providers. All stakeholders will have to contribute to that goal, working at a variety of scales. With its new instruments in African, Caribbean and Pacific and Mediterranean Partner Countries, and through ever-closer collaboration with the EC and other donors, the EIB is ready to play its part.



between economics, finance, technology and the environment. The main risks in the water sector include poor management of projects, low tariffs, low affordability and over-ambitious projects supported by grants or subsidies.

Waste Management

The EU Framework Directive on Waste (75/442/EEC), the incineration Directive (2000/76/EEC) and the Land-fill Directive (1999/31/EC) continue to drive waste management investments within the European Union. Under the requirements of the Landfill Directive, the waste management industry is focused on reducing the amount of biodegradable waste going to Landfill. This is likely to provide an increasingly important niche for developing technologies to process bio-waste, including biomethanisation and other energy-generating processes.

Waste Sector, 2003

(as a proportion of total lending for individual projects)



Environmental Technology

The EIB has participated in the Inter-Service Group between the Commission's Directorate General for Research and Directorate General for Environment (DG ENV) that has led to the Environmental Technology Action Plan (ETAP). The main role for the Bank in this area is to support the implementation of the ETAP using its experience of financing in this area.

The scope for EIB support is wide, ranging from projects for the research and development of environmentally cleaner processes and more easily recyclable products to the application of environmentally cleaner technologies and processes in its projects.

Adaptation of the EIB Group funding instruments is being considered for a range of R & D projects, for example, grouped loans, framework loans and guarantees to SMEs. These would also apply to research in environmental technologies.

Improving the Quality of Life in the Urban Environment

Urban Renewal

The protection and enhancement of the urban environment has become a key objective for European action. Public policy analysts have also become increasingly aware of the consequences of localised deprivation and social exclusion on the quality of life and economic performance of urban areas. EU, national, regional and local policy makers have responded by encouraging the regeneration of urban areas as part of integrated urban renewal programmes.

EIB lending strategy for urban renewal reflects EC policy in particular the Communication "Towards a Thematic Strategy on the Urban

Environment" (COM(2004)60), seeking to promote urban concentration, curtail sub-urbanisation pressures, prevent sprawl and reduce demand for the development of scarce land resources in outlying rural areas. Consolidation of cities, and the general rationalisation of settlement patterns, is also more energy efficient, reducing demand for car travel and facilitating public transport usage. Meanwhile, the rich cultural and architectural legacy of older cities has been recognised as a valuable resource in the rejuvenation of urban areas that, if properly exploited, can have a catalytic effect in promoting broader-based regeneration and the creation of more sustainable urban communities.

Most cities have an urban development plan within which areas showing signs of physical decay

Croatia – Post War Reconstruction

In August 2003, the EIB signed a EUR 50 million loan with the Republic of Croatia, to support post-war reconstruction, and help finance multi-sector investments involving the rehabilitation and upgrading of municipal infrastructure by local authorities in those areas defined by government as Areas of Special State Concern (ASSC), ie those areas most devastated by the war and amongst the poorest and least developed in the country.

The loan is directed at the financing of sub-projects of limited scale in the fields of urban renewal/rehabilitation including public utilities, local roads, social housing and related community facilities. The actual portfolio of sub-projects differs between local authorities but, in order to qualify for support, all must be part of well-defined and integrated strategies for regeneration, designed to promote community development and sustainability.

The benefits of the project are numerous. As well as the immediate benefit to residents from the provision of essential infrastructure will also facilitate the return of refugees and displaced persons to their respective communities. The project is also likely to act as catalysts for significant physical and economic regeneration.

and more generalised social and economic deprivation are identified as requiring special attention. These are the “action areas” usually specified in any urban renewal/regeneration plan or strategy and tend to be a focus for EIB lending. Such plans are by definition geographically specific and are likely to be multi-sector oriented, encouraging mixed-use development to optimise land-use, improve the physical environment, stimulate economic development and promote more sustainable urban communities.

In 2003, the EIB provided loans totalling some EUR 3.6 billion for urban renewal projects.

