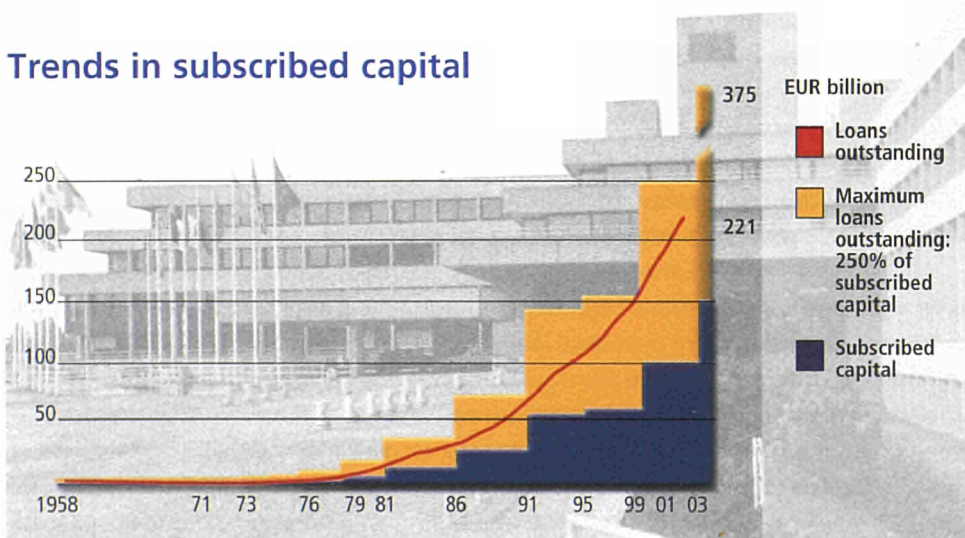




Increase in the EIB's capital

At its annual meeting on 4 June 2002, the Board of Governors of the European Investment Bank unanimously adopted the decision to increase the Bank's subscribed capital to EUR 150 billion as from 1 January 2003.

Trends in subscribed capital



Eberhard Uhlmann

**New Secretary
General of the EIB**



With effect from 1 August 2002, the EIB's Management Committee has appointed Mr Eberhard Uhlmann as Secretary General alongside his current position of General Counsel of the Bank's Legal Affairs Directorate. This appointment follows that of Mr Francis Carpenter, Secretary General since July 1996, as Chief Executive of the EIF and Advisor to the Management Committee.

see article p.5

Francis Carpenter

New Chief Executive of the EIF



**European
Investment
Fund**



On a proposal from the EIB's Management Committee, the EIF's Board of Directors has appointed Mr Francis Carpenter as Chief Executive of the European Investment Fund, the EIB Group's subsidiary specialising in equity investment and SME guarantees.

This appointment takes effect on 1 August 2002.

see article p.4

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*Mr Pedro Solbes,
European Commissioner*



This 50% increase will enable the Bank to continue underpinning EU policies through a moderate increase in operations within the present EU but with stronger growth in the Accession Countries and Mediterranean Partnership Countries.

An essential step

As at 31 December 2001, the Bank had outstanding loans totalling EUR 221 billion, close to the notional limit of EUR 250 billion (250% of subscribed capital) which is expected to be reached in 2003.

By raising the statutory ceiling to EUR 375 billion, this capital increase will give the EIB sufficient headroom for its lending operations for at least the next five years. In this connection, the EIB's Corporate Operational Plan plots the Bank's operational objectives for the coming years and frames the priorities which can be supported by this capital increase.

This decision once again illustrates the firm and unanimous backing of the Bank's shareholders, the Member States of the European Union, for its activities.

The Bank's last capital increase took place in 1999.

Paid-in capital

Paid-in capital has been reduced from 6% to 5% (EUR 7.5 billion) of subscribed capital and entirely financed by a transfer from the Bank's additional reserves. Consequently, this measure entails no payment by the Member States and no extra burden on taxpayers.

Addressing the Bank's Governors, the EU Finance Ministers, Mr Philippe Maystadt, President of the EIB Group, set out the two pivotal elements of the strategy underlying the capital increase decision: operational priorities and guiding principles.

Operational priorities

• Regional development

Regional development, along with economic and social cohesion within the European Union, remains the Bank's prime objective. At least 70% of individual loans and 50% of global loans will be advanced in the Union's assisted areas, which will be treated on an equal footing with the new member countries.

In addition, the Bank will develop a more focused approach with a view to reducing the volume of its lending to large corporates with direct access to the capital markets, confining itself to operations where EIB financing generates value added in line with the objectives of regional development and innovation.

• Research, technology and innovation

The EIB Group will continue to contribute actively to the "Lisbon Strategy" (established by the European Council in March 2000) for underpinning the emergence of a knowledge-based, innovation-led economy, especially through the Bank's Innovation 2000 Initiative (i2i), cooperation with the European Commission and SME support furnished by its subsidiary, the EIF.

• Environmental protection

Since the Bank's aim is to make available between a quarter and a third of its loans for environmental projects, it strives to promote environmental protection investments furthering the EU's international commitments to sustainable development and prevention of climate change. With a view to supplementing its range of reference documents, the Bank also recently approved a strategy in favour of financing projects that focus on renewable energies.

• Accession Countries

The Bank is assisting the Accession Countries in preparing for EU membership by financing infrastructure projects and supporting private investment. Special attention is paid to funding foreign direct investment since this represents one of the best means of encouraging modernisation of these countries' economies via technology transfer, productivity growth and enhanced competitiveness.

• **Partner Countries**

The Bank will foster implementation of Community development aid and cooperation policies under the various lending mandates handed down to the Bank by the Council. Significant progress has been achieved in setting up the Investment Facility under the Cotonou Agreement as well as in creating a new Euro-Mediterranean Investment and Partnership Facility, a task entrusted to the Bank at the Barcelona European Council (March 2002).

Guiding principles of EIB activity

In addition to the operational priorities mentioned, there are four major principles already guiding the Bank's activity which will be developed in the future:

• **Value added**

The first principle is subsidiarity, which means that the EIB will maximise the value added of its operations by focusing on investment schemes in assisted areas and i2i projects with an innovative strategic objective.

• **Financial self-sustainability**

As well as offering investors favourable terms, the Bank must also generate a sufficient surplus to build up reserves, thus avoiding having to call on its shareholders to make further equity contributions for capital increases.

• **Transparency**

Acknowledging that citizens have a legitimate interest in its activities, the Bank pursues an information and transparency policy whereby it circulates as much data as possible

on its policies, procedures and activity to interested parties, i.e. its shareholders, its industrial and financial partners, EU institutions (European Parliament, Council and Commission in particular), civil society including NGOs plus the general public. To this end, the EIB's website (www.eib.org) plays a vital role as the main vehicle for making available this information.

• **Risk management**

As this is an area where complacency is not acceptable and where it is crucial constantly to move forward in line with best practice and regulatory requirements, the Bank will continue to improve its risk management systems, controls and procedures.

Juan Manuel Sterlin Balenciaga
Information and Communications
 Department
 (+352) 43 79 3126
j.sterlin@eib.org

NB: Mr Maystadt's statement and the Governors' decision - which will be published in the Official Journal of the European Communities (OJEC) - are available on the EIB's website.



