



Annual Report 2006



Volume I

Activity Report

The **EIB Group's 2006 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, the FEMIP Trust Fund 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 2006 together with a listing of the EIF's projects. It also includes summary tables for the year and over the last five years.

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





Contents

.....	
EIB Group: key data	4
EIB Group: summarised balance sheet	5
Message from the President	6
The Corporate Operational Plan for the period 2007-2009	8
.....	
EIB Group Activity in 2006	12
⇒ Balanced development throughout the European Union	13
⇒ Support for innovation	17
⇒ Environmental sustainability	22
⇒ TENs: transport networks for Europe	28
⇒ Support for small and medium-sized enterprises	32
⇒ Sustainable, competitive and secure energy	35
⇒ Preparing enlargement of the European Union	38
⇒ Neighbours to the South and East	43
⇒ Supporting the Partner Countries	48
⇒ Borrowing: strategy adds value for customers	54
.....	
Corporate Governance	58
⇒ Constructive cooperation with the EU and fellow financing institutions	59
⇒ Transparency and accountability	61
⇒ EIB Group Administration and Staff	66
⇒ EIB Statutory Bodies	68
⇒ The Management Committee of the EIB	70
⇒ EIB Organisation Chart	71
⇒ EIF Statutory Bodies	76
.....	
EIB Group Addresses	78



EIB Group: key data



European Investment Bank

Activity in 2006

(EUR million)

Signatures	45 761
European Union	39 850
Partner Countries	5 911
Projects approved	53 371
European Union	45 559
Partner Countries	7 811
Disbursements	36 802
From the Bank's resources	36 535
From budgetary resources	267
Resources raised (before swaps)	48 050⁽¹⁾
Community currencies	26 535
Non-Community currencies	21 515

Situation as at 31.12.2006

Outstandings	
Loans from the Bank's resources	310 911
Guarantees provided	68
Financing from budgetary resources	1 982
Short, medium and long-term borrowings	246 576
Own funds	31 172
Balance sheet total	289 158
Profit for year	2 566
Subscribed capital	163 654
of which paid in and to be paid in	8 183



European Investment Fund

Activity in 2006

Signatures	2 728
Venture capital (34 funds)	688 ⁽²⁾
Guarantees (54 operations)	2 040

Situation as at 31.12.2006

Portfolio	14 910
Venture capital (244 funds)	3 774 ⁽²⁾
Guarantees (188 operations)	11 136
Own funds	694
Balance sheet total	771
Profit for year	49
Subscribed capital	2 000
of which paid in	400

(1) Resources raised under the global borrowing authorisation for 2006, including 'pre-funding' of EUR 2.9bn completed in 2005.
 (2) In addition to which there are the NEOTEC and Dahlia funds-of-funds for which there are separate facilities where EIF's participation is EUR 50m and EUR 75m (RCM and EIF) respectively.

EIB Group: summarised balance sheet

As at 31 December 2006 (in EUR '000)



Financial Report 2006

ASSETS	31.12.2006	LIABILITIES	31.12.2006
1. Cash in hand, balances with central banks and post office banks	14 676	1. Amounts owed to credit institutions	
2. Treasury bills eligible for refinancing with central banks	2 701 696	a) with agreed maturity dates or periods of notice	218 967
3. Loans and advances to credit institutions		218 967	
a) repayable on demand	165 224	2. Debts evidenced by certificates	
b) other loans and advances	14 598 326	a) debt securities in issue	251 742 473
c) loans	115 846 949	b) others	1 090 202
130 610 499		252 832 675	
4. Loans and advances to customers		3. Other liabilities	
a) loans	141 866 003	a) sundry creditors	1 483 201
b) specific provisions	- 82 417	b) sundry liabilities	39 739
141 783 586		c) negative replacement values	15 437 071
5. Debt securities including fixed-income securities		16 960 011	
a) issued by public bodies	719 292	4. Accruals and deferred income	344 285
b) issued by other borrowers	10 572 110	5. Provisions	
11 291 402		a) staff pension fund	869 174
6. Shares and other variable-yield securities	1 671 533	869 174	
7. Intangible assets	5 131	TOTAL LIABILITIES	271 225 112
8. Property, furniture and equipment	219 884	6. Capital	
9. Other assets		- Subscribed	163 653 737
a) sundry debtors	293 211	- Uncalled	-155 471 050
b) positive replacement values	14 315 907	8 182 687	
14 609 118		7. Consolidated reserves	
10. Subscribed capital and receivable reserve, called but not paid	1 444 700	a) reserve fund	16 365 374
11. Prepayments and accrued income	80 726	b) additional reserves	2 511 342
		18 876 716	
		8. Funds allocated to structured finance facility	1 250 000
		9. Funds allocated to venture capital operations	1 663 824
		10. Fund for general banking risks after appropriation	0
		11. Profit for the financial year:	
		Before appropriation from Fund for general banking risks	2 259 612
		Appropriation for the year from Fund for general banking risks	975 000
		Profit to be appropriated	3 234 612
		TOTAL EQUITY	33 207 839
TOTAL ASSETS	304 432 951	TOTAL LIABILITIES & EQUITY	304 432 951



Message from the President

On the eve of its 50th anniversary, the EIB based its 2006 activities on the new strategy decided by its Board of Governors the year before. The new strategy's focus is threefold: it seeks to strengthen the leverage of the EIB's operations; financing within the Union is concentrated on six European priorities; financing outside the Union is aligned to the Union's external policies.

In 2006, the European Investment Bank lent a total of EUR 45.8bn. Finance for the then EU-25 Member States represented 87% of its activities and amounted to EUR 39.8bn. The European Investment Fund – the EIB Group's specialised venture capital arm and SME guarantee provider – invested close to EUR 700m in venture capital funds and provided a total of EUR 2bn in guarantees for SME loan portfolios of banks and financial institutions. To fund its activities, the EIB raised an aggregate amount of EUR 48bn on the international capital markets through more than 300 bond issues in 24 currencies.

Strengthening the leverage

Increased leverage of the Bank's operations can best be achieved by stepping up cooperation with other public or private institutions to exploit the synergies that flow from combining expertise and experience and blending grant funding and loan finance. In this respect, the European Commission, as an expert provider of grant funding, is a natural partner to the EIB. Three new joint initiatives were launched in 2006 to broaden the use of the Commission's European Structural Funds – the amount of which has been significantly increased to EUR 308bn for the period 2007-2013 – with the

help of the EIB. It will thus be possible to allocate part of the Structural Funds for financial engineering purposes in support of SMEs and micro-enterprises (JEREMIE) or for urban social development (JESSICA). The third initiative (JASPERS) – financed by the Commission, the EIB Group and the EBRD – offers free technical assistance for the identification and implementation of infrastructure projects that are eligible for financing from the Structural Funds.

The EIB and the Commission have also joined forces to foster innovation and R&D. New financial instruments allow for more risk sharing and for the mobilisation of additional public or private capital. Meanwhile, the EIF will take responsibility for increasing access to finance, particularly for SME start-ups, under the Commission's "Competitiveness and Innovation" Framework Programme 2007-2013.

Six priorities within the Union

Within the European Union, the EIB Group's ambition is to contribute effectively, through a selective choice of projects, to the Union's objectives and to mobilise funds from other sources for such projects. This goal – set by the Board of Governors – of giving priority to the quality rather than the quantity of projects explains the slight fall in the volume of lending in 2006 (EUR 39.8bn against EUR 42bn in 2005). Overall, the EIB Group calculates that its lending in 2006 supported total investment of some EUR 120bn, two thirds of which in the Union's least developed areas. With a more stable volume of lending activity and modest growth in staff numbers, the EIB Group



is focusing on adding value by concentrating on more complex projects and more innovative financial products. In so doing, it is committed to supporting investment in all 27 Member States, even though in relative terms priority will be given to the new Member States.

The six EU priorities on which EIB lending focused in the Union in 2006 are: economic and social cohesion; support for innovation; transport TENs (Trans-European Networks); environmental sustainability; support for SMEs; and a sustainable, competitive and secure energy supply. Each priority is described individually and in extenso in the first part of this Activity Report while a full list of EIB loans can be found in the separately published Statistical Report.

Supporting the European Union's external policies

Outside the European Union, the EIB's contribution is to implement the financial aspects of the Union's aid and cooperation policies towards its partner countries. These countries fall into three broad categories: the candidate and potential candidate countries, the EU's neighbours to the South and to the East, and the partner countries in Africa, the Caribbean, the Pacific, Asia and Latin America. In each of these the EIB has a role to play as this Activity Report explains in the relevant sections.

In December 2006, the European Council acknowledged the importance that it attaches to the EIB's activities outside the EU by giving the Bank new external mandates for a total of EUR 27.8bn over the period 2007-2013, an increase of more than

a third compared to the previous mandates. The main objectives of these mandates are to prepare for the accession of future Member States and to support the Union's neighbourhood policy. New mandates for the ACP countries will come into force in 2008.

Good governance

New initiatives and new financial products in the European Union, new mandates outside the EU – all of these developments demonstrate that after 49 years of operations, the EIB is still a modern and dynamic financial institution. In its governance too, the Bank adheres to best international practice. In recent years a series of measures has been taken to improve the various control functions, to increase transparency and to develop relations with civil society. Corporate responsibility has become a constant concern and, especially in this domain, the future has further improvements in store. The second part of this Activity Report deals with corporate governance, as does the Bank's Corporate Responsibility Report, which should be read in tandem with this report by everyone who is interested in this aspect of the Bank's activities.

Philippe Maystadt
President of the European Investment
Bank Group



The Corporate Operational Plan for the period 2007-2009

The new strategic course initiated in 2005 is the basis for the European Investment Bank's business plan. The new strategy involves the Bank being ready to promote projects with high potential value added even where the risks are high. The detailed business plan is set out in a publicly available document: the Corporate Operational Plan, which covers the three years 2007-2009. There are six priorities within the European Union: Economic and Social Cohesion in the Enlarged Union; Support for Innovation; Development of Trans-European and Access Networks; Environmental Sustainability; Support for Small and Medium-Sized Enterprises; and Sustainable, Competitive and Secure Energy.

Blending EU and EIB resources and expertise

The lending priorities in Europe have been adjusted to reflect European Union policy developments as envisaged in the 2007-2013 Financial Perspectives and related new co-financing mechanisms between EU budgetary funds and EIB loans and new initiatives involving the Bank, the Commission and Member States. A number of new operational initiatives were concluded in 2006 that will have a major impact in the years to come on the activities of the Bank as a lender, provider of advisory services and manager of EU funds and programmes.

Three initiatives, the three J's – JASPERS, JEREMIE and JESSICA – were launched in 2006. Each of them in their own way exploits the synergies that flow from combining expertise and blending grant funding and loan finance, and each of them helps to further improve the quality and effectiveness of what the EIB can offer its customers.

⇒ **JASPERS** (Joint Assistance to Support Projects in European Regions) is a technical assistance programme focusing essentially on identifying and preparing large projects which could be financed from the Structural Funds. A strong team, led from the Bank's Luxembourg headquarters but with an on-the-ground regional presence and experts based in regional hubs situated in Warsaw, Vienna and Bucharest, will

help the twelve newest Member States to prepare high-quality projects in order to obtain the maximum benefit from the substantial Structural and Cohesion Fund grants available during the period 2007-2013. Staff seconded from the EIB and the EBRD, in addition to hired experts paid for by the European Commission, will provide advice, ensure coordination, develop and review project structures, remove bottlenecks, fill gaps and identify problems. Project preparation work has already begun on activities representing more than EUR 25bn in investments.

⇒ **JEREMIE** (Joint European Resources for Micro-to-Medium Enterprises) is a joint initiative of the EIB Group and the European Commission to improve access to finance for small enterprises, including start-ups and microcredit. The JEREMIE initiative enables Member States and regions to use part of their structural funds to obtain a set of financial instruments specifically designed to support micro and small enterprises. The resources will be managed by the European Investment Fund, complemented and reinforced by the Bank and other lenders, and made available to institutions that are active in the fields of venture capital, SME finance and microfinance.

⇒ **JESSICA** (Joint European Support for Sustainable Investment in City Areas) is a policy initiative of the European Commission, sup-



The Corporate Operational Plan for the period 2007-2009

ported by the EIB and with the participation of the Council of Europe Development Bank. JESSICA exploits financial engineering mechanisms to support investment in sustainable urban renewal in the context of EU regional policy. Member States may use part of their structural funds allocations to invest in Urban Development Funds which will focus on revenue-generating urban programmes. A major role is envisaged for the Bank as it can co-finance these programmes or even be directly appointed as holding fund manager of JESSICA funds by the authorities in the Member States.

Risk sharing fostering the Bank's new strategy

Two new financial instruments bring together EU budgetary funds and EIB loan finance. Focused mainly on private sector investment in research, development and innovation, the Risk Sharing Finance Facility will combine EU budgetary funds and EIB reserves for risk provisioning on loans to projects and promoters that are below investment grade but stimulate technological investment that is crucial for the European economy. In the same way, the Loan Guarantee Instrument for TEN-Transport projects will use EU budgetary funds and EIB reserves to provide guarantees for revenue risks during a limited period following completion of trans-European networks in cases where traffic is building up slowly. These new EU-EIB instruments complement other novel products developed in cooperation with the commercial banking sector.



Energy gets high priority

Energy has become a key item on the European Union policy agenda and for the Bank, which has made energy one of its priority objectives in the Corporate Operational Plan for 2007-2009. EIB lending in the energy sector is not new, but raising it to priority level implies increased allocation of high-level staff and financial resources.

The new priority objective has been labelled "Sustainable, competitive and secure energy", all three elements being equally important. In line with EU policy orientations, five areas have been defined for EIB lending: renewable energy; energy efficiency; research, development and innovation in energy; security and diversification of internal supply (including trans-European energy networks); and of external supply (including pipelines and LNG terminals).



The Corporate Operational Plan for the period 2007-2009

The COP for 2007-2009 also set quantified targets: EUR 4bn in loan signatures annually for all five areas combined, inside and outside the EU. A sub-target is to lend EUR 600-800m a year for renewable energy projects, with 50% of the lending for electricity generation using renewable energy technologies.

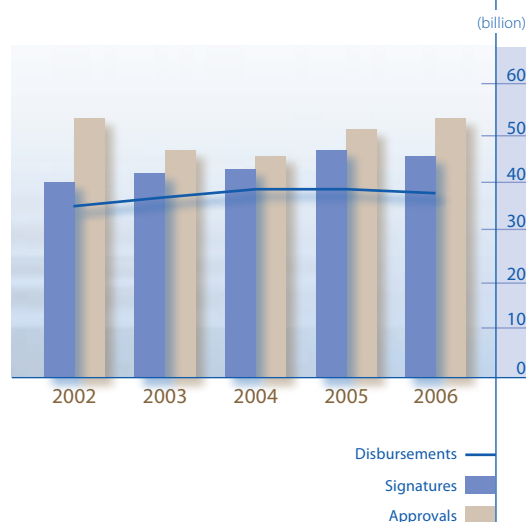
Priorities outside the EU

Outside the European Union, the EIB will be active under a series of new mandates in the years to come. The funds available have been increased. Under the new mandates the EIB can lend up to EUR 27.8bn over the period 2007-2013, compared to EUR 20.7bn under the 2000-2006 mandates.

For pre-accession countries, lending of up to EUR 8.7bn is planned. The countries concerned are the Accession and Candidate countries Croatia, Turkey and the Former Yugoslav Republic of Macedonia, as well as the potential candidate countries Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo. The earlier pre-accession mandate was for EUR 10.2bn but included lending in the twelve new Member States that have now joined the EU.

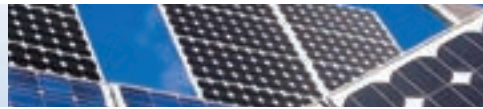
The European Neighbourhood Policy drives the EIB's lending in the countries bordering Europe in the south and to the east. The priority that the EU gives to its neighbouring countries is highlighted by the fact that EUR 12.4bn will be available for these countries over the period 2007-2013, which makes it the biggest mandate ever outside the Union. This mandate will allow the EIB to meet the high level of expectations in the Mediterranean partner countries (EUR 8.7bn compared to EUR 4.6bn in 2000-2006, not counting lending in Turkey) and, at the same time, start operations in the east (Russia, Ukraine, Moldova, as well as Armenia, Azerbaijan and Georgia).

Disbursements, contracts signed and projects approved by the EIB (2002-2006)



In Asia and Latin America, the EIB will lend up to EUR 3.8bn over the period 2007-2013. For South Africa, EUR 900m is available, up from EUR 825m. The countries of Africa, the Caribbean and the Pacific are covered by the Cotonou Partnership Agreement, which was concluded in 2000 for a 20-year period. The volume of EIB lending is determined by successive financial protocols. Under the present protocol EUR 2bn is available under the Investment Facility, a revolving fund financed by contributions from the Member States through the European Development Fund, and another EUR 1.7bn from the Bank's own funds. As of 2008, the Investment Facility will be replenished with another EUR 1.1bn, while EUR 2bn will be available for lending from own funds. EUR 400m should be added to that amount for interest rate subsidies and technical assistance¹.

¹ For details on the EIB's activities under mandate in the countries outside the EU, please refer to the relevant sections of this Activity Report.



The Corporate Operational Plan for the period 2007-2009

Sustainability and good governance

Across all activities of the Bank, sustainable development will continue to be a core requirement both inside and outside the European Union. There are three objectives normally associated with sustainable development: environmental protection; social equity and cohesion; and economic prosperity. These three objectives were reaffirmed by the European Council in June 2006 when adopting a

Renewed EU Sustainable Development Strategy. Against this background, the EIB is refining its project identification, appraisal and monitoring techniques to ensure that sustainability is sufficiently and consistently considered when the value added of a project is assessed. The Bank will continue to build up its capacity in the field of sustainable development and keep its stakeholders and the general public informed. In this context it is worth noting that the EIB is currently reviewing its web statement on sustainable development.



The EIB's Board of Directors approves each year the Bank's Corporate Operational Plan for the next three years

EIB Group Activity in 2006





Balanced development throughout the European Union

The European Investment Bank has always been the bank for the regions, the assisted areas that also receive grant aid from the Structural Funds. More than two thirds of the EIB's lending in 2006 went to the poorest parts of the European Union². Since 2004, the accession of 12 new Member States has added significantly to the number and proportion of Europe's citizens living in the poorer parts of the EU. These parts of Europe are also the focus of the EU's cohesion policy as it is to be implemented in the 2007-2013 programming period.

Aggregate lending in the regions topped EUR 26.7bn in the EU-25 in 2006, which is 67% of total lending. If the EUR 739m for projects in Bulgaria and Romania are included, total lending in the regions reached EUR 27.5bn in the EU-27.

² Regions with GDP per capita of less than 75% of the EU average and regions experiencing structural difficulties.

Common objectives and sectors

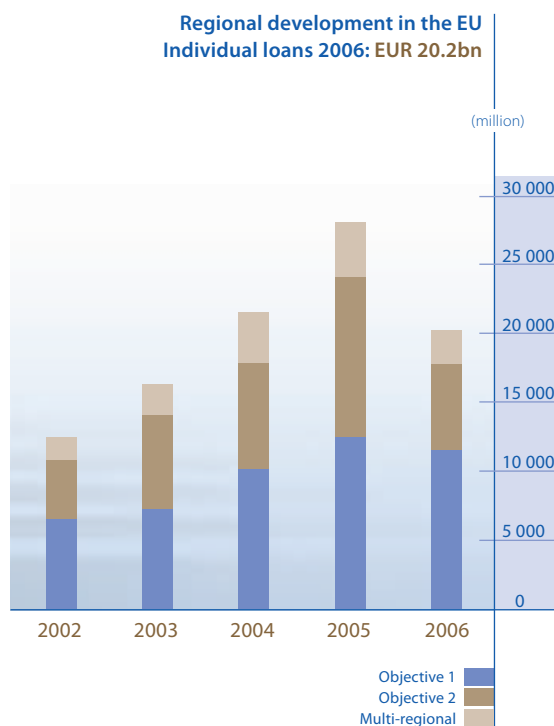
The main sectors for the Bank's lending in the poorest regions in 2006 were transport and telecommunications (43%), energy (14%), and water, sanitation and waste (18%).

In the transport sector, the EIB lent EUR 320m for the construction of sections of the M3/M35 Motorway. The motorway is part of the Trans-European Network and links the Hungarian capital Budapest with the less developed regions of Hungary in the east. Completion of the motorway is very important for the development of the eastern parts of Hungary and their integration into the European Union. Traffic has increased since Hungary joined the EU and the investments will also improve road safety.

In the industry and services sector, the EIB provided EUR 25m to Hansapank, a bank in Estonia, to finance investments undertaken by intermediate-size enterprises – with up to 3 000 employees – throughout the Baltic States. Hansapank will use the EIB funds itself in Estonia and, in Latvia and Lithuania, through subsidiary banks. The EIB's objective is to improve access for enterprises to medium and long-term finance. In the Baltic States, bank loans remain an important source of

company funding as recourse to new equity or bond issuance is often not an option.

