European Investment Bank

EIB Information 1-2003

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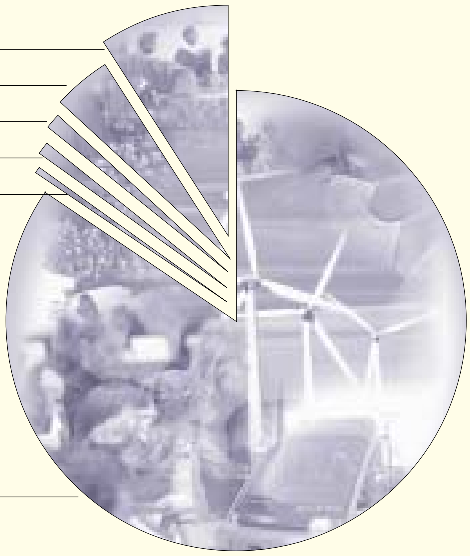
In 2002, the EIB Group set the course for the years ahead

In 2002, the European Investment Bank lent EUR 39.6 billion (compared to EUR 36.8 billion in 2001) for projects furthering the European Union's political objectives.

Contracts signed in 2002 *(EUR million)*

Accession Countries	3 641
Mediterranean Countries	1 588
Balkans	425
ACP-OCT-South Africa	348
Asia, Latin America	174
European Union	33 443
Total	***39 618***

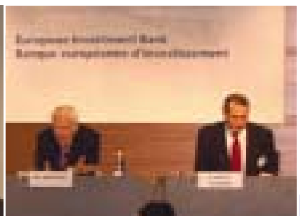


The EIF in 2002

In 2002, the European Investment Fund (EIF) – the EIB Group's venture capital arm – acquired stakes worth over EUR 471 million in 36 venture capital funds and committed a total of EUR 1.23 billion in SME guarantees.

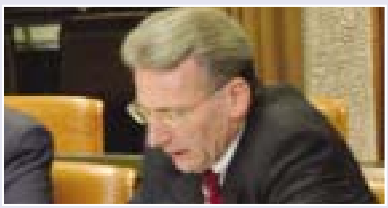
As at 1 January 2003, the EIF managed a portfolio of EUR 2.5 billion invested in 184 venture capital funds throughout the European Union and 10 Accession Countries. The EIF's total guarantee commitments ran to EUR 4.5 billion (with 95 financial intermediaries) and covered some 170 000 SMEs.

European Investment Fund



The EIB's annual Press Conference on the EIB Group's activity in 2002 was held on 12 February in Luxembourg and 13 February in Brussels.

In Brussels, EIB Group President Philippe Maystadt presented the results for 2002 to the accredited international press and outlined the general policy decisions that will shape the EIB's future activity. EIB Secretary General Eberhard Uhlmann gave a similar presentation to the press in Luxembourg the previous day.



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Philippe Maystadt at the Brussels press conference on 13 February

EIB Group activity in 2002

Financing in the EU Member States totalled EUR 33.4 billion(*), while 6.2 billion was made available in non-EU countries. Lending in the Central and Eastern European Accession Countries along with Cyprus and Malta ran to a record 3.6 billion, and loans in the Mediterranean Partner Countries reached 1.6 billion.

In the western Balkans, the EIB assisted reconstruction and development projects to the tune of 425 million. Lending in support of the Union's development aid policy totalled 523 million, of which 298 million went to the ACP (Africa, Caribbean, Pacific) States, 50 million to South Africa, 90 million to Asia and 85 million to Latin America.

To fund its lending, the Bank raised an aggregate amount of 38 billion on the international capital markets through 219 bond issues in 14 currencies.

As at 31 December 2002, the EIB's balance sheet total stood at 221 billion. Outstanding debt amounted to 181 billion and outstanding loans 234 billion.

Lending in 2002

Regional development and economic and social cohesion

Regional development continued to be the Bank's top lending priority, absorbing an aggregate 22.9 billion in the existing and future EU Member States. Within the EU 15, 12.5 billion in individual loans and an estimated 7.3 billion in global loan allocations for SMEs and smaller public investment projects were directed towards schemes in assisted areas. In the Accession Countries, the Bank provided 3.6 billion.

Cooperation with the Commission continued to play a key role in achieving regional development targets and maximising synergies between EIB loans and Commission grant aid. As an example, the EIB and the Commission are co-financing regional operational programmes eligible under

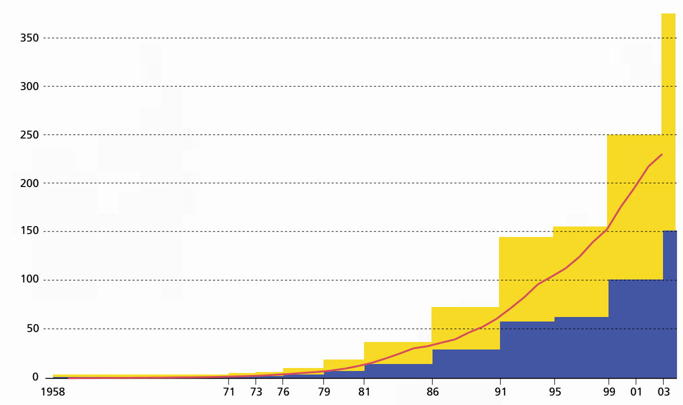
(*) Unless otherwise indicated, amounts in this publication are expressed in euro.

Capital increased to 150 billion in Governors' endorsement of the EIB's strategic orientations

In June 2002, the European Investment Bank's Board of Governors approved the increase in the Bank's subscribed capital from 100 to 150 billion with effect from 1 January 2003 (see EIB Information no. 111).