*Mr Rodrigo Rato, Governor for Spain,
 Mr Philippe Maystadt,
 EIB President*

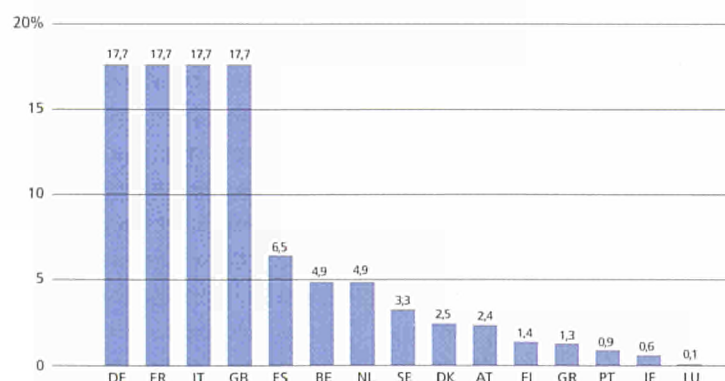


*Mr Francis Mer,
 Governor for France*



*Mr Didier Reynders,
 Governor for Belgium*

Breakdown of the EIB's subscribed capital (EUR 150 billion as from 1 January 2003)

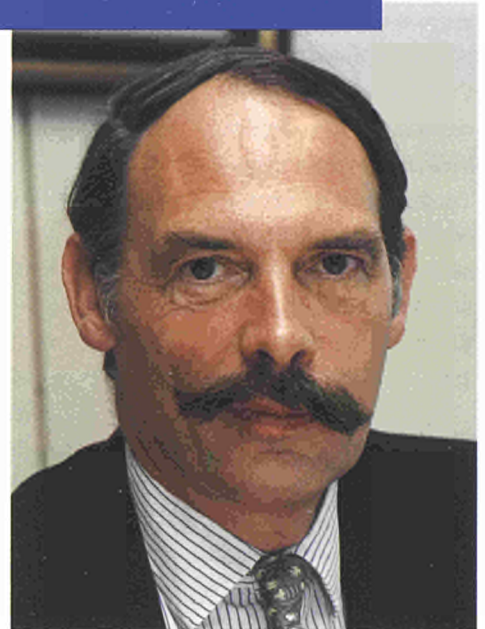


Francis Carpenter , new Chief Executive of the EIF



European
Investment
Fund

On a proposal from the EIB's Management Committee, the EIF's Board of Directors has appointed Mr Francis Carpenter as Chief Executive of the European Investment Fund, the EIB Group's subsidiary specialising in equity investment and SME guarantees. This appointment takes effect on 1 August 2002.



Furthermore, with a view to continuing to benefit from the experience acquired during his term of office as Secretary General, the EIB's Management Committee has requested Francis Carpenter to act as its Advisor on EIB Group strategy and negotiations, with the rank of Director General. His specific remit will be to foster closer links between the Fund and its parent institution. He will also help shape future development of the Group concept in tandem with the creation of specialised instruments for performing tasks entrusted to the Bank for the Union's benefit.

The appointment of Francis Carpenter, Secretary General of the EIB from 1996 to 2002, as Chief Executive of the Fund underlines the importance that the Bank attaches to the role of its specialised subsidiary and the strength of its support.

The EIF: a key role in i2i

With some 160 equity participations in venture capital funds established in both the EU and the Accession Countries and with a portfolio of almost EUR 3.3 billion in SME guarantees concluded with 86 banks and financial institutions, the EIF is making a key contribution to the objectives of the Innovation 2000 Initiative (i2i) launched by the EIB Group in response to the conclusions of the Lisbon European Council (March 2000).

The complementary nature of the activities of the Fund and the Bank, the highly productive synergies developed with the Commission and the close cooperative ties forged by the EIF with its European bank shareholders enable the Fund to offer a dedicated range of products tailored to the emergence of innovative, job-creating firms in a European economy in the throes of major technological change.

After joining the EIB in 1975, in the Department for Lending Operations in Italy, Francis Carpenter headed the Department for Lending Operations in Ireland, Portugal, the United Kingdom and the North Sea at the time when Portugal joined the EU (1987). He was subsequently Director of the Credit Risk Department, overseeing a portfolio in excess of ECU 95 billion, before being appointed Secretary General (July 1996). Francis Carpenter began his financial career at Citibank in New York and Geneva before working at Banque Indosuez in Paris, having studied at Oxford and in the United States as well as graduating from the Institut d'Études Politiques in Paris.

Mr Carpenter succeeds Mr Walter Cernoia, Chief Executive of the EIF since June 2000, who is joining the SanPaolo IMI Group to direct its operations in Central and Eastern Europe and the Mediterranean.

Eberhard Uhlmann , new Secretary General of the EIB



With effect from 1 August 2002, the EIB's Management Committee has appointed Mr Eberhard Uhlmann as Secretary General alongside his current position of General Counsel of the Bank's Legal Affairs Directorate. This appointment follows that of Mr Francis Carpenter, Secretary General since July 1996, as Chief Executive of the EIF and Advisor to the Management Committee.

Aged 58, Eberhard Uhlmann joined the Bank in 1979. His early career was spent in the commercial banking sector in Germany and France. Mr Uhlmann, who is a graduate of the University of Freiburg-im-Breisgau and gained a foreign student's degree from ENA, is a lawyer and has since July 2000 been General Counsel of the Legal Affairs Directorate. Prior to that, he had forged his career at the EIB in the Finance Directorate, firstly dealing with operations in the Treasury Department (1979), then as Head of the Planning and Control Division (1983) and as Director of the Department for Planning and Settlement of Operations (1996).

In light of the major changes to the Bank's tasks and financial products in recent years and building on the structural reforms implemented during Francis Carpenter's term of office, Mr Uhlmann's appointment coincides with reorganisation of the General Secretariat's services into three main areas of activity.

The "strategic and institutional pillar" of the General Secretariat

A first group is placed under the direct authority of the Secretary General.

Mr Uhlmann is assuming primary responsibility for operational and organisational strategy, with particular emphasis on integrating the added dimension of the Bank's activity represented by EU enlargement. In addition, the Secretary General will deal directly with matters relating to intra- and inter-institutional relations - especially the Management Committee's relations with the institution's supreme governing bodies and the Bank's relations with its partner EU institutions, principally the Parliament, the Council and, of course, the Commission.

In his capacity as General Counsel of the Legal Affairs Directorate,

Mr Uhlmann will directly supervise institutional issues relating to enlargement and the mandates entrusted to the Bank for supporting the Union's aid and cooperation policies vis-à-vis non-member countries. This will particularly involve introduction of the Euro-Mediterranean Investment and Partnership Facility decided by the Barcelona European Council (March 2002) and the Investment Facility established under the Cotonou Agreements between the EU and the ACP countries.

The Secretary General will be assisted in these duties by the services of the Legal Affairs Directorate currently responsible for institutional issues and legal back-up for operations initiated by the Finance Directorate and Treasury Department. It goes without saying that these services will operate with the requisite autonomy for delivering impartial opinions.



Mr Rémy Jacob

Deputy Secretary General

Mr Rémy Jacob, appointed Deputy Secretary General, will be in charge of a group of services comprising in particular the Information and Communications Department and internal resources management. Mr Jacob joined the EIB in 1973 and has been Director of General Administration since 1997. A graduate of the École Supérieure de Commerce in Dijon, he began his career at the EIB in the Finance Directorate (1973), subsequently overseeing the management of Administrative Services (1976), the Budget (1983) and Human Resources (1987). He was appointed Director of Information Technology in 1993. Mr Jacob is also an alternate member of the EIF's Board of Directors.