In the Scottish Highlands, the EIB lent GBP 60m for investment in school construction and maintenance. Set up as a public-private partnership (PPP),





Balanced development throughout the European Union

Regional development in the EU Breakdown of loans by sector (2006)

	Amount	Total %
	(million)	
Communications	8 760	44
Energy	2 857	14
Health, education	2 436	12
Water, sanitation, waste	2 115	10
Urban development	1 446	7
Industry	1 438	7
Other services	1 169	6
Total individual loans	20 220	100
Credit lines ³	6 500	

³ Formerly referred to as "global loans".

the Highland Council Education Service's project involves ten schools: three secondary schools, five new primary schools (including one teaching in the Gaelic language), one combined primary and secondary school and a new school for children with special educational needs. The project will enhance the educational environment by also providing life-long learning to the wider community. With time, it will make a significant contribution to economic growth and the development of the region.

Many of the projects in the regions also support other priority objectives. In 2006, 59% of direct lending to support the Lisbon Agenda went to assisted areas, as did 65% of lending aimed at improving the natural and urban environment and 73% of lending for TENs and major European networks, including energy networks.

Bulgaria and Romania

Bulgaria and Romania joined the EU on 1 January 2007. The EIB has financed projects in these two countries since 1990, for a total of EUR 1.3bn in Bulgaria and EUR 4.9bn in Romania at the

end of 2006. Covering all of the countries' key economic sectors, the EIB's lending supported investment that was needed to meet EU accession criteria and, more generally, to facilitate future integration into the EU.

Now that Bulgaria and Romania are members of the EU, they can make full use of the Bank's funding. Support frameworks agreed between the EIB and the countries concerned in 2006 give an indication of the expected levels of activity in the two new Member States. While financing will be based on specific project proposals, the agreements indicate that EIB loans for the countries' investment programmes for the period 2007-2013 may be around EUR 500-700m annually in Bulgaria and EUR 1bn in Romania. Cooperation between the countries concerned and the EIB will focus on co-financing with EU Structural Funds facilities, the three J's (JASPERS, JEREMIE and JESSICA) and assisting the governments and private partners in the structuring and implementation of PPP projects.

Structural programme lending

Starting in 2001, the Bank has signed a number of framework loans supporting 2000-2006 Operational Programmes co-financed by the Structural Funds in the Member States. Framework loans finance multi-scheme operations, typically implemented by the public sector and included in an investment programme, often for infrastructure projects. The objective of this so-called "structural lending" is to support the Structural Funds schemes. Initially applied in the poorest regions in Spain and Italy, structural lending programmes are now also in place in Germany, the Czech Republic, Cyprus, Hungary, Latvia, Poland, Slovakia and Slovenia, and approvals total more than EUR 3.5bn.

With the JASPERS, JEREMIE and JESSICA initiatives, cooperation between the Bank and the Structural Funds will reach new heights.



Balanced development throughout the European Union

JASPERS: technical assistance for project preparation

In 2006, the European Commission joined forces with the EIB and the European Bank for Reconstruction and Development and set up JASPERS (Joint Assistance to Support Projects in European Regions) to improve the preparation of projects proposed for grant financing by the EU Structural Funds and to help Member States to use the grants provided by the Union more rapidly and more effectively. A total of EUR 308bn in grants will be available for the regions in 2007-2013.



The EIB meets
the regions
in Brussels

Assistance from JASPERS is provided free of charge to the beneficiaries. Its services are available to prepare high-quality projects in all EU Member States covered by the convergence objective, but with priority being given to large projects and to projects in the twelve newest Member States. Project preparation is available for infrastructure projects aimed at upgrading the transport networks, environmental schemes and investments in improving energy efficiency and using renewable energy. JASPERS also supports the improvement of intermodal transport systems and urban transport.

JASPERS is implemented by a team made up of some 20 experts plus support staff from the EIB and EBRD. It expects to have a further 32 new engineers and economists hired with financial support from the Commission in place by summer 2007. It operates out of the EIB's Luxembourg headquarters and three regional offices in Warsaw, Vienna and Bucharest. At the end of 2006, it had already become involved in more than 100 investment projects and programmes with a total investment cost of EUR 25bn.

A sharper focus

For the 2007-2013 programming period of the Structural and Cohesion Funds, three objectives have been distinguished:

⇒ Convergence: stimulate growth to achieve convergence of the poorest regions of the Union.

⇒ Regional competitiveness and employment: outside the convergence regions, anticipate economic changes by strengthening competitiveness and support for the creation of more and better jobs.

⇒ European territorial cooperation: cross-border, transnational and interregional cooperation to further develop integration of the EU.



Balanced development throughout the European Union

In this renewed cohesion policy, convergence receives the strongest support from the Structural and Cohesion Funds while the regional competitiveness and employment objective is largely based on the Lisbon Agenda.

To reflect the new EU framework, the Bank will replace its traditional “social and economic cohesion” objective (previously referred to as “regional development”) by the “convergence” objective in 2007. Outside the convergence regions, the EU’s policy objectives backed by the EIB meanwhile remain support for innovation; environmental protection; Trans-European Networks; sustainable, competitive and secure energy; and support for SMEs.

The EIB’s convergence lending will cover the designated convergence regions, as well as phasing-out and phasing-in regions, in total 113 regions in the EU-27 with a population of 190 million. With an estimated 40% of total annual lending in the years to come, the convergence objective will remain a core target for the Bank.





Support for innovation

With the establishment of the Lisbon Agenda in 2000, the European Union set itself the strategic goal of establishing a competitive, innovative and knowledge-based European economy, capable of sustainable growth with more and better jobs and greater social cohesion. The Innovation 2010 Initiative was launched by the EIB Group in 2000 as a lending window to finance investment underpinning the Lisbon Agenda.

Since then, the EIB has lent EUR 45.7bn under this initiative. In 2006, innovation lending in the EU reached EUR 10.4bn, the same level as the year before, which makes it most likely that the Bank's objective of EUR 50bn in loan signatures over the current decade will be exceeded.

Since 2000, some 70% of the supported investment has been concentrated in the poorest parts of the EU. In 2006, innovation projects in the poorest regions accounted for EUR 5.6bn or 59% of EIB innovation lending (2005: EUR 8.8bn, 84%). Financing innovation in assisted areas helps to offset the tendency for such investment to be concentrated in the wealthiest regions by transferring knowledge to regions that are lagging behind. In this way, the EIB combines the Lisbon Agenda with another of its policy priorities, social cohesion and convergence.

Three broad sectors

Paving the way for technological modernisation and for tailoring human capital to a European economy as envisaged in Lisbon, the Innovation 2010 Initiative focuses on three areas of investment:

- ⇒ Research, development and innovation – private and public sector investment in research, the development of centres of excellence and academic research centres, as well as downstream investment (products and processes) in the private sector.
- ⇒ Education and training: support for university training by improving access to training as well

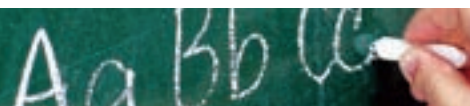
as lifelong learning, integration of research into tertiary education projects, upgrading related IT infrastructure, digital literacy and e-learning.

- ⇒ The diffusion of technologies and the development of information and communication technology – involving the rollout of fixed and mobile broadband networks and access technologies, the creation of networks in a number of sectors (health, transport) and the development of electronic commerce platforms.

The European Investment Fund, the EIB's subsidiary, also plays a role in implementing the Lisbon Strategy by investing in venture capital funds that provide SMEs with equity resources. In 2006, the Fund signed venture capital agreements for EUR 688m, bringing its total commitment to EUR 3.8bn at the end of the year, invested in 244 funds.

Research, development and innovation

Research, development and innovation (RDI) has been the most important area of activity in recent years, accounting for EUR 6.7bn in loans in 2006, half of the finance going to investment in Germany. Some EUR 1.9bn went to the German automotive industry. Projects in this area are of great interest to the Bank, because not only do they help to develop EU leading-edge technology, they often also support other EU policy objectives such as energy efficiency and the reduction of CO₂ emissions.



Support for innovation

The EIB finances RDI in both the private and the public sector. In Poland, for example, the EIB lent EUR 500m through the Ministry of Finance to fund part of the 2006 budgetary outlays for capital investment in science and technology infrastructure and equipment, recurrent wage costs of scientists employed by the Polish Academy of Sciences and State research universities, accredited public universities, university colleges of technology and equivalent institutions, as well as research grants for scientists. Contrary to the general pattern in the EU-25, the Government remains the main investor in research and development in Poland, R&D expenditure in the business sector having declined in recent years as a proportion of total R&D expenditure. Foreign firms have located manufacturing plants in Poland, but their R&D has tended to remain with parent companies abroad. The EIB loan is intended to assist the country in reversing the negative trend in R&D expenditure by stabilising and gradually increasing public R&D investment in an attempt to leverage private sector funding by improving the general science infrastructure.

In Spain, the Bank financed the expansion of the Parc Científic de Barcelona (PCB), a science park on the campus of the Universitat de Barcelona.

The project's objective is to provide additional facilities suitable for biomedical companies and research institutes in life sciences. The park hosts research groups from both the public and private sectors and offers a wide range of technological facilities.

Elsewhere the universities of Mainz, Kaiserslautern, Tübingen and Freiburg, all top German research universities, have received almost EUR 900m to invest in mostly basic research and modern research facilities.

Education and training

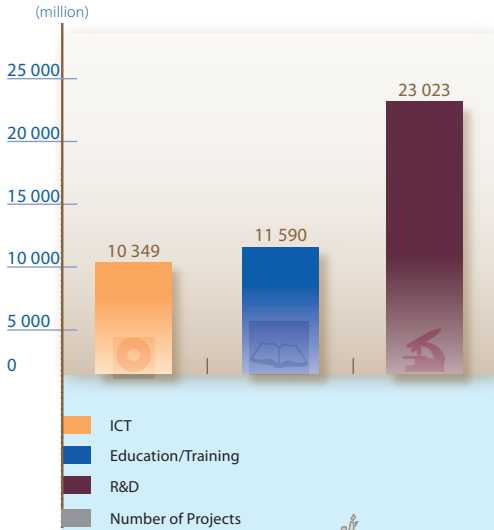
The EIB lent over EUR 1.9bn for a wide range of investments in human capital, ranging from the construction or renovation of school and university buildings to actual training programmes. At the University of Venice, for instance, the Bank financed the modernisation of teaching facilities with a loan for EUR 25m. Venice University is well-known in certain humanities subjects. The departments of economics, foreign languages, literature and philosophy are considered top departments in Italy. Incidentally, the project will also contrib-



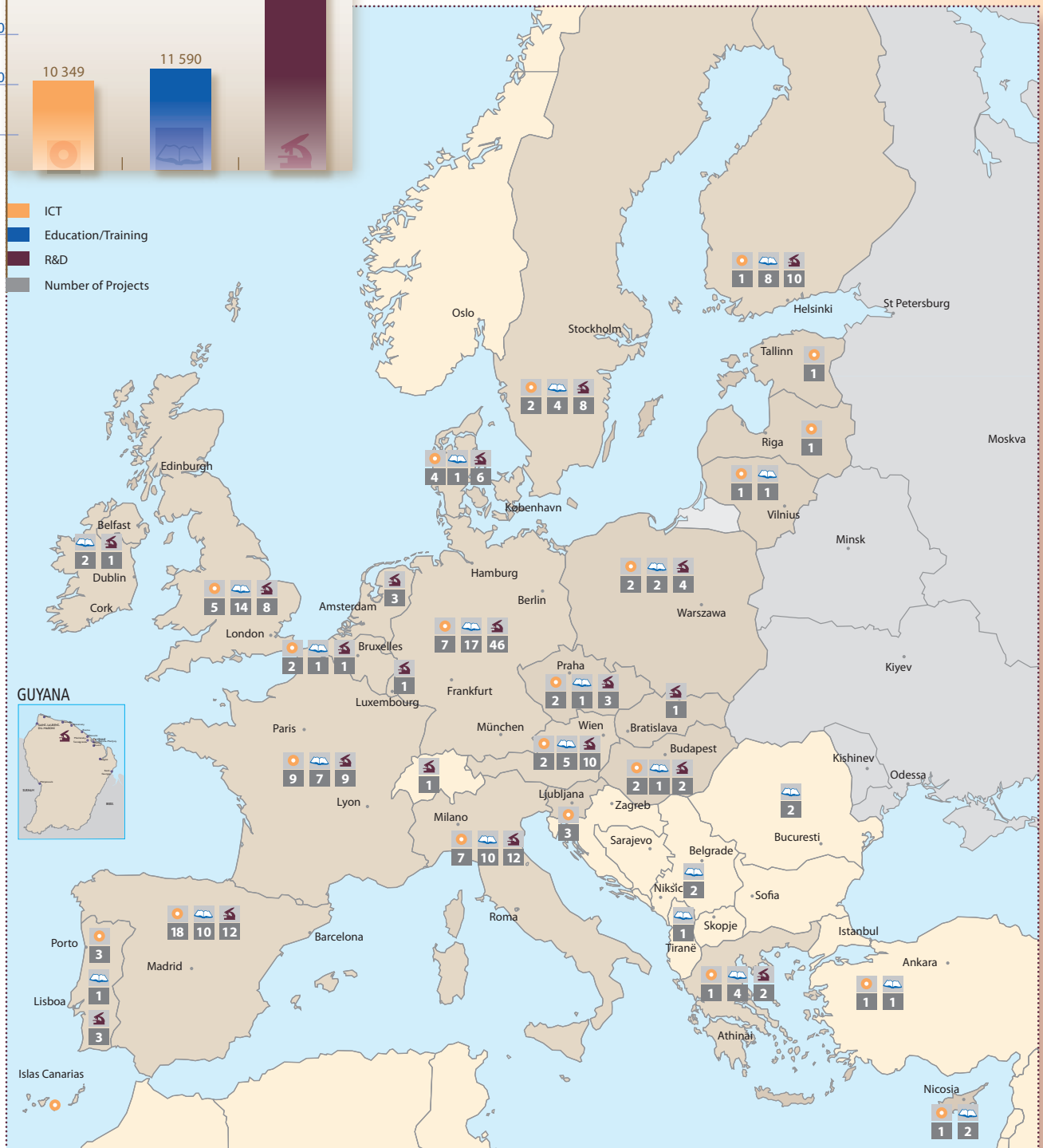


Support for innovation

Signatures: Innovation 2010 Initiative (2000-2006)



EIB lending under i2i 2000-2006



Support for innovation

ute to the preservation of the world heritage of the City of Venice as a number of historic buildings and areas will be renovated and refurbished.

At German universities the EIB financed basic research. In the same country it also arranged a EUR 200m credit line for KfW to finance the micro-credit component of the German Government's vocational training and entrepreneurial skills programme for skilled workers, carried out by KfW. The objective is to build up knowledge and skills, in particular in management, accounting, law and higher professional skills, for the participants either to start up their own businesses as entrepreneurs or to achieve a position with higher-level responsibilities in their sector. The programme is part of Germany's education system supporting people in non-academic lifelong learning. It plays an important role in providing highly qualified labour in the entire production and services chain, allowing for labour flexibility and gradual and cumulative innovation.

Sometimes linked to education and training, the healthcare sector obviously also plays an important role in human capital. This is why the EIB has also financed the modernisation and refurbishment of hospitals, such as the Arras Hospital in Pas-de-Calais and hospitals in Marseille and Nice in France, the Rotterdam university hospital in the Netherlands and the Royal London and Barts Hospitals in the United Kingdom.

Information and communication technology networks

Investment in these networks was stimulated by EIB loans totalling more than EUR 1.3bn. These networks are essential for the diffusion of innovation and sharing of data. The rollout of broadband access networks is an important element. The Bank lent EUR 160m to Telecom Italia for investment in broadband in France. The project is part

of the promoter's strategy to develop competitive projects in selective new markets in Germany, the Netherlands and France.

In Prague the Bank financed a new Information Services Centre for Deutsche Post, integrating the company's parcel, express, mail and logistics operations. The new centre establishes a common IT platform for Deutsche Post World Net. The company's services rely heavily on a competitive edge in efficient process technology, efficiency gains being achieved through the implementation of leading-edge technology.

Audiovisual projects are also part of the Bank's lending in the area of information and communication technology. EIB support is aimed at strengthening the industry's international competitiveness. Usually the lending to the audiovisual sector focuses on risk-sharing credits, which are arranged with expert financial institutions. In 2006 the EIB also lent EUR 75m to BBC Worldwide for investments in new BBC audiovisual content over the period 2006-2008. New productions will consist mainly of documentaries, natural history and entertainment programmes.

Risk-sharing loan products

The innovation sector is special in that it often operates on the edge of new technologies, where it charts new paths. As a consequence, investments are often not able to be supported by standard loans, but need risk-sharing financial products.

Recognising this state of affairs, the EIB has set up a Structured Financing Facility, which makes it possible to support sub-investment grade priority projects and promoters through provisioning for the higher associated credit risks by setting aside part of the Bank's surplus. The facility is not dedicated exclusively to innovation but can be used in

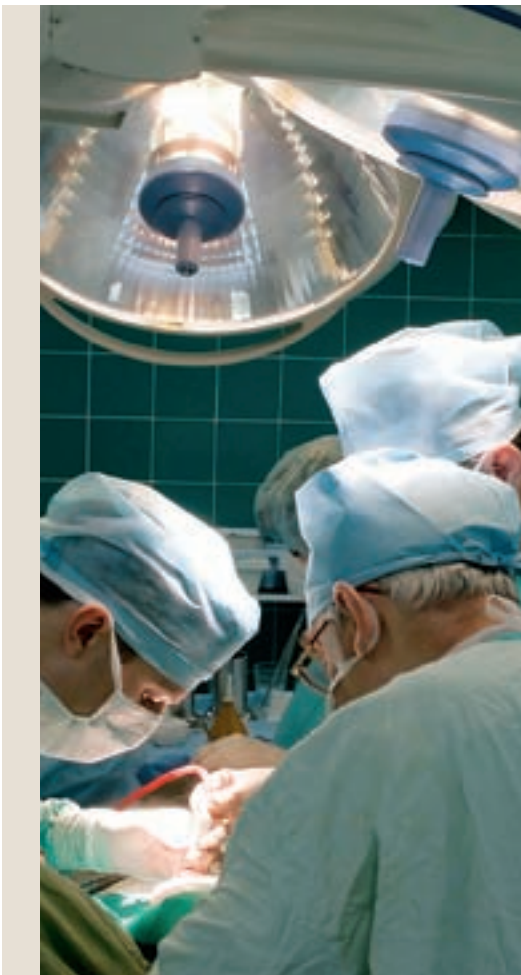


Support for innovation

Quantified results

	(billion)		
	2006	2005	2000-2006
Research, development and innovation	6.7	6.2	23.0
Education/training	1.9	2.3	11.1
Information and communication networks	1.3	1.9	9.9
Total i2i in the EU	10.4	10.7	44.8⁴

⁴ Includes EUR 300m for the CERN laboratories in Switzerland



other sectors as well. In 2006, the Board of Governors approved an increase in the provision from EUR 750m to EUR 1 250m and also decided on an overall ceiling for future SFF capital allocations of EUR 3 750m.

Part of the SFF will be allocated to a new risk-sharing scheme that has been reinforced by European Commission participation: the Risk Sharing Finance Facility. The Commission contributes part of the funds available under the 7th Research Framework Programme to the credit risk provisioning. From 2007 onwards, the RSFF will improve access to debt financing for private companies and public organisations by offering additional financial products, such as conditional or subordinated loans, mezzanine finance, derivatives and indirect and equity-type instruments. Risk-sharing finance is resource-intensive in terms of staff, but it generates value added and is ideally suited to move the Lisbon Agenda forward.



Environmental sustainability

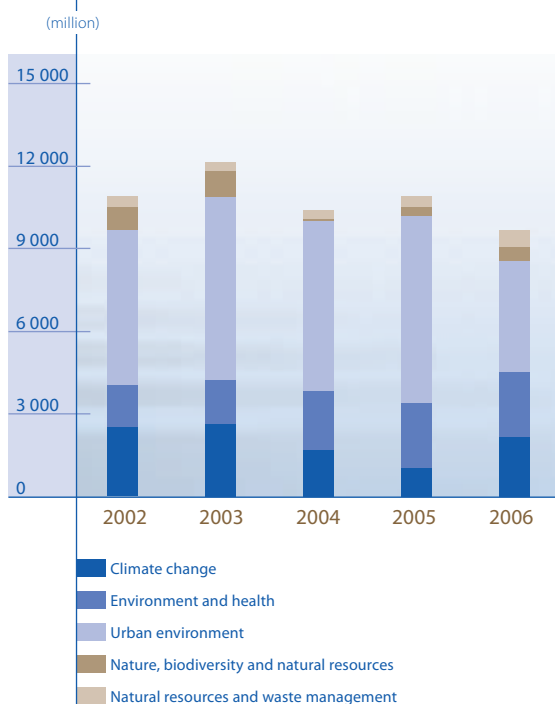
The EIB's activities under the heading of environmental sustainability cover the full range of environmental concerns, including climate change, protecting nature and wildlife, health, natural resources and waste management, as well as improving the quality of life in the urban environment.

Direct loans for environmental investment projects totalled EUR 10.9bn in 2006, accounting for 24% of total lending. Environmental investment may also be financed via credit lines. Dexia Crediop in Italy obtained a EUR 50m credit line dedicated exclusively to small environmental investment schemes, while in Germany Helaba (Landesbank Hessen-Thüringen) received a credit line of

Environment and quality of life
Individual loans in 2006

	(million)
	Total
Climate change	2 158.7
Environment and health	2 334.5
Urban environment	4 058.1
Nature, biodiversity and natural resources	473.8
Natural resources and waste management	624.4
Total individual loans	9 650.0

Environment and quality of life
Individual loans 2002-2006: EUR 52.9bn



EUR 151m and BayernLB a credit line of EUR 300m to finance small-scale innovation, environmental and healthcare projects.

