



European Investment Bank Group • European Investment Bank Group • European Investment Bank Group • European Investment Bank Group



Volume I

# Activity and Corporate Responsibility Report







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Volume I

# Activity and Corporate Responsibility Report

The **EIB Group's 2007 Annual Report** consists of three separate volumes:

- the Activity and Corporate Responsibility Report, presenting the EIB Group's activity over the past year and future prospects;
- the Financial Report, presenting the financial statements of the EIB Group, the EIB, the Cotonou Investment Facility, the FEMIP Trust Fund and the EIF, along with the related explanatory annexes;
- the Statistical Report, presenting in list form the projects financed and borrowings undertaken by the EIB in 2007, together with a list of the EIF's projects. It also includes summary tables for the year and over the last five years.

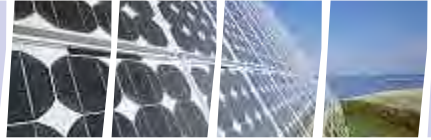
On the CD-Rom enclosed with this brochure, readers will find information contained in the three volumes, plus the "Corporate Responsibility 2007" document as well as the main brochures and other documents published in 2007 in the different languages available.

The Annual Report is also available on the Bank's website  
[www.eib.org/report](http://www.eib.org/report)









# Contents

<b>EIB Group: key statutory figures</b>	<b>4</b>
<b>EIB Group: summarised consolidated balance sheet</b>	<b>5</b>
<b>Message from the President</b>	<b>6</b>
<b>The Corporate Operational Plan for 2008-2010</b>	<b>8</b>
<b>EIB Group Activity in 2007</b>	<b>12</b>
⇒ Balanced development throughout the Union	13
⇒ Support for innovation	16
⇒ Environmental sustainability	20
⇒ TENS: transport networks for Europe	25
⇒ Support for small and medium-sized enterprises	30
⇒ Sustainable, competitive and secure energy	33
⇒ Candidate and potential Candidate Countries	37
⇒ European Neighbour and Partner Countries	39
⇒ ACP, Asian and Latin American partner countries	43
⇒ EIB borrowing activity	47
<b>Corporate Governance</b>	<b>50</b>
⇒ Working with others	51
⇒ Governance and accountability	53
⇒ Direct footprint and working responsibly	57
⇒ EIB Statutory Bodies	59
⇒ The Management Committee of the EIB	62
⇒ Organisation chart	63
⇒ EIF Statutory Bodies	68
<b>Projects eligible for financing by the EIB Group</b>	<b>69</b>
<b>EIB Group Addresses</b>	<b>70</b>

## EIB Group: key statutory figures



### European Investment Bank

#### Activity in 2007

(EUR million)

<b>Signatures</b>	<b>47 820</b>
European Union	41 431
Partner countries	6 389
<b>Projects approved</b>	<b>56 455</b>
European Union	48 664
Partner countries	7 791
<b>Disbursements</b>	<b>43 420</b>
From the Bank's resources	38 852
From budgetary resources	4 568
<b>Resources raised (before swaps)</b>	<b>54 725*</b>
Community currencies	32 835
Non-Community currencies	21 890

#### Situation as at 31.12.2007

<b>Outstandings</b>	
Loans from the Bank's resources	324 753
Guarantees provided	165
Financing from budgetary resources	1 785
Short, medium and long-term borrowings	254 221
<b>Own funds</b>	<b>33 437</b>
<b>Balance sheet total</b>	<b>301 854</b>
<b>Net profit for year</b>	<b>1 633</b>
<b>Subscribed capital</b>	<b>164 808</b>
of which paid in and to be paid in	8 240



### European Investment Fund

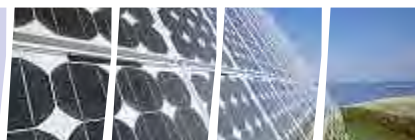
#### Activity in 2007

<b>Signatures</b>	<b>1 918</b>
Venture capital	521
Guarantees	1 397

#### Situation as at 31.12.2007

<b>Portfolio</b>	<b>15 971</b>
Venture capital	4 388
Guarantees	11 584
<b>Own funds</b>	<b>965</b>
<b>Balance sheet total</b>	<b>1 074</b>
<b>Net profit for year</b>	<b>50</b>
<b>Subscribed capital</b>	<b>2 770</b>
of which paid in	554

(\*) Resources raised under the global borrowing authorisation given by the Board of Directors for 2007, including 'pre-funding' of EUR 77m completed in 2006 for 2007.



# EIB Group: summarised consolidated balance sheet

As at 31 December 2007 (in EUR '000)