Sustainable Urban Transport

Urban transport projects qualifying for EIB support also need to contribute positively to the enhancement of the urban envi-

Luas Dublin Light Railway, Ireland



Rome Urban Renewal, Italy



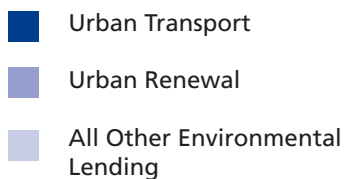
Flemish Housing Corporation, Belgium



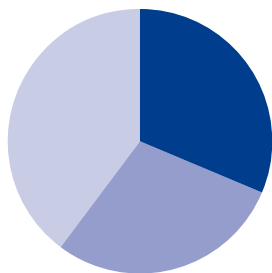


Urban Transport and Urban Renewal, 2003

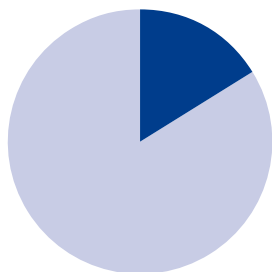
(as a proportion of total lending for individual projects)



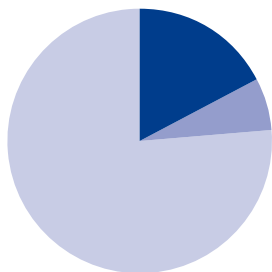
EU



Acceding Countries



Other Countries



ronment. This is typically the case with investment in public transport infrastructure, but environmental assessment is also a major feature of all urban transport initiatives to ensure that the net environmental impact of projects is acceptable and that care is taken to ensure that suitable mitigation measures are implemented where justified.

In 2003, sustainable transport projects corresponding to loans of some EUR 4 billion were financed by the EIB. Some 90% of these went to urban transport projects, including such schemes as renewal of the London Underground, completion of the Athens Metro, or acquisition of rolling stock for the Metro of Barcelona. Light rail and tramway systems also featured prominently, reflecting the trend to more cost-effective and flexible mass transport systems, especially in mid-sized European cities such as Dublin, Linz, Mulhouse and Padova. The EIB also responded to urgently finance the repair of Prague's metro system damaged by flood, thus enabling the restoration of a normal service.

Sustainable transport projects are also gaining in importance in countries outside the EU with similar congestion problems to European cities, as the example of Belgrade, where the Bank financed the renovation of the tramway system, shows. The 10% share of sustainable transport projects was awarded to railway passenger and cargo facilities, in order to contribute to the alleviation of the adverse environmental consequences of road transport.

Global Loans

Part of the environmental lending activity of the EIB takes place through financial intermediaries (global loans), amounting to EUR 12.1 billion in 2003. Most global loans have multiple objectives; many projects may qualify for one or more objective, including environment.

In addition, the EIB finances dedicated environmental global loans of which there were two in 2003. The EIB provided a global loan to Kredit Anstalt für Wiederaufbau (EUR 250 million) for the financing of small and medium sized enterprises or ventures in the fields of environmental protection and reduction of pollution throughout Germany, with particular emphasis on assisted areas. A EUR 70 million loan was also provided to two German banks (Bremer Landesbank Kreditanstalt Oldenburg Girozentrale and Landesbank Schleswig-Holstein Girozentrale) to contribute to the financing of projects in the renewable energy sector, mainly investments in wind power plants.

6. Regional Issues

In keeping with the previous reports, this section focuses on a number but not all of the Bank's regions of operation. The environmental lending activity varies by region according to their different national resources and priorities.



European Union

The Acceding Countries must comply with the *acquis communautaire* to fulfil their commitments made under the enlargement process. This brings with it numerous investment heavy obligations ranging from the installation of pollution abatement equipment to the upgrade of water and wastewater infrastructure as well as the administrative cost of enforcement and monitoring. A range of financing mechanisms available from the Commission to help countries meet the new obligations, the resources available will increase upon accession.

In 2003, the EIB has continued to co-finance projects and programmes with the Commission. The project requirements of the Bank also facilitate institution building such that borrowers (often Government agencies) have greater capacity for project development and preparation for financing.