Fighting climate change

With evidence on the pace and severity of climate change growing in 2006, climate change issues continued to dominate the environmental agenda. Guided by the Kyoto Protocol, which aims to cut greenhouse gas emissions by 8% compared with 1990 levels by 2008-2012, a particular effort was made by lending EUR 2.3bn for investment in renewable energy and energy efficiency.

In Spain for example, a EUR 70m EIB loan financed investment in the first large-scale commercial solar thermal power generation plant in the European Union, situated in a wide valley north



Environmental sustainability

of the Sierra Nevada, some 60 km from the City of Granada, which is an ideal location because of its high radiation levels. The Andasol power plant will also test a new high-temperature thermal storage system to extend daily electricity generation to over 12 hours in winter and up to 20 hours in

summer. The solar power generators will replace fossil fuel-fired plants and thus help to counter climate change. The plant is expected to have a demonstration effect, which will help to spread the use of a new generation of concentrating solar power technology in the EU. The EIB's loan

The EIB's footprint

The EIB's lending activity has an impact on the quality of life, but so does the Bank's very existence: its offices and the people working in them. This is the Bank's corporate environmental footprint.

The EIB works continuously to improve the environmental performance of its buildings and house-keeping of its offices. The main areas of activity are improving energy efficiency, collecting and recycling waste streams and gradually introducing environmentally responsible procurement, as part of an integrated environmental management system.

The Bank's new building, which is under construction adjacent to its headquarters in Luxembourg, has provided an opportunity to integrate environmental concerns from the very start. The objective is to minimise the negative environmental impact caused by the construction and operation of the office building, while promoting conditions that will provide for the well-being of its occupants. The environmental effects of the new buildings have been taken into account right from the initial design stage. One of the issues was the rational use of energy; the selected technologies will help to reduce energy consumption by more than 50% compared to standard office buildings.

The new EIB building, which should be ready early in 2008, is the first construction project in mainland Europe to be certified in accordance with the Building Research Establishment's Environmental Assessment Method, which rated the building "Very Good" for its design.





Environmental sustainability

won the Project Finance Deal Award for the Best Renewable Finance Deal of the Year.

Meanwhile, the EU Emissions Trading Scheme (ETS) has continued to develop. Under the ETS, about 12 000 industrial plants located in the Union are subject to caps on their carbon dioxide emissions and are able to buy and sell permits to meet their legal obligations in this respect. The EIB also takes an active role in the development of the carbon market. It has set up and co-manages two carbon trading funds, one with the EBRD and one

with the World Bank, which both became operational at the end of 2006.

The EBRD-EIB Multilateral Carbon Credit Fund (MCCF), with a commitment of EUR 165m from six Member States and six energy companies, should significantly increase the generation of carbon credits across countries from Central Europe to Central Asia. This region has a huge potential for cost-effective reduction of greenhouse gas emissions through energy efficiency improvement, which both the EIB and EBRD are ready to finance.

The urban environment and JESSICA

The protection of the urban environment has become a key objective for European action. EU, national, regional and local policymakers have become increasingly aware of the consequences of localised deprivation and social exclusion on the quality of life and economic performance of urban areas. The EIB's lending strategy reflects EU policy and promotes urban concentration to prevent sprawl, reducing demand for the development of scarce land resources in outlying areas. Consolidation of cities is also more energy-efficient, reducing demand for car travel and facilitating the use of urban transport. The EIB is also interested in the rich cultural and architectural legacy of older cities as a valuable resource in the rejuvenation of urban areas. In 2006, the EIB lent EUR 4.1bn for urban renewal and transport in the European Union.



Czestochowa, in the north of Silesia in Poland, is a city of modest size with some 250 000 inhabitants, but it is also the home of the 14th century Pauline Monastery of Jasna Góra, one of Christianity's most celebrated places of pilgrimage, attracting more than 4 million visitors annually. This results in a disproportionate demand on its urban infrastructure. The visitors are very important for the local economy, which is why a EUR 29m EIB loan was provided for the upgrading of urban infrastructure and municipal services in 2006.

Environmental sustainability

Many European cities have urban development plans that include areas showing signs of physical decay and where more generalised social and economic deprivation requires special attention. In France in 2006, for example, the EIB became a partner in a EUR 500m National Urban and Social Regeneration Programme to support investment by local authorities in 200 sensitive urban areas throughout the country.

Investment in sustainable urban public transport goes hand in hand with urban renewal and contributes positively to the urban environment by promoting a modal shift away from private car use. In Romania for example, the EIB lent EUR 63m for the extension and modernisation of the Bucharest metro. The loan complements earlier loans for the same purpose worth EUR 215m. In Valencia, Spain, the Bank financed the replacement of an obsolete suburban railway served by old diesel trains by a new metro extension following the same route but with increased capacity and service frequency.

2006 saw the preparation of JESSICA (Joint European Support for Sustainable Investment in City Areas), a new policy initiative of the European Commission, supported by the EIB, for the benefit of urban renewal in areas for which EU Structural Funds (European Regional Development Fund, European Social Fund) are available in the budgetary period 2007-2013. The Council of Europe Development Bank will also contribute and other international financial institutions, together with the commercial banking and private sector, may participate as well.

The objective of JESSICA is to give additional impetus to urban renewal through the use of new financial products. It provides for interim payments from the Structural Funds to invest in urban development funds through recyclable and recoverable financial mechanisms, essentially equity, guarantees and subordinated loans. Recovered funds may be reinvested in urban projects, also as subsidies. The common feature of the urban development funds is a commercial approach, as they are expected to at least recoup their investment, and the fact that they must invest in revenue-generating projects within well-defined integrated urban renewal and development plans. The Member States have the choice of designating the EIB as fund manager. If they do so, co-financing with EIB loans would become easier and the Bank's expertise and experience in urban renewal would be directly at hand.

The advantages of JESSICA are that it will:

- ⇒ raise additional loan resources for PPPs and other projects for urban development in the regions;
- ⇒ contribute financial and managerial expertise from specialist institutions such as the EIB and the Council of Europe Development Bank;
- ⇒ create stronger incentives for successful implementation by beneficiaries by combining grants with loans and other financial tools;
- ⇒ ensure long-term sustainability through the revolving character of the European Regional Development Fund and Social Fund contributions to funds specialised in investing in urban development.



Environmental sustainability

The by-product of such investment is tradable carbon credits and by joining the MCCF, countries – which must be shareholders of the EBRD or EIB – and companies can buy carbon credits generated by projects financed by either institution in this region. In the same vein, the World Bank and the EIB have established the Carbon Fund for Europe (CFE) as a vehicle for EU Member States and companies to acquire carbon credits and as a carbon credit sales outlet for projects prepared and financed by the World Bank or EIB. The CFE was launched with a first tranche of EUR 50m.

One of the advantages of the EIB, EBRD and World Bank involvement in the carbon credit area is direct access to their own portfolios of projects, many of which have the potential to generate credits. All three institutions enjoy established relationships with host countries and their project entities, built on years of activities in support of underlying projects. To promote these initiatives, the EIB can offer technical assistance paid for from a specially created Climate Change Technical Assistance Facility, which provides grant financing for the development of carbon credit generating investment projects. This facility became fully operational in 2006.

Water projects

Water resources management is a central plank of the European Union's environmental, regional and development policies. In the EU over the past decade the main investment driver has been the tightening of environmental standards, particularly in the EU directives on urban wastewater collection and treatment, drinking water quality and bathing water. For the future, the key driver will be the Water Framework Directive, which promotes sustainable resource management through integrated river basin management plans. The target is to achieve good ecological status for all water bodies in the EU by 2015.

Most of the projects financed involve the modernisation and extension of existing distribution, collection and treatment networks as part of large-scale national, regional or municipal capital expenditure programmes. Thus, Águas de Portugal obtained EUR 420m in 2006 for investments in regional public utility concessions for bulk water supply and wastewater collection and treatment throughout Portugal. The investments will benefit some five million residents across Portugal, that is about half of the Portuguese population. The central objective is to lower risks to public health by improving the quality of water resources in the regions, such as groundwater, rivers and coastal waters, while at the same time lowering the supply cost of potable water and enhancing the recreational potential of surface waters.

Only environmentally sound projects

As a European institution, the EIB accepts its responsibility for ensuring that all the projects it finances in Europe comply with EU environmental policies, principles and standards. In the Member States and Candidate Countries the EIB verifies compliance with the relevant EU and national environmental legislation, in particular the EU Directive on Environmental Impact Assessment (EIA) and EU directives related to industrial pollution, water and waste management, air and soil pollution, occupational health and safety, and the protection of nature.

Outside Europe the Bank also upholds the highest possible standards, taking account of local conditions as necessary. In some cases, full application of EU environmental standards may prove too difficult for financial or managerial reasons but should be aimed for at a later stage.

The Bank made a public declaration of this policy when it launched the "European Principles for the Environment" (EPE) in 2006. Endorsing the EU



Environmental sustainability

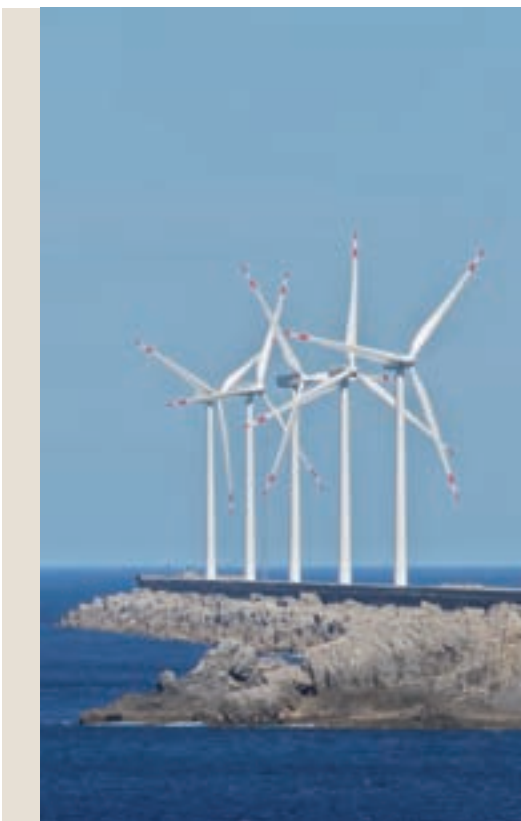
approach to environmental matters, the EPE is a public affirmation of the strong credentials of the EIB in the field of environmental management. Four other multilateral financing institutions also adopted the EPE: the Council of Europe Development Bank, the EBRD, the Nordic Investment Bank (NIB) and the Nordic Environment Finance Corporation. Thus, the EPE, which is strongly supported by the European Commission, allows for increased harmonisation of the institutions' environmental approach while providing a consistent and visible mechanism for engaging with project promoters when addressing environmental issues.

Social assessment

Traditionally, the EIB has used a broad definition of the term 'environment' to include a number of related social issues. These issues were given systematic attention in 2006 as social assessment is emerging as a key area of interest, especially for projects located outside the European Union.

The Bank follows existing good practice for mitigating social concerns, as developed by international financial institutions to handle social assessment in developing countries. Its approach is based on the identification of potentially adverse social impacts and associated mitigation and compensation measures. Investment analysis routinely includes the examination of any significant effects on income distribution and the likely impact on poverty alleviation. It also comprises an evaluation of labour standards, occupational health and safety, resettlement issues, impacts on indigenous people and cultural heritage. Stakeholder participation and consultation and other governance issues are examined as well. In this way it is possible to obtain a full picture of the social opportunities that EIB-financed projects may bring to local communities and the wider societies in which they are embedded.

Since 2006, the EIB's activities in support of a sustainable environment have been described at greater length in the Bank's annual Corporate Responsibility Report, which can be obtained on request.





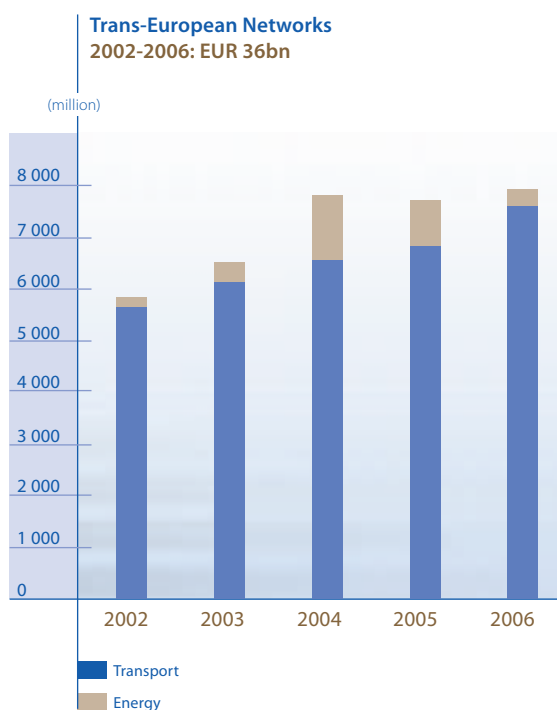
TENs: transport networks for Europe

The energy and transport sectors are often referred to as the arteries of modern industrial society and it is vital for Europe's health and vigour that they should function efficiently. Energy and transport are mutually dependent, since transport requires energy and energy supply relies to a large extent on transport links⁵.

The development of Trans-European Networks (TENs) is a key element in the creation of the internal market and the strengthening of economic and social cohesion. The EIB is the leading long-term infrastructure lender in the EU and the financing of trans-European transport infrastructure networks is one of the Bank's core activities.

TENs became an EU priority objective in 1993 and since then the Bank has supported them with a total of EUR 77bn in loans. TENs, together with research, development and innovation, are also at the heart of the 2003 European Action for Growth. As part of this initiative, which is aimed at strengthening Europe's long-term growth potential, 30 priority transport projects were identified, of which the EIB is currently supporting 21. The Bank has also committed itself to lending EUR 75bn for TENs during the period 2004-2013.

⁵ This section deals with Trans-European Networks in the transport sector. TENs in the energy sector are dealt with in the section on "Sustainable, competitive and secure energy", which in 2006 became an EIB policy objective in itself.



TENs in 2006

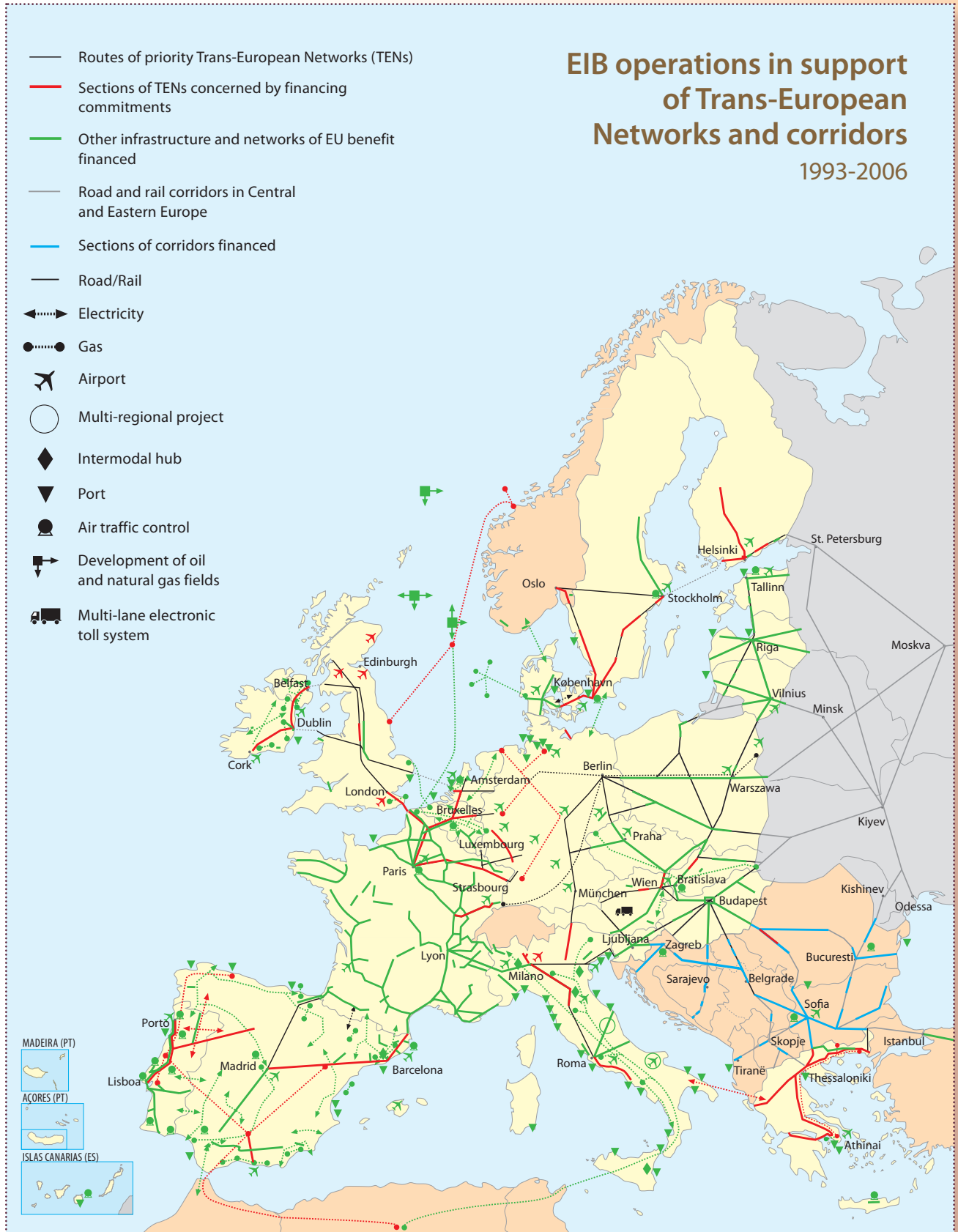
In 2006, EIB financing for transport TENs in the EU-25 amounted to EUR 7.3bn, of which EUR 3.2bn (43%) was for road projects, EUR 2.8bn (38%) for rail, which is an EU and EIB priority sector for transport, and the remainder for harbours and airports.

Spain and Portugal played a pivotal role in the Bank's lending for TENs. In 2006, lending for TENs in these countries amounted to EUR 3.171bn, of which EUR 2.9bn in Spain alone, while EUR 1.1bn went to priority TENs. The construction of the Madrid-Barcelona-Figueres and Córdoba-Málaga high-speed railway lines was supported in Spain and of the Linha do Norte in Portugal. In the Basque Region, the Bank financed the upgrading of highways infrastructure.

In Poland, the Bank lent EUR 300m for the construction or rehabilitation of sections of three motorways in the western part of the country to



TENs: transport networks for Europe





TENs: transport networks for Europe



improve links and accessibility to other EU Member States: a section of the A1 motorway, connecting Katowice and its suburbs with the Czech border; a section of the A4 motorway linking Katowice to the German border; and a section of the A6 motorway close to Szczecin, providing a link to the German border and beyond to Berlin.

In France, the EIB is involved in a number of high-speed train investments: the TGV Atlantique, the TGV Nord Europe, the TGV Méditerranée and the TGV Est. In 2006, the Bank supported the construction of the first phase of the eastern branch of a new high-speed railway line, LGV Rhin-Rhône, between Dijon and the German border. The new line fills a gap in a priority rail TEN project to improve rail traffic along the axis Lyon/Geneva-Duisburg-Antwerp/Rotterdam. As the first phase of the project crosses and improves accessibility to a region benefiting from Structural Funds aid, it will also have a positive impact on regional development. A striking feature of the loan, highlighting the EIB's financial value added, is the fact that the EUR 150m loan was made available for up to 50 years.

In 2006 airports, air traffic control centres and harbours embedded in Trans-European Networks were financed in Austria, Italy, the Netherlands, Germany, Spain and Greece, for a total of EUR 1.3bn.

EUR 738m went to projects along major transport routes in neighbouring countries. The Bank lent EUR 210m for the construction of the final section of the Rijeka-Zagreb motorway in Croatia, along the pan-European corridor from the Hungarian border via Croatia to the Slovenian border. EUR 112m went to Norway for the construction of a four-lane section of the E-18 motorway, which is a continuation of the Nordic Triangle, a priority TEN-T project linking Norway, Sweden, Finland and Denmark to each other and to the rest of the Union.

Funding and expertise

An ex post evaluation of the EIB's lending for TENs⁶, carried out by the Bank's independent Operations Evaluation division and published in 2006, concluded that the Bank's main strength resided in its role of providing the required, often very large, financial resources in line with the needs of the borrower and at competitive rates and terms. However, in addition there was an important non-financial contribution. The EIB has experience and specialist knowledge and its early presence in the structuring of projects can allow a timely agreement on the corporate, project and financial structure.

