Annual Report 2004

Volume I

Activity Report

European Investment Bank Group

Annual Report 2004

Volume I

Activity Report

The **EIB Group's 2004 Annual Report** consists of three separate volumes:

- The Activity Report presenting the EIB Group's activity over the past year and future prospects;
- The Financial Report presenting the financial statements of the EIB Group, the EIB, the Cotonou Investment Facility and the EIF, along with the related explanatory annexes;
- The Statistical Report presenting in list form the projects financed, and the borrowings undertaken, by the EIB in 2004 together with a listing of the EIF's projects. It also includes summary tables for the year and for 5 years back.

On the CD-Rom enclosed with this brochure, readers will find information contained in the three volumes as well as electronic versions of these volumes in the different available languages.

The Annual Report is also available on the Bank's website **www.eib.org/report**

European Investment Bank Group

Contents

EIB Group: key data

European Investment Bank

Activity in 2004	*(EUR million)*
Loans signed	**43 204**
European Union	39 661
Partner Countries	3 543
Loans approved	**45 780**
European Union	41 037
Partner Countries	4 743
Loans disbursed	**38 640**
From the Bank's resources	38 383
From budgetary resources	257
of which Investment Facility	93
Resources raised (after swaps)	**49 865**
Community currencies	28 868
Non-Community currencies	20 997
Situation as at 31.12.2004	
Outstandings	
Loans from the Bank's resources	265 833
Guarantees provided	268
Financing from budgetary resources	2 326
Short, medium and long-term borrowings	214 825
Own funds	**29 638**
Balance sheet total	**257 772**
Net profit for year	**1 381**
Subscribed capital	**163 654**
of which paid in	8 183

European Investment Fund

Activity in 2004	*(EUR million)*
Venture capital *(15 funds)*	358
Guarantees *(40 operations)*	1 447
Situation as at 31.12.2004	
Venture capital *(199 funds)*	2 770
Guarantees *(151 operations)*	7 686
Subscribed capital	**2 000**
of which paid in	400
Net profit for year	**27**
Reserves and provisions	**191**

EIB Group: summarised balance sheet

As at 31 December 2004 (in EUR '000)

ASSETS	*31/12/2004*
1. Cash in hand, balances with central banks and post office banks	30 667
2. Treasury bills eligible for refinancing with central banks	2 848 658
3. Loans and advances to credit institutions	
a) repayable on demand	198 171
b) other loans and advances	18 006 219
c) loans	103 474 340
	121 678 730
4. Loans and advances to customers	
a) loans	121 917 721
b) specific provisions	-239 000
	121 678 721
5. Debt securities including fixed-income securities	
a) issued by public bodies	1 339 988
b) issued by other borrowers	7 968 522
	9 308 510
6. Shares and other variable-yield securities	1 048 108
7. Intangible assets	6 569
8. Property, furniture and equipment	138 791
9. Other assets	
a) sundry debtors	406 856
b) positive replacement values	9 519 791
	9 926 647
10. Subscribed capital and receivable reserve, called but not paid	1 917 869
11. Prepayments and accrued income	6 373
	268 589 643

LIABILITIES	*31/12/2004*
1. Amounts owed to credit institutions	
a) with agreed maturity dates or periods of notice	396 043
	396 043
2. Debts evidenced by certificates	
a) debt securities in issue	217 740 896
b) others	1 192 101
	218 932 997
3. Other liabilities	
a) interest subsidies received in advance	247 493
b) sundry creditors	1 148 644
c) sundry liabilities	22 275
d) negative replacement values	17 296 794
	18 715 206
4. Accruals and deferred income	99 612
5. Provisions for liabilities and charges	
a) staff pension fund	682 883
b) provision for guarantees issued in respect of loans granted by third parties	22 000
c) provision for guarantees issued in respect of venture capital operations	51 249
	756 132
6. Minority interests	239 621
7. Capital	
– Subscribed	163 653 737
– Uncalled	-155 471 050
	8 182 687
8. Consolidated reserves	
a) reserve fund	16 365 374
b) additional reserves	558 079
	16 923 453
9. Funds allocated to structured finance facility	500 000
10. Funds allocated to venture capital operations	1 755 067
11. Fund for general banking risks after appropriation	915 000
12. Profit for the financial year:	
Before appropriation from Fund for general banking risks	1 038 825
Appropriation for the year from Fund for general banking risks	135 000
Profit to be appropriated	1 173 825
	268 589 643

Message from the President

For the European Investment Bank, 2004 was a year of enlargement: we welcomed ten new shareholders. It was also a year of evolution: we took another step forward in the ongoing drive to increase our operational efficiency and maximise our relevance as the financing arm of the European Union.

Operational priorities

We continued to deploy our loans with the purpose of fostering the objectives of the European Union, as translated into five main operational priorities, namely to:

- strengthen **economic and social cohesion** in the enlarged Union;
- contribute to the so-called **Lisbon Strategy**, promoting the knowledge-based society;
- connect Europe, via the **Trans-European Networks**;
- protect and improve the urban and natural **environments**;
- support the **development policy** of the European Union by granting loans in Partner Countries.

Underpinned by a strong fund-raising performance, our total lending volume reached EUR 43.2 billion. Within the European Union, we directed 72% of our loans to regions qualifying as assisted areas and fulfilled our goals in terms of financing innovation (EUR 7 billion), TENs (EUR 7.9 billion) and the environment (EUR 10.9 billion). Outside the Union, we stepped up our efforts in support of the Euro-Mediterranean partnership (EUR 2.2 billion).

Enlargement

As the single most important source of external funding for the new Member States, the EIB lent EUR 3.8 billion in 2004. The Bank also supports the development of domestic capital markets in the region, issuing in local currencies, and is the largest non-sovereign issuer of bonds in the local markets of Central and Eastern Europe.

Now that they have become shareholders of the Bank, the new Member States have full access to its funding. The Bank's governance and capital structures have been adjusted accordingly. To maximise the future impact of its lending, the EIB has further intensified its cooperation with the European Commission's Regional Policy Directorate-General, particularly in order to improve coordination of the EIB's activities with the operations of the Structural Funds, which are now also available to the new Member States.

Value added

In 2004, we tested new ways of measuring the value added of our operations. This new approach is structured around three pillars, each of which must be demonstrated at project approval stage: eligibility (i.e. the contribution to an EU objective); quality; and financial value added. This is an important development for the Bank. It shows how we translate our public policy-driven *raison d'être* into practice and will allow us to better tailor our future action to the requirements of our shareholders, the expectations of stakeholders at large, and the needs of our customers.

Transparency

Updating our transparency and accountability policies, we took several measures. These include:

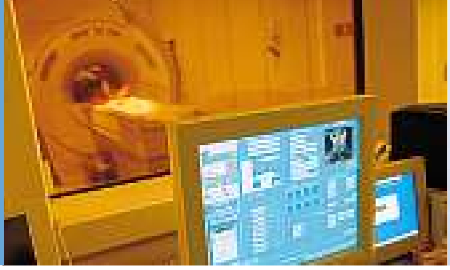
- increased information on corporate governance and remuneration;
- publication of a wider range of documents concerning financial reporting and controls;
- release of more information about the Bank's lending activity, including a project pipeline;
- strengthening of the control and evaluation functions, notably through the creation of a Compliance Office (to be operational in 2005).

As the EU's financing institution, the EIB feels duty-bound to be highly transparent and provides a maximum of information. As a bank, however, the EIB also has to protect the legitimate commercial and market-sensitive interests of its customers. Between these two imperatives, the EIB has to strike the right balance.

Overall outlook

The EIB does not strive for growth for the sake of growth. Rather, it will intensify its strategy of focusing on value added, i.e. more quality than quantity. In operational terms, this means that we expect the stabilisation or even reduction of our lending volume within the EU-15, while lending in the new Member States should continue to increase. Likewise, lending to Accession and Candidate Countries as well as to the Mediterranean and ACP States will continue to grow, in line with the orientations given by the European Council.

Philippe Maystadt
President of the EIB Group



Enlargement, operational background and overview 2004

The EIB finances projects giving tangible expression to the economic and social priorities of the European Union. Its activities are determined by its Statute and the mandates entrusted to it by the European Council. The EIB acts in close cooperation with the other EU institutions.

In fulfilling its mission, the EIB is guided by two major principles: maximising the value added of its operations and adopting a transparent approach. Financing decisions, in particular, are based on criteria of value added, focusing mainly on each operation's contribution to EU objectives, the quality and robustness of the projects concerned and the specific financial merit of recourse to EIB funds.

Enlargement

The enlargement of the European Union with ten new Member States was a major event for the Bank in 2004. When the ten countries joined the Community on 1 May 2004, they became at the same time shareholders of the European Investment Bank. This gives them full access to the Bank's financing facilities on the same basis as the 15 Member States before 1 May 2004.

In the new Member States, the Bank's priorities are to support projects that help integrate their economies into the EU Single Market and contribute to the application of European standards as developed in the *acquis communautaire*. These priorities capitalise on the EIB's experience gained since 1990 in the pre-accession period. During this time, the Bank granted loans amounting to EUR 25 billion to projects in Central and Eastern Europe in support of transport and telecommunications infrastructure, water and the environment, industry and services, health and education facilities as well as indirectly to SMEs and local authorities.

At the institutional level, the accession of the ten new Member States has had consequences for the EIB's subscribed capital, to which they added EUR 7.46 billion, 5% of which will be paid in gradually. As Spain increased its shareholding to almost 10% at the same time, the Bank's subscribed capital has stood at EUR 163.6 billion since 1 May 2004.

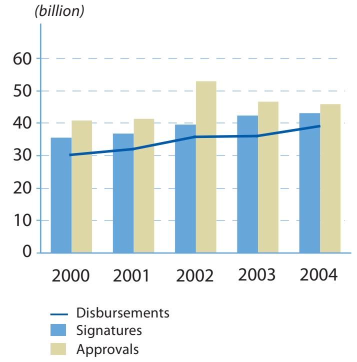
The Bank's Management Committee has been strengthened by the inclusion of a ninth member from the new Member States, Mr Ivan Pilip. All 25 Member States are represented by a member on the Board of Directors, while an additional observer – from the new Member States – has been appointed to the Audit Committee. On 2 June 2004, the Bank's Board of Governors welcomed ten new Governors, the Ministers of Finance of the new Member States, to their first Annual Meeting.

The Bank's Statute and Rules of Procedure have been adapted to reflect these institutional changes.

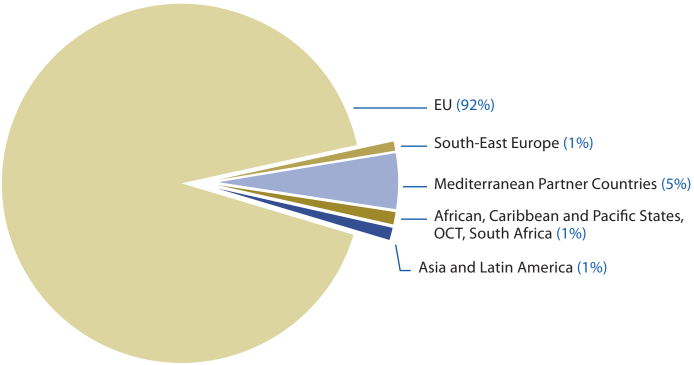
Operational background

In carrying out its activities in 2004 the EIB brought forward initiatives responding to the guidelines handed down by its Board of Governors and successive European Councils. Its increased support for Trans-European Networks stems from the Council decision to launch the European Action for Growth, taken in Brussels in December 2003. Bank action on behalf of the long-term development of a European economy based on knowledge and innovation dates back to the Lisbon Council in March 2000. The EIB's mandate has been confirmed several times since, including in 2004. The Euro-Mediterranean Meeting of Ministers of Foreign Affairs, held in The Hague in November 2004, commended the role that the Bank plays in strengthening the financial partnership with the Mediterranean Partner Countries through FEMIP, the Facility for Euro-Mediterranean Investment and Partnership – set up at the invitation of the Barcelona Council in March 2002. In 2004, the EIB was also involved in the renegotiation of the Cotonou Agreement with the ACP States. In December 2004, the Council authorised a new Community guarantee to cover additional lending of up to EUR 500 million in Russia, Belarus, Moldova and Ukraine.

The Intergovernmental Conference reached an agreement on the draft Treaty establishing the Constitution for Europe in Brussels in June 2004; the Treaty was signed by the Council in Rome in October 2004. The Constitution for Europe refers to the EIB and confirms the Bank's *raison d'être* in Articles III-393 and III-394. A revised version of the Bank's Statute is annexed as a Protocol.



Disbursements, contracts signed and projects approved by the EIB (2000-2004)



Breakdown of loans signed in 2004 by geographical area

Salient figures[1]:

- In 2004, **loans signed** by the EIB totalled **EUR 43.2 billion**, as against EUR 42.3 billion in 2003. The breakdown was as follows:
    - EUR 39.7 billion within the European Union;
    - EUR 119 million in the Accession States (Bulgaria and Romania);
    - EUR 2.2 billion in the Mediterranean Partner Countries (FEMIP);
    - EUR 461 million in the Balkans;
    - EUR 440 million in the African, Caribbean and Pacific Countries and the OCT, of which EUR 337 million under the Cotonou Investment Facility;
    - EUR 100 million in South Africa;
    - EUR 233 million in Asia and Latin America.

- **Disbursements** came to **EUR 38.6 billion**, of which 56% were in euro.

- **333** capital projects were appraised by the Bank, resulting in **loan approvals** totalling **EUR 45.8 billion**.

- **Borrowings**, after swaps, amounted to **EUR 50 billion**. They involved 282 bond issues denominated in 15 currencies. After swaps, 35% of market operations were in EUR, 36% in USD and 19% in GBP.

- As at 31 December 2004, outstanding loans from own resources and guarantees amounted to EUR 266 billion. Aggregate outstanding borrowings ran to EUR 215 billion. The **balance sheet total** stood at **EUR 258 billion.**

- Net treasury assets as at 31 December 2004 amounted to EUR 22.7 billion, held in 12 currencies.

- The **EIF**[2] for its part continued its support for SME activity, taking participations in **venture capital** funds for **EUR 358 million** and providing **guarantees** worth some **EUR 1.45 billion.**

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[1] Unless otherwise indicated, amounts in this report are expressed in EUR.

[2] This EIB Group Activity Report is supplemented by the EIF Annual Report, available on that institution's website www.eif.org.

The Corporate Operational Plan for the period 2005-2007

The Bank's principal planning document is the Corporate Operational Plan (COP). The COP is a three-year rolling medium-term programme, which is approved by the Board of Directors. It prioritises the Bank's actions for the years to come on the basis of objectives decided by the Board of Governors. The Plan's strategic projections are adapted annually, taking into account new mandates and changes in the economic climate.

The COP 2005-2007 places special emphasis on two important strategic objectives: to focus the Bank's action on **Value Added**, and to further improve **Transparency and Accountability** through external communication.

Value Added

The value added of EIB lending rests on three pillars:

- Consistency between operations and the priority objectives of the EU
- Quality and soundness of each project
- The particular financial benefits obtained by the use of EIB funds

Within the framework of its various operational objectives, the Bank will direct its efforts in 2005 towards developing and introducing instruments for checking results against the expectations that existed at the time of project selection and appraisal. At the same time, the EIB will focus on meeting both quantitative and qualitative targets based on the current lending objectives and possible new EU mandates.