Deputy General Counsel

In his capacity as Deputy General Counsel of the Legal Affairs Directorate, Mr Konstantin Andreopoulos will be responsible for legal monitoring of all EIB lending operations both within and outside the EU. A registered lawyer in Athens and New York and graduate of the Universities of Athens, Freiburg-im-Breisgau and Yale, Mr Andreopoulos joined the Bank's Legal Department in 1981 as Head of the Greece Division. He was appointed head of the EIB's Athens Office when it opened in 1984 and subsequently directed the Division for Lending Operations in Greece



Mr Konstantin Andreopoulos

and Finland (1988) before moving back to the Legal Affairs Directorate as Director (1995) and Deputy General Counsel (1998).

1996-2002: six years of profound changes

Under the Presidencies of Sir Brian Unwin (1993-1999) and Philippe Maystadt, the Bank carried out major internal changes, coordinated and taken forward by Francis Carpenter in his six years as Secretary General.

In the wake of the European Councils of Amsterdam (June 1997) and Lisbon (March 2000) - dedicated to supporting growth and employment in Europe and investing in a knowledge-based, innovation-led economy - the EIB greatly diversified its range of financial products, strengthened its risk-taking and risk management structures and created the EIB Group by integrating the EIF, which since 2000 has become a specialised subsidiary.

At the institutional level, the EIB has

raised its profile at Council meetings by making available, whenever necessary, its expertise and knowledge of economic realities. As a result, at practically every European Summit, the Heads of State or Government call on the EIB Group to help develop new initiatives in support of Europe's economy, the Accession Countries or non-member countries benefiting from EU cooperation.

In addition, the Bank has established fruitful political dialogue with the European Parliament, as exemplified by the annual plenary session debate of Parliament's report on the

Bank's activities. The EIB has also forged closer ties with the Commission in both the institutional and operational fields with a view to increasing synergies between budgetary and lending instruments. This has been illustrated in recent years by the signature of some ten cooperation agreements on such diverse matters as regional development, environmental protection and prevention of climate change, preparations for enlargement, research and development, town planning and the audiovisual sector.

At the same time, the Bank has defined a new transparency policy, based firstly on informing the public as widely as possible of its strategies, operations and procedures,

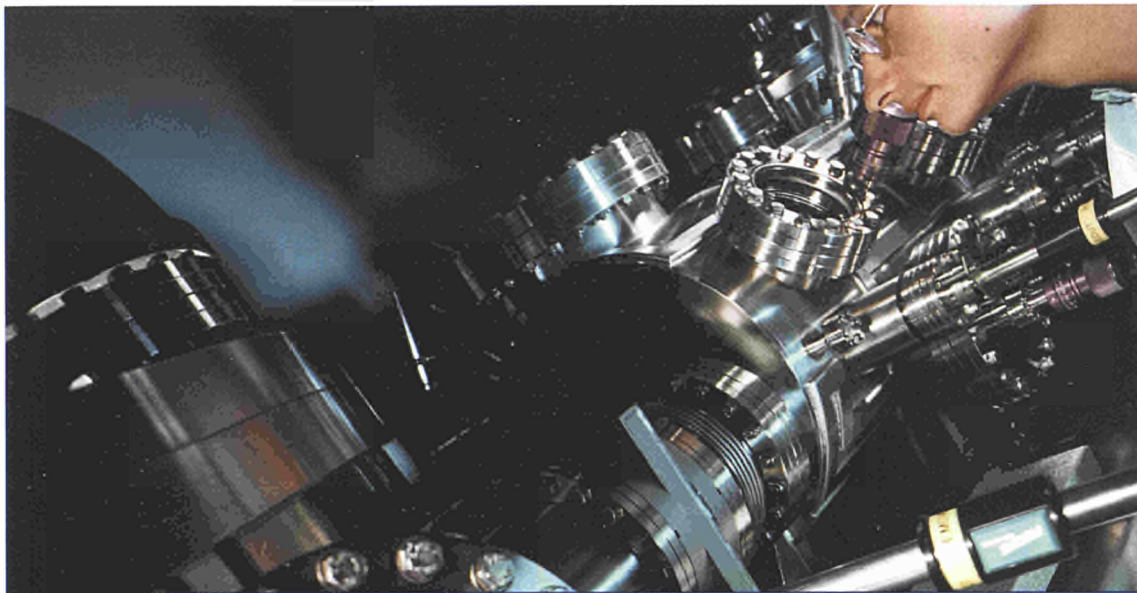
Under the Presidencies of Sir Brian Unwin (1993-1999) and Philippe Maystadt, the Bank carried out major internal changes, coordinated and taken forward by Francis Carpenter in his six years as Secretary General.

and secondly on ongoing dialogue with civil society. Accordingly, each year the EIB organises a number of round table discussions aimed at NGOs interested in its activities while frequently participating in debates arranged by these organisations.

Underpinning these changes, the Secretary General has also played

an active role in preparing the ground for the Bank's capital increase to EUR 150 billion decided by the Board of Governors in June 2002. Likewise, he has improved the linkage between strategy definition and budgetary and resource-accounting instruments, so matching resource allocation to the institution's objectives more closely.

Henry Marty-Gauquié
Director of the Information and Communications Department
(+352) 43 79 3153
h.marty@eib.org



"Innovation 2000 Initiative"

Analysis of results since launch

By end-2001, i.e. 18 months after it was set up, the European Investment Bank's "Innovation 2000 Initiative" (i2i) had already produced tangible results enabling a number of preliminary conclusions to be drawn.

Since its launch by the EIB Group in response to the conclusions of the Lisbon European Council (March 2000), i2i has helped to foster a knowledge-based, innovation-driven economy through investment in the following areas: the information society, research and development, innovation, industrial competitiveness and human capital.

With an operational objective of lending worth EUR 12-15 billion over a 3-year period, the economic importance of i2i was reaffirmed at the European Councils in Santa Maria da Feira (June 2000), Nice (December 2000) and, in particular, Stockholm

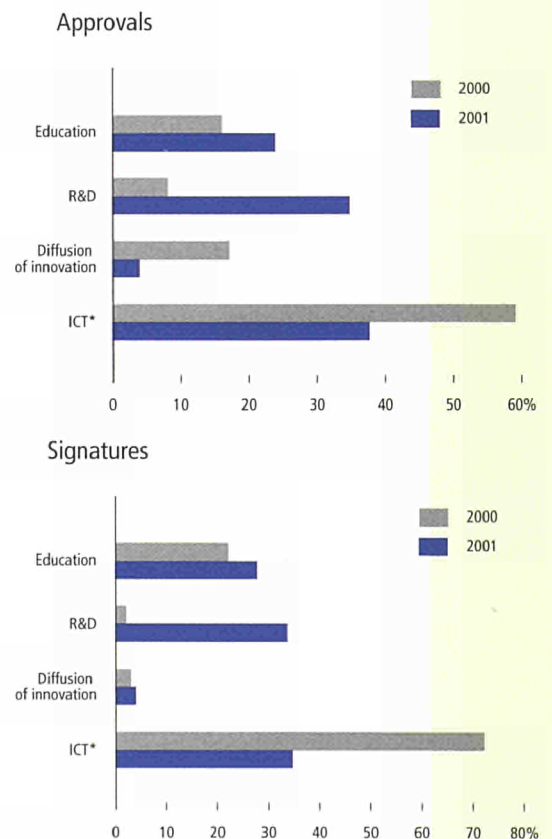
(March 2001) where its extension to the Accession Countries was approved.