The EIB plays an important role in boosting private investment in TENs and has been involved in public-private partnerships since the late 1980s, when the first PPPs were developed in the United Kingdom. It is one of the biggest funders of PPPs, with a loan portfolio of more than 100 PPPs totalling some EUR 20bn. At the request of the Austrian authorities, the EIB participated in the first Aus-



TENs: transport networks for Europe

trian motorway PPP project (also a TEN project) in 2006. The Bank lent EUR 350m for the planning, construction and operation in North-East Vienna of the southern section of the A5, the Northern Motorway, and sections of the Vienna Northern Perimeter Expressway and the Outer Ring Expressway. The investment will go towards improving the priority TEN Gdansk-Katowice-Zilina/Brno-Vienna. The project is awarded as a concession based on availability fees and shadow toll payments for a 33-year term. EIB participation in this flagship PPP project has significantly improved the terms and conditions for the borrower, which will also result in a lower cost to the public sector.

To cater for the credit risk involved in some transport TENs, the EIB can avail itself of its Structured Finance Facility, which enables it to lend also to sub-investment grade projects. As of 2007 a loan guarantee scheme for transport TENs, financed from SFF reserves and EU budgetary funds, will also be in place for stand-by credits to cover the risk of traffic revenue shortfalls in the start-up period. In addition, the technical assistance provided through JASPERS⁷ is expected to have a significant impact on the development and implementation of transport TENs.

⁶ "Evaluation of Cross-border TEN projects" is available on the EIB's website at www.eib.org.

⁷ See section on "Balanced development throughout the European Union".





Support for small and medium-sized enterprises

The EIB and the European Investment Fund combine their expertise and experience to support SMEs in the European Union. In concert, their financing instruments guarantee that the EIB Group is able to fund the widest possible range of SME investments. Newly opened EIB credit lines and EIF investment in venture capital and SME guarantees together totalled EUR 8.6bn in 2006, while some 209 000 SMEs received support from the EIB or EIF.

Credit lines: the EIB's way of reaching out to SMEs

The EIB approach to supporting small and medium-sized enterprises is to provide intermediary banks with attractive funding, which they then use to finance SME investments. These credit lines are a critical financing tool for the EIB, the intermediaries and the beneficiary SMEs. The funding prowess of the EIB and the intermediary banks' and financial institutions' expert knowledge of the local market combine their respective strengths to improve access to finance for small enterprises. Without the credit lines to intermediaries, the Bank would only be financing large projects. The amounts taken up by SMEs vary considerably, but the maximum available under credit lines for any single investment is EUR 12.5m.

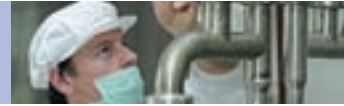
In 2006, 107 new EIB credit lines were signed in the European Union, through 118 intermediaries. All in all, an estimated 30 000 SMEs benefited from EIB funding. 75 credit lines for SMEs totalling EUR 6bn were opened throughout the European Union.

As with direct EIB loans, EIB finance through credit lines can have a leveraging effect, bringing in other sources of finance. In 2006, a credit line of nearly EUR 100m for Société Régionale d'Investissement de Bruxelles, the regional investment company for the Brussels region, was specifically structured for that purpose. The

EIB funds will go towards co-financing SMEs to support investment in the fields of industry and services, including investment in energy, environmental protection, education and health. The selection of SME investments will be based on proposals channelled to the company by a group of well-established commercial banks, which will co-finance from their own funds on a risk-sharing basis.

SME access to finance is also increased by diversification of intermediaries. The larger the number of intermediaries using EIB funds in any market, the stronger the competition for SME customers, and the better the terms and conditions for the SMEs. In the Czech Republic for example, Komerční Banka was added as a new intermediary. Komerční Banka is one of the major Czech commercial banks and has an extensive knowledge of the local market, particularly through its strong branch network. With a EUR 37.5m credit line from the EIB in 2006, it became the tenth intermediary in the Czech Republic.

The EIB's credit lines may also be directed towards specific, well-defined SME segments. In Germany, for example, the first fully dedicated credit line for medium-sized investment in research, development and innovation was opened with Deutsche Bank in 2006. EUR 100m in EIB funds will go to RDI investment (project cost of up to EUR 25m, half of which to be financed with EIB funds) carried out by larger SMEs as well as other private companies or public-private entities, such as research consortia.



Support for small and medium-sized enterprises

JEREMIE



2006 witnessed the birth of JEREMIE, the Joint European Resources for Micro-to-Medium Enterprises initiative, another SME facility enriching the EIB Group's range of financial products.

JEREMIE is a joint European Commission/EIB Group initiative, designed to give EU Member States the option of using a portion of their Structural Funds allocations in the budgetary period 2007-2013 to establish a revolving fund, managed by an intermediary, to improve access to finance for small enterprises, including start-ups, and provide microcredit in regional development areas through a tailored package of financial products. A dedicated JEREMIE team has been established at the EIF. In partnership with authorities in the Member States, these specialists are currently evaluating – through to end-2007 – the value added that JEREMIE might bring in each case. Memoranda or Letters of Understanding were signed in 2006 with the Slovak Republic, Greece, Romania and Portugal, while negotiations are at an advanced stage with several other Member States.

JEREMIE represents an innovative departure for SME financing, involving both significant leverage of Structural Funds and the establishment of a revolving facility through a holding fund. It creates new opportunities and marks a departure from the formerly exclusively grant-based financing approach of the Structural Funds.

The Deutsche Bank credit line is aimed at the higher end of SME investment in volume terms. Other lines of credit are aimed at the lower end, that is investment by small firms and micro-enterprises with less than ten employees. In Poland for example, the EIB provided EUR 50m to Raiffeisen Leasing Polska to finance investments ranging from EUR 10 000 to 250 000. The funds will be used to finance projects in industry, mainly the purchase of transport equipment, and services or tourism. The financial operation is innovatively structured as a purchase of asset-based securities backed by claims from leasing contracts originated by Raiffeisen Leasing Polska, a leading Polish leasing company and member of the Raiffeisen International Group. This structure enables the EIB to be involved in financing SMEs by means other than credit lines. The European Investment Fund is also involved as guarantor of the operation.

The EIF

The European Investment Fund is the only European Union body with a specialised focus on SME financing. The EIB is a majority shareholder of the Fund, holding 61.2% of its shares, alongside the European Commission (which holds 30%) and financial institutions in 16 countries (making up the remaining 8.8%). The EIF's activities centre on venture capital, guarantees and related products. The EIF supported 183 000 SMEs in 2006, of which nearly a third were micro-enterprises with less than ten employees.

The EIF acts as a fund of funds that invest in venture capital, particularly early-stage high-tech funds that support SMEs. It also offers SME and microcredit guarantees to financial institutions. Like the EIB's support for SMEs, the EIF's is also



Support for small and medium-sized enterprises

channelled via financial intermediaries, the Fund's counterparties being venture capital funds and banks. The EIF uses its own resources, which at end-2006 stood at EUR 694m, and funds mandated to the EIF by its shareholders or third parties.

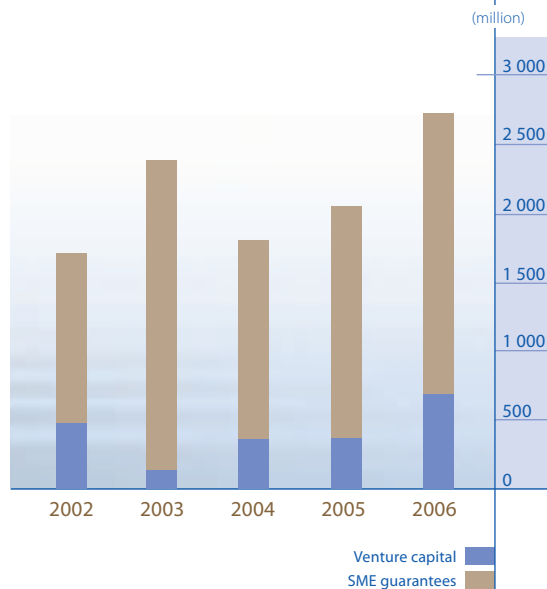
In 2006, the EIF signed venture capital commitments amounting to EUR 688m⁸, while total venture capital commitments amounted to EUR 3.8bn at the end of the year. With investments in 244 funds, the EIF is a leading player in European venture capital. This is due not only to the scale and scope of its investments, but also to its catalytic role. By taking minority positions and, in effect, giving the EIF's 'quality stamp' to funds, it encourages commitments from a wide range of investors, notably from the private sector. In 2006, the Fund continued to broaden its investment strategy beyond early-stage funds by adding mid- and later-stage funds and by investing in technology transfer, with the objective of facilitating the commercialisation of research. In addition, 2006 saw the first example of an EIF investment in a pure eco-fund, the Environmental Technologies Fund, using European Commission resources.

EIF guarantee operations amounted to EUR 2bn in 2006, while the total guarantee portfolio stood at EUR 11.1bn at the end of the year, comprising 188 transactions. The EIF offers two main product lines for its SME guarantee activity: credit insurance and credit enhancement (securitisation).

The EIF's credit insurance involves guarantee or counter-guarantee cover in relation to a counterparty's portfolio of SME or microcredit loans or leases, with the Fund taking up to 50% of the credit risk of every individual loan or lease in the portfolio. The effect is to provide capital relief to the counterparty, thus creating scope for the extending of further SME loans. The counterparties include banks, leasing companies, guarantee institutions and generalist investments. Part of this EIF activity is carried out with European Commission funding under mandate, part of it from the EIF's own funds.

The EIF also supports the securitisation of SME loans and leases packaged together by financial institutions in order to sell them on the capital markets. Some 20 new credit enhancement operations were concluded in 2006, among these the first multi-country and multi-originator (bank that pools the SME assets) securitisation involving KfW and Raiffeisenbank in the Czech Republic and Raiffeisenbank Polska in Poland. Incidentally, part of the assets were purchased by the EIB (see the Bank's funding of Raiffeisen Leasing Polska's SME and microcredit activity in the first section above). The EIF provides added value by using its AAA rating to bring leverage to SME guarantee and securitisation transactions.

EIF Commitments
2002-2006



⁸ The EIF's activities are accounted for separately and not included in the EIB's lending figures.



Sustainable, competitive and secure energy

Putting its full weight behind the renewed attention given to Europe's energy supplies, the EIB decided in 2006 to draw together the various strands of its activity in the energy sector and give it policy priority status. From now on sustainable, competitive and secure energy is one of the six core policy objectives of the Bank in the EU.

Not since the oil shocks of the 1970s and their aftermath have energy issues figured so prominently on Europe's agenda. The three key issues for the EU and the EIB are sustainability, competitiveness and security of supply. Sustainability relates to the use of finite non-renewable inputs and the cumulative impact on the natural environment, particularly through CO₂ emissions. Competitiveness is a key consideration for the economic development of the European Union given the central role played by energy in all sectors of the economy. Finally, security reflects the increased dependence of Europe on external supplies, compounded by the presence of many risk factors at the international level.

Five areas have been selected for EIB lending in the energy sector: renewable energy; energy efficiency; research, development and innovation in energy; security and diversification of internal supplies (including trans-European energy networks); and external energy security and economic development. As of 2007, energy-related lending inside and outside the EU should account for some EUR 4bn annually. Of this overall amount, EUR 600-800m is to go to renewable energy projects, while half of the Bank's lending for new electricity generation should be associated with renewable energy technologies.

Renewable energy

In 2006, loans for renewable energy projects amounted to EUR 524m (objective for 2007: EUR 600-800m minimum), which was 31% of

the Bank's lending for electricity generation. In the five-year period from 2002 to 2006, loans totalled EUR 2.2bn, or 35% on average of lending for electricity production.

In Spain, in 2006 the Bank lent EUR 450m to Iberdrola, the world leader in the windpower market. This biggest EIB loan ever for renewable energy went towards the development of 31 wind farms and two mini-hydropower plants.

Following investment trends, windpower accounted for most of the renewable energy financing in recent years. However, the aim is to diversify the EIB's renewable energy portfolio, favouring underdeveloped renewables, such as solar energy and in particular biofuels, and new renewable technologies with good long-term economic prospects. The Bank's EUR 70m loan to Andasol⁹ in Spain, for the first large-scale commercial solar thermal power generation plant in the European Union, shows the way forward.

Energy efficiency

The EIB wants to increase the focus on energy efficiency concerns in all areas of economic activity (industry, transport, housing, services, etc.). In 2006, the Bank lent EUR 317m for investment in energy efficiency in the European Union. Combined heat and power generation, as well as district heating networks, are a Bank priority. Widespread investment in energy savings is possible and desirable, especially in the Member States

⁹ See section on "Environmental Sustainability".



Sustainable, competitive and secure energy



that joined the EU in 2004 and in the new members Bulgaria and Romania, as well as in neighbouring countries.

In Italy, the Bank lent EUR 120m to IRIDE, the Authority for Electricity and Gas, to upgrade electricity production capacity and install remote electronic metering facilities in the electricity distribution network in Turin. The purpose of the investment is to increase energy efficiency and the rational use of energy and to meet domestic electricity demand in a cost-efficient and environmentally acceptable manner. Older fuel oil-fired thermal power technology will be replaced by cleaner and more energy-efficient modern gas-fired combined-cycle technology to produce electricity and heat capacity for district heating. The installation of digital meters encourages demand-side management and more efficient system load management, both contributing to energy savings and more rational use of energy.

Energy research, development and innovation

EIB finance for RDI investment in the energy sector is an important part of the Bank's support for innovation¹⁰. Good examples are the loans in Germany for a major RDI investment programme in the areas of emissions reduction and safety, and for the

development of a hydrogen-powered passenger car. In the energy RDI context, the Bank is following closely the work carried out on European Technology Platforms, such as those dealing with hydrogen and fuel cells, photovoltaic and thermal solar.

Trans-European energy networks

Trans-European energy projects have long preparation and implementation lead times and the annual pace of investment – and financing – inevitably fluctuate. EIB lending for energy TENs totalled EUR 321m in 2006, which is a relatively small amount in comparison to earlier years. The loans went to gas and electricity projects in Ireland, the United Kingdom and Greece.

One of the two projects financed in Greece is a priority energy TEN and concerns the construction and operation of an 85 kilometre-long gas transmission pipeline linking the Greek and Turkish national gas systems between Komotini in Greece and the Greek-Turkish border. The purpose is for Greece to import natural gas from Caspian and Middle Eastern sources through Turkey in order to satisfy growing demand and improve security of supply. But the pipeline also provides capacity for the potential future transit to the wider European market via planned pipeline connections to Italy and the Balkans.

¹⁰ See section on "Support for innovation".



Sustainable, competitive and secure energy

External energy security and economic development

Outside the European Union, the EIB supports the EU objective of creating a pan-European Energy Community with the Neighbour Countries and, in Partner Countries as well, investments that enhance the security of energy supplies to the Union. The Bank also develops a pipeline of climate change projects and it contributes to improve access of the population, particularly the poorest segments, to modern sources of energy.

In 2006, the EIB lent some EUR 1bn for energy investment outside the EU, of which EUR 594m in the Mediterranean. The Mediterranean partner countries¹¹ are experiencing a considerable energy squeeze, which is set to intensify over the coming years as energy demand continues to expand. At present, 16 million of those living in the least developed parts of the Mediterranean region still have no access to electricity.

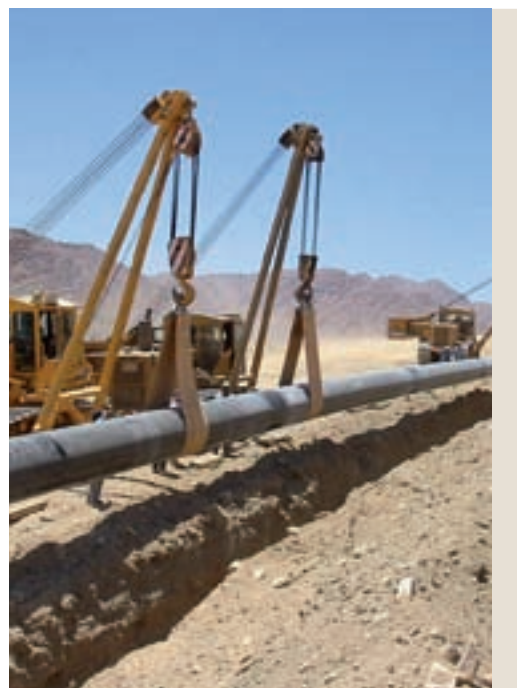
The Euro-Mediterranean Partnership has the same energy objectives as the EU itself: ensuring secure electricity supplies, a competitive energy industry and improved energy efficiency, while maintaining environmentally sound conditions. In support of these objectives, the EIB's lending under FEMIP concentrates on the construction and upgrading of national and regional energy infrastructure and improving the integration of the Euro-Mediterranean energy markets, thus enhancing security of supply for all countries concerned. Since 2002, FEMIP has signed 20 loans for energy projects in the Mediterranean partner countries, amounting to EUR 2.8bn, or 42% of FEMIP's total lending.

Energy investments also played an important role in the African, Caribbean and Pacific countries, accounting for EUR 185m in EIB loans in 2006. In Cameroon, the Bank financed AES Sonel's post-privatisation investment programme in thermal

and hydroelectric facilities and improved transmission and distribution. In Ghana, it supported the construction of a pipeline system for transporting natural gas from Nigeria to Ghana, Togo and Benin, and a run-of-river hydropower plant in Mali will improve electricity supply in the country itself as well as in Mauritania and Senegal. In the Caribbean, the EIB financed the construction of a wind farm in Barbados and, in the Pacific, of a hydropower plant in Fiji.

A significant part of the renewable energy projects financed by the Bank in recent years was located outside the EU.

Under the new energy priority objective, particular attention will be given to projects outside the Union that enhance security of supply to the EU, such as the construction of pipelines and LNG terminals to transport energy to Europe.



¹¹See section on "Neighbours to the south and east".



Preparing the enlargement of the European Union

Of all the countries in which the EIB is active outside the European Union, the closest are the Accessing and Candidate Countries and the countries in the Western Balkans, which may be seen as potential candidate countries further down the road. Bulgaria and Romania were still Accessing Countries in 2006 but joined the European Union on 1 January 2007.



EIB and Bulgaria sign cooperation agreement on 5 October 2006

and local authorities. Total EIB lending to Bulgaria in the pre-accession period amounted to EUR 467m.

In 2006, the EIB signed a Memorandum of Understanding with Bulgaria, setting out a support framework for Bank lending of around EUR 500-700m a year over the period 2007-2013 for the Bulgarian Government's investment priorities. Cooperation will focus on improving and upgrading the country's basic infrastructure in the transport and environmental sectors (in combination with EU grants and other sources); providing technical support and expertise for selected EU Cohesion and Structural Fund projects defined in the JASPERS National Action Plan; and assisting the Bulgarian Government in the implementation of a national PPP programme.

Bulgaria

In the years leading up to accession to the EU, the EIB's lending operations in Bulgaria covered all of the country's key sectors, ranging from basic infrastructure to manufacturing and services, including support for small and medium-sized enterprises and municipalities via local financial institutions. In 2006, the EIB agreed two credit lines, each for EUR 30m, to HVB Bank Biochim and to DSK Bank to finance small-scale investment by businesses

Romania

EIB lending in Romania in 2006 amounted to EUR 679m. Traditionally, the transport sector plays an important role and, in 2006, loans were provided for the country's ongoing road rehabilitation programme and for the modernisation of the Bucharest metro. EIB support for small and medium-scale business investments and municipal projects is a priority, while the Bank also focused on projects in the water sector. The construction of a new wastewater treatment plant in Bucharest received a loan of EUR 25m. EUR 41.5m went to the rehabilitation of municipal sewerage systems and EUR 29.5m towards improving municipal drinking water supply services, a project

Enlargement Countries		(million)
Loans provided in 2006		Total
Turkey		1 827
Romania		679
Croatia		270
Bulgaria		60
FYROM		10
Western Balkans		403
Enlargement Countries		3 248



Preparing the enlargement of the European Union

EIB Forum 2006: South-East Europe – A Region on the Move

The EIB's annual Forum presents a platform for topical discussions and consultation between Bank officials and experts and high-level political, academic and business partners. In October 2006, a 600-strong audience gathered in Athens at the invitation of the EIB to review how political and economic integration in South-East Europe could be strengthened in order to promote stability and growth, democracy and prosperity.

The Forum participants debated how the European Union might add momentum to this process and the role of political leaders and business communities in the region, who could facilitate and lead the way towards achieving regional cooperation and European integration. Since trade and efficient infrastructure networks are the key to the region's economic dynamism, speakers highlighted the role of the public and private sector in fostering infrastructure projects, in promoting cross-border investment and in developing services, including access to finance for the public sector and private entrepreneurs (for details of the proceedings, see EIB Information No. 125 or visit the Bank's website).

Following on from Forums dedicated to environmental sustainability (Dublin, 2003), investment in the new Member States (Warsaw, 2004), the Lisbon Strategy (Helsinki, 2005), and the Athens Forum on South-East Europe in 2006, the next EIB Forum will be held in Slovenia in September 2007 and will focus on investing in energy and tackling climate change.





Preparing the enlargement of the European Union

forming part of the Small and Medium-sized Towns Infrastructure Development Programme (SAMTID). SAMTID encourages smaller municipalities in the same county to group together into associations and delegate the operation and management to regional operating companies. The project will improve water supply services, save costs and reduce leakage through the replacement of network pipes and old pumps and the installation of water consumption meters. The EIB loan is combined with grants from the EU's PHARE Programme.