The EIB Group's main operational objectives, which underpin the first pillar of value added, are:

- Economic and social cohesion in the enlarged EU
- Implementation of the Innovation 2010 Initiative (i2i)
- Development of Trans-European and Access Networks
- Support for EU development and cooperation policies in the partner countries
- Environmental protection and improvement, including climate change and renewable energy

Other operational priorities remain:

- Support for small and medium-sized enterprises as well as mid-cap companies of intermediate size
- Support for human capital, notably health

While pursuing these objectives, the intention is to constrain lending growth within the EU-15 to a nominal 2% per annum. Lending in the new Member States should increase more rapidly to help the countries catch up economically. Provided that sufficient resources under EU mandates and from EIB funds are available, lending in Accession, Candidate and other non-EU countries can continue to grow at a more sustained pace.

Transparency and Accountability

Transparency and accountability are closely linked. Increasing transparency is an essential aspect of the EIB's governance framework. The Bank has continued to develop corporate governance measures that take account of its twofold role as a financial institution and a European institution serving the policy objectives of the European Union. In 2004, the EIB adopted a series of measures and published a document on EIB Transparency Policy as well as a Statement on Governance at the EIB on its website.

Borrowing

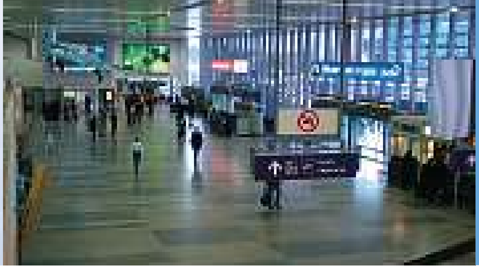
The Bank's funding strategy is founded on optimisation of the funding cost on a sustainable basis and enhancement of market liquidity and transparency. This strategy has helped to consolidate the EIB's position as a leading AAA-rated quasi-sovereign benchmark borrower, enabling it to grant loans on the best possible terms. This will continue to be achieved through the synergies resulting from a balanced approach to benchmark and targeted issuance, and is planned to involve:

- Issuing large liquid benchmark bonds in EUR, USD and GBP
- Offering customised financial products targeted at specific investor needs across a wide range of currencies and structures
- Maintaining flexibility to respond to changing patterns of investor behaviour and currency diversification
- Development of the local capital markets of emerging economies and in particular those of countries seeking EU membership and selected FEMIP countries

In deciding on the COP 2005-2007, the Board of Directors granted a global borrowing authorisation for 2005 of up to EUR 50 billion to cover projected funding requirements.

The EIB's Board of Directors

EIB Group activity in 2004



Balanced development throughout the European Union is the Bank's first priority

Strengthening economic and social cohesion is a condition for the balanced development of the Union, and regional development – with the objective of reducing imbalances between the regions – is an essential component. Fostering the Union's economic and social cohesion in less-favoured regions is the prime task assigned to the EIB by the Treaty of Rome, and was confirmed as such by the Treaty of Amsterdam (1997).

With all ten new Member States qualifying as Assisted Areas, financing investment that stimulates regional development remains as crucial as ever for economic and social cohesion in the European Union.

More than EUR 28 billion for the regions

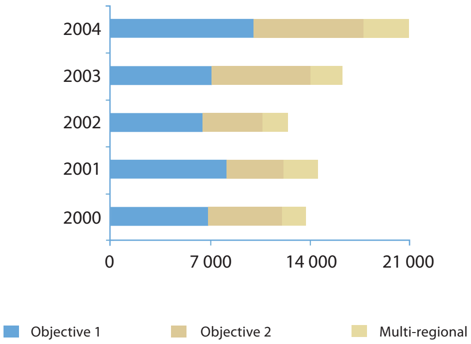
EIB lending in the European Union amounted to EUR 39.7 billion, of which more than EUR 28 billion went to investment in regions lagging behind in their economic development. That accounts for 71% of the Bank's lending in the EU. Three quarters of this investment was financed through individual loans and the remainder through global loans.

Individual loans for projects in the Cohesion Countries – Spain, Portugal, Ireland and Greece – reached EUR 7.8 billion. Investment in Germany's eastern Länder took up EUR 3.5 billion; in Italy's Mezzogiorno EUR 2.1 billion; and in the new Member States, where practically all projects qualify under the heading of regional development, EUR 2.6 billion. This last figure does not include loans in the Accession Countries (Bulgaria and Romania), which amounted to EUR 119 million.

Projects addressing the problems of Objective 1 regions in the enlarged Union (where per capita GDP is less than 75% of the EU average) absorbed 47% of individual loans. Lending in Objective 2 areas (in need of socio-economic restructuring) accounted for 36%, the remainder covering both objectives.

EIB loans covered all sectors: transport coming first with 35%, followed by other local infrastructure (urban, water and multi-sector) with 15% and industry at 11%. Much of the lending for economic and social cohesion also benefited other EU priority objectives. Thus, 61% of the Bank's lending for TENs and major European networks – including energy networks – went to Assisted Areas; this was likewise true for 79% of lending aimed at improving the environment, 81% of human capital lending and 78% of i2i lending.

Regional development in the EU
Individual loans 2004: EUR 21.6 billion



Value added for regional development

In recent years, the EIB has developed value added indicators, which it will systematically apply to obtain a better picture of the way in which the projects it finances promote the Union's policy objectives. The general goal is for the Bank to contribute to better and to more investment.

Regional development in the EU
Breakdown of individual loans by sector (2004) *(million)*

		Total
	amount	%
Energy	2 042	9
Communications	8 458	39
Water and sanitation	1 299	6
Urban development	3 124	14
Industry, agriculture	2 448	11
Health, education	2 324	11
Other services	1 853	9
Total individual loans	**21 548**	**100**
Global loans	7 100	

When dealing with social cohesion policy, the Bank has identified three broad categories of investment that contribute to the Union's priorities: upgrading infrastructure in the regions, with a view to improving its quality and quantity; developing productive economic activities; and enhancing human capital – health, education and social services – in Assisted Areas. The consistency of the investment with the Union's regional development policies is referred to as the first pillar of value added.

The regional development impact is further gauged by an assessment of the quality and soundness of each operation: the second pillar of value added. Whenever possible, the Bank calculates an economic rate of return – or, in the private sector, a financial rate of return – for the investment that it is considering financing. If this cannot be done, it makes a qualitative judgment, taking all relevant factors into account.

The third pillar of value added is the way in which the EIB contributes to enhancing the financial viability of the operation. Financial value added may consist of *inter alia* longer maturities for its loans, innovative structuring, and the catalytic effect that an EIB loan may have by drawing in other sources of finance.

Partnership for cohesion

The European Investment Bank and the European Commission have jointly funded a number of investment programmes and projects in the Assisted Areas. In addition, at the request of the Commission, the Bank gives expert opinions on projects submitted for EU grant aid. Finally, progress was made in 2004 in the joint implementation of Community Support Frameworks (CSF) for the new Member States, including EIB financial assistance to CSF and operational programmes through cofinancing by means of Structural Programme lending. In several of the new Member States, funding has gone directly to support the state contribution to the CSF.

The EIB has also actively participated in a working group with DG REGIO to coordinate policy development and operational activities for social and economic cohesion. This cooperation has taken place against the background of the preparation of the European Commission's publication "A new partnership for cohesion - convergence, competitiveness, cooperation" in 2004.

The report confirms that the contribution of EU financial instruments has been significant at many levels, in terms of the rapid reduction of regional income disparities, the creation of many new opportunities, often in innovative activities, and the establishment of networks linking regions, businesses and peoples across Europe. The Bank is continuing its close cooperation with DG-REGIO in the discussions to prepare and launch the new cohesion policy for the period 2007-2013, in which the Bank expects to play a proactive role.



Forum 2004

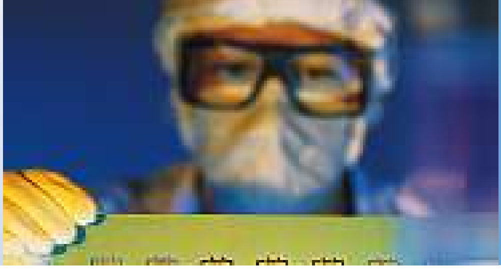
“Investing in the new Member States”

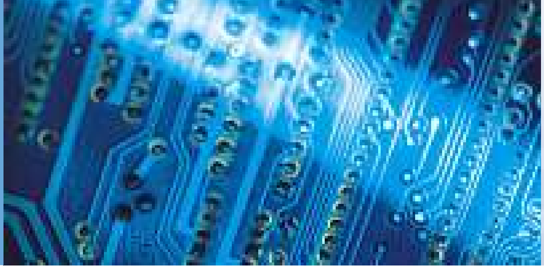
The tenth annual EIB Forum was held in Warsaw on 14 and 15 October 2004, and attracted some 550 participants, mostly from the European Union’s new Member States.

In his opening address, EIB President Philippe Maystadt underlined the profound and far-reaching political, social and economic changes in the new Member States during the last fifteen years. He also stressed the extreme importance of using the limited financial resources available efficiently in order to help bring about sustained economic growth and improve living standards. The EIB has been the single most important source of external funding for the new Member States – the Bank’s lending since 1990 amounts to EUR 27 billion.

Speakers at the Forum included **Marek Belka** (Poland’s Prime Minister), **Ms Krystina Gurbiel** (Poland’s Deputy Minister of Economy), **Ms Danuta Hübner** (European Commissioner for Regional Policy), **Ivan Miklos** (Slovakia’s Deputy Prime Minister and Minister of Finance) and **Imre Rethy** (Hungary’s Secretary of State for Economy). Among the EIB speakers were **Wolfgang Roth** (Vice-President) and **Terry Brown** (Director General for Lending Operations in Europe).

For further details of the proceedings, see EIB Information No. 118 or visit the Bank’s website ***www.eib.org/forum****. The 11th Forum will be held in Helsinki, Finland, in October 2005.*





The Innovation 2010 Initiative

The European Investment Bank, together with its subsidiary the EIF, is a major player in implementing the Lisbon agenda on the ground. In so doing, the EIB Group cooperates, *inter alia*, with the European Commission, acting as a complement to the grant instruments operating via the European Union budget.

Since the Innovation 2010 Initiative (i2i) was set up by the EIB Group in 2000 to support the Lisbon strategy, the EIB has advanced loans for investment under i2i worth EUR 23.3 billion and provided EUR 2.3 billion in venture capital through the EIF. EIB lending for i2i investment projects in 2004 exceeded EUR 7 billion.

i2i operations focus on four key fields: Research, Development and Innovation (RDI); development of SMEs and entrepreneurship; human capital formation; and Information and Communications Technology networks, including e-services and audiovisual innovation.

From 2000 to 2010

The EIB has lived up to its commitments under i2i. Close to 80% of total lending under i2i takes place in the private sector, with the remainder in the public sector, mainly in the field of university research and education. About two thirds of loans went to the less-developed regions in the EU-25. This ties in well with the prominent role which the Lisbon agenda will play in the Union's future cohesion policy. Based on the first five years of experience, the EIB's overall objective of mobilising up to 50 billion of lending to foster innovation under its i2i programme over the current decade is on track.

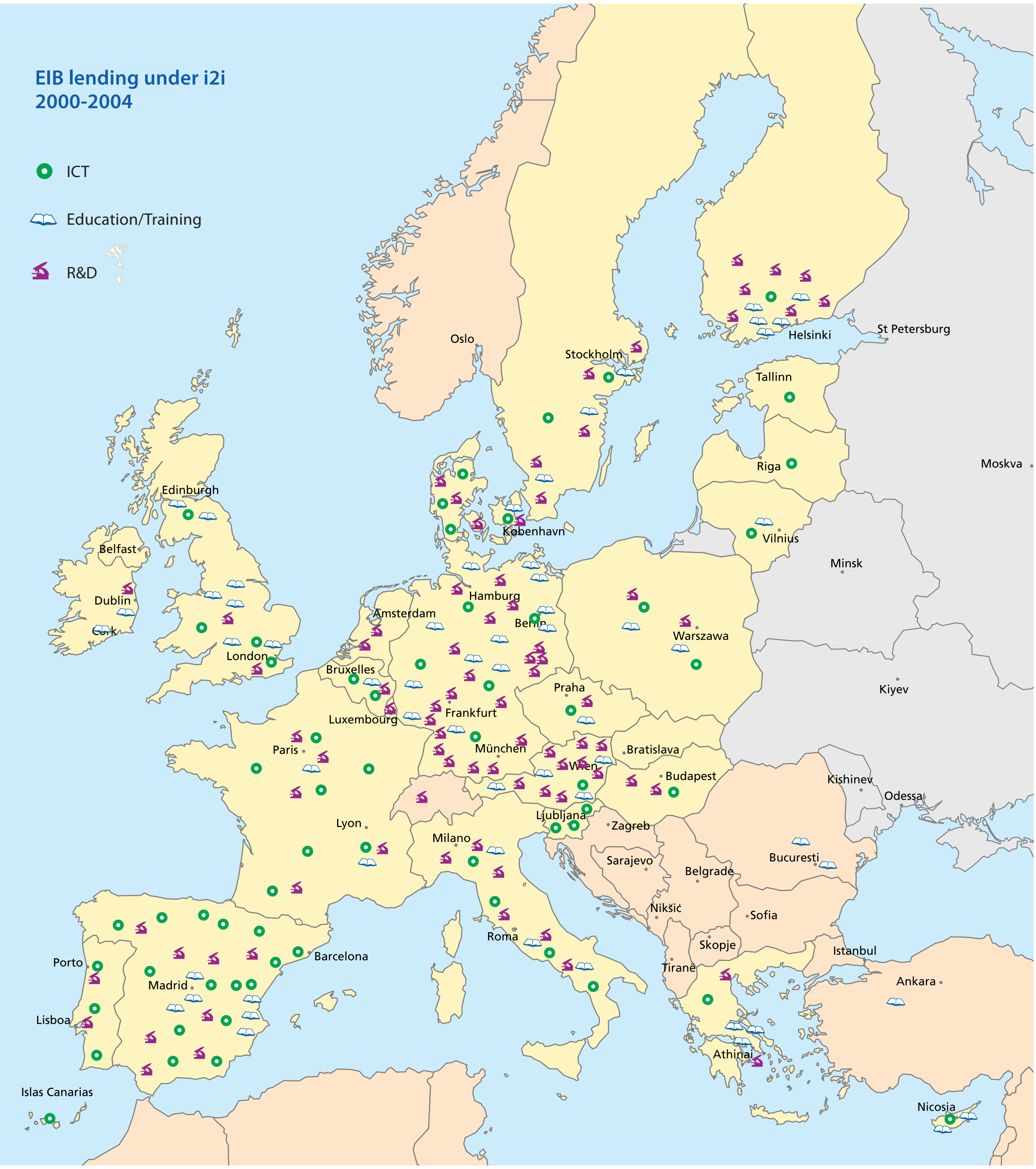
New financial products

In cooperation with the European Commission, the Bank pressed ahead in 2004 with its efforts to define new financial instruments designed to increase the leverage between loans and grants (typically from the European Union, but also of national origin) and to mobilise resources for RDI-related investment. It also set up a special window for "mid-caps" - corporates of intermediate size, which are frequently major innovators. This window is aimed at financing investments with a total cost of up to EUR 50 million, particularly in i2i sectors. The Bank is increasingly involved in financing public-private partnerships. The EIB, together with the EIF and the Commission (DG RESEARCH and DG REGIO), is developing a toolbox of financial engineering instruments. These could be introduced into the planned support programmes for the new budgetary programming period 2007-2013, the basic outline of which is now under preparation.

Research, development and innovation

Further progress has been made in financing a number of "quick start" priority projects, such as the Laser Sincrotrone R&D project in Trieste, for which the Bank lent EUR 60 million. This loan is helping to construct a free electron laser enabling molecular and atomic microscopy. The EIB is also working on diversifying the range of financial products available for RDI investment, including dedicated global loans for R&D-intensive SMEs and operations backed by security in the form of intellectual property rights.