With this decision, the Member States endorsed the strategic orientations of the EIB Group. Within the EU, the priorities are to contribute to regional development and economic and social cohesion, environmental protection and the growth of an innovative, competitive European economy. Emphasis is also placed on assisting the economic integration of the Accession Countries into the Union. Outside the EU, the EIB will step up its support for the Union's development aid and cooperation policies, particularly in the Mediterranean Partner Countries and ACP States.

Growth of subscribed capital



the "Community Support Frameworks" in Italy and Spain. The Bank is also actively involved in project appraisal and information exchange on large schemes that are the subject of grant applications under the ERDF, Cohesion Fund and ISPA.

Accession Countries

The EIB is consolidating its position as the major external source of finance in the Accession Countries. In 2002, its lending in this part of the world surged ahead to 3.6 billion (compared to 2.7 billion in 2001), bringing the total since 1990 to nearly 20 billion. Last year, key importance was again attached to transport and communications infrastructure interlinking the different countries and connecting them to the Union (48.5% of total lending). Special emphasis was also placed on environmental lending, particularly in the water

Budapest station, Hungary

sector (26%), with a view to helping the incoming Member States meet the EU's environmental standards. In addition, the EIB offered strong support to SMEs, via global loans to local banks (15% of loans), as well as encouraging foreign direct investment, which contributes to the transfer of know-how and capital to the region.

Projects approved reached a record level of 6.4 billion in 2002, leaving the Bank with a well-filled project pipeline which should allow for strong lending in the years ahead.

In 2002, the Bank took all necessary steps to prepare for the arrival of its new shareholders and began recruiting staff from the Accession Countries.

Rapid response to floods in Central Europe

Rainfall in the second week of August 2002 in the Elbe catchment area was unprecedented and caused severe damage. The EIB reacted without delay. On 18 August, an aid programme was proposed to the Heads of Government of Germany, Austria and the Czech Republic; by mid-September, the Bank's decision-making bodies had approved an immediate aid programme of 1 billion in 2002; by end-December, finance contracts worth 1 billion had been signed (Germany 430 million; Czech Republic 400 million; Austria 170 million). These loans were provided on particularly favourable terms.

The Bank stands ready to grant further loans over the next two years in order to finance major repairs and flood prevention measures. It is also showing solidarity with other disaster-hit regions. Having granted a 40 million loan for flood relief in south-east France, it will be providing loans on the same favourable terms for rehabilitating coastal areas of Galicia affected by the oil slicks. An initial loan of 150 million was arranged in early March 2003.

Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

In response to the conclusions of the Barcelona European Council (15-16 March 2002) on strengthening the Euro-Mediterranean financial partnership, the Bank set up this new facility in October 2002 with the aim of helping the 12 Mediterranean Partner Countries (MPC) meet the challenges of economic and social modernisation and enhanced regional integration in the run-up to the planned creation of an EU-MPC customs union by 2010 (see EIB Information no. 112). FEMIP will focus on private-sector development, regional co-

FEMIP will focus on private-sector development, regional cooperation projects and investment in health and education

Shoe manufacturing in Cyprus

A 2.2 billion Investment Facility for financing operations in the ACP Countries

operation projects and investment in health and education. It will also provide technical assistance for project identification and the implementation of economic reforms. EIB lending under FEMIP is planned to increase gradually from 1.6 billion (2002) to 2 billion annually, reaching a total of 8 to 10 billion by 2006. Among the first private-sector projects financed under FEMIP in 2002 were a car manufacturing plant in Turkey and cement works in Tunisia and Algeria.

Cotonou Investment Facility

On 1 April 2003, the Lomé Convention, the framework for EIB development financing in the ACP Countries, was replaced by the Cotonou Agreement, following ratification by all Member States. These have entrusted the EIB with the task of managing, over the next five years, a 2.2 billion Investment Facility for financing operations in the ACP Countries.

Alongside this facility, the EIB will continue to pump its own resources into the ACP Countries up to an amount of 1.7 billion over the same five-year period. As the main focus will be on poverty reduction, priority will be given to smaller-scale private-sector investment as well as health and education schemes. The Investment Facility will be set up as a revolving fund whereby capital repayments are deployed to finance new projects.

i2i: an innovative and knowledge-based European economy

EIB financing in support of the "Lisbon Strategy" for fostering an information and knowledge-based economy, decided by the European Council in March 2000, amounted to 3.6 billion in 2002. Among the Bank's i2i (Innovation 2000 Initiative) loans, the financing of 15 R&D projects for a total of 2.1 billion held pride of place. This brought lending for R&D since May 2000, when the i2i programme was launched, to an aggregate 3.8 billion.

Since May 2000, the EIB has approved loans totalling 14.4 billion and signed contracts worth 10.8 billion for investment in research and development, information and communications technology networks, dissemination of innovation (including support for the audiovisual sector) and human capital formation, including education infrastructure. Despite a relatively difficult economic environment, i.e. the unprecedented slump of investment in the high-tech industry, the level of operations is thus in line with the Bank's commitment of 12-15 billion of dedicated lending in this sector by 2003.

With the creation of a more innovative European economy being a long-term objective of the Union, as reaffirmed by the Stockholm (March 2001) and Barcelona (March 2002) European Councils, the Bank will extend its initial support beyond 2003, making these sectors a priority for its lending as far ahead as 2010.

Protecting the environment

Protecting and improving the environment ranks among the EIB's top priorities. Accordingly, the Bank has set itself the target of devoting between a quarter and one third of all its individual loans within the European Union and in the Accession Countries to projects safeguarding and enhancing the environment. The figures for 2002 more than meet this goal, with the proportion of such loans reaching 44% within the Union and 41% in the Accession Countries.