Mediterranean

EIB environmental projects have declined in 2002-2003 as priorities

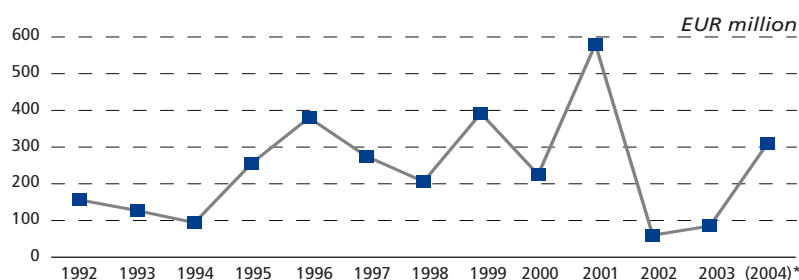
have been addressed, regional priorities have shifted and subsidies have been reduced. Projections show that there may be a renewed interest in 2004 although it is difficult to say whether this is a reversal of the recent tendency as yet. Traditionally, environmental Bank-financed investment has concentrated in the main urban centres in the Mediterranean region, in particular, sanitation. As urban populations increase and economic activities develop, there may be a shift in focus in environmental lending from water and sanitation projects towards addressing atmospheric pollution, urban transport and waste management, although this is not the case yet.

Maintaining activity in the environmental sector is a major objective for the EIB. Key constraints in the region concern weak institutional frameworks, national budgetary constraints and insufficient project preparation and implementation capacity. The opening of the Bank's Cairo office within the framework of FEMIP along with the planned provision of enhanced technical assistance for the region should help reinforce the presence of the Bank in this region and therefore boost environmental operations.

Balkans

The EIB has been complementing the European Commission's role by providing priority emergency

EIB lending for environmental protection in the Mediterranean (1992-2003)



* This is an estimate



Improving maritime transport conditions, St. Petersburg, Baltic Sea

and reconstruction support to the Western Balkans Region (Croatia, Bosnia & Herzegovina, Serbia & Montenegro, Albania and the FYRO Macedonia). The primary focus of EIB lending in the Region has been the financing of basic infrastructure reconstruction, including urban rehabilitation and utilities. In 2003 the EIB provided EUR 372 million in new loan facilities to the Western Balkans, of which EUR 167 million was for environmental projects.

Regional strategy initiatives, such as the Regional Environmental Reconstruction Programme funded by the Commission and the Danube and Black Sea Task force (DABLAS), are generating priority investment programs as the basis for EIB funded projects. The Bank is also launching the Adriatic Sea Environmental Master Plan (ASEMP) exercise in Croatia, which is laying the groundwork for a selection of investment priorities in the coastal areas bordering on the Adriatic Sea.

The Northern Dimension

The Northern Dimension Environmental Partnership, the NDEP,

Mediterranean Environmental Technical Assistance Programme (METAP)

The World Bank, the European Commission (Directorate General for the Environment), UNDP and the EIB jointly established the METAP programme in 1990. The aim of the initiative is to deal with the environmental degradation of natural resources in the Mediterranean by providing grant finance for feasibility studies for investment projects and assistance to authorities and agencies in the region in the field on environment. The four METAP cycles are METAP I 1990-1993 (EUR 2.4 million), METAP II 1993-1996 (EUR 3.6 million), METAP III 1996-2000 (EUR 8.6 million), METAP IV 2001-2005 (EUR 12.5 million).

Up to end of METAP III emphasis has been on feasibility studies. Since 1992, the EIB has financed 66 feasibility studies amounting to EUR 6.7 million. For the same period, the Bank financed 62 environmental projects in the Region or EUR 2.8 billion. The studies provide added value in the form of better identified, designed and managed investment projects.

The Bank has decided to participate in METAP IV with its technical assistance activities for environmental protection funded by FEMIP. ⁽¹⁾ Under METAP IV, the thrust of activities is shifting from purely project preparation (eg feasibility studies) to project implementation (including project management units). This entails much larger sums, currently estimated at EUR 12.5 million up to 2005 based on the existing pipeline of projects.

(1) In March 2002 the EU Council called for a new major initiative for the Mediterranean Region. The main objective of the facility is to "stimulate private sector development in Mediterranean Partner Countries, in order to facilitate a higher level of economic growth consistent with the growth of the labour force in the region". In this context, the Bank was mandated to establish an Investment Facility, Facility for Euro-Mediterranean Investment and Partnership, "FEMIP". As part of FEMIP a Technical Assistance Fund (EUR 105m between 2003 and 2006) is funded through the MEDA Budget of the European Commission.

unites the Russian Federation, the European Commission, bilateral donors and the main IFIs to co-ordinate and accelerate the implementation of important environmental and nuclear safety projects in the Northern Dimension, notably in North West Russia and in Kaliningrad.