In 2004, the EIB invested EUR 4.1 billion in 27 RDI projects. Most of these were in the fields of nanoelectronics, optics, biotechnology and telecommunications. Among the projects financed, the EIB lent EUR 162 million to Novo Nordisk in Denmark, the world leader in research into diabetic therapies, and EUR 50 million for the Austrian Villach Automotive Chips project involving the construction of electronic car components. These loans brought the EIB's RDI financing since 2000 to a total of EUR 10.1 billion.


EIB lending under i2i
2000-2004
ICT
Education/Training
R&D
Oslo
Stockholm
Helsinki
St Petersburg
Tallinn
Riga
Moskva
Vilnius
Minsk
Edinburgh
Belfast
Dublin
Cork
København
Hamburg
Amsterdam
Berlin
Warszawa
London
Bruxelles
Praha
Kiyev
Frankfurt
Luxembourg
Paris
München
Bratislava
Wien
Budapest
Kishinev
Odessa
Ljubljana
Zagreb
Lyon
Milano
Sarajevo
Belgrade
Bucuresti
Nikšić
Sofia
Roma
Skopje
Istanbul
Porto
Barcelona
Tirane
Ankara
Madrid
Lisboa
Athinai
Islas Canarias
Nicosia

Development of SMEs and entrepreneurship

The EIB's support for SMEs through its global loans was further developed in 2004 with the opening of specific lines of credit for i2i-related investments in Austria and Italy. In Italy it backed the creation of a Science and Technology Centre for innovative SMEs with a loan of EUR 100 million. The EIB Group's specialised subsidiary, the EIF, committed EUR 358 million in 15 venture capital funds providing innovative SMEs with equity resources. These new operations brought the EIF's total portfolio to around EUR 2.8 billion, invested in 199 funds.

Human capital formation

In 2004, the EIB lent EUR 1.7 billion for 18 education projects. Many of these concern the provision of higher education or university facilities, such as in Lower Saxony, North Rhine-Westphalia, Bremen and Schleswig-Holstein in Germany. Between 2000 and the end of 2004, loans for investment in human capital reached EUR 7.2 billion under i2i.

Information and Communications Technology (ICT) networks

As essential vehicles for the diffusion of innovation and data exchange between companies, ICT networks attracted EUR 1.3 billion in 13 transactions in 2004. Such loans included EUR 400 million for the TIM mobile network in Italy, introducing third generation UMTS mobile telecommunications services. E-services also play an important role: the Bank lent EUR 50 million to Otto Versand in Germany to expand its e-business.

Audiovisual i2i is intended to support European audiovisual production and distribution, help the industry to embrace new technologies and encourage greater involvement by the European banking and financial community in financing the industry's players. The initiative is implemented in tandem with the Commission's "MEDIA Plus" programme. Among the projects in 2004, the EIB signed two framework agreements for EUR 20 million each, continuing its cooperation with two financial institutions in France specialising in audiovisual sector finance. Up to the end of 2004, the EIB's partnership with these institutions generated a portfolio of 50 films or television programmes with a total production cost of some EUR 0.5 billion. EIB loans to the audiovisual sector since the year 2000 have amounted to a total of EUR 518 million.

Protecting the environment and improving the quality of life

Protecting and improving the environment ranks among the EIB's top priorities. Clear testimony to the importance that the Bank attaches to environmental protection and improvement is the fact that in 2004 more than one third of the Bank's lending in the enlarged Union was focused on environmental projects.

Worldwide, individual loans amounted to EUR 10.9 billion, of which EUR 10.4 billion in the EU-25. The EIB has set itself the goal of devoting between 30% and 35% of all its individual loans in the enlarged Union to projects safeguarding and enhancing the environment. With such lending reaching 36% in 2004, this target was in fact exceeded. The EUR 10.4 billion does not include small-scale environmental schemes carried out by local authorities and financed through global loans. It is estimated that such lending amounted to another EUR 2.3 billion.

In the Accession Countries of Bulgaria and Romania, the percentage of environmental loans was even higher. In the Mediterranean Partner Countries, individual loans for environmental schemes reached EUR 254 million. A further EUR 100 million went to South Africa, while EUR 175 million went to the Balkans, all contributing to sustainable development in the partner countries.

Environmental lending highlights

EUR 6.1 billion, about two thirds of the Bank's environmental lending, was directed towards improving the urban environment in the European Union. Of that amount, EUR 2.3 billion went to urban public transport projects such as metro, light rail and tramway systems, and EUR 3.2 billion to urban renewal schemes. These were mainly implemented by regional authorities and large municipalities. A considerable number of social housing and school renovation projects were also supported in the European Union.

In 2004, the Bank provided EUR 2.2 billion in financing (89% of which in the EU-25) for projects designed to improve air and water quality (water supply and sanitation schemes), with a direct impact on human health. EUR 0.6 billion in EIB loans went to projects involving solid and hazardous waste management, the cleaning-up of polluted sites (Tunisia) and flood protection (Lower Saxony, Germany), contributing to improved natural resource management and nature protection.

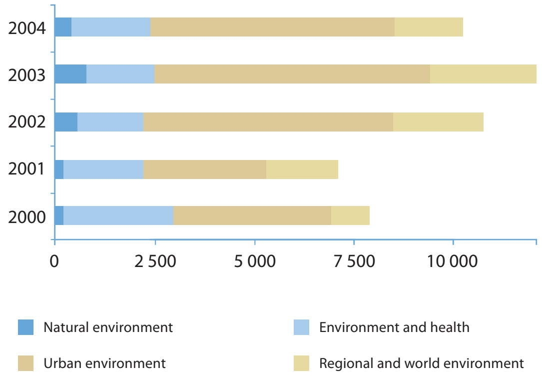
Environment and quality of life
Individual loans in 2004

(million)

	Total
Natural environment	424
Environment and health	2 005
Urban environment	6 142
Regional and world environment	1 699
Total individual loans	**10 378***

** As certain projects meet several sub-objectives, the various headings cannot be added together.*

Environment and quality of life
Individual loans 2000-2004: EUR 47 billion



Loans granted by the EIB in the fields of energy saving and energy substitution amounted to EUR 1 billion in 2004, while the Bank supported sustainable transport (railway) projects to the tune of some EUR 0.6 billion.

Climate change

In early 2004, the EIB launched three new climate change initiatives:

- The EUR 500m *Climate Change Financing Facility* (CCFF) – of which EUR 100m is allocated to the Clean Development Mechanism (CDM) and Joint Implementation (JI) projects – in support of climate mitigation measures by European businesses participating in the EU's Emissions Trading Scheme (ETS), starting on 1 January 2005;
- The EUR 10m Climate Change Technical Assistance Facility (CCTAF), designed to provide conditional grant finance for preparing JI and CDM projects;
- The "Pan-European Carbon Fund" (PECF), a compliance fund whose operational details are the subject of ongoing discussions between the EIB and the World Bank.

2004 was a year of preparation, during which the Bank elaborated the Operational Guidelines of the CCFF and CCTAF. As for the Joint Implementation and the Clean Development Mechanism, a small number of projects that should generate carbon credits have been identified so far, but will not be finalised until 2005 or later. In 2004, the World Bank and the EIB also worked together closely on preparing the Pan-European Carbon Fund. The two banks signed a Memorandum of Understanding in December 2004. The PECF will be set up specifically to help EU Member States and European corporations, as the target investors, to fulfil their greenhouse gas emissions obligations under EU legislation and in accordance with the Union's climate change policy in support of the Kyoto Protocol.

Renewable energy

In 2003, the Bank had already met its target of doubling the financing of renewable energy projects as a proportion of its total energy sector financing (from 7% in 2002 to 15% in 2003). In order to step up support for the EU's policy objectives of increased use of renewable energy and reduced greenhouse gas emissions, the Bank undertook in 2004 to increase its lending for renewable energy projects to 50% of all loans for new electricity generation by 2010. Based on current trends, by then the Bank should be lending EUR 700 million a year for renewable energy generation. Outside the European Union, the Bank is likewise aiming to increase its lending for renewable energy.

Loans for renewable energy projects totalled EUR 287 million in 2004. In addition, EUR 1 billion worth of renewable energy projects have already been approved but not yet signed.

In the future, the Bank aims to increase its funding of those renewable energy projects that involve new and innovative technologies, as long as such projects have the potential to become economically viable within a reasonable time frame. The kinds of projects that it will consider are solar power (including hybrid schemes), hydrogen applications and fuel cells, bio-fuels and marine applications (wave and tidal power).

The EU water initiative

The EIB plays an active role in the EU Water Initiative. Launched at the Johannesburg Summit in 2002 and initially focused on Africa, the Initiative's broad goal is to improve co-operation, coordination, policy coherence and demand responsiveness in the water sector in the ACP countries. To add a financial dimension, the European Commission has proposed an EU Water Facility as a dedicated instrument under the Cotonou Agreement, providing funds for technical assistance and allowing for additional investment. A first tranche of EUR 250 million was allocated in November 2004, with the possibility of the Facility being increased to EUR 500 million. The Bank has already identified a number of projects and plans to further increase the level of its activity in the water supply, wastewater and sanitation sector. It is thus playing its part in helping to achieve the Millennium Development Goals for water and sanitation in the ACP countries.

TENs – Networking Europe

The development of trans-European transport, energy and information networks (TENs) is vital for the European Union's economic and social integration. The EIB plays a key role in the funding of TENs and access networks.

Large-scale involvement

Since the Essen European Council in December 1994, when the concept of Trans-European Networks (TENs) was formulated and a list of priority TENs was drawn up, the Bank has become the leading source of bank finance for these major networks. The EIB is supporting twelve of Essen's fourteen priority transport projects and eight of the twelve priority energy schemes. In the period 1993-2004, lending amounted to EUR 63 billion for transport TENs, EUR 8.2 billion for energy TENs and EUR 18.7 billion for telecommunications TENs.

The EIB's involvement in transport networks in the European Union covers all sectors. Just a few examples: roads (road and motorway construction and upgrading in Greece, Portugal and Spain); rail (construction of high-speed lines in France, Belgium, the Netherlands, the UK, Spain and Italy); ports (expansion or modernisation of port infrastructure in Spain, Greece, the Netherlands and Sweden); and airports (upgrading of airport facilities in Italy, Greece, Germany and Ireland).

This drive inside the European Union is matched by the EIB's activity outside the EU. In line with the strategy set out by the pre-accession agreements and the Pan-European Conferences of Transport Ministers in Crete (1994) and Helsinki (1997), the Bank has devoted over 40% of its lending in the new Member States and Accession Countries in Central and Eastern Europe to solving communications problems. More broadly, in the context of the new "European Neighbourhood Policy" and the "Facility for Euro-Mediterranean Investment and Partnership" (FEMIP), the Bank is also financing transport and energy projects contributing to the improvement of communications links between the enlarged Union and its neighbours.

Adding value in TENs funding

The EIB has developed a specific approach to financing trans-European networks, which require large sums of money as well as a comprehensive technical and environmental input. In addition to bringing its substantial financial capacity to bear, focused on the very long term (25 years or more), the Bank is able to enhance a project's financial environment by offering pre-financing and repayment terms tailored to the project cycle, taking account of prior studies, conducting financial engineering to enable risks to be shared with other investors and mobilising other sources of bank finance (or EU grants) to create effective financing packages.

The catalytic effect of the EIB's input is particularly evident in the growing number of public-private partnerships (PPPs) supported by the EIB. In 2004, the Bank signed loans totalling EUR 1.6 billion for PPP projects.

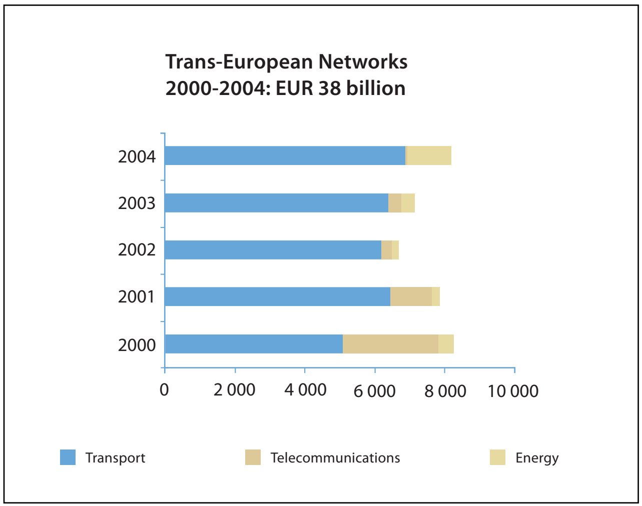
European Action for Growth

The EIB was actively involved in the preparation of the European Action for Growth. Adopted by the Brussels European Council in December 2003, this initiative aims to strengthen Europe's long-term growth potential through increased investment in TENs as well as in innovation and R&D.

In the TENs sector, the European Action for Growth has identified 30 new priority projects totalling an estimated EUR 400 billion. These projects have been selected on the basis of their importance for the integration of the internal market in the enlarged Union, along with their degree of maturity, economic and financial viability, impact on growth and leverage effect on private capital.

To support the European Action for Growth, the Bank has established a new TENs Investment Facility (TIF) designed to invest EUR 50 billion in this sector by the end of the decade, half of which by end-2006, for the most advanced of these projects.

EIB operations in support of Trans-European Networks and corridors in the EU 1993-2004



The Bank's operations will involve both conventional long-term lending with very long maturities and appropriate grace periods and the introduction of pioneering financial instruments aimed at addressing the risk issue and hence serving as a catalyst for private sector investment in TENs financing. These instruments include in particular:

- A Structured Finance Facility (SFF), with a reserve of EUR 500 million (of which EUR 100 million for projects in the Mediterranean region), making it possible to finance private, public or semi-public special purpose vehicles (particularly in cross-border PPP projects) on a risk-sharing basis;

- With the support of the Community budget, the EIB has created a TENs Risk Capital Facility, endowed with EUR 90 million, to assist projects directly (in the case of very large-scale projects) or via specialised venture capital companies which the Bank helps to set up and which can inject equity into transport infrastructure projects and offer additional gearing to that provided by banks;

- Guarantee schemes especially tailored to large-scale TENs projects. To this end, in addition to EIB guarantees, the European Action for Growth provides for the creation of a specific TENs guarantee fund, financed from Community resources, to hedge against a project's ramp-up risk: completion and commissioning. The European Commission and the EIB are currently finalising the parameters of such an instrument, which is expected to be launched towards the end of 2005;

- Support for infrastructure securitisation, consisting of an operator selling the revenues generated by an investment in advance in return for the pledging of the project's assets and remuneration of the risk borne by the investor providing the funds. The EIB is closely monitoring these mechanisms and occasionally participates as an investor or guarantor. The next step would be to assist in the creation of securitisation funds making it possible to cater for several TENs projects at the same time and share the risks. The Bank is currently in exploratory talks with a number of potential partners (monoline insurers, pension funds, banks, etc.) to gauge market interest in this type of vehicle.

Almost EUR 8 billion for TENs in 2004

In 2004, signed loans in support of TENs projects within the enlarged Union totalled EUR 7.97 billion.

In the transport sector (EUR 6.6 billion), the principal financing operations concerned:

- Construction of *high-speed rail lines* such as those connecting Milan to Naples (Italy), Brussels to Antwerp and Liège (Belgium) and the new line linking Madrid to Barcelona and the French border (Spain);

- Improvements to the *road and motorway networks* involving, in particular, construction of motorway sections in Ireland, on the Egnatia trunk road (Greece), on the D8 motorway between Prague and Dresden in Pan-European Corridor IV linking Berlin to Istanbul (Czech Republic), and in Corridor X between the Austrian and Croatian borders (Slovenia); and the upgrading and modernisation of several motorways in France, Belgium and Slovakia;

- Upgrading of *airport infrastructure* in Madrid (Spain), Roissy (France), Munich (Germany), Stockholm (Sweden), Porto (Portugal) and Bologna (Italy);

- Expansion or modernisation of *port infrastructure*: construction of a new container terminal in Rotterdam (Netherlands), the commercial port of Le Havre (France), Aveiro (Portugal), Barcelona (Spain) and Trelleborg (Sweden).