As a public bank at the service of the Union, the EIB is also committed to taking forward the EU's environmental policies by implementing new strategies furthering fulfilment of the international undertakings entered into by the Union, especially concerning:

- the reduction in greenhouse gas emissions,
- the promotion of renewable energies,
- the Union's contribution to water sector initiatives launched at the Johannesburg World Summit.

Cooperation with the Commission

In May 2002, the EIB and the Commission signed a memorandum of understanding aimed at improving the effectiveness of their respective actions to facilitate practical implementation of the EU's environmental commitments.

In this context, the Bank supports the Union's climate change policy, notably via its loans for projects promoting rational energy use - e.g. through combined heat and power generation, industrial efficiency, public transport - and renewable energies.

Similarly, the EIB is associated with the EU's "Water for Life" initiative designed to help achieve the United Nations' development objectives for the millennium in the water and sanitation sectors, as set out at the Johannesburg World Summit.

Lastly, the EIB and the European Commission join forces with their financing, especially in the Accession, Mediterranean Partner and ACP Countries. Synergies between EIB loans and Commission grant aid are of paramount importance in ensuring a sustained flow of investment and an efficient transfer of environmental expertise. In addition, the Bank plays an advisory role for the Commission in the appraisal of projects financed from EU budgetary resources by the Cohesion Fund and ISPA (Instrument for Structural Policies for Pre-accession).

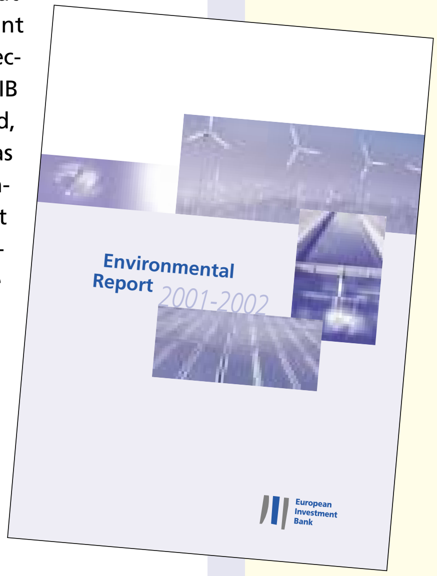
2002: a record year

In 2002, EIB individual loans for environmental projects within the European Union amounted to 9.3 billion (up 56% compared with 2001). Furthermore, an additional 1.8 billion in global loan allocations was provided for small-scale environmental protection schemes carried out by SMEs and local authorities. Urban public transport and the water sector attracted a significant share of EIB loans (2.5 billion and 1.4 billion respectively). In the water sector, the Bank's financing was decisive in enabling various Member States to comply with EU environmental directives, the principal driver of investment in this field.

The Bank has set itself the target of directing between a quarter and a third of its individual loans in the EU and Accession Countries towards environmental projects.

Environmental Report 2001-2002

On 13 February 2003, the EIB published its first Environmental Report describing the Bank's environmental resources and approach and outlining its recent lending in this sector. As the first EIB report of its kind, this will serve as both the benchmark against which development of the Bank's environmental activity is measured and the basis for discussion of environmental issues between the EIB and its stakeholders.



It is available on the EIB's website: www.eib.org/publications.

Trans-European Networks (TENs)

In 2002, total lending within the Union for trans-European transport and telecommunications networks and infrastructure of EU benefit ran to 7.5 billion.

In the transport sector, the principal financing operations concerned:

- construction of high-speed rail lines such as that linking Cologne to Frankfurt city and airport (Germany), the Milan-Bologna link (Italy), LGV Est-Europe (France) and lines connecting Brussels to Antwerp and Liège and on to the German border (Belgium);

- improvements to road and motorway networks, notably including: upgrading of the Bologna-Florence section of the A1 motorway linking northern Italy to the Mezzogiorno; rebuilding of the Turin-Milan section of the A4 motorway; construction of a toll bridge in Millau (Aveyron) on the Paris-Béziers/Spain route; safety enhancement on the French motorway network; construction of motorway sections on the Egnatia trunk road and a ring road north of Athens in Greece; building of a motorway between Pamplona and Logroño in Spain;

- upgrading of airport infrastructure in Madrid (Spain), Munich, Düsseldorf, Dresden and Leipzig (Germany), London Heathrow (United Kingdom), Amsterdam (Netherlands), Oporto (Portugal) and Billund (Denmark);

- expansion and modernisation of port facilities in Italy (at some 20 ports), Spain (Barcelona and Valencia), Germany (Hamburg and Bremerhaven) and Denmark (Aarhus).