NDEP projects benefit from tailor-made financial packages that blend NDEP grants with loans from one or several of the participating IFIs. The funds available for NDEP grants are currently some EUR 196 million, contributed by Russia, Canada, Denmark, Finland, France,

Germany, the Netherlands, Norway, Sweden and the European Commission. The main IFIs (EIB, EBRD, NIB and WB) form the NDEP Steering Group

together with Russia and the European Commission. The NDEP Steering Group is the main body of the NDEP. It is responsible for prioritising projects and suggesting

the individual financial packages. The EIB, Vice-President Sauli Niinistö, chairs the NDEP Steering Group for the period July 2003/2004."

7. Housekeeping

The EIB applies a number of practices that aim to reduce the impact of its administration on the environment, including water and energy management, waste sorting and recycling and procurement. In these respects, consideration is being given to the increase in staff numbers – that increased from 1100 to 1200 in the course of the year - and its associated accommodation.

As the development and application of formal environmental management systems such as EMAS takes hold, particularly in the public and financial sectors, the Bank will need to address the appropriateness of such a system for application to its own administration. This has already begun with respect to the new building at the Bank's headquarters in Luxembourg.

The most significant impacts of environmental management at the EIB headquarters are:

- A recent switch to the local combined heat and power supply is expected to reduce emissions from energy consumption by 80%. Energy consumption is currently 12,585,478 kWh.
- On-site treatment facility removes oils and grease from the water prior to discharge to sewer. Water consumption is currently 46,375m³.
- Waste is segregated at source and managed accordingly. Waste generated on site in 2003 amounted to 339 tonnes, 149 tonnes of which was recycled including paper, cardboard, plastics, electronic equipment, toner cartridges, glass and metal. Difficult waste streams included various forms of fluorescent and halogen lamps that were sent to an appropriate waste management facility.

A number of measures to enhance staff health and safety are underway. Thus, to make work environments healthier the Bank's premises are set to become smoke-free; a dignity-at-work policy is being put in place to raise awareness and prevent incidents of bullying and harassment; more accessible parking spaces have been designated for pregnant women; and improved ergonomic services will be made available.

New Building

The Luxembourg Government has authorized the excavation and preparatory works for the new EIB building, to be completed in 2007. The authorisation sets very



Aerial view



*EIB new premises
artistic impression*

strict limits on noise and vibration, as well as the treatment of waste in particular concerning the removal of existing infrastructure and small buildings from the site.

The application for the construction permit (including environmental aspects) is currently under consideration by the authorities. This includes proposals for the management and prevention of waste, noise, and emissions to air and surface/groundwater. An independent company has also performed an energy audit.

The building site will inevitably have an impact on the environment brought about by, noise, vibrations, dust and mud. It may also have an impact on the activities of the EIB in general, such as the security of the Bank personnel and access to the Bank.

Measures will be taken to ensure that these disturbances are limited to a minimum:

- Noise barriers will be placed in zones moderately exposed to noise and those most exposed will be moved to other areas of the Bank;
- An interim access route will be made available for staff parking and deliveries;
- Health & safety procedures will be implemented.

The construction will also include removal of some trees from the site. However, the remaining green area will be upgraded to a higher quality and additional trees will be planted. In compliance with Luxembourg requirements, the number of car park spaces (ratio of spaces to number of staff) was reduced compared to

the original design in order to promote the use of public transport.

The design of the new building has been subject to strict health, safety and environmental criteria. The building will be assessed in order to gain an environmental certification. This will be undertaken using the British method BREEAM (Building Research Establishment Environmental Assessment Method).

Annex 1: EIB Environmental Assessment

The conclusions and recommendations of the environmental assessment form part of the overall appraisal report for individual projects and, where appropriate, are carried through to the loan agreement.

The environmental assessment of a project covers 3 main areas:

- The capacity and experience of the promoter;
- The policy and legal framework in the country or region where the project is to be carried out; and
- The positive and/or negative impact of the project on the local, regional and global environment, including where relevant the proposed mitigation and/or compensatory measures during construction and operation.

The following factors are taken into account:

- The environmental capacity of the promoter is assessed on the basis of past experience with the Bank and whether the promoter has an environmental management system or procedures in place to manage the environmental aspects of the project. The promoter must have the resources to manage the environmental impact of the projects to be financed.
- The Bank will review the institutional framework, environmental laws and policy in place to control the environmental impact of the project. As a rule, all EIB projects should comply with national and EU standards. In EU candidate countries, where EU standards exceed national standards and a negotiated transition period provides a longer deadline for implementation, the EIB will seek a phased approach for the project to achieve compliance with EU standards. For other countries, ie in neither EU nor countries that are candidates for EU Membership, the principles of EU standards will be looked to and applied appropriately.