Results matching objectives

The total amount approved during the period 2000-2001 stood at EUR 9.1 billion for 80 projects in 13 EU countries and 8 Accession Countries, while the overall amount signed came to EUR 7.2 billion for 70 projects. These figures encompass activity in the Accession Countries but exclude venture capital operations in favour of SMEs, which are administered by the European Investment Fund (EIF) (see box).

The relative share of each of the five key fields covered by i2i has clearly changed over the two years in question. In 2000, Information and Communications Technologies (ICT) projects took pride of place. In 2001, this sector's percentage levelled out whereas that of R&D

Overall data 2000-2001 Trends in breakdown by area of activity



* Information and Communications Technologies



Diffusion of innovation - "Audiovisual i2i"

This key area of i2i concerns projects relating to the dissemination of intellectual creation in Europe. At present, such schemes focus especially on artistic creation, a sphere in which the cultural and financial stakes are extremely high for Europe's economy.

The Bank's objectives in this sector are to foster pan-European initiatives, while deepening the European content of audiovisual works. Particular efforts are being made to underpin technological change in the industry, especially the digitalisation of broadcasting and production.

It should also be stressed that the EIB Group has, via audiovisual i2i, entered into ongoing general policy dialogue with the relevant departments of the Commission.

Information and Communications Technologies

ICT operations financed under i2i largely entail projects involving the installation of optical, digital or integrated telecommunications, inter-business data exchange and television networks. The immediate beneficiaries of several of these schemes are assisted areas, including Objective 1 regions.

Furthermore, ICT projects constitute the area in which i2i advanced most rapidly in the Accession Countries during 2001, whether through support for public-sector investment programmes or by integrating Accession Countries into pan-European optical fibre networks. A particular example was

ventures expanded significantly (from 8% to 35%). The share of education and diffusion of innovation also grew steadily.

Education and Training

Projects attracting loans in this sector were located in regional development areas, where they helped to enhance the quality of human capital and employability of the workforce in a changing economy.

i2i's ambit in this sector has been broadened to include on-line teaching objectives with a view to promoting the use of information and communications technologies such as IT networks, multimedia, virtual libraries, distance learning and web-enabled classrooms.

To date, approvals in the field of education have centred on projects involving the modernisation and computerisation of schools, colleges and universities in eastern Germany, Austria, Denmark, Greece and the United Kingdom, as well as Poland.

Research and development

R&D is a decisive factor in renewing economic supply and sustaining Europe's industrial competitiveness. Since the launch of i2i, EIB lending in this field has increased substantially, benefiting projects in most European Union countries as well as Hungary. In 2001, in particular, a major series of operations with a pan-European dimension was carried out, involving research into life sciences as well as the establishment and shared management of 3rd generation telecommunications networks.

In addition, the Joint Memorandum on R&D signed between the Commission and the EIB in June 2000 sets out a framework for greater cooperation and information flows between the two institutions. This document prepares the ground for increased EU finance for the R&D sector through grants under the new Research Framework Programme (2002-2006) to be triggered in Autumn 2002, as well as through EIB loans plus EIF venture capital and guarantee instruments.

financing of the pan-European "Telia" project centring on extension of the broadband network from Scandinavia, Germany and Austria to the Accession Countries in Central Europe (Baltic States, Poland, Czech Republic, Slovakia and Hungary).

The results achieved to date bear witness to the Bank's efforts to underpin the development of a European economy based on knowledge and innovation, while at the same time presenting it with new challenges.

Juan Manuel Sterlin Balenciaga
Information and Communications
Department
(+352) 43 79 3126
j.sterlin@eib.org

NB: a full report is available on the EIB's website (www.eib.org) under the heading "Publications".

Conclusion

Implementation of i2i is already at an advanced stage and progressing very satisfactorily in all sectors covered. Nonetheless, new fields such as R&D and the audiovisual sector are still steadily gaining momentum and are set to assume further importance through cooperation with the Commission.



i2i-related activities of the EIF

The EIF is the EIB Group's specialist subsidiary for venture capital operations and counter-guarantees in favour of SMEs. The bulk of its operations rely on EIB and EU resources, notably under the Multiannual Programme for Enterprise (MAP). Part of the EU budgetary funds devoted to the MAP is thus managed by the EIF under mandate from the European Commission.

Through the Bank's global loans for the medium and long-term financing of smaller businesses and via EIF equity participations and guarantees, the EIB Group is able to offer all the financial instruments needed to develop European SMEs, so contributing to one of the crucial objectives of the "Lisbon Strategy" decided by the Heads of State or Government in March 2000.

In 2001, EIF venture capital operations involved 57 new funds for an overall amount invested (signed) of EUR 800 million, including EUR 65 million in the Accession Countries. In total, the EIF's outstanding equity participations currently exceed EUR 2 billion in 153 venture capital funds.

The majority of funds supported focus on high-tech SMEs, while some also direct their activity towards the less developed regions. The EIF has thus acted as a major catalyst and stabilising force on the European venture capital market, particularly against the difficult market backdrop in 2001.

Over the period 2000-2001, the EIF also furnished guarantees in respect of SME portfolios for a total of some EUR 1.5 billion; in many cases, the beneficiaries of these guarantees were innovative SMEs. This EIF activity ties in fully with the objectives of i2i.

The EIB Group's activity in favour of SMEs in 2001



The EIB Group continues to play a central role in strengthening the competitiveness of European industry by supporting the activities of small and medium-sized enterprises (SMEs).

The financing needs of SMEs can be addressed through three different instruments:

- medium and long-term EIB global loans
- EIF SME portfolio guarantees
- EIF venture capital activities.

Overview

The EIB's SME activity continued at a solid pace in 2001, diversifying the range of banking partners, promoting regional development and increasing transparency and best practice in global loans, in line with the objectives of its Corporate Operational Plan. Global loans are broadly lines of credit arranged with partner

banks to support mainly the activities of their SME customers. At the same time, the Bank stepped up GL operations in the Accession Countries, giving priority to financing private-sector investment and in particular to SMEs. An increasing number of global loans supported not only SMEs, but also small to medium-scale local infrastructure works.

While activity remained stable in the EU (69 global loans for a total of EUR 10.5 billion, as against EUR 10.4 billion in 2000), Accession Countries saw a doubling of signatures to EUR 525 million (11 global loans). Ten operations concerned Eastern Europe. There was also one for EUR 25 million arranged in Malta. In the Accession Countries, the EIB can now rely upon a diversified network of 35 intermediaries. The majority of these are local branches or subsidiaries of EU banks, in most cases established EIB partners in the Member Countries.

Although EU countries with the highest take-up of global loans were Germany, France, Spain, Italy, the UK and Austria, funding was spread more uniformly among the main beneficiary countries. Of the total 10.5 billion made available in the EU, almost half benefited SME investment. According to EIB estimates, 5.2 billion will go towards supporting investment being implemented by some 24 000 companies.

Diversification of intermediaries

Within the Union, the EIB intensified efforts to diversify its network of banking partners. Ten new intermediaries were enlisted in 2001, including Banca Popolare di Sondrio and Banca Opi, Crédit d'équipement des PME, Kommunalkredit and Raiffeisenlandesbank Oberösterreich, Caja de Ahorros de Cataluña and CBC.