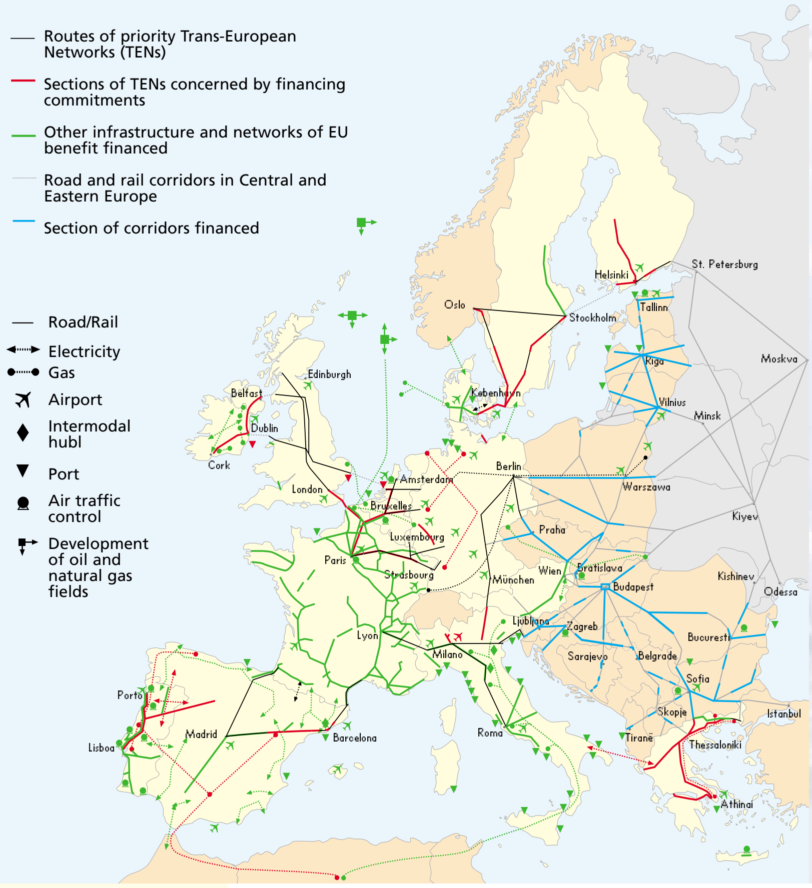
A further 300 million contributed to financing mobile and satellite-based telecommunications networks in Spain, Greece and Belgium.

1.6 billion in the Accession Countries

In the Accession Countries, where infrastructure development and rehabilitation requirements are huge, transport and telecommunications network projects attracted 1.6 billion in 2002.

These centred on: motorways and roads (1.1 billion in Poland, Romania, the Czech Republic, Slovenia, Hungary and Latvia); port, airport and air traffic control infrastructure (270 million in Poland, Bulgaria and Cyprus); and rail and river transport (100 million in Hungary and Romania). Lastly, 52 million was advanced for a scheme to expand and modernise the mobile telephone network in Slovenia.

EIB operations in support of Trans-European Networks and corridors in neighbouring countries 1993-2002



EIB Group support for SMEs

In the past five years, the EIB Group has assisted some 275 000 SMEs through three types of product covering the range of such companies' financing needs in a changing economy:

- 24.5 billion advanced by the EIB in the form of global loans for medium and long-term financing of SMEs by 150 partner banks.
- 2.5 billion invested by the EIF in 184 venture capital funds bolstering SMEs' equity.
- 4.5 billion in portfolio guarantees provided by the EIF via 95 specialist banks, with a commensurate reduction in the volume of guarantees sought from SMEs.

Last year, SME financing through traditional global loans totalled nearly 6.2 billion and underpinned investment by some 30 000 SMEs. Over 50% of these funds went to projects in assisted areas.

In 2002, the EIB forged ahead with its policy of diversifying intermediaries in order to enable SMEs to do business with banks familiar with local conditions. Accordingly, it concluded a number of global loans targeting specific regions (in Italy, the UK and the eastern Länder of Germany) or policy areas (such as the environment, energy saving and the audiovisual sector). It also carried out several securitisation operations complementing its standard global loans in Italy, Spain and France.

The **European Investment Fund** last year acquired stakes worth 471 million in 36 venture capital funds. Acting as a "fund of funds", the EIF focuses on high-tech and early stage VCFs, a sector in which it has become one of Europe's main investors with some 15% of the market.

In 2002, SME guarantees, which through their important leverage effect allow banks and other financial intermediaries to extend their lending activity to a greater number of SMEs, amounted to 1.2 billion divided between 32 operations.

In 2002, the EIB forged ahead with its policy of diversifying intermediaries in order to enable SMEs to do business with banks familiar with local conditions

Borrowing strategy

Global presence

In 2002, the EIB raised 38 billion through 219 bond issues in 14 currencies, thereby further consolidating its position as the leading supranational borrower. The Bank was present on all of the world's major markets, issuing bonds on each of them tailored to investor needs – benchmark issues and custom-made products for specific groups of investors. The Bank's issuing activity was guided by three principles: (1) a sustained presence in the different markets, (2) transparency and predictability in its issuing practices and (3) maximum liquidity of its issues. This strategy enabled the Bank, which is "AAA"-rated, to raise resources on terms closely approaching those commanded by first-rate sovereign borrowers.

Emphasis on benchmark issues

35% of resources (13.3 billion) was raised in **EUR**, predominantly through EUR-denominated benchmark issues (EARNs). At year-end, the Bank had 11 highly liquid benchmarks with an outstanding total of 50 billion and maturities spanning the whole interest rate curve from 2003 to 2012. All EARNs are traded on the MTS Platform and seven of them – totalling 37 billion – also on Euro-MTS. In addition, the Bank launched its first inflation-linked Euro transaction.

The EIB raised 38% of funds (14.4 billion) in **USD**, including 9 billion through issuance of global bonds, of which an increasing proportion was placed in the USA and with Asian central banks.

GBP issues (6.2 billion) accounted for 16% of resources raised, further reinforcing the EIB's position as the leading non-sovereign borrower in the UK. On that market, demand proved particularly keen for retail issues targeting private investors as well as for inflation-linked bonds.

After swaps, EUR remained the principal currency borrowed (22.4 billion in total) and disbursed by the Bank.