- The environmental assessment of the specific project takes place with regard to the local, regional and global environment. Consideration is given to the natural and built environment, as well as the potential impact on society and human health.

- Where an EIA is required under European legislation, the EIB will focus on a number of essential features for assuring its acceptability. Outside of the EU, the process and content of the EIA should be similar to the requirements of EU legislation, including the publication of a non-technical study and public consultation. Third party concerns should also be identified at the earliest opportunity, to identify risks to the project and to the environment.

- The project is checked to see whether or not it will impact upon any nature conservation sites designated under either national, European or international law.

- A site visit may be made as part of the appraisal, giving staff the opportunity to identify any potential threats or benefits the project may bring to the local environment. In particular, the project is examined in terms of its location, construction, operation and products, for environmental acceptability. Where necessary, mitigation and/or compensation measures may be identified and incorporated into the project.

The overall assessment determines the environmental acceptability of the project for EIB-financing. Where necessary, a level of environmental monitoring may be recommended to take account of the findings of the assessment. Such requirements, or others determined during appraisal, may become conditions of the finance contract.



Annex 2: EIB Lending Data

Summary of Environmental Lending by Eligibility 2003 (Individual Projects)

Environmental Lending, 2003, by Eligibility for Individual Projects

Regions	Total lending	Environmental lending	Environmental lending %	Natural env.	Env. & health	Urban env.	Regional & global env.
EU	23 584.11	10 761.5	46%	869.0	1 487.5	6 790.6	2 617.9
Candidate Countries *	3 928.82	810.9	21%	50.0	105.9	215.0	0.0
Other Countries	2 644.96	756.5	29%	0.0	184.5	565.0	7.0
Total	30 157.89	12 328.9	41%	919.0	1 777.9	7 570.6	2 624.9

Please note that the totals for the different categories of environmental lending will not correspond with the total environmental lending as projects may be assigned to more than one category.

Summary data for comparison

	1999	2000	2001	2002	2003
Total Lending					
EU	27 557.0	30 219.3	31 174.2	33 442.7	34 187.31
Candidate *	2 372.5	2 948.0	2 659.0	3 641.0	4 588.82
Other	1 669.6	2 450.7	2 933.2	2 534.5	3 555.97
Total	31 599.1	35 618.0	36 766.4	39 618.2	42 332.1
Total Lending, Individual Projects					
EU	18 226.3	18 741.5	20 687.8	21 193.5	23 584.11
Candidate	2 060.5	2 653.0	2 071.0	3 144.0	3 928.82
Other	1 279.1	1 900.0	2 276.1	2 257.5	2 644.96
Total	21 565.9	23 294.5	25 034.9	26 595.0	30 157.89
Environmental Lending					
EU	5 038.2	7 482.3	5 937.2	9 264.0	10 761.5
Candidate	261.0	758.0	484.0	1 304.0	810.9
Other	421.8	505.4	677.7	190.0	756.5
Total	5 721.0	8 745.7	7 098.9	10 758.0	12 328.9
Global Loans					
EU	9 330.7	11 477.8	10 486.4	12 249.2	10 603.2
Candidate	312.0	295.0	588.0	497.0	660.0
Other	390.5	550.7	657.1	277.0	911.01
Total	10 033.2	12 323.5	11 731.5	13 023.2	12 174.21

* For statistical purposes, this includes Acceding Countries, Accession Countries and Candidate Countries.