Particular attention was devoted to identifying regional partners, often involving smaller-scale operations. An example is that of "Banche Popolari" in Italy, well-represented at a regional level, Spanish local banks (Instituto Valenciano de Finanzas) and the Co-operative Bank in the UK.

Targeted global loans

Major efforts were made in 2001 to target global loans to the policy guidelines adopted. In keeping with the Corporate Operational Plan's guidelines, greater specialisation and focus was achieved through increased dedicated lending. The majority of GLs approved in 2001 (57 out of 69) targeted an identified type of beneficiary, SME or local authority for small-scale infrastructure investment. About a half of total global loans were approved in favour of SMEs, but with a built-in degree of flexibility. Global loans are not earmarked exclusively for allocations to a pre-defined type of beneficiary, as allocations may be channelled into projects meeting other EIB objectives (i.e., environment or energy savings).

In 2001 GLs also focused on more specific targets, such as regional development (Commerzbank, Helaba, Deutsche Kreditbank and IKB in Germany), i2i (ICO and BCL in Spain, BNL for the audiovisual sector in Italy), environment (KfW and DTA in Germany; Barclays and Lombard/RBS in the UK), tourism (OHT in Austria), health and education (CBC in Belgium).

Securitisation financing and new products

In order to overcome the problem of the inadequate credit ratings of

small intermediaries or subsidiaries of banking groups, securitisation provided a way of indirect lending via special-purpose vehicles which command credit ratings acceptable to the EIB. In Italy, this allowed the Bank to advance a loan to Locat, the leasing subsidiary of UniCredito Italiano banking group.

Two important agreements were concluded in France with Coficiné and Cofiloisirs focused on investment in the media sector. These operations set up innovative co-financing arrangements with the partner bank, including a share in the risks and rewards, for allocations of comparable size to those advanced under GLs.

EIF: Venture capital and SME guarantee activities

In 2001, the European Investment Fund, the EIB Group's specialist financial institution for venture capital and SME guarantees, concluded 57 operations for a total of EUR 800 million in the 15 Member States and in 5 Accession Countries, distinguishing itself in particular in the start-up capital segment. At the end of 2001, EIF's portfolio included 153 funds corresponding to 2 billion.

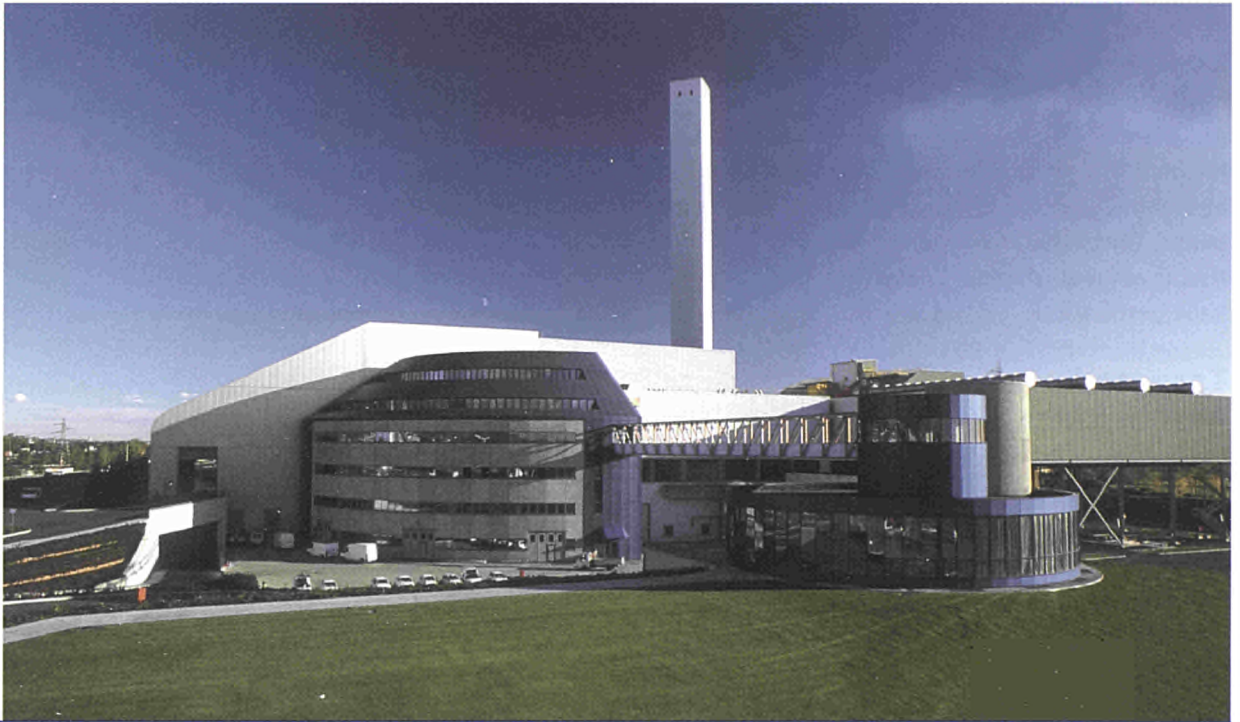
The EIF's investment strategy focused on support for European high technology; the development of funds active in Europe's Mediterranean countries (Spain, Italy, Portugal and Greece) and in the Accession Countries; and the expansion of funds operating at a pan-European level. In 2001, the EIF also concluded 39 new SME portfolio guarantee operations, involving a total of 958 million. Activity involved credit enhancement, reinsurance and counter-

guarantee operations based on a network of 86 financial intermediaries.

The majority of new operations were concluded under the SME Facility financed from EU budgetary resources. Under the Multi-annual Programme for Enterprise 2001/2005, smaller companies in the information technology sector have just extended this Facility to guaranteeing micro-credit operations, equity participations and investment.

Daniela Sacchi
Information and
Communications Department
(+352) 43 79 3130
d.sacchi@eib.org





Evaluation of the EIB's financing of solid waste management projects

In June 2002, the EIB published an evaluation of the Bank's financing of solid waste management projects, the most recent report of the Operations Evaluation Department (EV). Solid waste management merits particular attention as it is estimated to be the largest environmental sector in the European Union in terms of expense. The solid waste report forms part of a series of evaluations centred on the EIB's support for environmental projects (see also the evaluations of Bank lending for sewage treatment in the EU, water projects around the Mediterranean, and energy projects both in the Union and in Central and Eastern Europe - all evaluation reports may be consulted on the EIB's website: www.eib.org).

The conclusions of the evaluation are based on the analysis of 28 project dossiers. For 13 of these an in-depth field evaluation was carried out. The solid waste projects support European waste policies and deliver significant environmental benefits. Surprisingly for such a difficult sector, only a minority of the projects analysed faced problems. Two out of the 13 projects proved to be unsustainable and two others are or have been at serious risk. Recycling and composting projects faced most problems. Typically projects would suffer where institutional arrangements were weak, promoters not sufficiently experienced, and technologies not yet fully established.