Accession Countries

In the Accession Countries, the Bank's long-pursued efforts to open up and develop capital markets are paying off, with the issuance of 535 million in **CZK**, **PLN** and **HUF**-denominated bonds. These included a first 15-year domestic zero-coupon PLN issue, thus extending the PLN yield curve and offering more opportunities for long-term investors such as insurance companies. A first ever CZK international bond with a maturity of 20 years and a maiden issue in HUF that will be merged with an EARN benchmark issue after Hungary joins the European currency union also deserve mention. This activity has established the EIB as the leading non-sovereign borrower in the Accession States, in keeping with its position as the largest lender in these countries.

Other currencies

Other bond issues were launched in the currencies of the Scandinavian countries, Australia, New Zealand, South Africa, Japan, Taiwan and Hong Kong.

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The 2003 EIB conference on economics and finance

Rien Wagenvoort, Thorsten Beck, Philippe Maystadt, Alfred Steinherr, Eric Perée

"Europe's changing financial landscape"

The annual EIB Conference on Economics and Finance - organized by the Bank's Economic and Financial Studies (EFS) Division on the 23rd of January - again brought together researchers from near and far to discuss topics that stand close to the mission of the EIB. This year's conference was devoted to "Europe's Changing Financial Landscape".

It is hardly an exaggeration to say that this issue is crucial to the EIB, as its success in achieving its mission in coming years depends entirely on its ability to adapt to its changing environment.

The conference covered various issues, ranging from the financing of SMEs to the effects of pension reforms and population ageing on the financial sector in Europe. The common thread running through these presentations was that the changes under way in Europe's financial landscape would both create the opportunity for new ways in which the EIB can benefit Europe and new challenges to which the EIB will have to adjust.

The conference started off with the more general issue of whether finance matters. **Thorsten Beck** of the World Bank showed that indeed the presence of a financial sector does have a positive impact on economic growth, but that it seemed to matter less what form the financial sector takes. While much has been made over the years of the different financial models in continental Europe (where finance is largely bank-based) and the Anglo-Saxon countries (where capital markets play a greater role), Beck showed that there was actually little evidence that either one is systematically better than the other in terms of its impact on economic growth and development.


Thorsten Beck, World Bank


Rien Wagenvoort, EIB


Michel Dietsch, Robert Schuman University, Strasbourg


Ulrich Hommel, European Business School, Östrich-Winkel


Luigi Guiso, Sassari University and Luigi Einaudi Foundation


Graham Bishop, Schröder Salomon Smith Barney

The second speaker of the day was **Rien Wagenvoort** of the EIB's Economic and Financial Studies Division, who presented the results of an in-house study on the financing of small and medium-sized enterprises (SMEs) in Europe in the 1990s. SME financing is one of the key operational areas of the EIB group, both through its global loans and the activities of the EIF. While there is ample evidence to suggest that SMEs are key to economic growth, employment and innovation in the economy, they are at the same time perceived to have greater difficulty obtaining financing than larger firms. A key task of the EIB study was to determine whether this perception is well-founded. While Rien showed that the average asset and liability structure of SMEs is not dramatically different to that of larger firms, they were found to be more dependent on internal funds for growth than larger firms. This shows that SMEs are indeed constrained by the availability of external financing to grow as fast as their economic opportunities would otherwise encourage them to. In extension, these results provide a key justification for the role of support for SMEs by the EIB and other public entities.

The general observations made in the EIB study for the EU as a whole were complemented by three case studies focusing on SME financing in three countries. **Michael Dietsch** of the the Robert Schumann University in Strasbourg, showed that, while French SMEs are finance constrained relative to larger firms, the French bank consolidation process of the past decade has not caused SME financing conditions to deteriorate further. **Ulrich Hommel** of the European Business School in Oestrich-Winkel also pointed out that there is little evidence for a fundamental – as opposed to a merely cyclical – deterioration in the financing of SMEs in Germany. The third case study, on SME financing in Italy, was presented by **Luigi Guiso** of the University of Sassari and Ente Einaudi. Similar to the others, he does find evidence that small firms face greater difficulty than larger firms in raising bank finance. In fact, the probability that the credit request of a large firm is turned down is 70% lower than in the case of an average-sized firm.

In the afternoon the focus of the conference shifted to some rather different topics related to European financial sector transformation. The first afternoon speaker was **Graham Bishop**, an advisor to Schroeder Salomon Smith Barney and member of the EU panel on securities market regulation who for a number of years has been running his own one-man advisory firm "grahambishop.com". He argued that the introduction of the euro had been accompanied by considerable improvement in the architecture of European capital markets. While the ambitious "Financial Services Action Programme" of the Commission aims to have a completely integrated capital market by the end of 2005, Bishop opined that some likely but moderate slippage in the timetable was of secondary importance to having better financial regulation.

Following in a similar vein, **Philip Davis** of Brunel University and a former staff member of the Bank of England, the BIS and the European Monetary Institute, showed that there has already been a dramatic shift in the structure of the EU financial markets, with capital markets gaining at the expense of traditional bank intermediation. As to capital markets, he noted that institutional investors have become particularly important, reducing the direct participation of households in capital market activities. This shift in the characteristics of investors has also changed the demand for financial instruments. For example, the greater ability of institutional investors to pool risks and to process financial information broadens the range of marketable financial instruments. At the same time, however, the stronger preference of institutional investors for liquid assets stimulates a greater concentration of trading, improved information dissemination and large issue sizes. The likely result is that a few large financial centres will gain at the expense of smaller, regional markets that fail to meet the liquidity and demands of these investors.