In the Accession Countries, Bulgaria benefited from a EUR 20 million loan for the construction of a combined (road and rail) bridge in Pan-European Corridor IV between Vidin (Bulgaria) and Calafat (Romania).

Loans for energy TENs (EUR 1.3 billion) targeted projects involving the production and importing into the UK of Norwegian gas, construction and operation of a liquefied natural gas (LNG) import terminal in Sagunto (Spain), upgrading and extension of the gas transmission network throughout Spain, and interconnection of Danish and Dutch natural gas transmission networks in the North Sea.

The EIB and PPPs

PPPs represent a relatively new approach to building infrastructure and delivering public services. Their main attraction lies in the increased efficiency and effectiveness achieved by sharing a project's risks, which are shouldered by those best able to manage them: the construction and operational risks are borne by private enterprise, while public authorities take on the responsibility for establishing and maintaining a balanced legal and economic framework throughout the life of the project. In addition, PPPs enable public authorities to create public service infrastructure while staggering the burden of their investment over time and, in certain cases, allowing off-balance sheet commitments.

The vast majority of the EIB's PPP lending is concentrated in the transport sector (85% of total approvals) and in health and education (13%).

The EIB has invested some EUR 17.4 billion in a range of transport PPPs such as (to mention only a few important road and rail projects): toll motorways in Portugal; numerous motorways in Spain; the Rion-Antirion bridge in Greece; the Millau viaduct in France; the Dutch section of the PBKAL high-speed train; the Øresund link between Denmark and Sweden; the renovation of the London Underground; and the A2 motorway in Poland.

In this area, the Bank works in close cooperation with the main players in this type of project: the European institutions, public authorities and the private sector. In addition, the Bank has set up a dedicated inter-directorate unit, enabling it to play to the full its role of giving advice and transferring know-how in the structuring of PPPs.

EIB Group support for SMEs

The European Investment Bank provides medium and long-term finance to small and medium-sized enterprises (SMEs) through global loans. These are credit lines to intermediary banks or financial institutions, which on-lend the funds to support small-scale investment projects, often carried out by SMEs with fewer than 250 employees. In 2004, global loans in the EU-25 amounted to EUR 10.7 billion, of which nearly half was destined to benefit SMEs.

The European Investment Fund assists SMEs by providing equity through venture capital financing and, indirectly, by furnishing guarantees for the SME portfolios of financial institutions or public guarantee bodies.

Over the past five years, the EIB Group's support for SMEs in the EU-25 has consisted of:

- Close to half (EUR 26.7 billion) of the EUR 57.6 billion in global loans signed with some 200 partner banks;
- EUR 2.3 billion in equity participations in 109 operations;
- EUR 6.5 billion in SME portfolio guarantees provided to nearly 100 banks and specialised institutions.

Emphasis on value added

The three pillars of EIB value added applying to individual loans are equally crucial for global loans.

The first pillar, consistency of global loan activity with the priority objectives of the European Union, plays a decisive role in the allocation of EIB funds to financial intermediaries and final beneficiaries. Thus, global loans have essentially promoted SMEs, regional development (over 60% in 2004), environmental protection, and innovation and research.

In the case of global loans, the soundness of the project, which is the second pillar of EIB value added, relates primarily to the capacity of the intermediary to manage the loan according to an agreed set of criteria, in line with the Bank's objectives. Careful attention is paid to the assessment and selection of banking partners, helping to ensure that the Bank's funds are used in the best possible way.

The third pillar consists of the financial value added for the final beneficiaries of global loans: in other words, the interest rates and maturities available to SMEs and other project promoters. In 2004, the Bank continued to diversify intermediary banks in order to stimulate competition, which is favourable to the final beneficiaries. In addition, the EIB paid particular attention to the mechanisms in place in its partner banks to inform the final beneficiaries of the EIB's involvement and ensure that they derive significant financial benefit from the EIB's advantageous terms.

SME Finance Facility in the new Member States

In the framework of the EIB/European Commission partnership (the SME Finance Facility), EUR 44 million in loans and close to EUR 4 million in grants was allocated to financing some 900 small and medium-scale projects under global loans in the new Member States in 2004. Following the success of this Facility, the EIB again joined forces with the Commission to set up the Municipal Infrastructure Facility (MIF) to speed up the development of small-scale local infrastructure projects in regions of the new Member States bordering the EU-15. In 2004, the first 20 of such schemes were financed.

A new product: mid-cap loans

As a complement to global loans, in 2004 the EIB launched a new product: mid-cap loans, essentially targeting enterprises of an intermediate size - bigger than SMEs but with a staff of fewer than 3 000. Mid-cap loans are grouped loans provided through financial intermediaries. Projects financed under mid-cap loans are vetted by the intermediary, which reports *ex ante* to the EIB on the investment's economic, financial, technical and environmental viability.

One of the objectives of mid-cap loans is to fill the gap between global loans and individual direct loans for large projects. This has become increasingly necessary now that the EIB has aligned its SME definition with that of the European Commission, lowering the Bank's former SME workforce threshold from 500 to 250. Mid-cap loans enable the Bank to continue offering indirect loans to firms excluded from the SME category by virtue of introduction of the new definition, providing that their projects meet the Bank's eligibility criteria.

The first two mid-cap loans were signed at the end of 2004: EUR 100 million was lent to CCF (formerly Crédit Commercial de France) to finance investment in France promoting regional development, i2i, environmental protection and human capital; and Norddeutsche Landesbank Polska received a loan of EUR 50 million for regional development, i2i and energy projects in Poland. The Bank expects that 2005 will see more such operations.

The EIF

The European Investment Fund, in which the EIB is the lead shareholder (almost 60%) alongside the European Commission (30%) and a cluster of banks and financial institutions, specialises in venture capital, SME guarantees and advisory services. The EIF operates through some 350 financial intermediaries, using its own resources as well as those entrusted to it by the EIB, the European Commission and recently the German Ministry of Economics and Labour. The Fund is driven by two objectives: while first and foremost serving European policy goals, it also aims to generate financial returns for its shareholders. At end-2004, the EIF's combined portfolio amounted to some EUR 10.5 billion.

With European Investment Bank resources, the Fund has mobilised around EUR 4 billion for venture capital investments in high-growth innovative SMEs since 2000, thus underpinning the Lisbon agenda. The EIF also fosters innovation through the Technology Transfer Accelerator project, which it set up in cooperation with the European Commission and the EIB to bridge the seed-financing gap. To this end, the Fund has launched a new type of investment vehicle focused on funding the commercialisation of research and development.

EIF venture capital operations

Venture capital operations amounted to EUR 358 million in 2004, spread over some 15 transactions in Italy, Spain, France, the UK and Germany, as well as a number of operations in the new Member States.

Due to the current venture capital market conditions, the participation of private investors remains fragmented. The EIF's stable presence in the market underlines the value of public funding in times of market difficulties. It helps to attract private sector financing, especially since the Fund's operations pay particular attention to SME values and good governance.

In 2004, the EIF broadened its investment policy to include mid and later-stage funds, but its portfolio continues to be concentrated on early-stage technology (primarily ICT and life sciences).

SME guarantees

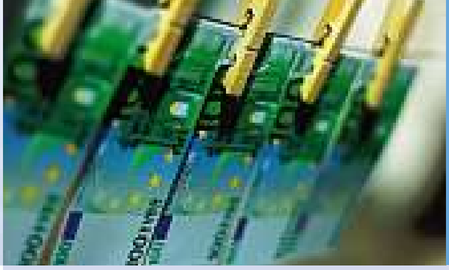
The second leg of the EIF's activity is the provision of guarantees for SME portfolios held by financial institutions or public guarantee bodies. The Fund offers two main product lines for its guarantee activity: credit enhancement (securitisation) and credit insurance/re-insurance (including for microcredit loans).

In 2004, the EIF concluded 40 guarantee operations for a total of EUR 1.45 billion. This included EUR 750 million under the Multiannual Programme for Enterprise and Entrepreneurship (MAP), a mandate managed by the EIF on behalf of the European Commission. A special feature of the MAP is that it aims to provide an incentive to guarantee schemes (or banks in countries where there are no guarantee schemes) to lend more to SMEs, or to lend on better terms or with fewer security requirements, in return for which the EIF picks up part of the expected losses up to an agreed ceiling. The number of such operations in the new Member States and Accession Countries was particularly large in 2004.

Credit enhancement operations accounted for EUR 697 million in 2004. These serve to enhance debt finance to SMEs by facilitating the risk transfer from the originating banks to the capital market via securitisation.

EIF Advisory Services

The new advisory activity was launched in late-2002 and consists of offering technical assistance and advisory services to institutions, drawing on the EIF's expertise in venture capital and SME portfolio guarantees. The objective is to help create favourable investment mechanisms and improved access to finance for SMEs.



Cooperation with the banking sector

The EIB Group works in very close cooperation with the banking sector, both with respect to its borrowing on the capital markets and its lending and guarantee activities.

In working together with the banking sector, the Group deploys a varied and effective range of financial products.

EIB global loans, an important means of fostering smaller-scale investment, are currently deployed through some 200 banks and other financial institutions both within and outside the EU. Apart from their impact on developing the local financial sector, they enable SMEs and local authorities to maintain close links with banks. The palette of global loans is being broadened to encompass regional banks (in response to the objective of supporting investment in less-favoured areas) and more specialised intermediaries, for instance in the environmental, audiovisual and high-tech sectors.

The EIB also cofinances medium and larger-scale projects. Complementing the banking sector, EIB funding, predominantly long-term and sometimes taking the form of structured or intermediated financing, serves to diversify the sources and types of funding available to businesses, so optimising their development plans. As part of its endeavours to widen the gamut of its products to accommodate economic needs, the EIB, in cooperation with its partners in the European banking sector, has also introduced mid-cap grouped loans tailored to intermediate-sized firms, which are provided through financial intermediaries.

Lastly, operating both within and outside the Union, the EIB is well equipped to work in tandem with the banking sector in supporting the group strategies of major players by furthering their projects in the EU as well as their foreign direct investment in non-member countries.

Human capital

Providing finance for investment in health and education has been a feature of the EIB's activity since 1997, when the Amsterdam Council asked the Bank to widen the scope of its lending to include human capital. Originally limited to the European Union, eligibility was gradually extended to the then Candidate Countries, the Western Balkans, the Mediterranean region, the ACP States and South Africa.

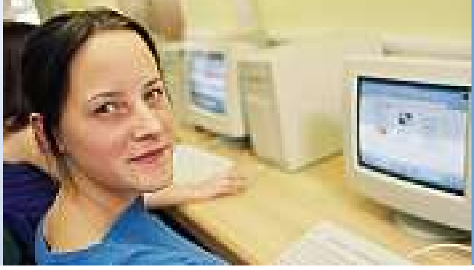
Attracting loans worth more than EUR 4.4 billion in the EU-25 in 2004, human capital has become one of the Bank's top priorities. Small and medium-scale investment in human capital, financed via global loans, accounted for an estimated additional EUR 1.1 billion.

The EIB usually lends for the tangible infrastructure supporting human capital – schools, universities (teaching and research), laboratories, clinics, hospitals and primary and social care networks. However, lending for intangible investment, such as student loan schemes and R&D in universities and hospitals, is on the increase.

Highlights among the 36 projects financed in 2004 were the construction of:

- a regional clinic for mothers and children in Linz, Austria (EUR 20 million)
- schools and day nurseries in Vantaa, Finland (EUR 12 million)
- social care centres for the elderly and disabled in the province of Vizcaya, Spain (EUR 36 million)

The Bank cooperates closely with the European Commission in the health and education sectors. It is also in close contact with the OECD on education issues. Together with the World Bank it has released a sector study on higher education in Poland (see box). In the health sector, the EIB is a founder member of both the European Observatory on Health Systems and Policies (along with the World Health Organisation, the World Bank, several governments, NGOs and others) and the EU Health Property Network.



EIB and World Bank on Polish higher education

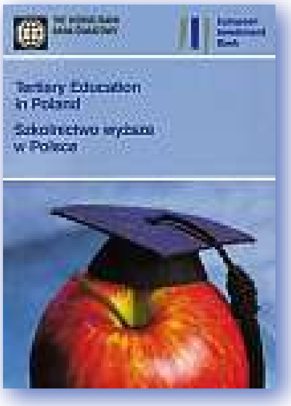
In 2004, the EIB and the World Bank published the report "Tertiary Education in Poland". The major purpose of this joint study was to discuss important outstanding issues in the provision of tertiary education in Poland and to recommend improvements to the quality and accessibility of educational services.

Although much has been accomplished since the early 1990s to gear the Polish tertiary education system to the human capital needs of a competitive open economy, much remains to be done to make Poland's higher education system more responsive to the requirements of a globally competitive knowledge economy and to the changing labour market needs for advanced human capital.

The report recommends that Polish students should be better educated in scientific disciplines and technical and entrepreneurial know-how. In addition, the education and training system needs to produce school leavers and graduates who have acquired competencies and life skills such as problem-solving, teamwork, communication and technological literacy as well as the business skills and risk-taking attitudes required for entrepreneurship.

As is usual for EIB operations, the preparation of the report was linked to the implementation of an investment scheme. In 2003, the EIB granted Poland a EUR 500 million framework loan, with a significant part of this investment facility designed to support the Polish education and research & development sectors. The document identifies areas and activities suitable for cofinancing with a view to accelerating reform and modernising the tertiary education and university-based R&D systems.

The report was the first joint sector study by the EIB and the World Bank. It is a good example of how the two banks working together can contribute to a country's human capital development.



FEMIP: reinforcing cooperation in the Mediterranean region

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is helping the European Union's ten Mediterranean Partner Countries (MPCs) to meet the challenges of economic and social modernisation and enhanced regional integration in preparation for the establishment of a Euro-Mediterranean free trade area by 2010.

In 2004, FEMIP lending rose to EUR 2.2 billion. This was also the first year in which grant finance under FEMIP's Technical Assistance Support Fund was provided to MPCs.

Mediterranean Countries
Loans provided in 2004

(million)

	Total	of which risk capital
Egypt	688	
Turkey	655	
Morocco	241	10
Syria	200	
Tunisia	184	
Lebanon	105	
Jordan	100	
Algeria	13	
Mediterranean Group	4	4
Mediterranean	**2 190**	**14**

Strong political and financial support

The undertaking to establish a free trade area between the European Union and the MPCs calls not only for strong financial support, but also for firm political commitment. For this reason and in recognition of its success in its first year of operation, in November 2003 the ECOFIN Council asked the Bank to reinforce FEMIP further. The Bank responded quickly to the challenge and the Council's request was fully implemented in the course of 2004.

A Special FEMIP Envelope (SFE) of EUR 100 million from the Bank's reserves was added to the existing financing facilities in the Mediterranean region, allowing for extended risk-sharing operations of up to EUR 500 million. In particular, the SFE will enable the Bank to finance selected private sector operations in the MPCs which have a higher risk profile than the one accepted under "standard" EIB operations.

A FEMIP Trust Fund of currently EUR 30 million was also established at the end of 2004 to finance upstream technical assistance and risk capital operations in the region. The Trust Fund partly complements resources available under FEMIP's Technical Assistance Support Fund, which was created in 2003 and became fully operational in 2004. The aim of this fund is to help promoters in the Mediterranean region improve project preparation and implementation. An overall amount of EUR 105 million will be provided from the EU MEDA budget to the FEMIP Technical Assistance Support Fund in the period 2003-2006.