On the occasion of the EIB Forum in Athens in October 2006 (see box), the Bank signed a framework agreement with Romania along similar lines to the one with Bulgaria. Annual lending in Romania could reach EUR 1bn in the years ahead, and part of the Bank's role will be to help ensure that projects are financed and implemented in an efficient and cost-effective way. Ongoing structural reforms and a stronger presence due to a local EIB and JASPERS office, which is to open early in 2007, are expected to further enhance cooperation. The Bank's financing of private sector investment is also expected to grow, spurred by macroeconomic stability and continuous strong foreign direct investment inflows.

Croatia and Turkey are Accession Countries, as negotiations for accession to the EU are already under way, while the Former Yugoslav Republic of Macedonia is a Candidate State as negotiations have not yet begun. For these countries and the countries of the Western Balkans (Albania, Bosnia and Herzegovina, Montenegro, Serbia and Kosovo), the EIB has accepted a pre-accession mandate from the EU for lending of up to EUR 8.7bn over the period 2007-2013. The EIB will also consider supplementing the loan amount available under mandate by loans provided at its own risk.

Croatia

To bolster Croatia's bid for EU membership, EIB lending supports projects that will help the country to meet the accession criteria and integrate rapidly into the European Union. Since 2001, EIB lending in Croatia has exceeded EUR 900m. Loans have traditionally focused on the construction and rehabilitation of the country's infrastructure, especially its transport network. This held true for 2006, when the EIB lent a record EUR 270m for transport infrastructure,





Preparing the enlargement of the European Union

including the construction of the final section of the Rijeka-Zagreb motorway, which was a missing link in the pan-European corridor from the Hungarian border via Croatia to the Slovenian border. In the years ahead, the Bank plans to extend its lending in Croatia to the environmental and human capital sectors, in close cooperation with the Commission and the EU Instrument for Pre-Accession Assistance.

Turkey

2006 has been an important year for EIB operations in Turkey. Against the background of growing investments in the country, accelerated by the start of EU accession negotiations, the EIB's lending in Turkey amounted to EUR 1.8bn in 2006, some 50% more than the previous year. The EIB is a partner of national and foreign industrial investors and supports, through cooperation with an extended network of local banks, a vibrant SME sector. It is also supporting large-scale industrial investment by lending EUR 175m to Turk Otomobil Fabrikasi to develop and produce commercial vehicles for the European market, together with PSA Peugeot Citroën and Fiat.

Strong trading links and efficient infrastructure, including transport corridors, will support the country's prosperity and its drive towards EU membership. In that spirit, a large share of the Bank's lending went to investment in communications, such as the construction of a high-speed railway between Istanbul and Ankara, Turkish Airlines fleet renewal and expansion and investment in the mobile telephone network of VodafoneTurkey.

Improvement of the urban transport system in Istanbul is also an important area of activity for the Bank. In 2006, a loan of EUR 400m was provided for the purchase of rolling stock to be used on the rail track connecting the European side of the city

with suburban Gedze on the Asian side in a tunnel under the Bosphorus. The construction of the tunnel itself had already benefited from an earlier loan of EUR 650m. The Bank also financed the purchase of two fast ferry boats for crossing the Bosphorus, each able to carry some 1 200 passengers and over 200 cars, for an amount of EUR 50m.

As an Accession Country, Turkey will receive EU budgetary contributions provided by the new EU Instrument for Pre-Accession Assistance (IPA) during the period 2007-2013. The EIB cooperates closely with the European Commission and the Turkish authorities in defining future priority investments in line with the national development plans and EU priorities. In the near future, the Bank plans to open offices in Ankara and Istanbul.

Western Balkans

In countries of the Western Balkans too, the financing operations of the EIB are facilitating the process of integration into the European Union. More generally, European Union and EIB support helps to foster political and economic reform and encourages social reconciliation in the region. The success of this process is of vital interest to the countries concerned and the European Union as a whole. In 2006, the EIB lent a total of EUR 412.5m for projects in the Western Balkans, the most it has ever lent in the region in a given year. Total lending since 1995 amounted to EUR 2.1bn at the end of 2006.

The EIB has continued to diversify its lending into relatively new sectors such as health and education. In Albania, it lent EUR 12.5m for education reform, while in Serbia a loan of EUR 80m was used to upgrade clinical centres. Moreover, the Bank has expanded its lending in favour of projects to improve the environment and quality of life in the region, for example through a EUR 5m loan



Preparing the enlargement of the European Union

for upgrading the municipal water and sanitation infrastructure in Montenegro.

The upgrading of infrastructure networks, with an emphasis on fostering regional integration and removing bottlenecks in road, rail and energy systems, remained the main focus of EIB lending in the Western Balkans. In 2006, the Bank financed road rehabilitation in Republika Srpska in Bosnia and Herzegovina, repairs to roads and bridges in Serbia and Montenegro, the construction of a new passenger ferry terminal for the Port of Durrës in Albania, and the rehabilitation of sections of the Serbian rail network that were in urgent need of improvement to remove bottlenecks in the system, a particularly important project because these sections lie within a priority Pan-European Corridor. As part of the same project, the purchase of rolling stock for Serbian Railways was financed by the European Bank for Reconstruction and Development.

Credit lines to local banks to support SME investment and small-scale municipal schemes amounted to EUR 145m in 2006.

The EIB co-finances major projects in the region with other international financial institutions, particularly the EBRD, the World Bank and the Council of Europe Development Bank, as well as with bilateral donors. It also cooperates closely with the European Commission and the European Agency for Reconstruction in order to prepare and co-finance projects with an EU budgetary contribution provided by the Instrument for Pre-Accession Assistance.

Neighbours to the south and east

The European Neighbourhood Policy is the driving force for the EIB's activities in the countries bordering Europe in the south and to the east. How important these countries are to the EU was highlighted by a 2006 decision of the Council to give the EIB a new lending mandate of up to EUR 12.4bn for the EU's neighbours over the period 2007-2013, the biggest mandate ever outside the Union, effectively doubling EIB activity in the Mediterranean partner countries (not counting Turkey) and increasing possible lending in the Eastern Neighbour countries sixfold.

FEMIP for the Mediterranean

As part of the Barcelona Process and, more recently, within the European Neighbourhood Policy, FEMIP (the Facility for Euro-Mediterranean Investment and Partnership) promotes the economic development and social modernisation of the Mediterranean partner countries and supports better regional integration, particularly in the run-up to the gradual establishment of a free trade area with the EU by 2010. Under FEMIP, the Bank uses a broad range of instruments to assist the economic development of the Mediterranean partner countries. The EIB has become the main financial partner of the Mediterranean region, providing finance of more than EUR 11bn between 2002 and 2006, EUR 1.4bn of which in 2006.

FEMIP focuses its activities on support for the private sector and on creating an investment-friendly environment, mainly by financing enabling infrastructure for economic development. In addition, FEMIP pursues a policy of enhanced dialogue with all those involved in the Euro-Mediterranean partnership, both on the institutional front and with the representatives of the private sector and civil society.

Private sector support in 2006

In Egypt for example, the EIB lent EUR 200m for a world-scale methanol plant. The project concerns the design, construction and operation of

Mediterranean Countries

Loans provided in 2006

	Total	Resources	
		own	budgetary
Egypt	550	550	-
Morocco	290	280	10
Israel	275	275	-
Tunisia	154	154	-
Syria	45	45	-
Regional	40	-	40
Mediterranean Countries	1 354	1 304	50

a plant that will produce some 1.3 million tonnes per annum, mainly for export. As local demand develops, methanol will also be sold to Egyptian industries. Following the discovery of significant reserves of natural gas in Egypt in the 1990s, the Egyptian Government set a strategic objective to promote the utilisation of this natural resource as fuel in the domestic market, feedstock in the petrochemical industry and as an export commodity.

EUR 165m in lines of credit to financial intermediaries and risk capital investments in funds operating in the Mediterranean partner countries were central to FEMIP's private sector activities in 2006. Lines of credit to intermediary banks serve for on-lending to local small and medium-sized



Neighbours to the south and east

FEMIP
Annual Report



enterprises, which in the Mediterranean, as everywhere else, are an important pillar of the economy.

Thus, resuming EIB activity in Israel after a ten-year absence, the EIB lent EUR 75m to Bank Hapoalim to support SMEs in industry, services, health and education.

FEMIP risk capital is also an effective instrument for stimulating the private sector. In 2006, the EIB invested EUR 10m each in four regional multi-sector funds: in the Beirut-based Euromena fund; the Magreb Private Equity Fund II, working from inside the region; the Euromed Fund, which operates out of Italy; and the SGAM Al Kantara Fund, the first such fund sponsored by the Société Générale

group. It also invested EUR 8.5m in the Horus Food&Agribusiness Fund, specialised in Egyptian agribusiness.

Risk capital resources were also used for an EIB microcredit loan in the Mediterranean. The borrower was Enda inter-arabe in Tunisia, an NGO which since 1995 has provided microcredit services to some 30 000 micro-entrepreneurs, over 85% of them women. The objective of this FEMIP financing operation is to strengthen Enda inter-arabe's capital and enable the NGO to expand its operations in the country's least developed regions. The EIB loan is accompanied by technical assistance financed from EU budgetary resources.

Energy and environment

FEMIP's focus in the Mediterranean energy sector is closely in line with EU priorities for the sector: sustainable energy development, competitiveness and security of supply. In 2006, the Bank lent EUR 600m for energy projects in Egypt, Morocco and Tunisia, which together accounted for 44% of total lending in the Mediterranean.

In Tunisia, the EIB lent EUR 114m for the construction of a natural gas-fired, combined-cycle power plant at Ghannouch. The investment will help to meet the country's constantly rising demand for electricity and at the same time enhance Tunisia's attractiveness as a location for investment in industrial activities and services, in particular in the tourism sector. Two more combined-cycle power plants were supported with a loan of EUR 260m in Egypt. They will produce electricity at a competitive price and with limited environmental impact.

To widen the scope of future investment in the sustainable energy sector, three studies financed by the FEMIP Trust Fund are currently under way. One – on renewable energy in the Mediterranean partner countries – is being carried out in part-





Neighbours to the south and east

nership with Agence de l'Environnement et de la Maîtrise d'Énergie (ADEME) and Agence française de développement (AFD). Another study is investigating the possibilities for carbon finance and crediting activities in the Mediterranean region, to identify priority sectors and build a pipeline of projects that the EIB could support in the years to come. Finally, a study has started to evaluate the potential for environmentally sustainable biofuel production in the FEMIP countries, for which only scattered information is currently available.

Environmental protection projects in the Mediterranean accounted for EUR 325m in EIB loans in 2006. Addressing the most urgent environmental needs, the finance was concentrated on the water and sanitation sector in Israel, Morocco, Syria and Tunisia. In particular, in Morocco EUR 40m was lent

to rehabilitate and extend the sanitation systems in urban centres in the wadi Sebou basin, which is situated between Taza to the east and Khenitra on the Atlantic coast. The loan is for the wastewater collection and stormwater drainage network and the construction of a secondary wastewater plant. Because of the substantial environmental impact, the project is further supported by an interest subsidy from EU budgetary resources. EUR 4m in FEMIP technical assistance has been earmarked for the Project Management Unit and work to increase the borrower's institutional capacity.

More generally, the European Commission is currently developing a long-term, large-scale pollution clean-up programme for the Mediterranean. The initiative, known as Horizon 2020, builds on a coalition of partners, including the EIB. Under



FEMIP Ministerial meeting in Tunis.



Neighbours to the south and east

FEMIP, the Bank will focus on reducing the most significant sources of pollution and create a pipeline of bankable investment projects in close cooperation with other multilateral banks and the Commission's Environment DG.

To the aid of Lebanon

On the occasion of the International Donors' Conference, which took place in Paris in January 2007, the EIB pledged support for the Recovery, Reconstruction and Reform Plan drawn up by the Lebanese Government by providing EUR 960m over the next six years for key projects under the Public Investment Programme and for investment in the private sector. As a long-standing partner of Lebanon, the Bank will continue its commitment to infrastructure projects (mainly transport and wastewater) and provide new EIB financing to support SMEs whose activities were disrupted by the recent conflict, to underpin sector reform (notably in the power sector) and to support private sector investment. Additionally, technical assistance grants will help project preparation and implementation, as well as the privatisation process.

Implementation of the new FEMIP mandate

Financial support forms the basis for the EIB's role in the Mediterranean. However, partnership necessarily also implies policy dialogue with the stakeholders: the countries concerned, the private sector and civil society.

The new mandate is intended to strengthen partnership and interaction on three levels. At the level of governments, FEMIP Council of Ministers meetings will be responsible for strategic high-level policy-making. The first such ministerial meeting under the new mandate will take place in Cyprus in May 2007. At a more practical level, a committee of representatives from the EU and Mediterranean partner countries and the European Commission will regularly discuss FEMIP strategy, provide guidance to ministers on specific issues, such as

sector analysis or the definition of new financing instruments, and approve FEMIP's annual report. Finally, FEMIP Conferences will bring together private and public sector representatives, academics and other stakeholders to discuss topics selected by the Council of Ministers. In 2006, a conference was held in Monaco on necessary investment in transport systems in the Mediterranean region.

Russia and other neighbours to the east

Whereas the EIB has been active in the Mediterranean for some thirty years, the first EIB loan for a project in Russia dates back only to 2003. The mandates governing EIB activity in the east have also been for relatively small amounts compared to the Mediterranean. However, as EU interest in this area of the world grows, so does the size of the mandates, from an original EUR 100m for Russia in 2001, to EUR 500m for Russia, Belarus, Moldova and Ukraine up to January 2007, to EUR 3.7bn for these countries plus the Southern Caucasus in the period 2007-2013.

The first EIB mandate (EUR 100m) was specifically focused on environmental projects in the Baltic Sea rim of Russia. It resulted in three Bank-financed operations totalling EUR 85m, all of them co-financed with both the EBRD and NIB, and benefiting water projects in the St Petersburg area.

The second mandate (EUR 500m) was for financing projects of major interest to the EU in Russia, Ukraine, Moldova and Belarus in the environmental sector as well as transport, telecommunications and energy infrastructure projects involving priority Trans-European Networks with cross-border implications for an EU Member State. In 2006, the Bank approved a first loan of EUR 200m in Ukraine for the rehabilitation of the final sections of the M-06 motorway between Kiev and Brody along



Neighbours to the south and east

Pan-European Corridors III and V. The project will be co-financed with the EBRD.

In order for the EIB to be active in individual countries under the mandate, framework agreements have to be concluded between the Bank and the country concerned. Previously, such agreements existed only with Russia and Ukraine, but in 2006 an agreement was reached with Moldova as well, paving the way for future EIB activity in this country. Also helpful for the Bank's lending in the Eastern Neighbour countries was the signing of a Memorandum of Understanding between the European Commission, the EIB and the EBRD on 15 December 2006, which will reinforce the close cooperation in the countries concerned.

Investments in Russia, Ukraine and Moldova, as well as in Armenia, Azerbaijan and Georgia in the Southern Caucasus in 2007-2013 will be targeted on the sectors covered by earlier mandates, but renewed priority will also be given to projects in the energy sector, in particular strategic energy supply and transport projects.



EIB, EBRD and Commission join forces in Eastern Europe, Southern Caucasus, Russia and Central Asia



Supporting the partner countries

The EIB finances investment in Africa, the Caribbean and the Pacific (ACP), and in Asia and Latin America (ALA) as well. The Bank's lending is carried out under a European Union mandate, but the nature of the mandates in the ACP and ALA countries is quite different. In the ACP countries, the EIB helps to implement the EU's development policy, while in ALA the focus has been on economic cooperation between the Union and the partner countries.

African, Caribbean, Pacific States and South Africa
Loans provided in 2006

(million)

	Total	Resources	
		own	budgetary
Africa	564	133	431
<i>West</i>	218	115	103
<i>Southern and Indian Ocean</i>	146	18	128
<i>Central and Equatorial</i>	101	-	101
<i>East</i>	56	-	56
<i>Multiregional</i>	43	-	43
Caribbean	41	10	31
Pacific	37	25	13
OCT	-	-	-
Multiregional	103	-	103
ACP-OCT	745	167	578
South Africa	80	80	-

was set up to support investment in private enterprises and commercially-run public sector entities operating in the transport, water, energy and telecommunications sectors, investing in the infrastructure that is a necessary condition for private sector development. Projects with an important environmental and/or social component or public sector projects in countries pursuing economic adjustment programmes are normally eligible for interest rate subsidies. EIB lending in South Africa falls under a separate mandate, which provided for up to EUR 825m for 2000-2006.

EIB lending in ACP countries amounted to EUR 745m in 2006 (compared to EUR 537m in 2005), EUR 578m from EDF¹² resources and EUR 167m from the Bank's own funds. Under the Cotonou Agreement, the IF has established a strong track record of activity, with signed operations amounting to almost EUR 1 400m since 2003. The focus so far has clearly been on projects promoted by the private sector, which accounted for 81% of the IF portfolio at the end of 2006. By sector, 53% of the IF portfolio targets financial services – with good results achieved so far in developing the Bank's microfinance activities in the ACP countries, particularly in sub-Saharan Africa – and 20% consists of industrial investments (including mining operations). The remaining 26% relates to basic infrastructure (energy, water, transport and telecommunications investments). Loans from the Bank's own funds totalled EUR 386m at the end of 2006, of which more than half was for private sector projects. Industry (including mining) and basic infrastructure together accounted for 65% of the loans from own funds.

The EIB in the ACP countries

The basis for the Bank's activities in the ACP countries is the Cotonou Partnership Agreement between the EU and the 79 ACP countries. The central objective of the Cotonou Agreement, which succeeded the earlier Yaoundé and Lomé Conventions, is the reduction and eradication of poverty, and the inclusion of the ACP economies in the world economy. For the period 2003-2007, the EIB can lend up to EUR 1.7bn from its own funds and a further EUR 2bn from the Investment Facility (IF), a revolving fund financed from the European Development Fund and managed by the Bank. The IF

¹² Including EUR 8.5m under the Lomé 4bis Convention.



Supporting the partner countries

Environmental protection plays an important role in the ACP countries, especially water and sanitation projects (see box on water supply in Mozambique), but also investment in renewable energy. In 2006, the Bank lent EUR 9.75m from its own funds to the Barbados Light and Power Company for a windpower project. The project replaces the use of expensive fossil fuel and reduces atmospheric emissions. The loan carried an interest rate subsidy on environmental grounds. The investment is being funded under the EIB's Climate Change Financing Facility and is likely to be eligible for registration under the Kyoto Protocol's Clean Development Mechanism. The project promoter has applied for support from the Bank's Climate Change Technical Assistance Facility with a view to facilitating the process of obtaining such registration. The EIB also lent EUR 24.5m for the construction of a hydro-power plant in Fiji.

In 2006, the Bank's activity in South Africa was constrained by the imminent expiry of the current mandate at the end of 2006 and the resulting limited availability of funds. The EIB lent EUR 80m from its own funds to ESKOM Holdings Ltd for the construction of a new high-voltage transmission interconnection between Johannesburg and Cape Town. ESKOM is the country's fully state-owned electricity utility. Under the 2002-2006 mandate, the Bank's funding went to SMEs (EUR 260m), investment in environmental protection (EUR 245m) and energy (EUR 130m).

Financial services

Operations with the financial sector, notably the channelling of resources through local financial institutions and private equity funds, generally serve the twofold purpose of supporting the development of local financial markets and providing funding for smaller enterprises, including micro-enterprises.

In 2006 the Bank, through the Investment Facility, extended a loan to support the development of First Bank of Nigeria (FBN), one of the country's largest banks, which has embarked on a far-reaching modernisation exercise. Thanks to its unique position and following its planned merger with Ecobank, FBN is going to be a key player in financial deepening and economic integration in West Africa. It will use its new regional network to improve services to commercial and corporate customers. The loan is giving FBN access to a source of stable long-term finance to implement its strategies. Through the provision of tier II capital, the Investment Facility is also acting as a catalyst in increasing the flow of private sector funding to FBN and hence in diversifying its funding base.

The EIB also contributed USD 5m to the Business Partners International Kenya SME Fund (BPI-K). BPI-K is a Kenyan Limited Partnership that invests in young medium-sized enterprises. The Fund is co-sponsored by IFC and Business Partners International, a subsidiary of Business Partners Ltd, a South African SME investment specialist. The Fund will also benefit from the support and involvement of the EIB's regional representation in Nairobi.

Working closely with the European Commission

The pooling of EIB and European Commission expertise and financial resources is proving very effective. In 2006, the two institutions signed a Memorandum of Understanding creating a Trust Fund in support of regional infrastructure in Africa. Through this Trust Fund, which will also be open to contributions from Member States, the European Commission will initially allocate up to EUR 60m in grants to accompany approximately EUR 260m in loans from the EIB in the form of interest rate subsidies.



*Cotonou
Investment Facility
Annual Report*



Supporting the partner countries

Safe water for the poor in Maputo, Mozambique



In 2006, the EIB lent EUR 31m for the improvement and expansion of the water supply system in Maputo, Mozambique. The project promoter, Maputo Water Supply, serves the Greater Maputo area of 1.7 million inhabitants. In this area half of the population lives in absolute poverty and only 40% have access to adequate drinking water. By significantly increasing the number of people with access to safe drinking water, the EIB project contributes to the achievement of Mozambique's Millennium Development Goals on water, health and poverty eradication, which are central to the country's Poverty Reduction Strategy. The seventh UN Millennium Development Goal – ensuring environmental sustainability – includes sub-targets to reduce by half the proportion of people without sustainable access to safe drinking water and improved sanitation.