The Bank's added value

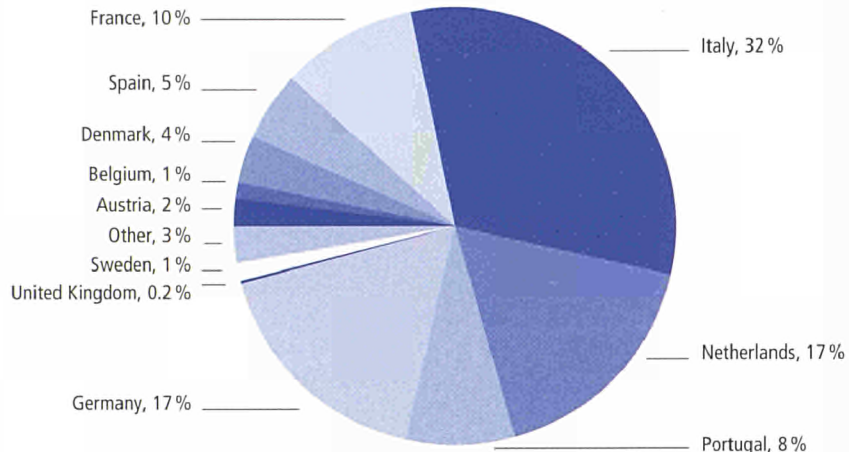
The evaluation shows that the solid waste management sector offers many opportunities for the Bank to add significant value, and that its economists and engineers have a good knowledge of the sector, acquired working with many experienced promoters in the European Union. Such knowledge can usefully be transferred to other, more problematic contexts. It is clear that the Bank can add most value in weak institutional contexts and where there is a poorly developed solid waste infrastructure, as exists in many countries outside the Union and in some of the Member Countries. Environmental lending

in such circumstances is not easy. Specific lending targets for solid waste can help to develop further the activity in this field. Securing viable projects would require adapted financial products, more involvement in the project preparation phase, and a close project follow-up, the evaluation concludes.

The EIB's Operations Evaluations Department

In accordance with its Terms of Reference, the Operations Evaluations Department evaluates the quality, effectiveness and relevance of EIB operations, as well as the strategies, policies and procedures that relate to them. The evaluations carried out by EV are concentrated at the end of the project cycle, which in the EIB basically consists of project identification, appraisal, loan approval and disbursement, progress monitoring

**EIB financing for solid waste management:
1984-2000 : EUR 2.5 billion**



of project implementation and completion reporting, followed by in-depth evaluation of a representative portion (some 15%) of the loan portfolio. Projects must have been fully operational for a number of years before they can be evaluated. The objective of evaluation is to improve the Bank's op-

erational performance by drawing lessons from the past and applying these to future operations.

Cees Post
Operations Evaluation
Department
Tel: (+352) 43 79 3475
c.post@eib.org

Urban waste incineration plant in Brescia, Italy



New Guide to Procurement for EIB-financed projects

In May 2002, the European Investment Bank published a new "Guide to Procurement" for contracts financed by the Bank, superseding and expanding the earlier guide dating from 1995.

As the European Union's financing institution and in keeping with the principle of transparency guiding its activity, the EIB attaches top priority to providing detailed information on its procurement policy to project promoters and suppliers of goods and services, as well as to the general public.

The new Guide takes account of developments in the Bank's practices since 1995 and sets out in a single document the various rules and recommendations which the Bank asks the promoters of EIB-financed projects to follow. These provisions apply to the procurement of all works, goods and services financed by the Bank.

As a complementary source of funding, the EIB never finances a project in full; certain project components are therefore not funded by the Bank. However, in order to ensure the overall feasibility of the project concerned, the Bank insists that the procurement procedures for the project components which it does not finance must not compromise the technical, economic and financial viability of the investment attracting the EIB loan and verifies that the tendering

practices for goods and services adopted for these other components satisfy its cost and quality criteria.

The EIB's rules are founded on the widely accepted principle that sound procurement practice – particularly recourse to broad competition on a patently transparent basis – constitutes a vital element for the success of a project. The Guide addresses essential aspects such as the promoters' obligation to comply with Community legislation for financing operations within the EU.

Rules applicable to projects located outside the European Union

A central chapter of the Guide specifies the arrangements to be followed outside the Union where national procurement legislation often varies from country to country. It should be borne in mind that the co-operation agreements and financial protocols concluded between the EU and non-member countries lay down the conditions under which the Bank can mount operations either in the form of loans from its own resources (originating mainly from the Bank's borrowings on capital markets) or from risk capital or similar financial resources managed by the Bank on behalf of the EU or its Member States. In all cases, the Bank requires that the principles of the EC Directives on procurement be followed, with the necessary procedural adaptations.

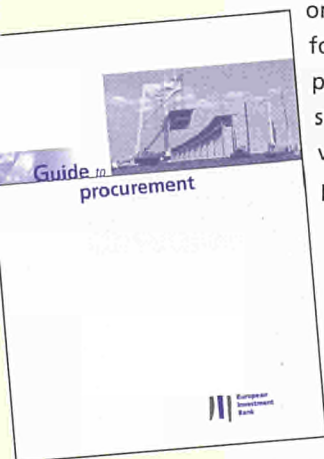
Provisions on ethical conduct and prevention of irregular practices

Articles dedicated to "ethical conduct" and "prohibited practices" have also been included in the new Guide in order to address possible irregularities in contract award and management – from a preventive angle as well as during a project's implementation phase.

The annexes to the Guide include a glossary of procurement terms used by the Bank, a covenant of integrity required from tenderers in all international bidding relating to projects outside the EU, a standard form for the procurement notice to be published in the Official Journal of the European Communities and other documents of interest to promoters and suppliers of goods and services.

The new Guide will be updated as deemed necessary by the Bank. It is available in English, French and German on the EIB's website (www.eib.org) under the heading "Publications/Thematic & Procedures".

Juan Manuel Sterlin Balenciaga
Information and Communications
Department
(+352) 4379 3126
j.sterlin@eib.org





Ongoing dialogue with NGOs *Copenhagen, 28 June 2002*

Acknowledging the legitimacy of public interest in its activities, the EIB is committed to pursuing a proactive information policy, a significant part of which consists of constructive dialogue with non-governmental organisations (NGOs). The Bank's first contacts with NGOs go back to the mid-1990s, when it took the initiative of organising regular meetings with them.

In keeping with its desire to establish permanent dialogue with civil society, the EIB has since last year been holding regional theme-based meetings with NGOs, the topics for which are chosen in cooperation with the participating organisations.

At the same time, the EIB has stepped up its participation in round table discussions and conferences organised by NGOs; over the past 18 months, the EIB has been represented at thirteen meetings (held in Stockholm, Rome, Brussels, Paris and Berlin) focusing on its transparency and information policy as well as certain of its lending operations.

The EIB invited NGOs to a seminar on 28 June 2002 in Copenhagen on

the topics of "Sustainable development; Cleaning up the Baltic Sea; and the EIB's information policy". This seminar is the third in the series, the last having been held in London on 23 November 2001 on the theme "The EIB, Development and the Environment", preceded on 28 June 2001 by a debate organised in Brussels by the Bank on its information policy.

Sustainable development and pollution in the Baltic Sea

The programme for 28 June 2002, following on from the conclusions of the seminar held in London and drawn up in cooperation with the NGOs that participated on that occasion, focused on the following topics:

- Sustainable development and prevention of climate change, in particular the EIB's contribution in the renewable energy and water sectors, envisaged under the Johannesburg process;
- The method of assessing the social impact of projects financed by the EIB, especially in non-EU countries;

- Cleaning up the Baltic Sea and the EIB's contribution to reducing pollution, notably through financing urban wastewater management schemes in countries neighbouring the Baltic, including Russia.