Another aspect of the reinforced FEMIP is the improvement of dialogue on structural reform processes across the region, aimed at enhancing the operating environment for the private sector as well as project and donor coordination. To meet this goal, a Committee of Finance Ministers, meeting once a year, was set up in 2004. This is complemented by a high-level preparatory body of experts meeting twice a year.

The first Ministerial meeting, bringing together Economics and Finance Ministers of the European Union and the MPCs, took place in Alexandria, Egypt, in June 2004. To prepare for the next Ministerial meeting, scheduled for June 2005 in Morocco, two high-level experts meetings were held, in Amsterdam in October 2004 and in Luxembourg in early 2005. It is foreseen that in due course these Ministerial meetings will most likely evolve into a "Mediterranean ECOFIN Council".

The fourth and final leg of the "reinforced" FEMIP was the establishment of a permanent physical presence in the Mediterranean region, underpinning the Bank's operational activities in the MPCs. A first "regional" office was opened in Cairo in 2003, mainly serving the countries of the Middle East. The first "local" office was inaugurated in Tunis towards the end of 2004, while a second "local" office is scheduled to open in Rabat by mid-2005.

Operational success in the region

FEMIP was originally set up in 2002 with the aim of providing direct financial support to the private sector as well as creating an "enabling environment" in which the private sector can prosper.

With over a third of its lending – EUR 760 million – going towards private sector development in the region and the remaining two thirds supporting infrastructure development, FEMIP's objectives were fully met in 2004. Support for the private sector took the form of:

- Foreign Direct Investment in Algeria and Egypt
- Global Loans targeting small and medium-sized enterprises in Egypt, Lebanon, Tunisia and Turkey.

Lending for infrastructure focused in particular on the energy sector (EUR 768 million), transport (EUR 660 million) and environmental protection (EUR 190 million). More specifically, FEMIP loans went to:

- Power generation and gas transmission/distribution in Egypt, Jordan, Morocco and Syria
- Improvement of transport infrastructure in Egypt, Tunisia and Turkey
- Water supply and water treatment in Lebanon, Morocco and Tunisia.

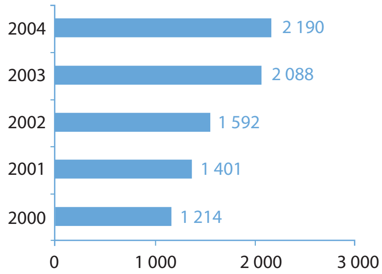
By the end of the year, 20 contracts had also been signed with consultancy specialists under the FEMIP Technical Assistance Support Fund, for a total of EUR 13.8 million. The funds were mostly used to commission studies on how to increase the efficiency of investment in environmental protection, infrastructure and human capital.

The future of FEMIP

By asking the Bank to reinforce FEMIP in 2003 – only one year after its launch – the ECOFIN Council underlined the Bank's role in strengthening the Euro-Mediterranean Partnership. Since FEMIP's creation in 2002, the Bank's annual lending has been in the order of EUR 2 billion per annum and has been growing steadily. The range of financial instruments available to the Bank in the region has been extended and the dialogue between the European Union and the MPCs further intensified.

The European Council will take a decision as to whether FEMIP should be continued in its present configuration at the end of 2006 on the basis of an evaluation of the reinforced FEMIP's performance and following consultations with the MPCs.

Mediterranean Countries
2000-2004: EUR 8 billion



FEMIP supports social housing in Morocco

The Bank's first social housing loan in the Mediterranean region was signed in Morocco in 2004. The EUR 71 million loan will help to eliminate shantytowns, upgrade slum areas by providing basic amenities, and alleviate the social housing shortage in Morocco.

The project comes under the "Cities without Slums" programme, which aims to build 100 000 low-cost dwellings a year. FEMIP has developed a coordinated approach with (i) Agence française de Développement (AFD), which is currently preparing a complementary scheme, (ii) the World Bank, which is developing a project to support institutional reform in this sector, and (iii) the European Commission, which has included the eradication of shantytowns among its priorities for 2005 and 2006.

Through this project, FEMIP will contribute to the achievement of one of the United Nations Millennium Development Goals: to ensure environmental sustainability by significantly improving the lives of at least 100 million slum dwellers by 2020.

Cooperation with other partner countries

In the broad context of the European Union's development aid and cooperation policies, the EIB finances projects around the world: in Africa, the Caribbean and the Pacific; in South Africa, the Western Balkans and Russia; and in Asia and Latin America. To prepare the Accession Countries for their entry into the European Union, the Bank also finances projects in Romania and Bulgaria.

African, Caribbean, Pacific (ACP) States and OCT

Since 2003, the Bank's operations in the ACP countries have been carried out under the ACP-EU Cotonou Agreement, which provides for EUR 1.7 billion in loans from the Bank's own resources and up to EUR 2.2 billion from an Investment Facility financed from the European Development Fund and managed by the Bank over the period 2003-2007. Under the Investment Facility, the EIB deploys a variety of risk-sharing instruments in the framework of a strategy focused on supporting the private sector as well as infrastructure projects in the public sector that facilitate private sector investment. The Investment Facility is a revolving fund, with return flows being re-invested in new projects in the ACP countries.

Financing provided by the EIB in the ACP States totalled EUR 440 million, of which EUR 337 million under the Investment Facility. EUR 185 million went to the private sector or commercially-run public sector and EUR 255 million to the financial sector (banks, venture capital and micro-finance funds) in support of SMEs, most of which are in the private sector.

ACP-OCT
Loans provided in 2004

(million)

	Total	of which risk capital
Africa	295	247
West	147	122
Southern and Indian Ocean	81	67
East	57	48
Central and Equatorial	10	10
Caribbean	33	25
Pacific	12	6
Multi-regional	100	100
ACP-OCT	**440**	**378**

Highlights:

- EUR 90 million was signed for setting up EUROPEAN FINANCING PARTNERS S.A. (EFP), a Luxembourg-based company, as an investment matching facility with the EDFIs (bilateral European development finance institutions), for financing private sector projects in the ACP countries.
- A USD 8 million participation was taken in a second African Lion Mining Fund together with Proparco (France), AuSelect Limited (Australia) and Investec Bank Limited (South Africa), partly to support early-stage mining companies.
- EUR 54.6 million was signed with the West African Development Bank, including a EUR 25 million guarantee facility, which was the first operation of this kind under the Investment Facility.

- EUR 22.5 million was lent for a new power plant for SNIM (Société Nationale Industrielle et Minière) in Mauritania, together with the acquisition of a USD 5 million holding in a company set up to carry out a feasibility study into the exploration of a further iron-ore deposit in the region.

In 2004, considerable preparatory work was undertaken for the opening of the new EIB representative offices in Dakar, Senegal, for Western Africa; in Nairobi, Kenya, for East and Central Africa; and in Pretoria, South Africa, for the Southern Africa and Indian Ocean regions. These became operational at the beginning of 2005. The possibility of opening offices in the Caribbean and Pacific regions is being examined.

South Africa

The EIB lent EUR 100 million for the Berg Water project, a major scheme to improve and secure water supplies for the 3.2 million population of the Cape Town area.

The Western Balkans

In 2004, the EIB lent a record EUR 461 million in the Western Balkans. The Bank supported investment in transport infrastructure in Croatia and in Serbia and Montenegro in order to improve connections with the European Union. A first framework loan for local authorities to implement environmental schemes was advanced in Croatia. Small and medium-sized enterprises received backing in Serbia and Montenegro. At Vlore, Albania, the Bank financed the construction of a power plant with wider benefits for the Balkans power system.

In the years ahead, the EIB will continue its support for the reconstruction and upgrading of regional and municipal infrastructure (transport, energy and the environment). Assistance to the private sector is set to increase and more loans will be channelled into investment in health and education projects.

Balkans
Loans provided in 2004

(million)

	Total
Serbia and Montenegro	226
Croatia	195
Albania	40
Balkans	**461**

Russia

The EIB's activities in Russia are currently governed by a first mandate to lend up to EUR 100 million for environmental projects in the Baltic Sea rim, in particular the St Petersburg and Kaliningrad areas. In 2003, a loan was signed for a wastewater project in St Petersburg. This project was cofinanced with the EBRD and the Nordic Investment Bank. A second loan, for the construction of a flood barrier in St Petersburg, was approved in 2004 and is expected to be signed during 2005.

In December 2004, the ECOFIN Council authorised a new Community guarantee to cover additional lending of up to EUR 500 million in Russia, Belarus, Moldova and Ukraine.

Accession Countries

Bulgaria and Romania attracted loans worth EUR 119 million in 2004. The Bank supported small-scale investments, notably by SMEs, through global loans totalling EUR 20 million in Bulgaria and EUR 50 million in Romania. In Bulgaria, the Bank lent a further EUR 20 million for the construction of a combined road/rail bridge over the Danube. A loan of EUR 29 million went to investment in municipal water infrastructure projects in Romania.

Asia and Latin America (ALA)

In 2004, lending for projects in Asia and Latin America reached EUR 233 million, of which EUR 167 million for three projects in Latin America (Brazil, Mexico and Panama) and EUR 66 million for two projects in the Philippines. EIB lending is aimed at strengthening the international presence of European companies and banks by supporting projects of mutual benefit to the ALA countries and the European Union. Since it began operations in the ALA countries in 1993, the Bank has signed almost 80 loans for a total of over EUR 3.5 billion.

Visit of His Excellency Dr Bingu wa Mutharika, President of the Republic of Malawi

Asia and Latin America
Loans provided in 2004

(million)

	Total
Latin America	***167***
Mexico	70
Brazil	57
Panama	41
Asia	***66***
Philippines	66
Asia and Latin America	233

The EIB: a leading international debt issuer

The funding strategy facilitated substantial growth in issuance relative to 2003, with an increase of 18% to EUR 50bn. The Bank also played a pathfinder role, notably in developing new areas of long-dated issuance, inaugurating AAA-rated issuance in new currencies and reviving issuance in dormant market segments. Continuing support from an enlarged base of sovereign EU shareholders, a key underpinning for the Bank's top rank AAA credit standing, remained the cornerstone of the positioning as the Consolidated European Sovereign Issuer. Also, the market reception for the Bank's funding activities in 2004 provided evidence of further strengthening of the Bank's positioning as a sovereign class bond issuer.

Borrowings signed in 2004 (EUR million)

	Before swaps		After swaps	
EUR	17 373	*34.8%*	22 355	*44.8%*
CZK			522	*1.0%*
GBP	9 583	*19.2%*	5 497	*11.0%*
HUF	880	*1.8%*	77	*0.2%*
MTL	23	*0.0%*		
PLN	203	*0.4%*	251	*0.5%*
SEK	329	*0.7%*	165	*0.3%*
SIT	17	*0.0%*		
Total EU-25	**28 408**	***57%***	**28 868**	***58%***
AUD	1 065	*2.1%*		
BGN	51	*0.1%*		
CAD	193	*0.4%*		
HKD	67	*0.1%*		
JPY	1 418	*2.8%*		
NZD	329	*0.7%*		
USD	17 863	*35.8%*	20 777	*41.7%*
ZAR	474	*0.9%*	220	*0.4%*
Total non-EU	21 460	*43%*	20 997	*42%*
Total	**49 868**	***100%***	**49 865**	***100%***

Overview of results

The Bank raised EUR 50bn via 282 transactions in 15 currencies. Issuance in EUR (EUR 17.4bn or 35% of total funding) and USD (USD 22bn / EUR 17.9bn equivalent or 36%) accounted for the largest share (before swaps). In GBP the volume reached GBP 6.5bn / EUR 9.6bn (19% of total funding). The Bank's three core currencies (EUR, GBP, USD) therefore accounted for 90% of funding. Strong currency diversification continued, with issuance in 12 additional currencies (10% of funding), involving those of new EU Member States and Accession Countries (BGN, HUF, MTL, PLN, SIT), a further European currency (SEK), and currencies of Japan (JPY), Asia/Pacific (AUD, HKD, NZD), Canada (CAD) and South Africa (ZAR).

In EUR, overall issuance volume was stable (EUR 17.4bn), but there was strong growth in targeted issuance to EUR 4.7bn (vs. EUR 0.8bn in 2003). The sizeable growth in overall funding volume was mainly due to growth in issuance in USD (+62% in USD terms to USD 22bn, +44% in EUR equivalent terms) and in GBP (+33% to GBP 6.5bn / EUR 9.6bn). In both USD and GBP, the largest source of growth was benchmark issuance, at least doubling in each currency (to USD 14.5bn and GBP 5.9bn respectively). In USD, growth of structured issuance was also substantial, doubling to USD 5.1bn. Overall structured issuance increased to EUR 9.9bn equivalent (2003: EUR 9.3bn equivalent) via 147 transactions.

Consistent and innovative strategy

In its funding strategy, the EIB continued to demonstrate consistency and innovation. In benchmark programmes this involved sustained close attention to quality of execution and secondary market performance, which helped EIB bonds remain a stable store of value and supported continued issuance of large liquid benchmarks in the Bank's three core currencies. In addition, the Bank remained responsive to opportunities for targeted plain vanilla and structured issuance across a wide array of currencies. In 2004, the funding strategy facilitated substantial growth in issuance.

Further development of benchmark curves

The EIB is the only supranational to issue benchmark bonds across the yield curve in EUR, USD and GBP. Benchmark issuance in the three core currencies in 2004 reinforced liquidity and offered a wider range of maturities.

In EUR, a pioneering new EUR 4bn 15-year benchmark EARN (Euro Area Reference Note) issue created a long-dated benchmark segment alongside leading sovereigns, reaffirming the Bank's sovereign class. Both this 15-year issue and the EUR 5bn 3-year EARN benchmark issue concluded in 2004 contributed significantly to diversification of the investor base in Europe, both geographically and, for the 15-year issue, among long-dated investors such as insurers and pension funds. At end-2004 the EARN benchmark yield curve comprised 13 benchmarks covering maturities from 2005 to 2020, with a total outstanding volume of over EUR 63bn. This remains the most comprehensive yield curve among quasi-sovereign issuers.

In GBP, the Bank continued to be the leading gilt complement, with a market share of around 12% of all non-gilt fixed-rate issuance. In 2004, the EIB has continued to implement the strategy of strengthening its sterling curve with new maturities and supplementing liquidity in existing issues. The wide range of maturities tapped – 16 different dates from 2005 to 2054 – illustrates the EIB's wide-ranging appeal in the GBP market.

In USD, the Bank was unique among international borrowers in issuing in all key benchmark maturities, involving six new global issues for USD 14.5bn in total, via benchmark transactions in 2, 3, 5 and 10-year maturities and a callable bond. The EIB remained the largest and most frequent USD issuer among supranationals and is the only issuer in its class to offer such a comprehensive yield curve, with maturities ranging from 2005 to 2014.

Development and diversification

Long-dated issuance played a developmental role by addressing segments with limited sovereign presence or a shortage of high-quality alternatives for investors. About 25% of total funding was in maturities of ten years or longer, and was raised across 10 currencies. The highlights included the 15-year EUR benchmark issue, a 10-year USD benchmark issue, a GBP 50-year, a CAD 40-year, a JPY 10-year inflation-linked issue and a Slovenian tolar 10-year issue.