The last session featured **Patrick Artus, Chief Economist of CDC IXIS** and a member of the council of economic advisors of the French Prime Minister, who focused his observations on capital market transformation to the specific issue of how it will be affected by pension reforms and the growing importance of pension funds. Focusing on the ebbs and flows of financial investment rather than the institutional set-up, Artus argued that the performance of securities and financial markets in general will become increasingly driven by demographic trends and by the move from pay-as-you-go to funded pension systems. Just as a wave of investments by pension savers can boost asset prices for extended periods of time, this can be followed by periods of wholesale asset price stagnation or retreat when the same savers withdraw their pension savings in retirement. A key point in this context is that an ageing population will face intergenerational equity problems under both a pay-as-you-go or a funded pension system.

The final presentation of the day was by **Arnoud Boot** of the University of Amsterdam and a former bank expert at McKinsey, who argued that continental Europe remains behind the Anglo-Saxon countries in the shift from bank-based to market-based finance, despite recent progress. While a consolidation process is under way in European banking, Boot listed several barriers that might prevent the full realisation of the potential gains from this process. These include technological barriers such as incompatible computer systems, regulatory barriers that prevent the full exploitation of complementary activities under one roof, and finally managerial barriers such as a lack of leadership or cultural differences, which may prevent bank mergers from generating the anticipated efficiency gains. But Boot also argued that the cost benefits of consolidation may not be that large to begin with, which raises the question of why banks are so eager to engage in costly mergers and acquisitions in the first place. The reason could be that banks feel a need to increase their size and broaden their product mix so as to strategically position themselves in a market that is very much in a state of flux and where no-one knows what business line will become tomorrow's winner.

Philip Davis, Brunel University

Arnoud Boot, Amsterdam University

The 2003 Conference in Economics and Finance again offered for EIB staff a unique yet gainful break from the daily routine, coming together with the academic community to engage with and benefit from frontline research on topics that are key to the EIB's mission and success. The papers presented at the conference will be published in the upcoming edition of the EIB Papers, available on request from EFS.

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Two new EIB Vice-Presidents

Philippe de Fontaine Vive Curtaz

Philippe de Fontaine Vive Curtaz has been Vice-President of the European Investment Bank since 24 February 2003. On the EIB's Management Committee, his responsibilities include borrowing and treasury policies, the Bank's capital market activities, and financing operations in France and the Mediterranean Partner Countries.

Before arriving at the EIB, Mr de Fontaine Vive pursued his career at the French Treasury, most recently as Director of the State and Economy Financing Department. He previously held the positions of Sub-Director in charge of State Holdings (2000), "Debt, Development and Emerging Markets" Sub-Director (1996), Head of the Transport and Urban Planning Office (1995), International Affairs Adviser to the Economy and Finance Minister (1994) and Head of the Non-Life Insurance Office.

In addition, he served as Vice-Chairman of the Paris Club from 1996 to 2000 and Secretary-General of the Management Board of the Economic and Social Development Fund (FDES) between 1995 and 1996. Mr de Fontaine Vive was also an Alternate Director of the World Bank in Washington between 1990 and 1992 and a Member of the Supervisory Board of Agence Française de Développement (AFD) from 1996 to 2000.

At the French Treasury, which he joined in 1986, Mr de Fontaine Vive's earlier posts included Deputy Head of the

Banking Affairs Office (1986) and Deputy Head of the Capital Goods Office.

Mr de Fontaine Vive has an Economics Degree (Université de Paris 2) and is a graduate of the Institut d'Études Politiques de Paris and former student of the École Nationale d'Administration (ENA).

Philippe de Fontaine Vive was born in Marseilles in 1959 and has four children.

Gerlando Genuardi

Gerlando Genuardi has been Vice-President of the EIB since 17 January.

His responsibilities within the Management Committee are financing operations in Italy, Greece, Cyprus and Malta, information technology, financial risk control and budget and accounting policies.

Mr Genuardi, born on 29 March 1948, holds a Diploma of Higher Studies in Economics and Business from the University of Palermo. He graduated with a thesis on fiscal harmonization in the Common Market.

Mr Genuardi joined the EIB in 1980 and until 1982 he was Management Officer within the Secretariat division of the Bank, providing support for the EIB's statutory bodies and handling relations with the designated authorities of Member States.

From 1982 to 1985 he was Secretary of the Management Committee, in charge of the preparation and monitoring of the Committee's work and discussions. From 1986 to 1987 he was Head of the Secretariat division. From 1988 to 1992 he was Head of the Personnel Policy division, focussing on the design and management of career, promotion and recruitment policies as well as the preparation of personnel regulations.

From 1993 to October 1995 he was Head of the Personnel Administration division, managing salaries, the pension scheme, health insurance scheme, assignments and social services.

From 1 November 1995 to June 2000 he was Director of Human Resources.

In 2000 he was appointed the EIB's Executive Director of the EBRD, representing the Bank on the EBRD's Board. From September 2001 to August 2002 he was Chairman of the Budget and Administrative Affairs Committee.

Before joining the Bank, Mr Genuardi worked for FIAT Belgio S.A. in Brussels and in the Teheran and Geneva offices of BVA, a General Contractor in the industrial and infrastructure sectors.

Mr Genuardi is married and has two children.

The Corporate Operational Plan 2003-2005

Drawn up for the first time at the instigation of the Board of Governors in June 1998, the annual Corporate Operational Plan (COP) is a strategic document, approved by the Board of Directors, for defining overall medium-term policy and setting operational priorities in the light of the objectives assigned to the Bank by its Governors. Central to the work of the Bank's staff, the plan spans three years, although the strategic projections may be adapted during this period in order to take account of new mandates and changes in the economic climate.