At the request of the NGOs, the agenda also featured developments in the EIB's information and disclosure policy, especially publication on the EIB's website of the list of projects currently under appraisal by the Bank even prior to the Board of Directors' financing decision.

Speakers at the debate, chaired by EIB Vice-President Peter Sedgwick, included Lars Tybjerg, Director at the Danish Economics and Industry Ministry and member of the EIB's Board of Directors, and a representative of the Nordic Investment Bank.



On the civil society side, about 15 NGOs, including WWF-Sweden, Friends of the Earth-Estonia, Campaign to Reform the World Bank (Italy), The Danish '92 Group (grouping of 21 Danish NGOs following up the 1992 Rio Conference on environment and development), Urgewald e.V. (Germany) and Scandinavian NGOs, enlivened the debate with their inputs.

Representatives from the European Parliament and the UK Department for International Development also followed the proceedings as observers.

All presentations made at the seminar are available to the public on the Bank's website under the heading "Information Policy/Events".

On-line transparency

In its quest to maintain permanent dialogue with as broad a range of or-

ganisations as possible, the EIB is already planning a fourth regional meeting with NGOs. Scheduled for the end of 2002, this will probably be held in a country in southern Europe. In line with now well-established policy, the EIB will announce this forthcoming meeting on its website, calling on NGOs to express their interest in attending and proposing to outline the agenda in consultation with them. In addition, as in the past, the EIB will invite members of its Board of Directors to take part in this seminar.

The main documents concerning the Bank's environmental policy, namely the "Environmental Policy Statement" as well as sectoral documents on climate change, sustainable development and promotion of renewable energies can be consulted on the Bank's website. Bank activity in the Accession Countries is presented in the brochure "EIB Financing of Corporate Projects in the Accession

Countries" and the paper "Accession: Strategy". Project appraisal and monitoring procedures are set out in detail in the brochure "The Project Cycle at the European Investment Bank". Finally, the Bank's Corporate Operational Plan, which defines the operational framework and objectives for 2002-2004, is likewise published on the EIB's website.

The new versions of the Brochure on information policy as well as the Rules regarding public access to documents will also be available before the end of the year.

*Y. Berghorst,
Senior Information Officer
(+352) 43 79 3154
y.berghorst@eib.org*

*V. Thill, Assistant to the Director
of Communications
(+352) 43 79 3149
v.thill@eib.org*

Honoris Causa

Prof Alfred STEINHERR, the EIB's Chief Economist since 1995, was appointed Doctor Honoris Causa of the University of Nancy (France) during a ceremony held on 26 April of this year.

Professor of Economics and with an academic background in Mathematics and Philosophy, Alfred Steinherr joined the EIB in 1987. He also gained a Doctorate in Economics from Cornell University (New York State), held a chair of Commerce and International Finance at the Catholic University of Louvain (Belgium) and has been Rector of the University of Bolzano (Italy) since 1998.

Both in Academia and at the Bank, his activities have formed the basis for a number of research programmes and

publications addressing, in particular, international macroeconomics, the labour market, banking and finance, the European integration process and economic reform in the Eastern European countries.

During the presentation of the honorary title, Mr Steinherr delivered a speech on the theme of globalisation, outlining the benefits and risks and calling for improved regulation and a heightened European sense of responsibility in curbing the USA's influence. According to the University of Nancy, the Doctor Honoris Causa title was conferred on Prof Steinherr in recognition of his scientific work, renown and teaching expertise, as well as his loyal and invaluable service to the Nancy 2 University European Centre where he has been lecturing since 1989. ■



Appointments to the EIB's senior management cadre

New Director

Mr Christopher HURST was appointed Director of the Infrastructure Department, Projects Directorate, in March 2002. He succeeds Mr Peter Bond, who has retired.

From 1996, Mr Hurst was Head of the Economic and Financial Studies Division. Reporting to the Bank's Chief Economist, he was responsible for research in economics and studies covering a range of longer-term strategy issues. He joined the Bank in 1989 as an economist in the former Research Directorate, where he was involved in the appraisal of infrastructure projects, firstly in the EU and then in Eastern Europe, Asia and Latin America.



Christopher
HURST

Previously, Mr Hurst held academic positions in Economics and Management Science at the Universities of Oxford and London and worked as a consultant. He holds a Doctorate from Harvard University in Operations Research and is also a graduate in Engineering from Imperial College, London.

New Associate Directors

Mr Henk DELSING was appointed Associate Director in the Directorate for Lending Operations-Europe in July 2002.

A financial economist educated at the Universities of Tilburg (NL) and Chicago (USA), Mr Delsing joined the EIB in 1981 following a career at ABN-AMRO in Amsterdam and in the Corporate Lending Department of Chase Bank in New York and Frankfurt. After an initial assignment in the Ireland-UK-Denmark Division, he participated in 1983 in the creation of the Germany and Benelux Divisions. In 1992, Mr Delsing joined, on behalf of the Bank, the Treuhandanstalt (the privatisation agency for eastern Germany) and was appointed Head of Division for Germany in 1993. Six years later, he took over the Hungary-Slovakia-Slovenia Division, where his experience with Germany proved a valuable asset. Since January 2002, he has been Head of the Benelux Division.



Henk DELSING

Mr Roderick DUNNETT was appointed Associate Director in the Legal Affairs Directorate in July 2002.



Roderick
DUNNETT

Mr Dunnett joined the EIB in 1984 as Head of the English Legal Division, where he was responsible for the Bank's first project-risk-bearing operations. From 1995 to 1997, he was Head of the Banking and Financial Law Division. In 1998, he was appointed Assistant General Counsel for Operational Policy responsible for legal policy and standards associated with lending operations and for operational institutional questions and from 2000 also for operations in the Western Balkans.

Mr Theoharry GRAMMATIKOS was appointed Associate Director in the General Secretariat in July 2002.

A specialist in Finance and Economics from the University of New York, Mr Grammatikos joined the Bank in 1990 as a financial economist in the Research Directorate. In 1991, he set up the Bank's Management Information System (MIS). Since 1994, he has been Head of the Planning, Budget and Control Division in the General Secretariat, dealing inter alia with cost coverage methods, COP/budget synchronisation, the decentralised budget, the costing/pricing of mandates, the Corporate Balanced Scorecard and the strategic map, all key elements for the pursuit of EIB strategy and objectives.



**Theoharry
GRAMMATIKOS**

Mr Bruno LAGO was appointed Associate Director in the Directorate for Lending Operations in July 2002.

Mr Lago joined the Bank in Luxembourg in 1981, assigned to the United Kingdom Division of the Directorate for Operations in the Community, after 10 years' professional experience in both Italian and international companies and financial institutions such as Exxon, Banco di Roma, Amexco and IMI. He was then transferred to the Rome Office in positions of increasing responsibility; he was appointed Managerial Adviser in 1993 and Head of Division (Banks and Financial Institutions) in the following year. In 1996, he moved back to Luxembourg as Head of Division in the UK/IIRL Department; in 2000, he again transferred to the Italy, Greece, Cyprus and Malta Department as Head of the Infrastructure Division.



Bruno LAGO

Mr Peter MAERTENS, Head of Internal Audit, was appointed Associate Director in April 2002.