The Maputo water project has four specific objectives: to increase installed production capacity to ensure a constant supply to the 730 000 people at present connected to the existing water supply system (currently the system does not provide a 24-hour supply) and increase the population served by 467 000 people in 2010 and by an additional 145 000 by 2014; to improve the system's performance by reducing the amount of unaccounted for, "unmetered" water; to expand the water supply in the poorer areas on the outskirts of town with the support of small local private operators, in order to extend services to an additional 110 000 people; and to improve the water supply company's capacity and financial sustainability, which will contribute to the improvement of water services in all cities under the promoter's responsibility.

The project builds on earlier sector reforms and project work by the World Bank and brings together the national water agency FIPAG (Fundo do Investimento e Património do Abastecimento de Água) and the Mozambican Government with a group of international development finance organisations: the EIB, the European Commission's Water Facility, FMO of the Netherlands and Agence Française de Développement. Sustainability and affordability are ensured by a combination of low-cost funding, good regulatory policy (notably regarding tariffs and institutional autonomy), appropriately designed and regulated private sector participation in service provision, and involvement of NGOs at the point of delivery.



Supporting the partner countries



Along the same lines, good progress has been made in implementing projects in Ethiopia, Madagascar and Mozambique involving EIB loans in combination with technical assistance and grant aid under the ACP-EU Water Facility, which was established in 2004 to promote and support investment in the water sector in ACP countries. Separately, a new dedicated EIB Water Project Preparation Facility of EUR 3m will finance the preparation of at least eight ACP water and sanitation projects over the next three years.

In addition, the EIB has been requested by the European Commission to provide advisory services for the implementation of its second Risk Capital Facility (RCF) in South Africa, a targeted sector programme of EUR 50m over five years. The programme is a continuation of the successful RCF started in 2002 and already involving the EIB, and is aimed at providing equity and quasi-equity funding to SMEs owned by historically disadvantaged persons in South Africa. The EIB's contribution is to advise the European

Commission on the design and establishment of the facility and then to participate in the technical appraisal and approval of the proposals for investment, without any involvement in the financial management of the funds themselves.

Outlook

The Cotonou Agreement was concluded in June 2000 for a 20-year period, with protocols for each successive five to six-year period. The first protocol, which covered the period 2003-2007, will soon come to an end. The second protocol, for 2008-2013, provides for an additional EUR 1.1bn for the Investment Facility and EUR 2bn from the Bank's own funds, to which should be added a new EUR 400m appropriation for interest rate subsidies and technical assistance. Under the new external mandates, EUR 900m will be available for projects in South Africa from 2007 to 2013.



Supporting the partner countries

In the years to come, the Bank's emphasis will be on infrastructure and the financial sectors. In infrastructure, the focus is on basic investments, such as in energy, water and sanitation projects. Private sector projects and regional initiatives, i.e. projects involving or having an impact on more than one country, will also have priority.

The EIB and Asia and Latin America

The EIB mandate for lending in Asia and Latin America during the period 2000-2006 provided for up to EUR 2 480m in loans to support investments that are of mutual interest to the European Union and the recipient country. The objective was to support economic cooperation. At the end of 2006, the Bank had lent EUR 2 425m. In 2006, EIB lending for projects located in Asia and Latin America totalled EUR 483m, of which EUR 240m in Latin America (Brazil, Colombia, Ecuador, Honduras and Peru) and EUR 243m in Asia (Pakistan, Vietnam, Sri Lanka and the Maldives).

In Latin America, the Bank signed a EUR 20m loan to the Central American Bank for Economic Integration (CABEI) for the construction of the Honduran road corridor connecting the Atlantic with the Pacific Coast. The project is part of the Plan Puebla-Panama initiative, a regional action plan to improve cross-border infrastructure in Central America and Mexico. Other loans went to the design and upgrading of digital mobile phone networks in Colombia, Ecuador and Peru, and to investment at Michelin Brazil's tyre plants.

In Asia, the EIB contributed to international and EU efforts to alleviate the impact of natural disasters in the region, notably through loans to finance post-tsunami reconstruction in the Maldives and Sri Lanka. In Pakistan, a loan was provided for the construction of a cement plant. This project is important for the reconstruction efforts following the earthquake that hit the country in

Asia and Latin America Loans provided in 2006

	(million)
	Total
Latin America	240
Colombia	100
Brazil	40
Ecuador	40
Peru	40
Honduras	20
Asia	243
Sri Lanka	120
Maldives	50
Vietnam	38
Pakistan	35
Asia and Latin America	483

October 2005. In Vietnam, the Bank financed the construction of self-service wholesale stores by Metro Cash & Carry.

Since it began lending in the ALA countries in 1993, the EIB has provided close to a hundred loans, totalling EUR 4 762m, with 55% going to projects in Latin America and 45% to projects in Asia.

The new ALA mandate

Under the EIB's new mandate covering the period 2007-2013, the Bank can lend up to EUR 3.8bn in the ALA partner countries. This represents an increase compared to the previous mandate. The new mandate has been subdivided into indicative ceilings of EUR 2.8bn for lending in Latin America and EUR 1.0bn for Asia.

To ensure that the EIB can better support the EU's cooperation strategy in ALA, the sectoral and geographical coverage of the mandate



Supporting the partner countries

was broadened. In particular, the Bank can now finance projects that contribute to environmental sustainability, including climate change mitigation, or to the energy security of the EU. The

Bank will also continue to support the EU's presence in the countries concerned through foreign direct investment and the transfer of technology and know-how.

The EIB's response to natural disasters in Asia

Some two thirds of the Bank's lending in Asia in 2006 was to support reconstruction and rehabilitation in countries that had fallen victim to natural disasters.

The devastating earthquake and tsunami that struck the Indian Ocean countries on 26 December 2004, apart from the tragic cost in lives, wreaked havoc along thousands of kilometres of coastal areas, rendering more than one million people homeless and causing major damage to infrastructure.

In 2005, a credit line of EUR 50m was made available under exceptionally favourable conditions for tsunami-related small and medium-sized investments in Aceh and Northern Sumatra in Indonesia. In 2006, the EIB also came to the aid of the Maldives. This required an extension of the existing ALA Mandate, as the country was not previously included. In the Maldives, the Bank focused on the tourism sector, a main pillar of the economy. A credit line of EUR 50m was made available for private sector resorts and hotels affected by the tsunami. In Sri Lanka, the EIB made a credit line available with two windows, one subsidised by the Central Bank and the other on the Bank's normal terms. EUR 20m, at a subsidised interest rate and in local currency, was reserved for small-scale investments by borrowers that had been directly affected by the tsunami. Another EUR 50m went in larger amounts to borrowers that had been directly or indirectly affected.

The second large disaster in Asia that prompted the EIB to provide financial support in 2006 was the October 2005 earthquake in Pakistan. Following the earthquake, the reconstruction of houses and infrastructure led to a substantial increase in the demand for cement in Pakistan. Against this backdrop and with a view to reducing the supply gap and facilitating reconstruction, the EIB financed a new cement project in Khaipur with a loan of EUR 35m.



Borrowing: strategy adds value for customers

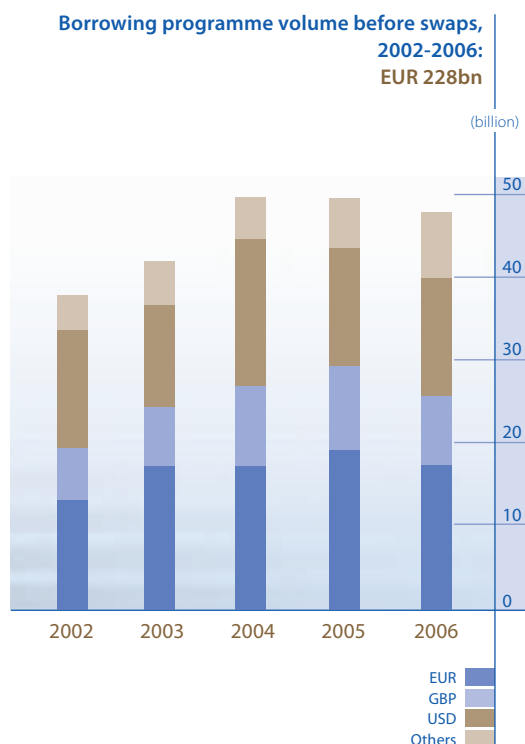
The Bank remained committed to making the best use of its financial strength, based on support from shareholders – the EU Member States – to secure funding at optimal cost and thus add value for customers. In the pursuit of these objectives, the Bank maintained a consistent funding strategy, entailing both continuity and innovation in its benchmark programmes and tailor-made issuance. The resulting achievements benefited loan customers, both in the EU and local developing markets targeted by the Bank.

The funding volume of EUR 48bn was similar to last year's. Funds were raised in a record 24 currencies, including six currencies in synthetic format. There was increased demand in non-core currencies (notably Australian dollars), which generated funding of EUR 8bn, compared with EUR 6bn in 2005. However, core currencies (euro, sterling and US dollars) remained the main source of funding, accounting for EUR 40bn (EUR 44bn in 2005).

The market's positive reception for the EIB's funding activities was reflected in the EuroWeek poll, where market participants voted the Bank 'Most Impressive Borrower', 'Most Innovative Borrower' and 'Best Supranational or Agency Borrower' for the third consecutive year. The Bank was also voted 'Most Exciting and Challenging Borrower' for the years ahead'.

Core currencies – sovereign class and innovation

Benchmark programmes in the core currencies of euros (EUR), sterling (GBP) and US dollars (USD) strengthened the Bank's unique position as a multi-currency sovereign-class benchmark issuer. This remains a cornerstone of cost-effective funding. Benchmark issues in the Bank's three core currencies raised EUR 28bn equivalent (59% of total funding). Of this, the largest amount was raised in euros (EUR 10.6bn), followed by USD (EUR 9.7bn equivalent) and GBP (EUR 8.0bn equivalent).



A number of innovations and distinctive features differentiated 2006 activities in core currencies. In EUR, where the Bank raised EUR 17.4bn overall (via benchmarks and targeted issuance), there was continued proactive alignment with key sovereign issuance features, including an issue size of EUR 5bn for benchmark 'EARN'¹³ issues – with two new EUR 5bn transactions in the 5-year and 10-year sectors. This helped deliver the funding advantage associated with the strong performance of



Borrowing: strategy adds value for customers

European sovereign-class bonds in 2006. Further attention to sovereign-class liquidity was visible in the EUR 580m increase of the 2008 EARN, via an auction-based liquidity allocation procedure. The Bank remains the only borrower to complement sovereigns with benchmark issues in Global format of EUR 5bn size with outstanding maturities from three to 30 years.

An important highlight in EUR targeted and structured issuance (raising EUR 6.9bn in total), was the first issue to be distributed via a public offering in all 12 countries of the euro area (the European Public Offering of Securities, or EPOS). The issue was a EUR 1bn structured bond linked to eurozone inflation. It was a practical proposition thanks to the “passporting” mechanism provided for in the EU Prospectus Directive¹⁴. It was the first time that the passporting mechanism was used on this scale in the bond market. The issue is therefore noteworthy as a contribution to EUR capital market development.

In GBP the Bank maintained its position as the leading alternative to gilts, with total GBP outstandings at end-2006 equivalent to approximately 10% of the GBP non-gilt market. In GBP the Bank raised GBP 5.7bn (EUR 8.4bn) in total. There were transactions in 15 different benchmark maturities out to 2054, the widest range of issuance maturities other than the gilt. Also, two new benchmark lines were established in the 3- and 10-year maturities. In structured products, the Bank conducted one new issue and increased the existing 2016 inflation-linked issue for a total of GBP 297m.

In USD, the Bank raised an overall amount of USD 17.6bn (EUR 14.2bn), making it one of the largest non-US issuers in this currency. The Bank issued five benchmarks in Global format across all key maturities: 3-year, 5-year, 10-year (twice) and 30-year. The last of these issues, by extending the EIB curve out to 30 years, was the first benchmark issue in this part of the curve after

the reintroduction of the ‘long bond’ by the US Treasury. The second new USD 3bn 10-year issue represented the largest transaction in this maturity by a non-US AAA borrower, underlining the strength of liquidity offered by the EIB. The Bank also issued two Eurodollar bonds in the 7-year sector, for USD 1bn and USD 1.5bn respectively. The latter was the largest eurobond in its asset class this year. Structured transactions amounted to USD 1.4bn (EUR 1.2bn).

Currency diversification

Outside its three core currencies, the Bank raised EUR 8.0bn equivalent via 15 additional currencies. Also, the Bank issued in six further currencies in synthetic format (booked under other payment currencies), for an amount of EUR 0.6bn. The largest source of growth in non-core currencies was in Australian dollars (AUD), and the three largest contributors in these other currencies, each contributing funding for over EUR 1bn equivalent, were AUD (EUR 1.8bn), Japanese yen (JPY, for EUR 1.3bn) and Turkish lira (TRY, for EUR 1.1bn).

Development impact

Developmental work in currencies of the new Member States, Acceding/Accession Countries and EU partner countries remained an important feature. Borrowing in these and other currencies of countries targeted for Bank lending serves to remove currency risk, where funding and on-lending can be combined.

Among new Member State and Accession Country currencies, the largest source of demand remained in Turkish lira, where the Bank raised EUR 1.1bn equivalent and continued to develop its liquidity and yield curve. In Bulgarian leva (BGN) the Bank launched its first floating-rate note. The Bank

¹³ Euro Area Reference Notes.

¹⁴ This Directive sets out an efficient mechanism for the “passporting” of prospectuses in the Member States of the European Union: a prospectus approved by the competent authority in one Member State (“home country regulator”) can be used as a valid prospectus in any other Member State (“host Member State”) without the need for any further prospectus approval (“mutual recognition”).



Borrowing: strategy adds value for customers

Borrowings signed and raised in 2006* vs 2005

(EUR million)

	Before swaps:				After swaps:			
	2006		2005		2006		2005	
EUR	17 439	36.3%	19 311	38.8%	31 820	66.2%	32 179	64.6%
CZK	18	0.0%			18	0.0%	19	0.0%
DKK	235	0.5%			235	0.5%		
GBP	8 392	17.5%	10 057	20.2%	3 067	6.4%	3 096	6.2%
HUF	110	0.2%	222	0.4%	97	0.2%	53	0.1%
PLN	32	0.1%	73	0.1%	32	0.1%	49	0.1%
SEK	309	0.6%	174	0.4%	309	0.6%	468	0.9%
Total EU	26 535	55%	29 838	60%	35 577	74%	35 864	72%
AUD	1 840	3.8%	692	1.4%				
BGN	102	0.2%						
CHF	703	1.5%	709	1.4%			259	0.5%
HKD	101	0.2%						
ISK	501	1.0%	162	0.3%				
JPY	1 277	2.7%	1 352	2.7%				
MXN			183	0.4%				
NOK	424	0.9%	38	0.1%	88	0.2%	38	0.1%
NZD	933	1.9%	1 077	2.2%				
TRY	1 095	2.3%	1 222	2.5%				
USD	14 225	29.6%	14 309	28.7%	12 305	25.6%	13 581	27.3%
ZAR	312	0.7%	219	0.4%	80	0.2%	63	0.1%
Total non-EU	21 515	45%	19 962	40%	12 473	26.0%	13 941	28.0
TOTAL	48 050	100%	49 800	100%	48 050	100%	49 805	100%

*Resources raised under the global borrowing authorisation for 2006, including 'pre-funding' of EUR 2.9bn completed in 2005.

issued in three other currencies from this region: Czech koruny (CZK), Hungarian forint (HUF) and Polish zlotys (PLN).

Outside Europe, there were significant developmental results in partner country currencies of the Mediterranean region and Africa. Of particular note were the Bank's first issue in Egyptian pounds (EGP), then also the longest-dated synthetic issue in that market, and issues in Botswana pula (BWP) and Namibian dollars (NAD), both the first from an international issuer (in synthetic format). Also, the Bank maintained a leadership role in South African rand (ZAR), raising ZAR 2.8bn (EUR 312m). As part

of this, the 8% Jan 2013 ZAR issue was increased to ZAR 4.5bn, becoming the largest and most liquid Eurorand bond. In other regions, there was a first synthetic issue in Indonesian rupiah (IDR), and repeat issuance in synthetic format in Brazilian real (BRL), and Russian ruble (RUB).

New ground in other European currencies

In the Swiss franc (CHF), the Bank introduced a new benchmark, a 30-year CHF 300m issue, which was the longest-dated issue at the time of issuance. In



Borrowing: strategy adds value for customers

“The Way to Buy Europe” *Snapshot of the EIB as an issuer*

Joint EU sovereign ownership underpins top-class credit quality and means EIB bonds can be seen as “The Way to Buy Europe”.

- ⇒ *Ownership by all EU sovereigns means EIB bonds offer a unique and diversified sovereign-class investment.*
- ⇒ *The Bank is rated AAA by the three major rating agencies, which uniformly assign a stable outlook to the EIB.*
- ⇒ *The strategic approach to markets involves a strong focus on liquidity and transparency. It combines comprehensive benchmark programmes in the Bank’s three core currencies (EUR, GBP and USD) with tailor-made issuance across a wide range of currencies and products.*
- ⇒ *The EIB is one of the largest and most frequent borrowers in the international capital markets. In 2006 it issued an aggregate of EUR 48bn.*
- ⇒ *The Bank has historically contributed to the development of capital markets in the currencies of new EU Member States, Acceding/Accession and Partner Countries. Here issuance in local currencies can support the development of lending activities.*

the Danish krone (DKK) market, the Bank issued the longest-dated “blue-stamped” 2% bond (2% Jun 2026 DKK 2.6bn), responding to investor demand for tax-efficient duration products in a segment supported by the Government. In Swedish krona (SEK), the Bank launched the first inflation-linked bond in the international market to be issued by a supranational (SEK 1.5bn issue maturing 2020). The Bank was also present in the Icelandic króna (ISK) and Norwegian krone (NOK) markets. Overall, the Bank raised EUR 2.2bn equivalent in all ‘other European currencies’ combined.

Asia/Pacific growth

The EIB strengthened its role as a prominent issuer in the Asian/Pacific markets, raising a total of EUR 4.2bn equivalent. In Australian dollars (AUD), the Bank achieved the strongest growth and largest volume of issuance among non-core currencies (AUD 3.0bn vs AUD 1.2bn in 2005) and was the largest ‘Kangaroo’ (foreign) issuer. In this market, the Bank issued the first Kangaroo inflation-linked bond, an AUD 250m CPI-linked bond due 2020. The Bank also raised EUR 0.9bn equivalent in the New Zealand dollar (NZD) market. Of particular note in Japanese yen (JPY) was the 20-year Global JPY 50bn issue, which at launch was the only current coupon 20-year benchmark from a sovereign-class issuer in the international markets. In Hong Kong dollars (HKD), the Bank issued an HKD 1bn 2-year bond, which was the first supranational transaction after the relaxation of Hong Kong legislation permitting issues shorter than three years.

Corporate Governance



Philippe Maystadt
and Danuta Hübner,
European
Commissioner



Constructive cooperation with the EU and fellow financing institutions

Dialogue with the European institutions that discuss and decide the Union's policies is important for setting the framework for the EIB's activities inside the European Union as well as outside. The European Commission, together with the EIB, prepared Council discussions and decisions in 2006 that will focus Bank activity for years to come. The EIB participates in the Council of Ministers (ECOFIN) and interacts with the European Parliament regularly.

Instruments and initiatives in the Union

Intensive cooperation between the Commission and the EIB led to the introduction of new joint financial instruments and facilities in 2006 for the period 2007-2013. To support its policies, the Union has more budgetary and EIB resources available than ever, given the combined leverage effect of the EU budget and the EUR 48bn in capital market funds raised by the EIB annually.

The EIB Group has strengthened its procedures for cooperation with the European Commission by launching three new joint initiatives to enable the Member States to make wider use of the European Structural Funds – the amount of which has been significantly increased to EUR 308bn for the period 2007-2013. It will now be possible to allocate part of the Structural Funds for financial engineering purposes in areas providing support for SMEs and micro-enterprises (JEREMIE) or for urban social development (JESSICA). The third initiative (JASPERS) – financed by the Commission, the EIB Group and the EBRD – offers free technical assistance for identifying and implementing infrastructure projects in the new Member States that are eligible for financing from the Structural Funds. Several projects have already been pinpointed under these facilities. This technical assistance does not entail any obligation to seek financing from the EIB or EBRD.

Similarly, the EIB and the Commission have combined forces to accelerate implementation of the

ambitious transport and energy TENS programme by establishing a Structured Finance Facility and a TENS guarantee fund to facilitate the financing of projects with a high risk profile. These two financial instruments will act as a catalyst in attracting up to EUR 20bn of additional public or private finance in support of TENS.

To underpin the innovation and R&D effort within the Union, the EIB and the Commission are establishing a new EUR 1bn Research Facility, co-financed by the Bank and the 7th R&D Framework Programme. Here too, this financial instrument will enable more risks to be taken and private capital to be mobilised for projects that are important for the Union's industrial competitiveness. Requested by the December 2005 European Council, it could leverage up to EUR 10bn of additional funds over the period 2007-2013.

At the same time, the EIF is set to give a fresh boost to support for SMEs with an increase in capital – now under preparation – and by making a further EUR 1.1bn available under the 2007-2013 "Competitiveness and Innovation" Framework Programme for deploying innovative financial products, particularly for SME start-ups.