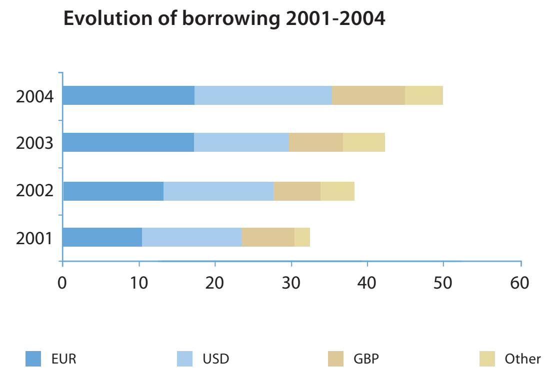
Another important area of development was in currencies of new EU Member States and Accession Countries, where issuance amounted to EUR 1.2bn equivalent. In this region the Bank not only strengthened liquidity and offered a wider range of maturities, but also issued in three new currencies (Maltese lira, Slovenian tolar and Bulgarian lev), in each case being the first AAA-rated or sovereign class issuer other than local governments. The bulk of issuance in the region was in HUF (75% or EUR 880m equivalent) and PLN (17% or EUR 203m equivalent). As in previous years, the Bank was the largest issuer in the region other than local sovereigns.

Among the highlights of diversification in 2004 in terms of product were a floating rate note for EUR 3bn, the largest issue of its type; revival of the TEC10 market with a EUR 1bn 15-year transaction; and the first JPY inflation-linked issue other than those from the Japanese Government. Also, in GBP, the Bank almost doubled the volume of inflation-linked issuance to GBP 350m, the majority to fund PPP projects in the UK.

Diversification was further evidenced by activities across a wide range of currencies and markets. In the Swedish krona market, the Bank built the largest 10-year SEK eurobond (SEK 2.5bn / EUR 274m). In Asia, the Japanese market remained a large source of funding, both for issues in JPY (notably Samurais) and in foreign currencies (Uridashis) in AUD and NZD. Also, in selected markets the Bank's issuance revived certain market segments, notably in AUD (two benchmark domestic Kangaroo issues) and CAD (a record 40-year maturity). In addition, the Bank more than doubled its issuance in South African rand to ZAR 3.9bn (EUR 474m), reinforcing its position as the largest foreign issuer. A further source of diversification was an issue in synthetic Turkish lira, where cash flows are denominated in USD.

The EIB's award-winning capital markets team

The Bank also diversified its investor base. Apart from an expanded presence in Europe, the scale of USD placings with US investors also grew, with on average around one third of USD benchmark issues placed with US accounts.



Evolution of borrowing 2001-2004

Market recognition

Market recognition for the Bank's borrowing strategy and activities in 2004 was illustrated by the broad range of awards, reflecting feedback from market participants. From the publication *IFR* the EIB received the top award among all borrowers across all asset classes globally, "Borrower of the Year 2004", as well as separate awards for best borrower in Europe and among agencies/supranationals globally. In addition, the Bank's 15-year EUR benchmark received an *IFR* award for best bond issue among supranationals/sovereigns/agencies. Furthermore, the Bank garnered multiple awards in the poll conducted among market participants by *Euroweek*, including the awards for "Most Impressive Borrower" and "Most Innovative Borrower" as well as "Deal of the Year". Also, from *Euromoney* the Bank received the award for "Best Supranational Borrower in Western Europe".

Corporate Governance

A partner to the European institutions and international financial institutions

As the Community's long-term financing institution, the EIB operates on the basis of guidelines laid down by its shareholders in the forums of the Board of Governors and the European Council. A constant dialogue with the European institutions which prepare, propose and decide on the Union's policies is therefore crucial.

Cooperation with the Council

In 2004, the Bank continued to contribute to the work of the **ECOFIN Council** on a regular basis, by participating in the Council meetings and by making its capital investment financing expertise available, not only to ECOFIN's preparatory bodies but also to several committees and working groups coordinating and preparing the work of other Council configurations.

In its presentations to ECOFIN, the Bank reported on its contribution to the European Action for Growth and on developments in EIB lending, particularly for TENs projects and for investment supported by the Bank's Innovation 2010 Initiative.

The spring 2004 **European Council** underlined the continuing importance of the Bank's role in the Lisbon process. Affirming the vital contribution of clean technologies to the full exploitation of synergies between the business and environment sectors, the European Council welcomed the Commission's Environmental Technologies Action Plan and called on the Bank to mobilise a range of financial instruments to promote opportunities for environmental improvement to help achieve the economic and social goals of the Lisbon strategy.

The Council has also called on the EIB for assistance in the implementation of external policies. This was particularly the case with the external lending mandates, and notably the new extended lending mandate in Russia, Belarus, Ukraine and Moldova.

Cooperation with the European Commission

Cooperation between the Commission and the EIB is an ongoing process. During 2004, the Joint Working Party set up to review and coordinate this cooperation began implementing its first conclusions, endorsed in February 2004 at the annual meeting between Commissioners and the EIB's Management Committee.

In terms of procedures and working processes, cooperation between the EIB Group and the different Commission services starts with upstream policy formulation and dialogue between the two institutions and subsequently extends downstream via country or sector strategies and programmes, through to investment at the individual project level.

Such cooperation was further intensified in terms of working procedures with the establishment of procedural rules for day-to-day bilateral communication at service level when dealing with concrete project proposals. In 2004, the Bank also agreed with the Commission updated procedures for consultation in respect of global and mid-cap loans under Article 21 of the EIB's Statute. This agreement was motivated by the Bank's adoption of the new definition of SMEs, following Commission Recommendation 2003/361/EC of 6 May 2003, and introduction of mid-cap loans in support of intermediate-sized companies. In line with its transparency policy, the Bank posts such agreements and Memoranda of Understanding with the Commission on its website.

In combining EIB Group products with finance from the EU budget, the objective is to optimise the mix of grant and loan resources to obtain best value for taxpayers' money. This can be achieved by leveraging Community grants with the financial resources of the EIB and ultimately of other partners, so providing extra incentives for Member States and other beneficiaries to implement EU policies. Mechanisms include the use of the EU budget to provide financial support for guarantee schemes, the provision of risk capital and technical assistance from the EU budget, and increasing recourse to the EIB as a technical adviser. The deployment of financial products combining EIB and budgetary resources is also being expanded in activities outside the EU, such as those under the Facility for Euro-Mediterranean Investment and Partnership

(FEMIP), in which risk capital, technical assistance, interest subsidies and budget guarantees are supporting operations managed by the EIB.

Various forms of joint programming of resources in favour of particular EU policies also serve to maximise the impact of available resources, through coordination, leveraging and the creation of incentives. An outstanding example is the programming of regional assistance under the EIB's Structural Programme Lending, whereby EIB operations underpin multi-annual investment programmes managed by public authorities in the Member States, meeting the EU's economic and social cohesion objectives. Such lending is normally closely linked to operations associated with the Community Support Frameworks under the Structural Funds.

EIB Vice-President Philippe de Fontaine Vive Curtaz, World Bank President James Wolfensohn and EIB President Philippe Maystadt.

Dialogue with the elected representatives of Europe's citizens

Following elections in June 2004, a substantial number of newcomers from new and old Member States joined the European Parliament. A background briefing on the EIB Group's activities was provided for numerous MEPs. The EIB Group continued its dialogue with the Parliament by attending meetings of parliamentary committees, notably the Committees on Economic and Monetary Affairs, Budgets, Regional Policy and Transport, and through direct contacts with MEPs. As requested by the European Parliament, a detailed follow-up report on the status of implementation of the various recommendations made by the EP was submitted, together with information on transparency, governance, environmental policy and support for SMEs. Also, during an expert hearing organised by the EP's Economic and Monetary Affairs Committee, President Maystadt provided detailed information on the EIB's contribution to the Lisbon agenda.

Continuing the dialogue between the Bank and the European Economic and Social Committee launched in 2001, the President of the EIB also addressed the plenary session of the Committee to inform it of the EIB's contribution to the Lisbon strategy. The members of an EESC study group on the EIB's role in public-private partnerships held a meeting with the EIB Directorates in Luxembourg. The EESC has also been invited to participate in the EIB's meetings with NGOs.

Finally, complementing this comprehensive dialogue with the leading policy-makers in the European Union, the EIB met with the Committee of the Regions to present its contribution to the financing of transport infrastructure.

EIB Vice-President Isabel Martín Castellá and IDB President Enrique V. Iglesias sign a Memorandum of Understanding between the EIB and the Inter-American Development Bank

Partnership with other international financial institutions (IFIs)

In order to enhance the effectiveness of its operations outside the Union, the EIB made special efforts to step up its cooperation with other international financial institutions, notably the EBRD (particularly in the Balkans and Russia), World Bank Group and African Development Bank.

In the Western Balkans, a high level of coordination amongst the donors in the region has already been reached under the aegis of the Infrastructure Steering Group, consisting of experts from the European Commission, World Bank, EBRD, Council of Europe Development Bank and EIB.

In the Mediterranean region, enhanced coordination will be facilitated through the joint Memorandum of Understanding signed in May 2004 between the European Commission, World Bank and EIB.

In other regions outside the EU, partnerships with international and European bilateral institutions help to ensure that operations are consistent. Partnerships range from informal regular meetings at staff level, regular exchanges of information and coordinated procedures with the relevant authorities, through to the signing of formal Memoranda of Understanding.

With a view to making swift progress in implementing its new mandate for Russia, Ukraine, Moldova and Belarus, the EIB announced its intention in November 2004 to sign up to the existing Memorandum of Understanding between the European Commission, the World Bank and the EBRD on Cooperation for the New Independent States. In addition, on 13 December 2004, the Bank signed a Memorandum of Understanding with the Inter-American Development Bank specifying areas and procedures for cooperation in Latin America. The Bank is currently also working to further improve cooperation with the African Development Bank in the Mediterranean and sub-Saharan regions.

Transparency and accountability

In recent years, the European Investment Bank has implemented a set of high-level policies, strategies and procedures to bring its corporate governance into line with best practice.

A strategic objective

The EIB's Corporate Operational Plan is built around two main strategic objectives: value added for all its operations; and transparency and accountability through external communication. In 2004, the Bank made significant progress in implementing these important objectives.

The guiding principles of the Bank's transparency policy were laid down in *"Transparency – Report and Prospects"*, which was published on the EIB's website in 2004. This document reviews the Bank's public information policy and proposes wide-ranging enhancements. A second key document, also published on the Bank's website in 2004, is the *"Statement on Governance at the EIB".*

A range of new actions are proposed, many of which have already been implemented:

- *Increased information on corporate governance, ethics and remuneration*
  Information has been or will be published on other positions held by members of the Board of Directors; details of their abstentions from voting in cases of conflict of interest will be released; a signed declaration of financial interests by members of the Management Committee and applicable codes of conduct; details of the remuneration of the members of the Board of Directors and Audit Committee are disclosed as well as information on the bonus system for senior management; the Staff Pension Scheme Regulations, and staff benefits such as insurance and travel allowances, are also made public.

- *Important documents and information in the areas of financial reporting and controls and evaluation are made available for public scrutiny*
  These include the half-yearly summary of the consolidated unaudited balance sheet and profit and loss account; the Audit Committee's Annual Reports; Internal Audit's Charter; information on fraud measures (as agreed with OLAF and the Commission's Legal Service); more extensive information on credit risk and market risk policies; and information on the Management Control structure.

- *Release of information relating to banking activity*
  Unless prevented for legitimate confidentiality reasons, the project list on the Bank's website features all projects considered for financing. A particular effort is made to ensure that the list contains all projects outside the EU; all public sector projects irrespective of their geographical location; all projects for which calls for tender have been published in the OJEU or where an EIA requirement has already been published. Information on the projects will include the Environmental Impact Assessment's non-technical summary or, outside the EU, the Environmental Impact Statement, as well as a link to relevant EIA documents and procurement notices. Framework agreements with partner countries are made public, whenever the legal framework permits and subject to the constraints of banking relations.

- *The Bank is looking into the possibility of further opening up public consultation on selected policies, mainly through the website.*

Relations with NGOs

Greater transparency also fuels the dialogue with civil society, in particular non-governmental organisations (NGOs), which, as public interest groups, have a valuable input into policy development. They help to ensure that institutions such as the EIB are sensitive and more aware of local issues and can provide useful additional information at the project level.

A key element of the relationship between the EIB and NGOs is workshops, which are held twice a year. These provide an occasion for specialised EIB staff and NGOs concerned to discuss items of common interest. Workshops are organised on a regional basis to allow in particular local/regional NGOs to meet with EIB staff. EIB participants may also include members of the Management Committee and Board of Directors. The presentations given by EIB and NGO speakers are published on the Bank's website. In 2004, the Bank held a workshop in Warsaw, while a second workshop planned in South Africa was postponed until 2005.

EIB staff take part in events organised by NGOs. In 2004, the EIB participated in a workshop organised by the CEE Bankwatch Network at the World Conference on Renewable Energy in Bonn and in two seminars on the EIB organised jointly by members of the European Parliament and NGOs. EIB staff and Polish NGOs met twice to discuss schemes financed by the EIB under the Polish Flood Damage Reconstruction II Loan.

Audit, control and evaluation

Control functions are indispensable for good governance. All activities of the EIB are subject to controls, whether statutory, based on internal organisational provisions, or exercised by external independent control bodies.

The *Audit Committee* is a statutory body of the EIB and reports to the Board of Governors, the Ministers of Finance of the EU Member States. It verifies that the Bank's operations are conducted in compliance with the procedures laid down in the Statute and the Rules of Procedure and that its books are kept in a proper manner. A firm of *external auditors*, Ernst & Young, assists the Audit Committee in carrying out its task. The EIB's *Internal Audit* keeps a constant eye on internal control systems and the procedures involved. The *Risk Management Directorate* monitors credit, market and operational risks, while *Management Control* focuses on the process of translating strategy into objectives and operational plans. In 2004, the Bank created a special Compliance Office with the task of ensuring that the Bank complies with all applicable laws, regulations, codes of conduct and standards of good practice.

Operations Evaluation carries out *ex post* evaluations and coordinates the self-evaluation process in the Bank. By evaluating a representative sample of the projects and programmes financed by the Bank, it encourages the institution to learn from experience and to optimise its value added. *Ex post* evaluation reports are published on the Bank's website, in line with its transparency policy. In 2004, Operations Evaluation completed *ex post* evaluations on EIB financing of airlines, air infrastructure and global loans under Mediterranean mandates. Early in 2005, Internal Audit and Operations Evaluation were merged into a single *Inspectorate General*, combining the two main independent, *ex post* control functions in a single department.

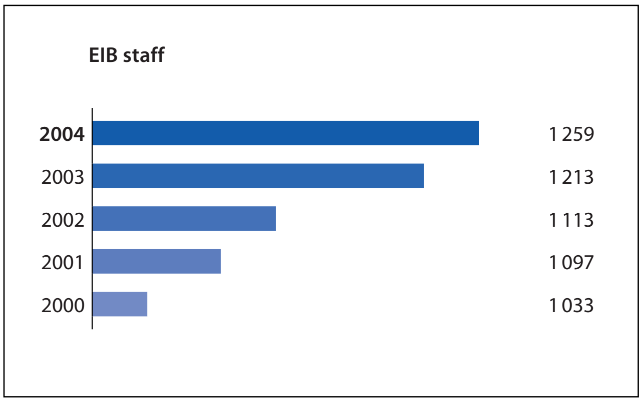
The *European Court of Auditors* audits the use of Community funds managed by the EIB under mandate. The Bank works closely with OLAF, the European Anti-Fraud Office, and with the *European Ombudsman*. In accordance with its "Code of good administrative behaviour for the staff of the EIB in its relations with the public", the Bank set up a formal complaint mechanism in 2004, which ensures that all complaints are brought to the attention of the Secretary General.

EIB Group Administration and Staff

The drive to promote openness and accountability continued to characterise the activities of the Bank with regard to its personnel policies in 2004. Great emphasis has been placed on staff information and communication both internally and externally. The Bank has also striven to improve the quality of its environment in terms of occupational health and the work-life balance.