The Corporate Operational Plan 2003-2005, adopted by the Board of Directors in December 2002, is the first to be based on the strategic framework provided by the Board of Governors in June 2002. Under this plan, priority continues to be given to operations matching the following objectives:

- EU regional development and economic and social cohesion (the Bank's leading priority)
- Implementation of the Innovation 2000 Initiative (i2i)
- Environmental protection and improvement
- Preparation of Candidate Countries for accession
- Support of EU development and cooperation policies with Partner Countries

with financial support continuing to be foreseen for SMEs, TENs and other infrastructure as well as to projects in the education and health sectors. The Bank's planned operations also continue to reflect its response to unforeseen events, such as the mid-2002 floods in parts of Central Europe, within the Union and several Accession countries.

For further information, see the Bank's website:
www.eib.org/publications

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EIB and NGOs discuss Mediterranean and Balkan issues

As part of its ongoing dialogue with civil society - as set out in N° 111 of "EIB Information" 2-2002 -, the EIB organized a Workshop for NGOs in Thessaloniki on 21 February 2003. The Thessaloniki Workshop followed the one in Copenhagen in June 2002 as part of a series of regionally organized meetings with NGOs. The one-day Workshops, taking place in principle twice a year, provide EIB staff and NGOs with a podium to discuss topics of common interest and to learn about each other's objectives and activities.

Programme

The agenda of the Thessaloniki Workshop included sessions on water initiatives in the Mediterranean region and the reconstruction process in the Western Balkans. Two case studies in the water sector also featured on the agenda: WWF's report on the Spanish National Hydrological Plan (SNHP) and the Poseidon project of the Greek National Centre for Marine Research, a monitoring, forecasting and information system for the seas surrounding Greece. The programme was drawn up in cooperation with interested NGOs. EIB and NGO speakers both delivered introductions on each session. The Workshop was chaired by EIB Vice-President **Peter Sedgwick,** Member of the Bank's Management Committee with lead responsibility for EIB relations with NGOs. **Constantinos Massouras**, Member of the EIB Board of Directors for Greece, delivered an address and was present throughout the meeting. On the margins of the programme, EIB staff and NGO representatives held informal bilateral meetings, for instance to discuss the Bank's public information policy.

In wrapping up the discussions, Chairman Peter Sedgwick highlighted that the session on Mediterranean water initiatives provided a good overview of the various approaches to encouraging investment in the water sector and the competing interests that need to be borne in mind to ensure the sector's development. As to the session on the reconstruction process in the Western Balkans, the EIB speaker made clear that the Bank's operations in the region, while still very young, are aimed at building up a balanced portfolio. The EIB is widening its range of operations from its initial focus on infrastructure to include social development and SME finance. The NGO speaker presented a critical view on the Bank's lending for infrastructure projects, claiming that too large a share is going to road projects. A representative of the European Agency for Reconstruction summarized the organization's activity in the Western Balkans, highlighting its role as a catalyst of funding, also including EIB loans.

Presentations posted on EIB website

All presentations made at the Workshop are published on the EIB website (**www.eib.org**), including links to the sites of the organizations concerned. Paper copies of the presentations can be obtained from the Bank's Information and Communications Department (contact person: Valérie Thill, fax +352 4379 3199).

Next NGO Workshop

The next EIB-NGO Workshop is scheduled for Autumn 2003 and will be announced on the EIB website. Interested NGOs will be invited to suggest topics.

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Second framework agreement with the EDFI Institutions

On 29 January 2003, EIB Vice-President Michael G. Tutty signed a framework agreement for financial cooperation and exchange of services with 16 development finance institutions of the EU Member States and Norway.

Fourteen of these institutions belong to the European Development Finance Institutions association (EDFI) (1), the other two partners are AfD of France and KfW of Germany.

This is the second of two major cooperation agreements covering both organisational and operational matters, produced by a joint working group established two years ago to enhance collaboration. This working group has proved to be a successful, efficient and result-oriented means to develop and coordinate joint efforts. It has recently been expanded to cover the Facility for Euro-Mediterranean Investment and Partnership (FEMIP).

Both framework agreements aim at a more efficient use of financial and non-financial resources in the countries and sectors where the signatories are active. The first framework agreement deals with staff exchanges and secondment, which is the first part of the cooperation between the institutions. It offers ACP/IF operational staff from the EIB the opportunity to work for a couple of years at the headquarters or offices of EDFI institutions – perhaps even in a representative office in a region which they cover.

The second operational framework agreement details ways in which financial and non-financial cooperation can take place between the EIB and its partners. The cooperation can take the form of mutual provision of financial support or the exchange of services, expertise and network facilities. The agreement also identifies ways to develop financial cooperation on the basis of comparative advantages of the parties. It defines terms and conditions for different forms of financial cooperation (lines of credit, agency agreements, guarantee schemes) and it creates the possibility of exchanging services. In short, it contributes to a more efficient use of resources and to a maximisation of the impact of joint European assistance.

Arguing good grounds for a secondment opportunity may be a difficult task at the present time when the ACP/IF department is marshalling resources for the launch and the success of Cotonou's Investment Facility. However, the operational framework agreement comes at an appropriate moment, just as the Bank is getting under way with the Investment Facility. "EIB Information" will say more about this Facility in future issues. (2)

Under the Cotonou agreement the total financial aid available amounts to EUR 15.2 billion over a period of five years. Of this amount EUR 11.3 billion is grant aid from the Commission under the European Development Fund, EUR 2.2 billion is managed by the EIB under the Investment Facility and up to EUR 1.7 billion will be in the form of loans from the EIB's own resources. The Investment Facility will replace Lomé risk capital finance and will be established as a revolving facility (loan amortizations and interest payments will be invested in new operations).