A Chartered Accountant, Mr Maertens graduated from the University of Manitoba, Canada, and gained a Masters in Computer Audit from the University of Antwerp, Belgium. Following a career with, inter alia, Ernst & Young, the Government of Canada, the Asian Development Bank and NATO, Mr Maertens joined the EIB in 1997 as Head of Internal Audit. During this period, he has introduced the Internal Control Framework and has taken on responsibility for investigating allegations of fraud. He has also introduced the concept of Agreed Action Plans in order to emphasise the need for close cooperation with the Bank's departments.



Peter MAERTENS

Mr Daniel OTTOLENGHI was appointed Associate Director in the Directorate for Lending Operations in July 2002.

Mr Ottolenghi, an Economist, joined the EIB in 1984 after working in the Economic Affairs Department of the OECD in Paris. From 1989 to 1995, he was Head of the Mediterranean Division of the EIB's Research Directorate. At the time of his appointment, Mr Ottolenghi was directing the Development Economics Advisory Service as Chief Development Adviser in the Bank's External Lending Directorate.



**Daniel
OTTOLENGHI**

Mr Mateu TURRÓ CALVET, has been appointed Associate Director in the Projects Directorate, as an expert in the field of infrastructure networks and their contribution to regional and urban development.



Mateu TURRÓ
CALVET

A Doctor of Engineering and Professor holding a Chair in Transport at the Technical University of Catalonia, Mr Turró joined the Bank in 1988. Previously, he was employed as Director at the Catalanian Institute for Transport Development (Generalitat de Catalunya), after an academic and professional career in the transport sector in Madrid and Barcelona.

From 2001, Mr Turró was Principal Economic Adviser in the Infrastructure Department of the Bank's Projects Directorate, after occupying the post of Principal Economic Adviser and Head of Division responsible for infrastructure in the Member States in the former Research Directorate.

Mr Jörg-Alexander UEBBING has been appointed Associate Director in the Human Resources Department.

A lawyer and former foreign student at the École Nationale d'Administration, Paris, Mr Uebbing began his career in the General Office for External Relations of the Danone group, with postings in Paris and Brussels. In 1982, he joined the EIB as a lawyer in the Human Resources Department and the following year he was assigned to the Personnel Administration Division. Appointed to the Personnel Policy Division in 1987, he participated in introduction of the new appraisal system and was in charge of internal management mobility. In 1990, he was promoted to Managerial Adviser, holding responsibility for external recruitment. In 2001, the Recruitment Division was renamed the Staffing Division, encompassing both external recruitment and internal mobility. Since May 2002, he has also assumed the role of Change Manager in the HR Department.



Jörg-Alexander
UEBBING

Ms Daphne VENTURAS was appointed Associate Director in the Projects Directorate in July 2002.



Daphne
VENTURAS

A development economics specialist, Ms Venturas joined the EIB in 1983 as Information Officer in the Bank's Information and Communications Department. After holding responsibility for operations in Algeria and Malta as from 1988, she became Head of the Personnel Policy Division in the Human Resources Department in 1993. She was appointed Coordinator of the Economics and Information Directorate in 1996 and, since October 2001, has held the post of Head of the Resources Management Division in the Policy Support Department of the Projects Directorate.

Mr Hugo WOESTMANN was appointed Associate Director in the General Secretariat in July 2002.

An Agro-Economist (University of Bonn) and Economist (College of Europe, Bruges), Mr Woestmann joined the Bank in 1981, after several years of professional experience in management consulting and industry. After initially working in the Organisation and Methods Division, he was appointed Head of the Budget Division in 1987, where he developed medium-term planning and budgeting and assisted the EBRD in setting up its administrative and budget systems. In 1995, he became Head of the Secretariat and Protocol Division in charge of support for the Bank's Governing Bodies and the EIB's internal and external protocol duties.



Hugo
WOESTMANN

Mr Zacharias ZACHARIADIS was appointed Associate Director in the Human Resources Department in July 2002.



Zacharias
ZACHARIADIS

Mr Zachariadis is a graduate in Management Mathematics. After working at the Economic and Social Committee, he joined the EIB as a translator in 1981. He transferred to the Human Resources Department in 1988 where he was appointed Head of the Administration Division in 1996. A specialist in personnel administration questions, he is currently responsible, within the HR Department, for the integration of all procedures associated with implementation of the decentralised budget.

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European Investment Bank
100, bd Konrad Adenauer
L - 2950 Luxembourg
Tel. (+352) 4379 - 1
Fax (+352) 43 77 04

www.eib.org
info@eib.org

Department for Lending Operations in:
Italy, Greece, Cyprus and Malta
Via Sardegna, 38
I - 00187 Rome

Tel. (+39) - 06 47 19 - 1
Fax (+39) 06 42 87 34 38

Athens Office
364, Kifissias Ave & 1, Delfon
GR - 152 33 Halandri/Athens
Tel. (+30) (1) 682 45 17 9
Fax (+30) (1) 682 45 20

Berlin Office
Lennestrasse, 17
D - 10785 Berlin
Tel. (+49 - 30) 59 00 479 0
Fax (+49 - 30) 59 00 47 99

Brussels Office
Rue de la Loi, 227
B - 1040 Brussels
Tel. (+32 - 2) 23 50 070
Fax (+32 - 2) 23 05 827

Lisbon Office
Avenida da Liberdade, 144 156, 8 Dto
P 1250 146 Lisbon
Tel. (+351) 21 34 28 989
Fax (+351) 21 34 70 487

Madrid Office
Calle José Ortega y Gasset, 29
E - 28006 Madrid
Tel. (+34) 91 43 11 340
Fax (+34) 91 43 11 383

European Investment Fund
43, avenue J.F. Kennedy
L - 2968 Luxembourg
Tel. (+352) 42 66 88 - 1
Fax (+352) 42 66 88 200

www.eif.org
info@eif.org

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Royal visits to the EIB

On 26 June 2002, His Royal Highness Grand Duke Henri of Luxembourg, accompanied by Mr Luc Frieden, Minister of the Budget and Justice representing the Luxembourg Government, visited the European Investment Bank to brief themselves on EIB activity in support of EU objectives. During the visit, the Grand Duke explored Bank operations in detail and focused particularly on the project for extending the institution's headquarters on the Kirchberg Plateau in Luxembourg city. An international architect-designers competition has been launched by the EIB for this project and the jury, chaired by Mr Ricardo Bofill, will name the winner at the end of the year. ■



In the presence of Mr Philippe Maystadt, President, and Messrs Frieden, Minister of the Budget, and Carpenter, EIB Secretary General, Mr Wolfgang Roth, Vice-President, shows the Grand Duke the location of the future extension to the EIB's headquarters.

On 9 July, His Majesty Albert II, King of the Belgians, led a delegation informing itself on EIB activity. Accompanied by Messrs Louis Michel, Minister of Foreign Affairs and Deputy Prime Minister, and Didier Reynders, Minister of Finance and EIB Governor, His Majesty devoted his attention largely to the Group's "Innovation 2000 Initiative" in support of a knowledge-based, innovation-driven European economy. The King also discussed with members of the Management Committee EIB activity in the Accession Countries paving the way for enlargement of the EU as well as introduction of the Euro-Mediterranean investment and partnership facility decided by the Barcelona European Council in March 2002. The royal delegation also included representatives of the Belgian Business Federation and the Belgian Banking Association.

During their visits, which underscored the scale of Bank activity in serving the EU, the Sovereigns met with EIB staff members from their respective countries. ■



His Majesty Albert II, with Ministers Michel and Reynders, signs the EIB's visitors' book.