Development and cooperation outside the EU

The year 2006 was also important for the EIB because the Council decided new mandates



Constructive cooperation with the EU and fellow financing institutions

for the Bank's activities outside the Union in partner countries. The EIB will be lending up to EUR 27.8bn during the period 2007-2013 with a guarantee from the EU budget. Also, a new Trust Fund has been established by the Commission and the EIB to finance infrastructure in sub-Saharan Africa.

To be effective and consistent outside the Union, EIB and EU budget financing will also be coordinated very closely with other financing institutions operating in the same area. To that end, the EIB concluded agreements in 2006 with Agence française de développement, Kreditanstalt für Wiederaufbau, and the European development

finance institutions – a group of 14 bilateral development banks – as well as with the EBRD and World Bank. The European Commission was often party to these agreements.

Cooperation with other international financial institutions has also led to new environmental initiatives, particularly the establishment of carbon credit funds to tackle climate change, and to a common charter concerning the European Principles for the Environment applicable to project financing both inside and outside the European Union. Joint funding of projects outside the EU has always taken place, but the new agreements will reinforce this.

The EIB and the European Commission (DG-Regio) signed a "Contribution Agreement" in July for JASPERS.





Transparency and accountability

Openness and transparency are crucial for maintaining and strengthening the EIB's credibility and accountability to stakeholders and all citizens in Europe and beyond.

Public disclosure of information

Public disclosure of information is an integral part of the Bank's commitment to transparency. On 28 March 2006, the EIB's Board of Directors approved a revised Public Disclosure Policy, bringing the Bank's public information policy, which dated back to 2002, into line with its current transparency standards and taking account of European policy initiatives and international principles. To allow interested stakeholders to contribute to the policy review a public consultation was held. The process ran through two rounds and generated substantial stakeholder input. The EIB adopted a very flexible approach in terms of timetable and procedures to allow as full a consultation as possible. The results were positively received both by contributors and the Bank itself. A Consultation Report was published, outlining how the consultation was conducted and bringing together all stakeholder submissions and the Bank's reasoned positions on the extent to which these were taken into account.

The new disclosure policy is based on a presumption of disclosure, which means that all information held by the EIB is subject to disclosure on request unless there is a compelling reason for non-disclosure. As the EIB is a bank, there are certain constraints on the information that it can disclose, which are set out in the policy. Formal reviews of the policy will take place every three years. In addition, the Bank will review the policy from a legal perspective in the first half of 2007 with the aim of applying the provisions of the Aarhus Regulation on the application to EU institutions and bodies of the provisions of the Aarhus Convention on access to information, public par-

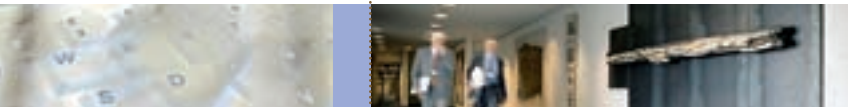
ticipation in decision-making and access to justice in environmental matters.

Key to public access to information is the EIB website, which received some 3 million visitors in 2006, and the EIB Infodesk, which handled around 30 000 requests for information from a variety of stakeholder groups. The Project Pipeline in the Project List on the Bank's website plays a particularly important role in the Public Disclosure Policy. The EIB is committed to publishing summary information on projects that it is considering for financing on its website. All projects should be disclosed before Board approval unless this is precluded for legitimate confidentiality reasons, which may sometimes be the case for private sector projects. Where a project requires an Environmental Impact Assessment (EIA), the Bank endeavours to provide a link on the Pipeline to the Non-Technical Summary of the EIA and, for projects outside the EU, to its equivalent along with the Environmental Impact Statement. After Board approval and loan signature, all projects financed are listed in the Annual Report.

Relations with civil society organisations

The EIB's relationship with civil society organisations (CSOs), including non-governmental organisations (NGOs) and other interest groups, is based on the acknowledgment that these organisations can have a valuable input in its policy development. They can also contribute to the Bank's awareness of local issues and provide useful information on projects.

A Civil Society Unit within the Communication Department coordinates the Bank's contacts with



Transparency and accountability

NGOs and other interest groups. It ensures consistency and quality of communication and actively engages with civil society. Inside the Bank, the Unit provides coordination on civil society contacts and issues and also runs, together with the Human Resources Department and external experts, in-house awareness and capacity building programmes for staff on the Bank's interaction with civil society.

Interaction with CSOs in 2006 was characterised by new ways of engagement. First of all, the EIB started partnering with expert organisations with which it shares specific objectives, such as the EU's Lisbon Agenda, sustainable development, environmental protection or poverty alleviation. It also signed an agreement on biodiversity issues with the IUCN (World Conservation Union). This provides a framework for joint initiatives and collaboration on matters related to the biodiversity aspect of EIB activities, with the IUCN providing expert advice on the Bank's initiatives, policies and strategies, such as reviews of guidelines on due diligence or assistance in monitoring aspects of EIB-financed projects. The IUCN is also assisting in the Bank's in-house training and awareness building on biodiversity issues.

Another key development contributing to the quality of relations with CSOs is the EIB's new practice of public consultation on selected policies, strategies or guidelines. After the success of the public consultation on the EIB's disclosure policy, a similar review process will start in 2007 for the Bank's policies, guidelines and procedures to fight corruption, fraud, money laundering and the financing of terrorism.

The EIB is also keen to sustain and improve its contacts with critical policy advocacy NGOs campaigning on issues relating to the Bank's activities. Contacts with these organisations have increased in recent years and developed a dialogue component. This is underscored by the Bank's participation in events that these organisations have

arranged on EIB-related issues, such as a conference on an independent compliance and appeal mechanism for the Bank that CEE Bankwatch Network and other NGOs held in Brussels in November 2006.

As part of its regular workshops for NGOs and other CSOs, the Bank held two workshops in 2006. The Spring Workshop in Brussels tackled R&D and innovation in the framework of the Lisbon Process; human capital formation; and the role of civil society in the Bank's project cycle. The Autumn Workshop in Berlin addressed issues pertaining to the triangle environment – climate change – energy. Corporate responsibility was also on the agenda.

In 2006, the Bank received over 100 enquiries and requests for disclosure of information from NGOs. A third of these covered road transport projects, mainly in the new Member States and Candidate Countries.

Audit, control and evaluation

In order to be accountable towards the outside world, the Bank has controls in place for all of its activities. Some of these controls are statutory, others are based on internal organisational provisions, while others are exercised by independent external control bodies.

The Audit Committee is a statutory body of the EIB and reports to its 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 Risk Management Directorate monitors credit, market and operational risks, while Management Control focuses on the process of translating strategy into objectives



Transparency and accountability

Reaching out

As part of its communication strategy, in 2006 the EIB published a broad range of country, sector, thematic, annual and evaluation reports and brochures, in Community and other languages as appropriate. It also makes a constant effort to keep its website informative and up-to-date. But personal contacts have not gone out of fashion. On the contrary, Management Committee members and professional staff participated in countless events, organised by EU or national authorities and professional organisations on particular themes to highlight the Bank's activities and the financial support it can offer.

In addition, at some 30 selected large-scale events the Bank was present with a business contact point, where all relevant information on the EIB was made available. This was the case, for example, at the Carbon Expo in Cologne and the Green Week in Brussels in May 2006, the Carbon Expo in Beijing and the European Week of Cities and Regions in Brussels in October, and the European Development Days in November, also in Brussels.

Interested groups with a relevant background are also welcomed in Luxembourg and at the Bank's external offices. Some 2 200 students, professionals, high-level policymakers, diplomats and local politicians from over 40 countries visited the Luxembourg headquarters in 2006.

A prime occasion to reach out will be the current year (2007), the 50th anniversary of the signing of the Treaty of Rome, when the Bank will join the other EU institutions in celebrations, including business and political summits and conferences. Rather than looking back on past achievements, the EIB's own 50th anniversary in 2008 will be used to look forward and to emphasise its role as the EU's bank for its citizens. A series of external events, publications and other promotional activities will focus on transparency, modern corporate governance, new lending products, and the Bank's value added in operations within and also outside the European Union. The inauguration of the EIB's new building, adjacent to its Luxembourg headquarters, is due to coincide with the Board of Governors Annual Meeting in June 2008 and will be one of the high points of the EIB's 50th anniversary.



Meeting with
NGOs in 2006



Transparency and accountability

The EIB and universities learn from each other

University researchers want to learn more about the EIB's activities and the Bank wants to learn from academic research in its areas of operation. To facilitate this mutual exchange, the EIB started a Universities Research Action in 2006, which provides for grants to research centres in the EU, traineeships for young researchers and sponsorship for selected university networks.

University research centres receive grants of up to EUR 100 000 per year for a period of three years to expand their research into areas of major interest to the EIB. On the basis of a competition the Bank has selected four universities for four crucial research topics: financial and economic valuation of environmental impacts (Università Ca'Foscari, Venice); technology assessment and acceleration of innovation (Università di Bologna); public-private partnerships (Universidad Politécnica de Madrid); and the social dimensions of sustainable development (Oxford Brookes University).

For junior researchers the EIB provides traineeships for carrying out research projects proposed by the Bank under the joint supervision of a university tutor and an EIB tutor.

University networks that focus on areas of particular relevance to the EIB may also be sponsored and, if appropriate, may carry the label "EIB University Network".



The "European Universities in Search of Excellence" workshop was held at the Bank's Luxembourg headquarters on 17 November 2006



Transparency and accountability

The Corporate Responsibility Report

Since 2005, the EIB has published an annual Corporate Responsibility Report, which gives detailed information on the Bank's governance and its environmental activities as well as more general background information. The report can be consulted on the EIB's website (www.eib.org) or ordered free of charge.



and operational plans. The Data Protection Officer protects the personal data on staff employed by the EIB Group.

A Compliance Office ensures that the Bank and its staff comply with all applicable laws, regulations, codes of conduct and standards of good practice and acts as a first-line detector of potential non-observance of rules on ethics and integrity. It checks ex ante the compliance of new policies, procedures, products and operations or intended actions. The Compliance Office also monitors off-shore lending and borrowing operations.

The independent Inspectorate General combines Internal Audit and Operations Evaluation, the two main ex post control functions. It plays a crucial role in safeguarding controls, improving operations and in the transparency and accountability process. Internal Audit provides reasonable assurance on the relevance and effectiveness of internal control systems and the procedures involved. It also takes action when there is a suspicion of fraud, corruption or any other illegal activity in connection with projects funded by or receiving investments from the EIB Group. Operations Evaluation carries out ex post evaluations of a representative sample of the projects and programmes financed by the Bank as well as of EIF operations. Its reports are discussed by the Board of Directors and made available on the Bank's website.

In 2006, it finalised evaluations of EIB investment in education and training projects, cross-border Trans-European Networks, lending in ACP countries under the Lomé IV Convention, the FEMIP Trust Fund (upstream technical assistance and risk capital operations in the Mediterranean) and EIF investment in venture capital funds.

The European Court of Auditors audits the use of Community funds managed by the EIB. The Bank works closely with OLAF, the European Anti-Fraud Office, and with the European Ombudsman. A Complaints Office under the direct authority of the Secretary General was created in 2006 and deals with external complaints lodged directly with the Bank or through the European Ombudsman. A newly formulated complaints and recourse policy will be communicated externally in the course of 2007.



EIB Administration and Staff

2006 was another year of change for the Human Resources Department at the EIB. Much effort went into developing a new strategy that focuses on three pillars: excellence in staffing, staff motivation and development, and staff well-being (health and safety), while also paying attention to improving administrative services through simplification and optimisation.

Staffing and Recruitment

In 2006, the Bank's recruitment continued to focus on operational areas, with the implementation and staffing of the JASPERS initiative (project preparation and technical assistance in the new Member States) as a high priority for the recruitment activities. In 2006 the Bank's staff complement grew to 1 369¹⁵. 102 vacant positions were filled (66 in executive positions and 36 in support functions). Out of 66 recruits at the executive level, 58% were male and 42% female. Of the 102 recruitments, 19 were from the new Member States. The Bank received some 17 000 applications for employment in 2006.

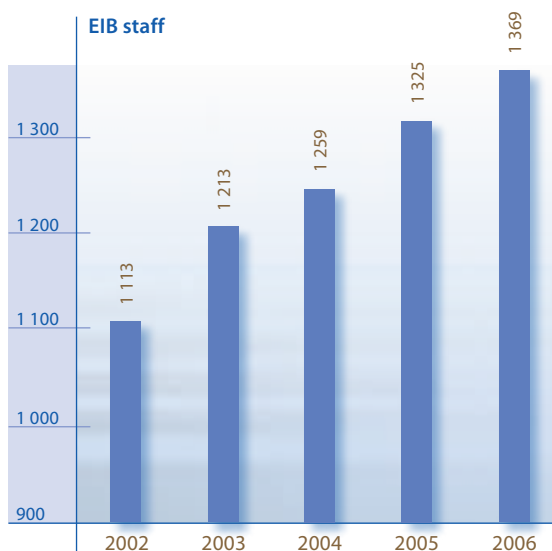
Staff Development

The introduction of changes to the staff remuneration system led to the examination and modernisation of the staff appraisal and advancement systems. The advancement system is based on roles (responsibilities and competencies linked to a post). The clarification of these roles continued throughout 2006. In this context, the criteria for advancement, both fixed and variable, have been clearly specified. In other areas, the Bank has also developed various policies aimed at performance improvement. For instance, the Human Resources Training Unit's Credit Risk Programme became fully operational and is considered a must for loan and credit officers.

Staff Health and Well-Being

Since the Bank created its own medical service in the second half of 2005 it has devoted increasing efforts to identifying and preventing occupational health risks and promoting health and well-being at work. In addition to pre-employment medical examinations and the annual medical checks offered to members of staff, activities have included a health campaign, measures to encourage and facilitate the reintegration at work after long-term sickness absence, and improved travel health services. Furthermore, the Bank has arranged for the training of members of staff who volunteered to join the newly established in-house first aid corps.

¹⁵ This figure includes EIB staff seconded to the EIF (situation at 31 December 2006).





EIB Administration and Staff

Confronted with the need to adjust the maximum insured amounts for certain medical services, the Bank's health insurance reviewed its reimbursement rules in 2006. Equally, a review was carried out to further improve the efficiency of the administration of the Bank's health insurance.

Concerning social services for staff, the Bank obtained 50 places in a private crèche, adding to the hundred places already available at subsidised rates to children of staff members at the EIB's own crèche.

Staff Communication

The Bank's efforts to improve internal communication led to the creation of a new Internal Communications Division in Human Resources in 2006. The division is responsible for all communications to staff, which includes the dissemination of relevant up-to-date information of a corporate nature as well as support and encouragement for an open and wide-ranging social dialogue within the Bank.

Staff Representation

The Bank's staff issues are dealt with by means of a consultation procedure involving the Human Resources Department (HR) and the College of Staff Representatives (SRs) through regular meetings between HR management and the SRs by working groups on specific subjects and joint committees. In 2006 the Pensions Board worked especially hard, in particular on defining the guiding principles that will form the framework agreement that will determine how the Pension Scheme will develop. The Staff Representatives were represented on the working group that put in place the corporate social responsibility policy, whose first annual report was published in 2006. Inso-

far as working groups are concerned, mention must also be made of the activities of the group responsible for reviewing the remuneration system, whose work led to specific proposals being presented to the Board of Directors at the end of 2006. Following the Board's rejection of part of these proposals, the College felt that the consultation had not taken place in an appropriate manner and tendered its resignation.

COPEC

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 2006, COPEC was involved in the preparation of an HR note on Gender Balance and Equality in the EIB, following an overall review of the status regarding equal opportunities undertaken by an independent external consultant. In October 2006, the Management Committee approved the recommendations contained in the note.

In June 2006, the EIB hosted the 11th annual meeting of the Organisational and Institutional Gender Information Network (ORIGIN). The purpose of the network is to share information, experiences and lessons learned concerning gender and diversity issues. Twenty-five delegates, including senior Human Resources Managers from the World Bank, the Asian Development Bank, the Council of Europe, the European Parliament and the OSCE, were present to discuss initiatives undertaken within their respective organisations during the previous twelve months and to provide inspiration and share ideas with one another.



EIB Statutory Bodies

The **Board of Governors** comprises Ministers designated by each of the 27 Member States, usually Finance Ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, and decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. Furthermore, 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 28 Directors, with one Director nominated by each Member State and one by the European Commission. There are 18 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 is able to co-opt a maximum of 6 experts

(3 Directors and 3 Alternates), who 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 9 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 6 years.

According to the Bank's Statute, the President is also Chairman of the Board of Directors.

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 3 members and 3 observers, appointed by the Governors for a term of office of three years.

Capital: Each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession. In the context of enlargement

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 statutory 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 Audit Committee



EIB Statutory Bodies

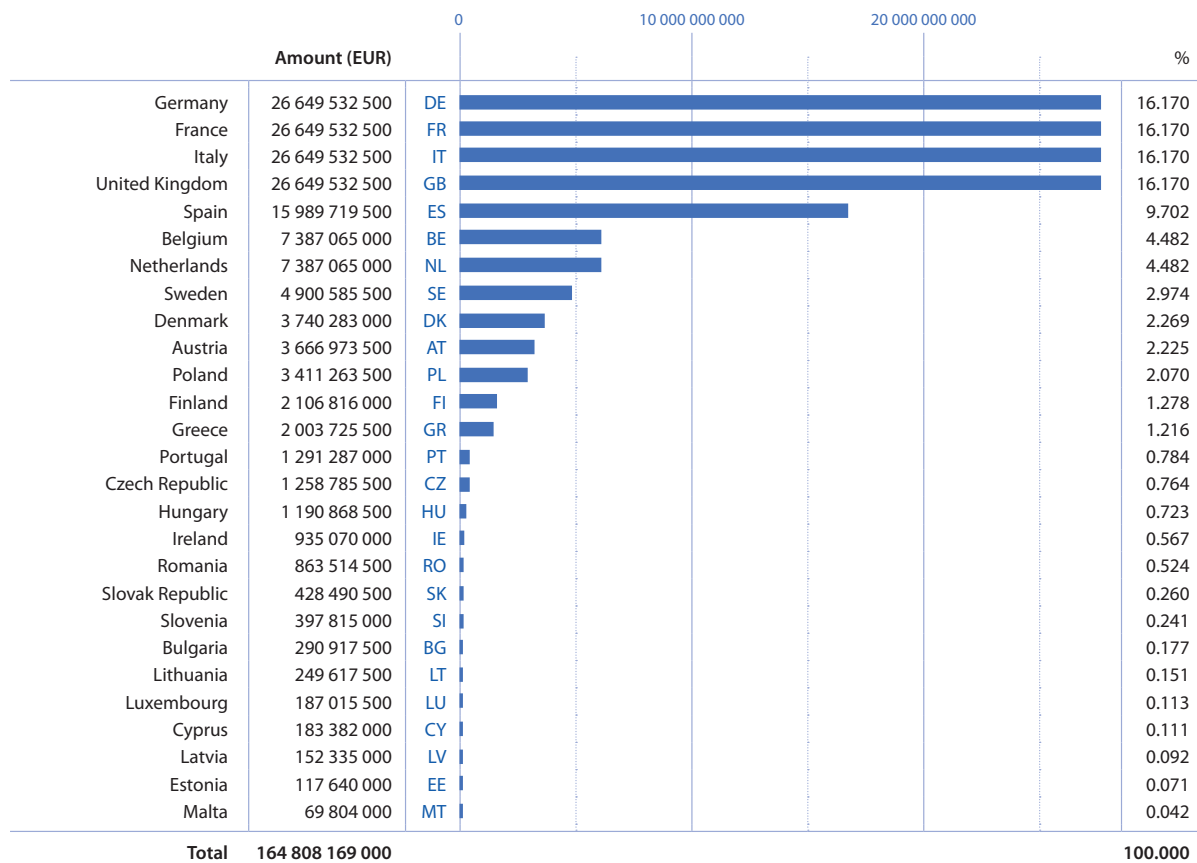
to Bulgaria and Romania on 1 January 2007, the provisions of the EIB's Statute have modified the Bank's capital shares and governance. Under its Statute, the Bank is authorised to have maximum loans outstanding equivalent to two and a half times its capital.

In total, the Bank's subscribed capital amounts to more than EUR 164.8bn.