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(1) EDFI, the Association of European Development Finance Institutions, founded in Brussels in 1992, comprises fourteen bilateral European development finance institutions, providing long-term finance for private sector enterprises in developing economies. EDFI's objectives are to promote cooperation among its members and to strengthen links between them and EU institutions. EDFI members are: APAD, Portugal – AWS, Austria – BIO, Belgium – CDC, United Kingdom – COFIDES, Spain – DEG, Germany – FINNFUND, Finland – FMO, Holland – IFU/ IFV/IØ, Denmark – NORFUND, Norway – PROPARCO, France – SBI/BMI, Belgium – SIMEST, Italy – SWEDFUND, Sweden; AfD is the major shareholder of Proparco. KfW is the sole shareholder of DEG.

(2) Additional information about EIB activities in ACP countries is available on the EIB website at the following address: www.eib.org/lending/acp.

Future extension of the EIB's headquarters in Luxembourg

Following an international architects-designers competition launched on 12 July 2001, the EIB Jury[1] chaired by Ricardo Bofill unanimously selected the project submitted by the architects/engineers association "Ingenhoven Overdiek Architekten" (IOA) for the second extension to its headquarters on the Kirchberg plateau in Luxembourg.

The EIB's Management Committee has decided to implement the project in a single phase, i.e. construction of a building comprising some 800 work places. Linked to the original building and its first extension, it will be located between the Boulevard Konrad Adenauer and the Val des Bons Malades, opposite the European Court of Justice.

Based on a long-term vision, the new building will more than meet the Bank's short and medium-term office needs. Consequently, the Bank is already in contact with a number of institutions with a view to renting out surplus space.

The works are scheduled to take place from early 2004 to late 2007. The Bank has appointed the partnership of French and Luxembourgish firms "Jacobs-Serete/Paul Wurth" to manage the project.

International Competition

The project was launched on 12 July 2001 when the Bank published a call for submissions in the Official Journal of the European Communities. After examination of the 56 applications received, 10 multidisciplinary teams were invited to take part in the Competition. At the end of this first phase, the international jury shortlisted the 3 projects presented by the architectural firms "Ingenhoven Overdiek", "Mecanoo Architecten bv" and "GMP Architekten, Jim Clemens".

The project submitted by IOA, a Düsseldorf-based firm of architects forming an association with the engineering firm "Werner Sobek Ingenieure", was judged to be architecturally innovative, technologically state-of-the-art and perfectly attuned to the EIB's flexibility requirements.

Eco-friendly and innovative architecture

The IOA project consists of an architecturally innovative yet sober and functional building to be constructed using quality materials. Special attention has been paid to environmental considerations. Planned in accordance with the "High Environmental Quality" norms, it

*(1) Composition of the Jury (in alphabetical order): **Ricardo Bofill**, Architect; **Max Fordham**, Specialist Environmental Engineer; **Francis Hambye**, Town Planner; **Rémy Jacob**, Deputy Secretary General of the EIB and Director of the New Building Task Force; **Fernand Pesch**, President of the Kirchberg Plateau Urban Planning and Development Fund; **Vincenzo Pontolillo**, Director General of the Banca d'Italia, member of the EIB's Board of Directors; **Wolfgang Roth**, Vice-President of the EIB and Chairman of the New Building Task Force; **Eberhard Uhlmann**, Secretary General of the EIB and member of the New Building Task Force; **Claude Vasconi**, Architect.*

will meet the highest standards in terms of harmonising with the location, choice of materials, energy conservation and, during the construction phase, minimising disturbance to the public and occupants of adjacent buildings.

Designing the building to blend in with its surroundings is a key aspect of the project selected. Its rounded shape will continue the slope of the Val des Bons Malades, allowing the construction of terraces at the end of each floor echoing those in the existing buildings as well as the topography of the edge of the Kirchberg Plateau. The W-shaped configuration will offer a great deal of flexibility in laying out office space while also facilitating communication, with the base of each arm of the W serving as a meeting point.

The rounded shape of the building with its glass shell are at the forefront of new technologies and energy-conserving design. On summer nights, the automatic opening of panels in the façade will provide natural ventilation; and in winter the interior will be heated by solar radiation, allowing heating savings of up to 50%. As a result, the overall heat balance will meet the most exacting modern standards.

The EIB has been established in Luxembourg since 1968 and was the first European institution to commission and directly own its building. Its Kirchberg headquarters – designed by the British architect Sir Denys Lasdun – were inaugurated in 1980 and its first extension dates from 1995.

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EIB Forum 2003

The 9th EIB Forum will be held in Dublin on 23 and 24 October on the topic of "Visions of Environmental Sustainability: Europe's Long-Term Energy and Water Policies".

Sustainable development is what we must achieve, if we do not want to compromise the right of future generations to a sound environment.

The conference will look at efforts made in EU Member States for achieving the commitments made at the UN Kyoto Summit for reducing environmentally harmful gases in order to counter climate change, and it will explore alternative energy visions, their financial viability and investment strategies needed for their implementation. A further issue will be the management of water resources in Europe, the application of incentive pricing for the efficient use of water and of the polluter pays principle. A special section will deal with investment needs in the energy and water sector and innovative approaches for their financing.

The EIB Forum is a well-established event with an impressive list of attendees from government, industry and the banking community, and therefore provides an excellent opportunity for sharing thoughts.

A detailed programme will be published by the end of May on the Bank's website under (www.eib.org/forum). For more information please contact forum@eib.org.

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