Recruitment and enlargement

With the enlargement of the European Union, recruitment has been an area of increased activity. Recruitment forums in the new Member States reinforce the Bank's commitment to ensuring a balanced staff complement. In terms of staff numbers, the Bank's workforce grew to 1 259: an increase of 3.8% compared to 2003. This includes 39 members of staff recruited from the new Member States.



Staff development

Building on the foundations laid in 2003, the Bank has focused on two important issues of staff and individual development: beginning the process of defining an effective career development policy; and reinforcing the competencies of the management team via the Management Skills Development Programme, which is now being extended to senior professionals.

Staff communication

The importance of staff communication, essential to a modern organisation, was also highlighted in 2004. The Human Resources Department, as one of the Bank's central services, was a partner in the Central Services Survey, a staff consultation exercise which also included the effectiveness of the services HR provides. This survey, which is intended to be repeated in the coming years, will eventually provide key performance indicators for the HR function and feed into the Bank's Balanced Scorecard. Efforts have been made in other areas to improve the provision of information to staff and engage their interest in the overall goals and activities of the institution, notably in the form of an intranet for the Group and the publication of staff information brochures and a newsletter.

Other policies

The Bank has paid special attention to designing and implementing policies that ensure fair treatment of its staff in all respects. There has been a continued commitment towards equal opportunities. A joint health and safety committee oversees all issues relating to staff health and welfare. Human Resources has begun to address such issues as stress in the workplace and a smoke-free "clean-air" policy. It has also facilitated the formation of a group of confidential counsellors to advise their colleagues in personal matters relating to dignity at work. The joint committees on pension and health insurance issues have continued to work towards mutually acceptable ways of modernising the service and benefits offered to staff. In general, negotiations with the Staff Representatives and the various working groups are carried out in a spirit of cooperation.

Staff representation

The Bank's staff issues are dealt with by the Human Resources Department (HR) and the College of Staff Representatives (SR) in regular meetings between HR management and the Staff Representatives and through working groups on specific subjects and joint committees. In 2004, the Health Insurance Scheme and Pensions Scheme Joint Committees worked especially hard to continue adapting the accounting methods of these two welfare schemes to trends in European best practice. Of the working groups, the one concerned with the employment conditions of staff in the Bank's new representative offices outside the European Union deserves particular mention.

Equal opportunities

The Joint Committee on Equal Opportunities (COPEC) monitors implementation of the equal opportunities policy in terms of career development, recruitment, training and social welfare infrastructure.

In 2004, COPEC celebrated its 10th Anniversary and signed a renewed COPEC Convention. Human Resources presented to the Management Committee at the end of 2004 a report on equal opportunities for women. The Management Committee adopted its recommendations, which included the hiring of an external consultant to advise on gender balance and to develop an Action Programme for the years 2005-2009.

EIB Governing Bodies

The **Board of Governors** consists of Ministers designated by each of the 25 Member States, usually Finance Ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. It appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

The **Board of Directors** has sole power to take decisions in respect of loans, guarantees and borrowings. As well as seeing that the Bank is properly run, it ensures that the Bank is managed in keeping with the provisions of the Treaty and the Statute and with the general directives laid down by the Governors. Its members are appointed by the Governors for a renewable period of five years following nomination by the Member States and are responsible solely to the Bank.

The Board of Directors consists of 26 Directors, with one Director nominated by each Member State and one by the European Commission. There are 16 Alternates, meaning that some of these positions will be shared by groupings of States.

Furthermore, in order to broaden the Board of Directors' professional expertise in certain fields, the Board will be able to co-opt a maximum of 6 experts (3 Directors and 3 Alternates), who will participate in the Board meetings in an advisory capacity, without voting rights.
Decisions are taken by a majority consisting of at least one third of members entitled to vote and representing at least 50% of the subscribed capital.

The **Management Committee** is the Bank's permanent collegiate executive body. It has nine members. Under the authority of the President and the supervision of the Board of Directors, it oversees day-to-day running of the EIB, prepares decisions for Directors and ensures that these are implemented. The President chairs the meetings of the Board of Directors. The members of the Management Committee are responsible solely to the Bank; they are appointed by the Board of Governors, on a proposal from the Board of Directors, for a renewable period of six years.

The **Audit Committee** is an independent body answerable directly to the Board of Governors and responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner. At the time of approval of the financial statements by the Board of Directors, the Audit Committee issues its statements thereon. The reports of the Audit Committee on the results of its work during the preceding year are sent to the Board of Governors together with the annual report of the Board of Directors.

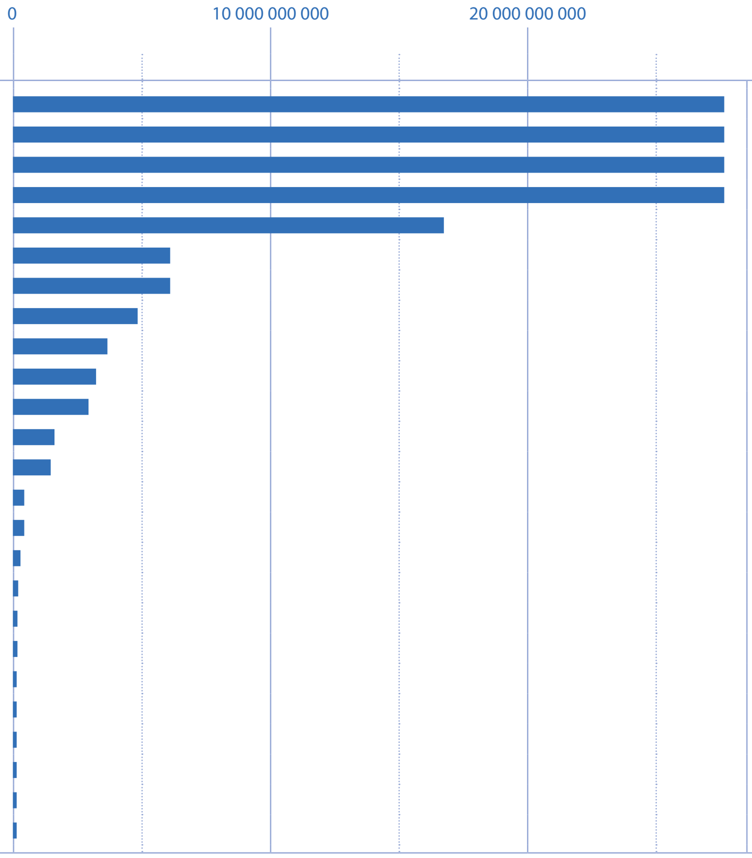
The Audit Committee is composed of three members and three observers, appointed by the Governors for a term of office of three years.

The Audit Committee

The provisions governing these bodies are set out in the Bank's Statute and Rules of Procedure. Lists of the members of the EIB's governing bodies and their curricula vitae, along with additional information on remuneration arrangements, are regularly updated and posted on the Bank's website: ***www.eib.org****.*

The Management Committee

Breakdown of the EIB's capital



	Amount (EUR)		%
Germany	26 649 532 500	DE	16.284
France	26 649 532 500	FR	16.284
Italy	26 649 532 500	IT	16.284
United Kingdom	26 649 532 500	GB	16.284
Spain	15 989 719 500	ES	9.770
Belgium	7 387 065 000	BE	4.514
Netherlands	7 387 065 000	NL	4.514
Sweden	4 900 585 500	SE	2.994
Denmark	3 740 283 000	DK	2.285
Austria	3 666 973 500	AT	2.241
Poland	3 411 263 500	PL	2.084
Finland	2 106 816 000	FI	1.287
Greece	2 003 725 500	GR	1.224
Portugal	1 291 287 000	PT	0.789
Czech Republic	1 258 785 500	CZ	0.769
Hungary	1 190 868 500	HU	0.728
Ireland	935 070 000	IE	0.571
Slovak Republic	428 490 500	SK	0.262
Slovenia	397 815 000	SI	0.243
Lithuania	249 617 500	LT	0.153
Luxembourg	187 015 500	LU	0.114
Cyprus	183 382 000	CY	0.112
Latvia	152 335 000	LV	0.093
Estonia	117 640 000	EE	0.072
Malta	69 804 000	MT	0.043
Total	**163 653 737 000**		**100.000**

Capital: Each Member State's share in the Bank's capital is calculated in accordance with its economic weight within the European Union (expressed in GDP) at the time of its accession.

In total, the Bank's subscribed capital amounts to more than EUR 163.6 billion.

The Management Committee of the EIB

The College of the Management Committee Members and their supervisory responsibilities

Philippe MAYSTADT
President of the Bank
and Chairman of its Board of Directors

- Relations with European Institutions
- Institutional matters, General Strategy
- Inspector General, reporting from Financial Controller, Internal Audit and Head of Compliance Office
- Chairman of Budget Committee
- Credit risk
- Human resources
- Governor of EBRD

Wolfgang ROTH
Vice-President

- Financing operations in Germany, Austria, Hungary, Slovenia as well as in Croatia, Bulgaria, Romania and Turkey
- Information and communications policy
- Equal opportunities policy
- Headquarters extension and Buildings
- Vice-Governor of EBRD
- Chairman of Joint Committee on Equal Opportunities (COPEC)
- Chairman of EIB Arts Committee

Peter SEDGWICK
Vice-President

- Financing operations in United Kingdom
- Environmental protection
- Relations with NGOs; Openness and transparency
- Operational risks
- Internal and external audit and relations with Audit Committee
- Compliance
- Relations with European Court of Auditors
- Relations with European Anti-Fraud Office (OLAF)
- Member of EIF Board of Directors

Isabel MARTÍN CASTELLÁ
Vice-President

- Financing operations in Spain, Belgium, Portugal, Luxembourg, Asia and Latin America
- Structured finance and new financing instruments; Securitisation
- Legal affairs (operational aspects)
- Liaison with IDB and AsDB
- SME financing operations

Gerlando GENUARDI
Vice-President

- Financing operations in Italy, Greece, Cyprus and Malta as well as in the south-west Balkan countries
- Budget
- Accountancy and financial risk control
- Information technologies

Philippe de FONTAINE VIVE CURTAZ
Vice-President

- Financing operations in France, the Maghreb and Mashreq countries, Israel and Gaza/West Bank
- Facility for Euro-Mediterranean Investment and Partnership (FEMIP)
- Financial policies
- Capital markets
- Treasury

Sauli NIINISTÖ
Vice-President

- Financing operations in Sweden, Finland, Lithuania, Latvia, Estonia, Norway, Iceland, Russia and Ukraine
- i2i programme
- *Ex post* evaluation of operations
- Economic and financial studies
- Liaison with Nordic Investment Bank (NIB)
- Member of EIF Board of Directors

Ivan PILIP
Vice-President

- Financing operations in Poland, Czech Republic and Slovakia
- Trans-European Networks
- Cooperation with European Commission on post-accession issues

Torsten GERSFELT
Vice-President

- Financing operations in the Netherlands, Denmark, Ireland, the ACP States and South Africa
- Cotonou Agreement Investment Facility
- *Ex ante* project appraisal
- Regional development
- Global loans (general aspects)
- Professional training
- Liaison with AfDB

Organisation Chart *(Situation at 1 July 2005)*

General Secretariat and Legal Affairs

Eberhard UHLMANN
Secretary General and General Counsel of Legal Affairs

▶ **Interinstitutional Affairs and Brussels Office**
Dominique de CRAYENCOUR
Director

→ *Governing Bodies, Secretariat, Protocol*
Hugo WOESTMANN
Associate Director

→ *Audit Enactment, EIB Group Development*
Helmut KUHRT

→ *Resource Management and Enlargement*
Ferdinand SASSEN

→ *Institutional Matters*
Evelyne POURTEAU
Associate Director

- Gudrun LEITHMANN-FRÜH

Legal Service

▶ **Community and Financial Affairs; Legal Support for Lending Operations outside Europe**
Marc DUFRESNE
Director

- Jean-Philippe MINNAERT
  (Data Protection Officer)
- Luigi LA MARCA

→ *Legal Aspects of Financial Issues*
Nicola BARR

→ *Legal Aspects of Institutional and Staff Issues*
Carlos GÓMEZ DE LA CRUZ

→ *Mediterranean (FEMIP), Africa, Caribbean, Pacific (Cotonou Investment Facility), Asia and Latin America*
Regan WYLIE-OTTE
Associate Director

▶ **Legal Support for Lending Operations in Europe**
--
Director

→ *Operational Policy*
Roderick DUNNETT
Associate Director

→ *Germany, Poland, Czech Republic, Slovakia, Central Europe, Russia, Ukraine*
Gerhard HÜTZ
Associate Director

- Gian Domenico SPOTA

→ *Spain, Portugal*
Ignacio LACORZANA

- Maria SHAW-BARRAGAN

→ *United Kingdom, Sweden, Denmark, Finland, Ireland, Baltic States, EFTA countries*
Patrick Hugh CHAMBERLAIN

→ *France, Belgium, Netherlands, Luxembourg*
Pierre ALBOUZE

→ *Italy, Malta, South-East Europe*
Manfredi TONCI OTTIERI
Associate Director

General Administration

Rémy JACOB
Deputy Secretary General

Management Control

▶ **Financial Control**
Luis BOTELLA MORALES
Financial Controller

→ *General Accounting*
Henricus SEERDEN

→ *Third Party Accounting and Administrative Expenses*
Frank TASSONE

→ *Planning, Budget and Control*
Theoharry GRAMMATIKOS
Associate Director

- Yannick MORVAN

Organisation
Patricia TIBBELS

▶ **Communication and Information**
--
Director

→ *Media Relations*
Paul Gerd LÖSER

→ *Institutional Memory and Internal Communication*
Éric VAN DER ELST

→ *Institutional and Product Marketing*
Adam McDONAUGH

- Yvonne BERGHORST

→ *Library Services, Contacts and Clients Databases*
Duncan LEVER

General Affairs

▶ **Paris Office: liaison with international institutions and organisations based or represented in Paris**
Henry MARTY-GAUQUIÉ
Director

→ *Purchasing and Administrative Services*
Manfredo PAULUCCI de CALBOLI
Associate Director

→ *Facilities Management*
Agustin AURÍA
Associate Director

→ *Translation*
Georg AIGNER
Associate Director

- Kenneth PETERSEN

New Building Task Force
Enzo UNFER

Directorate for Lending Operations in Europe

Thomas HACKETT
Director General

▶ **Operations Support**

Jürgen MOEHRKE
Chief Operational Coordinator

→ *Coordination*
Dominique COURBIN

→ *Information systems and applications*
Thomas FAHRTMANN

→ *Business Support*
Bruno DENIS

▶ **United Kingdom, Ireland, Denmark, EFTA Countries**
Thomas BARRETT
Director

→ *Banking, Industry and Securitisation*
Robert SCHOFIELD

→ *Infrastructure*
Tilman SEIBERT
Associate Director

- Ale Jan GERCAMA

→ *Structured Finance and PPPs*
Cheryl FISHER

▶ **Spain, Portugal**
Carlos GUILLE
Director

→ *Spain - PPPs, Infrastructure, Social and Urban Sector*
Christopher KNOWLES
Associate Director

- Marguerite McMAHON

→ *Spain - Banks, Industry, Energy and Telecommunications*
Fernando de la FUENTE
Associate Director

Madrid Office
Andrea TINAGLI

→ *Portugal*
Rui Artur MARTINS

Lisbon Office
Pedro EIRAS ANTUNES

▶ **France, Benelux**
Laurent de MAUTORT
Director

→ *France - Infrastructure*
Jacques DIOT
Associate Director

→ *France - Enterprises*
Jean-Christophe CHALINE

→ *Belgium, Luxembourg, Netherlands*
Henk DELSING
Associate Director

- Luca LAZZAROLI

▶ Department → *Division*

(Situation at 1 July 2005)