The Management Committee

Breakdown of the EIB's capital as at 1 January 2007



The Management Committee of the EIB

The College of the Management Committee Members and their supervisory responsibilities

Situation as at 01/05/2007

<p>Philippe MAYSTADT President of the Bank and Chairman of its Board of Directors</p>		<p>Philippe MAYSTADT <i>President of the Bank and Chairman of its Board of Directors</i></p> <ul style="list-style-type: none"> ⇒ General strategy ⇒ Institutional matters, relations with other European institutions ⇒ Reporting from Inspector General, Financial Controller and Chief Compliance Officer ⇒ Human resources ⇒ Internal communication ⇒ Equal opportunities policy; Chairman of Joint Committee on Equal Opportunities (COPEC) ⇒ Chairman of EIF Board of Directors ⇒ Chairman of Budget Committee
<p>Gerlando GENUARDI Vice-President</p>		<p>Gerlando GENUARDI <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in Italy, Greece, Cyprus, Malta and western Balkans ⇒ Structured Finance Facility (SFF) ⇒ Budget ⇒ Accounting ⇒ Information technologies ⇒ Governor of EBRD
<p>Philippe de FONTAINE VIVE CURTAZ Vice-President</p>		<p>Philippe de FONTAINE VIVE CURTAZ <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in France and Mediterranean partner countries ⇒ Financing of SMEs ⇒ Partnership with banking sector ⇒ External communication ⇒ Transparency and information policy ⇒ Relations with NGOs ⇒ Member of EIF Board of Directors
<p>Ivan PILIP Vice-President</p>		<p>Ivan PILIP <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in Poland, Czech Republic, Hungary, Slovakia, Slovenia and Bulgaria ⇒ Trans-European transport and energy networks ⇒ Corporate social responsibility ⇒ Alternate Governor of EBRD
<p>Torsten GERSFELT Vice-President</p>		<p>Torsten GERSFELT <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in Netherlands, Denmark, Ireland, ACP States and South Africa ⇒ Energy matters ⇒ Economic, financial and sectoral studies ⇒ Chairman of Arts Committee
<p>Simon BROOKS Vice-President</p>		<p>Simon BROOKS <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in United Kingdom ⇒ Environmental protection ⇒ Internal audit, external audit and relations with Audit Committee ⇒ Compliance ⇒ Relations with European Court of Auditors ⇒ Relations with European Anti-Fraud Office (OLAF) and European Ombudsman ⇒ Buildings, facilities and logistics
<p>Carlos DA SILVA COSTA Vice-President</p>		<p>Carlos DA SILVA COSTA <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in Spain, Belgium, Portugal, Luxembourg, Asia and Latin America ⇒ Legal aspects of operations and products ⇒ Funding ⇒ Member of Arts Committee
<p>Matthias KOLLATZ-AHNEN Vice-President</p>		<p>Matthias KOLLATZ-AHNEN <i>Vice-President</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in Germany, Austria and Romania and in Croatia and Turkey ⇒ Economic and social cohesion; convergence ⇒ JASPERS initiative (Joint Assistance to Support Projects in European Regions) ⇒ Risk management: credit, market and operational risks ⇒ Member of Subsidies Committee
<p>Eva SREJBE Vice-President (as at 01/07/2007)</p>		<p>Eva SREJBER <i>Vice-President (as at 01/07/2007)</i></p> <ul style="list-style-type: none"> ⇒ Financing operations in Sweden, Finland, Lithuania, Latvia, Estonia, eastern neighbours, Russia, and EFTA countries ⇒ i2i programme (implementation of Lisbon strategy), including RSFF (Risk-Sharing Finance Facility) ⇒ Ex post evaluation of operations ⇒ Chairman of Subsidies Committee

Organisation Chart

► Department → Division 🏠 External Office

(situation at 1 June 2007)



General Secretariat, Legal Affairs and Human Resources

Alfonso QUEREJETA
Secretary General and General Counsel of Legal Affairs

- **Institutional Affairs**
Dominique de CRAVENCOUR
Director
 - **Ferdinand SASSEN**

- *Governing Bodies, Secretariat, Protocol*
Hugo WOESTMANN
Associate Director
- *Linguistic Services*
Kenneth PETERSEN

Legal Affairs

- **Community and Financial Affairs; Lending Operations outside Europe**



Marc DUFRESNE
Deputy General Counsel

- **Jean-Philippe MINNAERT**
Data Protection Officer

- *Financial Issues*
Nicola BARR
Associate Director
- *Institutional and Staff Issues*
Carlos GÓMEZ DE LA CRUZ
- *Mediterranean (FEMIP), Africa, Caribbean, Pacific – Investment Facility, Asia and Latin America*
Regan WYLIE-OTTE
Associate Director

- **Lending Operations in Europe**
Gerhard HÜTZ
Director

- **Gian Domenico SPOTA**
- *Operational Policy, New Financial Instruments*
José María FERNÁNDEZ MARTÍN
- *Adriatic Sea, South-East Europe*
Manfredi TONCI OTTIERI
Associate Director
- *United Kingdom, Ireland, Baltic States, Denmark, Finland, Sweden, EFTA Countries*
Patrick Hugh CHAMBERLAIN
- *France, Belgium, Netherlands, Luxembourg*
Pierre ALBOUZE
- *Central Europe, Poland, Russia, Eastern Neighbours*
Barbara BALKE
- *Spain, Portugal*
Ignacio LACORZANA
 - **Maria SHAW-BARRAGAN**

- **Human Resources**



Xavier COLL
Director

- **Jean-Philippe BIRCKEL**
- *Administration and Management Systems*
Michel GRILLI
Deputy Director
 - **Catherine ALBRECHT**
- *Staffing*
Luis GARRIDO
- *People Development and Organisation Management*
Bruno TURBANG (acting)
 - **Ute PIEPER-SECKELMANN**
- *Well-being and Work/Life Balance*
...
- *Internal Communication*
Alain JAVEAU



Strategy and Corporate Centre

Rémy JACOB
Director General

- *Resource Management and Coordination*
Geneviève DEWULF

- **Strategy, Management Control and Financial Control**
Jürgen MOEHRKE
Director

- **Financial Control and Accounting**
Luis BOTELLA MORALES
Financial Controller
 - *General Accounting*
Henricus SEERDEN
 - *Third Party Accounting and Administrative Expenses*
Frank TASSONE

- *Economic and Financial Studies*
Éric PERÉE

- *Planning, Budget and Control*
Theoharry GRAMMATIKOS
Associate Director
 - **Yannick MORVAN**

- *Corporate Responsibility Policy*
Felismino ALCARPE

- **Gudrun LEITHMANN-FRÜH**
(EIF and Court of Auditors Coordination)

Organisation Chart

(situation at 1 June 2007)

► Department → Division 🏠 External Office

► Communication

Gill TUDOR
Spokesperson and Director

- *Press Office*
Gill TUDOR
- *Public Information and Relations with Civil Society*
Yvonne BERGHORST

Information Offices

- 🏠 Paris Office
Henry MARTY-GAUQUIÉ
Director
- 🏠 Rome Office
Manfredo PAULUCCI de CALBOLI
Associate Director
- 🏠 London Office
Adam McDONAUGH
- 🏠 Berlin Office
Paul Gerd LÖSER

► Information Technology

Patrick KLAEDTKE
Chief Information Officer

- *Technology and Infrastructure*
José GRINCHO
Associate Director
- *Finance and Lending Applications*
Derek BARWISE
- *Administration and Risk Applications*
Simon NORCROSS

Buildings, Logistics and Documentation

Patricia TIBBELS
Principal

- *Facilities Management*
Patricia TIBBELS
- *New Building Task Force*
Enzo UNFER
- *Documentation and Records Management*
--
- *Purchasing and Administrative Services*
--



Directorate for Operations in the European Union and Candidate Countries

Thomas HACKETT
Director General

► Operations Support

- Chief Operational Coordinator
- *Coordination*
Dominique COURBIN
- *Information Systems and Applications*
Thomas FAHRTMANN
- *Business Support*
Bruno DENIS

JESSICA

Eugenio LEANZA
• **Gianni CARBONARO**

► Action for Growth Instruments

Thomas BARRETT
Director

- *Trans-European Networks*
Tilman SEIBERT
Associate Director
• **Ale Jan GERCAMA**
- *Innovation 2010 Initiative (i2i)*
Kim KREILGAARD
- *Environment, Energy and Advisory*
Christopher KNOWLES
Associate Director

► Western Europe

Laurent de MAUTORT
Director

- *United Kingdom, Ireland – Banks and Corporates*
Robert SCHOFIELD
- *Western Europe – Structured Lending and PPPs*
Cheryl FISHER
- *France – Infrastructure*
Jacques DIOT
Associate Director
- *France – Banks and Corporates*
Jean-Christophe CHALINE
• **Miguel MORGADO**
- *Belgium, Luxembourg, Netherlands*
Henk DELSING
Associate Director

► Spain, Portugal

Carlos GUILLE
Director

- *Spain – Infrastructure*
Luca LAZZAROLI
- *Spain – Banks and Corporates*
Fernando de la FUENTE
Associate Director
🏠 Madrid Office
Angel FERRERO
- *Portugal*
Rui Artur MARTINS
🏠 Lisbon Office
Pedro EIRAS ANTUNES

► Central Europe

Joachim LINK
Director

- *Northern Germany*
Peggy NYLUND GREEN
Associate Director
- *Southern Germany*
Anita FUERSTENBERG-LUCIUS
- *Czech Republic, Slovakia*
Jean VRLA
- *Austria, Hungary*
Paolo MUNINI

Organisation Chart



► Department → Division 🏠 External Office

(situation at 1 June 2007)

🏠 Vienna Office
Emanuel MARAVIC
Director

► **Adriatic Sea**

Antonio PUGLIESE
Director

→ *Italy, Malta – Infrastructure*

Bruno LAGO
Associate Director

• **Flavio SCHIAVO CAMPO de GREGORIO**

→ *Italy, Malta – Banks and Corporates*

Marguerite McMAHON

→ *Slovenia, Croatia, Western Balkans*

Romualdo MASSA BERNUCCI

► **South-East Europe**



Andreas VERYKIOS
Deputy Director General

→ **Greece**

Themistoklis KOUVARAKIS

🏠 Athens Office
Fotini KOUTZOUKOU

→ *Bulgaria, Romania, Cyprus*

Cormac MURPHY

🏠 Bucharest Office
Götz VON THADDEN

→ *Turkey*

Franz-Josef VETTER

🏠 Ankara Office

--

🏠 Istanbul Office

Alain TERRAILLON

► **Baltic Sea**

--
Director

→ *Poland*

Heinz OLBERS

🏠 Warsaw Office
Michal LUBIENIECKI

→ *Baltic States, Denmark, Finland, Sweden, EFTA Countries*

Michael O'HALLORAN

• **Ann-Louise AKTIV VIMONT**

🏠 Helsinki Office

--



Directorate for Operations outside the European Union and Candidate Countries

Jean-Louis BIANCARELLI
Director General

► **Development Economics Advisory Service**

Daniel OTTOLENGHI

Chief Development Economist
Associate Director

• **Bernard ZILLER**

► **Neighbourhood and Russia**

Claudio CORTESE

Director

• **Alain NADEAU**

→ *Maghreb*

Bernard GORDON

🏠 Rabat Office

René PEREZ

🏠 Tunis Office

Diederick ZAMBON

→ *Near East*

Jane MACPHERSON

🏠 Cairo Office

Luigi MARCON

→ *Eastern Europe, South Caucasus and Russia*

Constantin SYNADINO

• **Umberto DEL PANTA**

→ *Special Operations*

Jean-Christophe LALOUX

► **Africa, Caribbean, Pacific – Investment Facility**

Martin CURWEN

Director

→ *West Africa and Sahel*

Gustaaf HEIM

🏠 Dakar Office

Jack REVERSADE

→ *Central and East Africa*

Flavia PALANZA

Associate Director

🏠 Nairobi Office

Carmelo COCUZZA

→ *Southern Africa and Indian Ocean*

Serge-Arno KLÜMPER

🏠 Tshwane (Pretoria) Office

David WHITE

→ *Caribbean and Pacific*

David CRUSH

🏠 Fort-de-France Office

Anthony WHITEHOUSE

🏠 Sydney Office

Jean-Philippe DE JONG

→ *Resource and Business Development*

Tassilo HENDUS

→ *Portfolio Management, Policy*

Catherine COLLIN

Organisation Chart

(situation at 1 June 2007)

► Department → Division  External Office

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

- *Latin America*
Alberto BARRAGAN
- *Asia*
Matthias ZÖLLNER
 - Philippe SZYMCZAK



Finance Directorate

Bertrand de MAZIÈRES
Director General

- Ghislaine RIOS

► **Capital Markets**
Barbara BARGAGLI PETRUCCI
Director

- *Euro*
Carlos FERREIRA DA SILVA
 - Aldo ROMANI
- *Europe (excluding euro), Africa*
Richard TEICHMEISTER
- *America, Asia, Pacific*
Eila KREIVI
 - Sandeep DHAWAN
- *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*
Paul ARTHUR
- *Financial Engineering and Advisory Services*
Guido BICHISAO

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

- *Back Office Loans and Operational Lending Support*
Ralph BAST
- *Back Office Treasury*
Yves KIRPACH
- *Back Office Borrowings*
Antonio VIEIRA
- *Systems and Procedures*
Georg HUBER
Associate Director

- *Coordination and Financial Policies*
Éric LAMARCO



Projects Directorate

Grammatiki TSINGOU-PAPADOPEITROU
Director General

- *Sustainable Development*
Peter CARTER
Associate Director
- *Quality Control and Monitoring*
Angelo BOIOLI
- *Resource Management*
Béatrice LAURY

► **Competitiveness and Innovation**

Constantin CHRISTOFIDIS
Director

- *Manufacturing and Industry (R&D)*
--
- *ICT and e-Economy*
--
- *Human Capital*
John DAVIS
- *Services and SMEs, Agroindustry (including Biofuels)*
Hans-Harald JAHN
 - Pedro OCHOA
 - Peder PEDERSEN
 - Rüdiger SCHMIDT
 - Campbell THOMSON

► **Transport and Energy**

Christopher HURST
Director

- René van ZONNEVELD
- *Road and Rail*
Matthew ARNDT
- *Air and Sea*
José Luis ALFARO
 - Klaus HEEGE
- *Energy Generation and Networks*
--
 - Heiko GEBHARDT
 - François TREVOUX
- *Energy Efficiency and Renewables*
Juan ALARIO GASULLA
Associate Director
 - Nigel HALL

► **Convergence and Environment**

Patrice GÉRAUD
Director

- *Programme Lending*
Guy CLAUSEE
Associate Director
 - Eugenia KAZAMAKI-OTTERSTEN
- *Water and Environmental Protection*
José FRADE
Associate Director
 - Michel DECKER
- *Urban Transport and other Urban Infrastructure*
Mateo TURRÓ CALVET
Associate Director

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.bei.org



► Department → Division 🏛️ External Office

(situation at 1 June 2007)

→ *Development Projects, New Initiatives, Solid Waste*

Stephen WRIGHT

Associate Director

- Eberhard GSCHWINDT
- Philippe GUINET

JASPERS

Patrick WALSH

Associate Director

- Agustin AURÍA
Associate Director
- Axel HÖRHAGER
- Christian CAREAGA



Risk Management Directorate

Pierluigi GILIBERT

Director General

→ *Coordination and Support*

Elisabeth MATIZ

Associate Director

→ *Financial Monitoring and Restructuring*

Klaus TRÖMEL

Associate Director

► Credit RISK

Per JEDEFORS

Director

→ *Corporates, Public, Infrastructure*

Stuart ROWLANDS

→ *Project Finance and non-EU*

Paolo LOMBARDO

→ *Financial Institutions*

Per de HAAS (acting)

► Financial and Operational Risks

Alain GODARD

Director

→ *ALM and Market Risk Management*

Giancarlo SARDELLI

- Vincent THUNUS

→ *Derivatives*

Luis GONZALEZ-PACHECO

→ *Operational Risks*

Antonio ROCA IGLESIAS



Inspectorate General

Peter MAERTENS

Inspector General

- Siward de VRIES

(*Fraud Investigations Unit*)

→ *Internal Audit*

Ciaran HOLLYWOOD

→ *Operations Evaluation*

Alain SEVE

Associate Director

- Gavin DUNNETT
- Rainer SAERBECK
- Werner SCHMIDT



EIB Group Compliance Office

Konstantin ANDREOPOULOS

Chief Compliance Officer

- Evelyne POURTEAU

Associate Director

- Luigi LA MARCA



Management Committee Adviser

on EIB Group strategy and negotiations

Francis CARPENTER

Director General

Representation on Board of Directors of European Bank for Reconstruction and Development



Terence BROWN

Director representing the EIB



Walter CERNOIA

Alternate Director

EIF Statutory Bodies



EIF is managed and administered by the following three authorities:

- ⇒ the General Meeting of shareholders (EIB, European Union, 29 financial institutions), which meets at least once a year;
- ⇒ the Board of Directors, composed of seven members and seven alternates, which, inter alia, decides on the Fund's operations;



The Board of Directors

- ⇒ 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.

EIF's accounts are audited by a three-person Audit Board appointed by the General Meeting and by independent external auditors.

Detailed information on EIF's statutory 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 EIF's website: www.eif.org

EIF Management and Key People

Francis CARPENTER *Chief Executive*

- ⇒ Director, Investments
- ⇒ John A. HOLLOWAY

Venture Capital

- ⇒ Heads
- ⇒ Jean-Philippe BURCKLEN
- ⇒ Jacques DARCY
- ⇒ Ulrich GRABENWARTER

- ⇒ Deputy Heads
- ⇒ Jouni HAKALA
- ⇒ Matthias UMMENHOFER

- ⇒ Key People
- ⇒ Laurent BRAUN
- ⇒ Paul VAN HOUTTE
- ⇒ Christine PANIER
- ⇒ David WALKER

Guarantees and Securitisation

- ⇒ Heads
- ⇒ Alessandro TAPPI

- ⇒ Deputy Heads
- ⇒ Christa KARIS

- ⇒ Key People
- ⇒ Per-Erik ERIKSSON
- ⇒ Gunnar MAI

JEREMIE

- ⇒ Heads
- ⇒ Marc SCHUBLIN

- ⇒ Deputy Heads
- ⇒ Hubert COTTOGNI

- ⇒ Key People
- ⇒ Alexander ANDÒ
- ⇒ Graham COPE
- ⇒ Fabrizio CORRADINI

Risk Management and Monitoring

- ⇒ Heads
- ⇒ Thomas MEYER

- ⇒ Key People
- ⇒ Helmut KRAEMER-EIS
- ⇒ Pierre-Yves MATHONET

Corporate Affairs

- ⇒ Secretary General
- ⇒ Robert WAGENER

- ⇒ Heads
- ⇒ Maria LEANDER - Legal
- ⇒ Jobst NEUSS - Compliance
- ⇒ Frédérique SCHEPENS - Corporate Affairs and Finance

- ⇒ Key People
- ⇒ Eva GOULAS - Human Resources
- ⇒ Marceline HENDRICK - Accounts
- ⇒ Delphine MUNRO - Marketing Communications
- ⇒ John PARK - ICT



Projects eligible for financing by the EIB Group

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

- ⇒ strengthening economic and social cohesion: promoting investment in all sectors of the economy 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;
- ⇒ securing the energy supply through rational use, harnessing of indigenous resources including renewable energy, and import diversification.

The EIB Group assists the development of SMEs by enhancing the financial environment in which they operate by means of:

- ⇒ medium and long-term EIB credit lines;
- ⇒ EIF venture capital operations;
- ⇒ EIF SME guarantees.

In the Candidate and Partner Countries, the Bank participates in implementing the Union's development aid and cooperation policies. It operates in:

- ⇒ The Candidate and potential Candidate Countries in South-East Europe, where it contributes to the goals of the Stability Pact by directing its lending towards not only reconstruction of basic infrastructure and projects with a regional dimension but also private sector development;
- ⇒ 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 (Overseas Countries and Territories), where it promotes the development of basic infrastructure and the local private sector;
- ⇒ Asia and Latin America, where it supports projects of mutual interest to the Union and the countries concerned.



EIB Group Addresses



European Investment Bank

www.eib.org – info@eib.org

100, boulevard Konrad Adenauer
L-2950 Luxembourg

☎ (+352) 43 79 1
☎ (+352) 43 77 04

External Offices

Austria	Mattiellistraße 2-4 A-1040 Wien	☎ (+43-1) 505 36 76 ☎ (+43-1) 505 36 74
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	1, Herodou Attikou & Vas. Sofias Ave GR-106 74 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
Poland	Plac Piłsudskiego 1 PL-00-078 Warszawa	☎ (+48 22) 310 05 00 ☎ (+48 22) 30 05 01
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



EIB Group Addresses

Australia	Level 31, ABN AMRO Tower 88 Phillip Street Sydney NSW 2000	☎ (+61-2) 82 11 05 36 ☎ (+61-2) 82 11 06 88
Egypt	6, Boulous Hanna Street Dokki, 12311 Giza	☎ (+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) 273 52 60 ☎ (+254-20) 271 32 78
Morocco	Riad Business Center, Aile sud, Immeuble S3, 4 ^e étage, 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 Estates 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

www.eif.org – ✉ info@eif.org

43, avenue J.F. Kennedy
L-2968 Luxembourg

☎ (+352) 42 66 88 1
☎ (+352) 42 66 88 200



On the CD-Rom enclosed with this brochure, readers will find information contained in the three volumes of the Annual Report 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.



The EIB wishes to thank the following promoters and suppliers for the photographs illustrating this report: AVE (pp. 8, 28), Águas de Portugal (p. 10), TGV-Est européen (p. 12), SMTC (pp. 13, 16), AP-HM (p.15), Jean-Paul Kieffer (p. 23), Aquafin (p. 24), ANA - Aeroportos de Portugal, SA (p. 31), LGV-Est européen (p. 31), Rolls-Royce plc 2006 (p. 33), EC (pp. 33, 38, 58, 60).

The other photographs and illustrations were supplied by the EIB's Graphic Workshop.

Printed in Luxembourg by Imprimerie Centrale s.a. on AcondaVerd Silk paper using vegetable oil-based inks. Certified in accordance with Forest Stewardship Council (FSC) rules, the paper consists of 60% virgin fibre (of which at least 30% from well-managed forests), 30% de-inked post-consumer waste and 10% mill broke.