Annex 3: Environmental Loans 2003

Country	Description	Amount (EUR m)	Country	Description	Amount (EUR m)	
EU						
Austria	Pitten, Wastepaper Recycling	25.4	Denmark	Elsam Offshore Windfarm	134.7	
	Austrian Railway Station Modernisation	27.0		Esbjerg L90 Waste Incineration Plant	42.8	
	Nideroesterreich Energy Conservation B	25.0		Vestforbraending Waste Incineration II (expansion & replacement)	80.8	
	Simmering Wastewater Treatment C (upgrade and extension)	50.0		Total	258.3	
	Linz Urban Transport	30.0		Finland	City of Kotka Municipal Infrastructure C (urban renewal)	25.0
	Wien Urban Renewal A	25.0			City of Vantaa Urban Renewal (infrastructure & education)	50.0
	Arnoldstein (Corinthia) Waste Incineration A, B + C	40.0			Wartsila Energy Technology R&D	100.0
	Wien Urban Renewal (social housing) C	25.0			Total	175.0
	Total	247.4		France	Brittany Railway Modernisation C	10.0
	Belgium	Antwerp Gas CCGT Power			70.0	Lyon Drinking and Wastewater Treatment (modernisation)
Aquaфин Wastewater Treatment VB		75.0	Toulouse Metro IIB, IIC + IID		270.0	
Brussels Urban Transport STIB		100.0	Roissy Internal Airport Transport System		100.0	
Flemish Housing Corporation (urban renewal social housing)		100.0	Mulhouse Tramway A		35.0	
Liege Court of Justice (urban renewal)		50.0	Valenciennes Tramway A, B, C + D		110.0	
Mons Court of Justice (urban renewal)		50.0	Total		625.0	
Total		445.0				



Country	Description	Amount (EUR m)	Country	Description	Amount (EUR m)
Germany	Bremen Urban Renewal and education _____	40.0		Sonae Nettgau (environmental investment) _____	69.0
	Celanese Oberhausen Synthetic Gas Plant (fuel switch) _____	48.0		Sachsen Urban Renewal (multi-sector) B _____	100.0
	E.ON Energie Management (investment programme and R&D) _____	300.0		Talsperre Thuringen (water storage) B _____	40.9
	Port of Hamburg Urban Renewal B _____	10.0		Ruhrgebiet Wastewater Infrastructure B+C _____	37.2
	Niedersachsen Floodwater Protection A _____	75.0	Greece	Total _____	1010.8
	Leipzig Nord Urban Renewal A (site preparation & infrastructure) _____	10.0		Athens Metro B _____	300.0
	Brandenburg Urban Renewal B (infrastructure) _____	44.7		Athens Tramway B _____	40.0
	Mecklenburg-Vorpommern Urban Renewal (tourism & heritage) _____	100.0		Terna Renewable Energy AFI _____	75.0
	Berlin Trains and Trams _____	110.0	Ireland	Total _____	415.0
Sachsen Silicon Wafer Production Expansion (photovoltaics) _____	26.0	Local Authority Urban Renewal (facility for public buildings) _____		31.0	
			Luas (Dublin) Light Railway A+B _____	60.0	
			Total _____	91.0	
			Italy	AEM Milano AFI B (energy efficiency plant upgrade) _____	85.0
				AEM Torino Centrale di Moncalieria A (BNL) CHP _____	50.0
				Toscana II (flood prevention & infrastructure) _____	83.6
				Roma Urban Renewal II A _____	100.0
				API Raffinazione III C+D (improving efficiency) _____	20.0
				Endesa Italia North Italy (modernization) _____	250.0
			Enipower CCGT 1B+2 _____	400.0	



Toulouse metro, France

<i>Country</i>	<i>Description</i>	<i>Amount (EUR m)</i>	<i>Country</i>	<i>Description</i>	<i>Amount (EUR m)</i>
	Genova Urban Renewal 2004 (environment & heritage) _____	100.0	Luxembourg	EU Court of Justice (urban renewal) _____	183.8
	Torino Urban Renewal 06/A+B (preparation for Olympics) _____	400.0		Total _____	183.8
	Recovery from Natural Catastrophes Framework Loan (Abruzzo, Basilicata, Calabria, Campania, Friuli Venezia, Lazio, Lombardia, Marche, Molise, Napoli, Puglia, Sicilia, Toscana, Umbria, Veneto) _____	148.3	The Netherlands	Delfland PPP Wastewater Treatment _____	125.0
	Recovery from Natural Catastrophes Framework Loan A _____	31.8		Duinwaterbedrijf Zuid-Holland B (plant upgrade) _____	35.0
	Rinascente Mezzogiorno 2A+B (urban renewal) _____	135.0		Delfland Wastewater Treatment C _____	46.0
	Roma Urban Renewal (Social) _____	80.0		Total _____	206.0
	Campania Regional Development POR 2000-2006 _____	300.0	Portugal	Carris Transportes AFI A Lisbon (public bus fleet renewal) _____	60.0
	Marche Regional Development A + B _____	350.0		CGD Urban Renewal (social housing) _____	150.0
	Sardegna Regional Development POR 2000-2006 _____	100.0		Cimpor Cimentos (modernisation of cement plants) _____	60.0
	Padova Urban Tramway _____	31.0		Azores EDA Power VI A _____	40.0
	Trenitalia B (upgrade of rolling stock) _____	360.0		EPAL Water Treatment III B _____	55.0
	Total _____	3 024.7		Lisbon Metro Extension V C _____	80.0
				Total _____	445.0
			Spain	Bilbao Exhibition Centre (urban renewal) _____	250.0
				Galicia Oil Slick Economic Recovery A _____	60.0
				Cataluna Urban Transport II B _____	70.6
				Castilla-La Mancha Urban Renewal (infrastructure) _____	200.0
				Andalucia Wastewater Infrastructure III D _____	50.0