▶ **Germany, Czech Republic, Slovakia**
Joachim LINK
Director

→ *Germany (northern Länder)*
Peggy NYLUND-GREEN

Berlin Office
Margarethe QUEHENBERGER

→ *Germany (southern Länder)*
Kim KREILGAARD

→ *Czech Republic, Slovakia*
Jean VRLA

- Paolo MUNINI

▶ **Italy, Malta**
Antonio PUGLIESE
Director

→ *Infrastructure and Public Sector*
Bruno LAGO
Associate Director

- Flavio SCHIAVO CAMPO de GREGORIO

→ *Banks and Corporates*
Alexander ANDÒ

- Eugenio LEANZA

▶ **Central Europe**
Emanuel MARAVIC
Director

→ *Austria, Croatia*
Franz-Josef VETTER

→ *Hungary, Slovenia*
Cormac MURPHY

→ *Bulgaria, Romania*
Rainer SAERBECK

▶ **South-East Europe**
Grammatiki TSINGOU-PAPADOPETROU
Director

→ *Greece*
Themistoklis KOUVARAKIS

- Alain TERRAILLON

Athens Office
Christos KONTOGEORGOS

→ *Balkans, Cyprus*
Romualdo MASSA BERNUCCI

→ *Turkey*
Patrick WALSH
Associate Director

▶ **Baltic Sea**

Andreas VERYKIOS
Deputy Director General

→ *Poland, Euratom*
Heinz OLBERS

→ *Baltic States, Russia*
Constantin SYNADINO

- Ann-Louise AKTIV VIMONT

→ *Finland, Sweden*
Michael O'HALLORAN

Directorate for Lending Operations outside Europe

Jean-Louis BIANCARELLI
Director General

→ *Development Economics Advisory Service*
Daniel OTTOLENGHI
Chief Development Economist
Associate Director

- Bernard ZILLER

▶ **Mediterranean (FEMIP)**
Claudio CORTESE
Director

- Alain NADEAU

→ *Maghreb*
Bernard GORDON

Tunis Office
Diederick ZAMBON

Rabat Office
René PEREZ

→ *Mashreq*
Jane MACPHERSON

Cairo Office
Luigi MARCON

→ *Special Operations*
Jean-Christophe LALOUX

▶ **Africa, Caribbean, Pacific (Cotonou Investment Facility)**
Martin CURWEN
Director

→ *West Africa and Sahel*
Gustaaf HEIM

Dakar Office
Jack REVERSADE

→ *Central and East Africa*
Tassilo HENDUS

Nairobi Office
Carmelo COCUZZA

→ *Southern Africa and Indian Ocean*
Justin LOASBY
Associate Director

Pretoria Office
David WHITE

→ *Caribbean and Pacific*
David CRUSH

→ *Resources and Development*
Jacqueline NOËL
Associate Director

→ *Portfolio Management and Strategy*
Flavia PALANZA

▶ **Asia and Latin America**
Francisco de PAULA COELHO
Director

→ *Latin America*
Alberto BARRAGÁN

→ *Asia*
Matthias ZÖLLNER

- Philippe SZYMCZAK

Finance Directorate

René KARSENTI
Director General

▶ **Capital Markets**
Barbara BARGAGLI PETRUCCI
Director

→ *Euro*
Carlos FERREIRA DA SILVA

- Aldo ROMANI

→ *Europe (excluding euro), Africa*
David CLARK

→ *America, Asia, Pacific*
Eila KREIVI

→ *Investor Relations and Marketing*
Peter MUNRO

▶ **Treasury**
Anneli PESHKOFF
Director

→ *Liquidity Management*
Francis ZEGHERS

- Timothy O'CONNELL

→ *Asset/Liability Management*
Jean-Dominique POTOCKI

→ *Portfolio Management*
James RANAIVOSON

→ *Financial Engineering and Advisory Services*
Guido BICHISAO

▶ **Planning and Settlement of Operations**
Gianmaria MUSELLA
Director

- Charles ANIZET

→ *Back Office Loans and Operational Lending Support*
Ralph BAST

→ *Back Office Treasury*
Yves KIRPACH

→ *Back Office Borrowings*
Erling CRONQVIST

→ *Systems and Procedures*
Georg HUBER
Associate Director

→ *Coordination and Financial Policies*
Maria Luce SAMPIETRO

- Ghislaine RIOS

▶ Department → *Division*

The organisation chart, curricula vitae of the Directors General and heads of control units and additional information on the remuneration arrangements for all EIB staff are regularly updated and posted on the Bank's website: ***www.eib.org****.*

Projects Directorate

Michel DELEAU
Director General

Mateo TURRÓ CALVET
Associate Director
(Trans-European Networks and PPPs)

→ *Economic and Financial Studies*
Éric PERÉE

▶ **Policy Support**
Patrice GÉRAUD
Director

- Gianni CARBONARO
  (Urban Development)

→ *Operational Lending Policies*
Guy CLAUSSE
Associate Director

- Guy BAIRD (Brussels Office)
- Eugenia KAZAMAKI-OTTERSTEN
  (Cohesion Policy)

→ *Project Quality and Monitoring*
Angelo BOIOLI

→ *Resources Management*
Daphné VENTURAS
Associate Director

→ *Environment Unit*
Peter CARTER
Associate Director

▶ **Infrastructure**
Christopher HURST
Director

- Philippe OSTENC
  Associate Director
  (Procurement)
- Axel HÖRHAGER
  (Balkans and Economic Coordination)

→ *Rail and Road*
José Luis ALFARO

- John SENIOR

→ *Air, Maritime and Urban Transport*
Andrew ALLEN
(General Infrastructure and Resource Management)

- Mario AYMERICH

→ *Water and Wastewater*
José FRADE
Associate Director

- Michel DECKER

▶ **Energy, Telecommunications, Waste Management**
Günter WESTERMANN
Director

- Juan ALARIO GASULLA
  Associate Director

→ *Electricity, Renewable Energies and Waste Management*
René van ZONNEVELD

- Heiko GEBHARDT
- Nigel HALL

→ *Oil and gas*
Angus NICOLSON

- François TREVOUX

→ *Telecommunications and Information Technology*
Carillo ROVERE

▶ **Industry and Services**
Constantin CHRISTOFIDIS
Director

- Jean-Jacques MERTENS
  Associate Director

→ *Process Industries and Life Sciences*
John DAVIS

- Eberhard GSCHWINDT
- Philippe GUINET

→ *Manufacturing Industry and Services*
Hans-Harald JAHN

- Pedro OCHOA
- Peder PEDERSEN
- Rüdiger SCHMIDT

→ *Human Capital*
Stephen WRIGHT

Risk Management Directorate

Pierluigi GILIBERT
Director General

▶ **Credit Risk**
Per JEDEFORS
Director

→ *Corporates, Public, Infrastructure*
Stuart ROWLANDS

→ *Financial Institutions*
--

- Per de HAAS

→ *Project Finance, European Investment Fund (EIF)*
Klaus TRÖMEL
Associate Director

▶ **Financial and Operational Risks**
Alain GODARD
Director

→ *ALM and Market Risk Management*
Giancarlo SARDELLI

→ *Derivatives*
Luis GONZALEZ-PACHECO

→ *Operational Risks*
Antonio ROCA IGLESIAS

→ *Coordination and Support*
Elisabeth MATIZ
Associate Director

Human Resources

Alfonso QUEREJETA
Director

- Jean-Philippe BIRCKEL

→ *Management Systems*
Zacharias ZACHARIADIS
Associate Director

→ *Staffing*
--

→ *Development*
Luis GARRIDO

- Ute PIEPER-SECKELMANN
- Bruno TURBANG

→ *Administration*
Michel GRILLI

Information Technology

Patrick KLAEDTKE
Chief Information Officer

→ *Planning, Support and Compliance*
Joseph FOY

→ *Business Applications*
Simon NORCROSS

- Derek BARWISE

→ *Technology and Infrastructure*
José GRINCHO

Inspectorate General

Peter MAERTENS
Inspector General

→ *Internal Audit*
Ciaran HOLLYWOOD

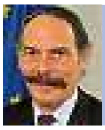
- Siward de VRIES
- Luciano DI MATTIA

→ *Operations Evaluation*
Alain SÈVE
Associate Director

- Campbell THOMSON

Chief Compliance Officer

Konstantin ANDREOPOULOS



Management Committee Adviser

on EIB Group strategy and negotiations

Francis CARPENTER
Director General

Board of Directors

European Bank for Reconstruction and Development

Terence BROWN
Director representing the EIB

▶ Department → *Division*

EIF Governing Bodies

The EIF is managed and administered by the following three authorities:

- the General Meeting of shareholders (EIB, European Union, 34 financial institutions), which meets at least once a year;
- the Board of Directors, composed of seven members and seven alternates, which decides on the Fund's operations;
- the Chief Executive, who is responsible for the management of the Fund in accordance with the provisions of its Statutes and the guidelines and directives adopted by the Board of Directors.

The Fund's accounts are audited by a three-person Audit Board appointed by the General Meeting.

EIF Structure

Francis CARPENTER	**Chief Executive**
Thomas MEYER	Head of Division, Risk Management and Monitoring
Robert WAGENER	**Secretary General**
Marc SCHUBLIN	Head of Division, Policy and Institutional Coordination/Advisory Services
Jacques LILLI	Managerial Adviser
Maria LEANDER	Head of Division, Legal Service
Frédérique SCHEPENS	Accounting and Treasury
Petra de BRUXELLES	Human Resources
John A. HOLLOWAY	**Director of Operations**
Jean-Philippe BURCKLEN	Head of Division, Venture Capital 1 (Belgium, Spain, France, Greece, Italy, Luxembourg, Netherlands, United Kingdom)
Ulrich GRABENWARTER	Head of Division, Venture Capital 2 (Germany, Austria, Cyprus, Denmark, Estonia, Finland, Hungary, Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Slovakia, Czech Republic, Slovenia, Sweden, Accession Countries)
Matthias UMMENHOFER	Deputy Head of Division
Alessandro TAPPI	Head of Division, Guarantees, Securitisation and "MAP"
Christa KARIS	Deputy Head of Division

Detailed information on the Fund's governing bodies (composition, curricula vitae of members, remuneration) and services (composition, curricula vitae of Directors General and Directors, remuneration of all staff) is regularly updated and posted on the EIF's website: ***www.eif.org****.*

Projects eligible for financing by the EIB Group

Within the European Union and in the **Accession Countries**, projects considered for financing must contribute to one or more of the following objectives:

- strengthening economic and social cohesion: promoting business activity to foster the economic advancement of the less-favoured regions;
- furthering investment contributing to the development of a knowledge-based and innovation-driven society;
- improving infrastructure and services in the health and education sectors, key contributors to human capital formation;
- developing transport, telecommunications and energy transfer infrastructure networks with a Community dimension;
- preserving the environment and improving the quality of life, notably by drawing on renewable or alternative energies;
- securing the energy supply through rational use, harnessing of indigenous resources and import diversification;
- assisting the development of SMEs by enhancing the financial environment in which they operate by means of:
  - medium and long-term EIB global loans;
  - EIF venture capital operations;
  - EIF SME guarantees.

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

- the non-member Mediterranean Countries by helping to attain the objectives of the Euro-Mediterranean Partnership with a view to the creation of a free trade area by 2010;
- the African, Caribbean and Pacific States (ACP), South Africa and the OCT, where it promotes the development of basic infrastructure and the local private sector;
- Asia and Latin America, where it supports certain types of project of mutual interest to the Union and the countries concerned;
- the Balkans, where it contributes to the goals of the Stability Pact by directing its lending specifically towards not only reconstruction of basic infrastructure and projects with a regional dimension but also private sector development.

EIB Group Addresses

European Investment Bank

100, boulevard Konrad Adenauer
L-2950 Luxembourg

☎ (+352) 43 79 1
📠 (+352) 43 77 04

www.eib.org – ✉ info@eib.org

External Offices

Belgium	Rue de la loi 227 / Wetstraat 227 B-1040 Bruxelles / Brussel	☎ (+32-2) 235 00 70 📠 (+32-2) 230 58 27
France	21, rue des Pyramides F-75001 Paris	☎ (+33-1) 55 04 74 55 📠 (+33-1) 42 61 63 02
Germany	Lennéstraße 11 D-10785 Berlin	☎ (+49-30) 59 00 47 90 📠 (+49-30) 59 00 47 99
Greece	364, Kifissias Ave & 1, Delfon GR-152 33 Halandri / Athens	☎ (+30) 210 68 24 517 📠 (+30) 210 68 24 520
Italy	Via Sardegna 38 I-00187 Roma	☎ (+39) 06 47 19 1 📠 (+39) 06 42 87 34 38
Portugal	Avenida da Liberdade, 190-4°, A P-1250-147 Lisboa	☎ (+351) 213 42 89 89 📠 (+351) 213 47 04 87
Spain	Calle José Ortega y Gasset, 29, 5° E-28006 Madrid	☎ (+34) 914 31 13 40 📠 (+34) 914 31 13 83
United Kingdom	2 Royal Exchange Buildings London EC3V 3LF	☎ (+44) 20 73 75 96 60 📠 (+44) 20 73 75 96 99

Egypt

6, Boulos Hanna Street
Dokki, Giza 12311, Cairo
☎ (+20-2) 336 65 83
📠 (+20-2) 336 65 84

Kenya

Africa Re Centre, 5th floor
Hospital Road, PO Box 40193,
KE-00100 Nairobi
☎ (+254-20) 271 03 79
📠 (+254-20) 271 32 78

Morocco

Riad Business Center Aile sud, 4^{e}
Boulevard Er-Riad
Rabat
☎ (+212) 37 56 54 60
📠 (+212) 37 56 53 93

Senegal

3, rue du Docteur Roux
BP 6935, Dakar-Plateau
☎ (+221) 889 43 00
📠 (+221) 842 97 12

South Africa

5 Greenpark Estate
27 George Storrar Drive
Groenkloof
0181 Tshwane (Pretoria)
☎ (+27-12) 425 04 60
📠 (+27-12) 425 04 70

Tunisia

70, avenue Mohamed V
TN-1002 Tunis
☎ (+216) 71 28 02 22
📠 (+216) 71 28 09 98

European
Investment
Fund

European Investment Fund

43, avenue J.F. Kennedy
L-2968 Luxembourg
☎ (+352) 42 66 88 1
📠 (+352) 42 66 88 200

www.eif.org – ✉ info@eif.org

Belgium

Rue de la loi 227 / Wetstraat 227
B-1040 Bruxelles / Brussel
☎ (+32-2) 235 00 70
📠 (+32-2) 230 58 27

Please consult the Bank's website for any change in the list of existing offices and for details on offices which may have been opened following publication of this brochure.

2004

EIB-Gruppe EIB Group Groupe BEI

1. Tätigkeitsbericht
Activity Report
Rapport d'activité

2. Finanzbericht
Financial Report
Rapport financier

3. Statistischer Bericht
Statistical Report
Rapport statistique

The EIB wishes to thank the following promoters and suppliers for the photographs illustrating this report:

Boehringer Ingelheim GmbH (pp. 18, 27), Daniel Jamme – Photothèque Eiffage, Architect: Sir Norman Foster (p. 22), European Commission (EC) (pp. 26, 28), European Parliament – "Association des Architectes du CIC: Vanden Bossche sprl, C.R.V. s.a., CDG sprl, Studiegroep D. Bontinck" (pp. 43, 44, 45).

The other photographs and illustrations were supplied by the EIB's photographic library.

European
Investment
Bank Group

ISBN 92-861-0307-7

QH-AD-05-001-EN-C

ISSN 1725-3551