EU Court of Justice, Luxembourg





Channel Tunnel Rail Link, UK

Country	Description	Amount (EUR m)
	Madrid Sanitation B _____	25.0
	Barcelona Metro Rolling Stock A _____	110.0
	Repsol VII (reduction in air emissions) _____	130.0
	Barcelona Tramway Glories-Besos DBFO _____	125.1
	Alicante Tramway A _____	30.0
	Castilla-La Mancha Urban Renewal University A _____	24.0
	Cataluna Urban Renewal (social housing) A _____	50.0
	Total _____	1124.7
Sweden	Goteborg Infrastructure (improving urban transport) _____	65.6
	Oresund Trains II _____	23.6
	Renova Waste Treatment A _____	51.0
	Stockholm Metro Rolling Stock VAGN 2000 III _____	108.3
	Vagverket-Gotaleden Sweden B (diversion of traffic from urban area) _____	109.7
	Ostersun Urban Renewal (education) _____	21.9
	Total _____	380.1
United Kingdom	Channel Tunnel Rail Link S2 _____	555.9
	Coolkeeragh ESB Power AFI _____	216.4
	Glasgow Urban Renewal (social housing) _____	219.2

London Underground PPP 2-7 _____	870.0
Nationwide Building Society Urban Renewal _____	144.3
South West Water X (water supply & wastewater infrastructure) _____	86.6
United Utilities Renewable Energy and Distribution B _____	14.6
Total _____	2107.0

Total EU 10 761.5

Article 18

Iceland	Reykjavik Main Drainage II (wastewater infrastructure) _____	23.0
Total _____	23.0	

Acceding Countries

Czech Republic	Prague Metro Flood Damage _____	80.0
	Prague Metro II AFI A _____	75.0
Total _____	155.0	

Hungary	Environmental Sector Loan III (ISPA) _____	45.9
Total _____	45.9	



Country	Description	Amount (EUR m)	Country	Description	Amount (EUR m)
Lithuania	Community Cohesion and Structural Funds Facility (water & urban transport) _____	60.0	Croatia	Municipal Framework Loan (urban infrastructure) _____	50.0
	Total _____	60.0		Total _____	50.0
Poland	Landslide Protection Framework Loan AFI _____	50.0	Egypt	Abu Rawash Wastewater Treatment _____	55.0
	Community Structural Funds Programme 2004-2006 Support Facility _____	500.0		Total _____	55.0
Total _____		550.0	Morocco	Water Treatment _____	30.0
Total _____		550.0		Total _____	30.0
Total Acceding Countries _____		835.9	Serbia & Montenegro		
Russia	St Petersburg Wastewater Treatment _____	25.0	Belgrade Tramway Infrastructure _____		90.0
	Total _____	25.0	Total _____		90.0
Partner Countries			Tunisia	STT Metro Leger de Tunis II _____	45.0
ACP				Total _____	45.0
Botswana	Francistown Water Supply _____	12.5	Turkey	Recovery from Natural Catastrophes and urban reconstruction 1C _____	150.0
	Total _____	12.5		Total _____	150.0
Swaziland	SEB III Maguga Hydropower _____	7.0	Total Med & Balkans _____		
	Total _____	7.0	677.0		
Tanzania	Dar Es Salaam Water Supply and Sanitation _____	35.0	Earthquake Reconstruction, Algeria		
	Total _____	35.0			
Total ACP _____		54.5			
Total ACP _____		54.5			
Med & Balkans					
Albania	Municipal Water Infrastructure _____	27.0			
	Total _____	27.0			
Algeria	Earthquake Reconstruction _____	230.0			
	Total _____	230.0			

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