ASSETS	31.12.2007	LIABILITIES	31.12.2007
1. Cash in hand, balances with central banks and post office banks .....	27 318	1. Amounts owed to credit institutions	
2. Treasury bills eligible for refinancing with central banks .....	2 273 135	a) with agreed maturity dates or periods of notice .....	341 757
3. Loans and advances to credit institutions		<b>341 757</b>	
a) repayable on demand .....	286 263	2. Debts evidenced by certificates	
b) other loans and advances .....	15 816 580	a) debt securities in issue .....	259 280 003
c) loans .....	112 323 909	b) others .....	892 400
<b>128 426 752</b>		<b>260 172 403</b>	
4. Loans and advances to customers		3. Other liabilities	
a) loans .....	156 435 308	a) sundry creditors .....	1 429 085
b) specific provisions .....	- 37 050	b) sundry liabilities .....	37 457
<b>156 398 258</b>		c) negative replacement values .....	12 945 900
5. Debt securities including fixed-income securities		<b>14 412 442</b>	
a) issued by public bodies .....	580 386	4. Accruals and deferred income	270 724
b) issued by other borrowers .....	10 435 661	5. Provisions	
<b>11 016 047</b>		a) Pension plans and health insurance scheme .....	1 038 545
6. Shares and other variable-yield securities .....	2 078 830	<b>1 038 545</b>	
7. Intangible assets .....	3 972	<b>TOTAL LIABILITIES</b>	<b>276 235 871</b>
8. Property, furniture and equipment .....	285 720	6. Capital	
9. Other assets		- Subscribed .....	164 808 169
a) sundry debtors .....	145 445	- Uncalled .....	-156 567 760
b) positive replacement values .....	9 060 783	<b>8 240 409</b>	
<b>9 206 228</b>		7. Consolidated reserves	
10. Subscribed capital and receivable reserve, called but not paid .....	1 061 503	a) reserve fund .....	16 480 817
11. Prepayments and accrued income .....	30 658	b) additional reserves .....	6 067 178
		<b>22 547 995</b>	
		8. Funds allocated to structured finance facility	1 250 000
		9. Funds allocated to venture capital operations	1 690 940
		10. Profit for the financial year:	
		Before appropriation from Fund for general banking risks .....	843 206
		Appropriation for the year from Fund for general banking risks .....	0
		<b>Profit to be appropriated</b>	<b>843 206</b>
		<b>TOTAL EQUITY</b>	<b>34 572 550</b>
<b>TOTAL ASSETS</b>	<b>310 808 421</b>	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>310 808 421</b>



## Message from the President

Introducing the 2006 annual report last year, I emphasised that 2007 would be a critical year for the European Investment Bank in the implementation of its new strategy of taking more risk for more value added. Ambitious lending targets were set in the COP (Corporate Operational Plan), notably as regards the use of the SFF (Structured Finance Facility). These targets were met and, in some cases, exceeded. For instance, the level of signatures under the SFF reached more than EUR 1.5bn, an almost fivefold increase on 2006; at the same time, the EIB quadrupled its support for clean energy sources, signing loans of more than EUR 2bn for renewable energy projects. A number of new initiatives became operational in partnership with the European Commission, in particular the RSFF (Risk Sharing Finance Facility for Research).

Outside the EU, a good start was made in implementing the new external mandate granted by the EU Council for the period 2007-2013. Although the corresponding Guarantee Agreement with the Commission was signed only in August, signatures in the enlargement, neighbouring and partner countries reached more than EUR 6bn. In Turkey, the Western Balkans and the Mediterranean partner countries, the European Investment Bank is today the most active international financial institution.

To support this lending, the EIB raised nearly EUR 55bn on the international capital markets – significantly more than the EUR 48bn raised in 2006 – through 236 bond issues in 23 currencies. The European Investment Bank remains one of the largest capital market issuers, and its ability to tap these markets has held up strongly in the face of the financial turbulence since mid-2007. Quite clearly, investors have been reassured by the EIB's prudent risk management policies and its first-class credit rating, underpinned by the quality of the Bank's shareholders.

Such results are a testimony to the hard work and professionalism of its staff. They are also a gauge of the confidence of both the shareholders and

the Commission in the Bank's ability to deliver on key EU policies and generate value added through its operations.

However, the Member States' and Commission's trust brings additional responsibilities and challenges, as is evident from the 2008-10 COP approved by the Bank's Board. The EIB will be expected to continue to deliver on its commitments in the fields of convergence, transport (with a reinforced focus on priority TEN projects), energy (especially renewable energy and energy efficiency), the environment, the knowledge economy (i2i) and SME financing.

Concerning this last area, following a consultation process with its banking partners, public authorities and SME associations, the EIB Group is currently looking at ways in which it can boost this support still further.

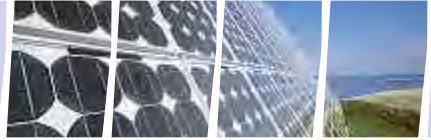
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This year, as a further step towards better integrating Corporate Responsibility (CR) into the EIB's strategy, we have decided to consolidate our reporting into a single document: the "Activity and Corporate Responsibility Report". The main developments that took place in 2007 are further expanded upon in the supplementary information available on the CD-ROM and on our website.

As part of our objective to increase the transparency of our activities, a sub-section on CR is also being created on our website, where it will also be possible to find more information on our CR policies and practices. The EIB also decided to apply, as from June 2007, the provisions of the Aarhus Regulation (1367/2006) on public access to information, public participation in decision-making and public access to justice in environmental matters.

Alongside the updating and publication of the Environmental and Social Practices Handbook, which describes the internal processes and practices of





the Bank, our Environmental and Social Statement has been revised and is undergoing a process of public consultation. These initiatives will further enhance the way that we assess and mitigate the environmental and social risks associated with our project-financing activities.

Of particular note in 2007 as far as the Bank's lending activities outside the Union are concerned, the Economic and Social Impact Assessment Framework (ESIAF) was modified in order to better meet the requirements of each individual mandate and provide a more refined measure of the Bank's value added. Applied to all EIB external mandates, ESIAF will enable the EIB to better evaluate and understand the impact of the projects it finances outside the Union, both ex ante and ex post, with a view to further enhancing its CR policies and practices in the future.

The European Investment Bank can now look back on 50 years of activity. Set up in 1958 to contribute to the integration, balanced development and economic and social cohesion of the European Union, during its fifty years of operations it has gained significant experience in financing investment projects across a wide range of sectors. It has supported the Union's most important achievements, fostering Europe's economic growth; it has taken up the challenge of six enlargements, increasing its capital from one billion units of account to

EUR 164.8bn; and it played a major role in the run-up to the euro, launching initiatives that paved the way for the transition to a single currency.

Fifty years after the Treaty of Rome, the European adventure is only just beginning. It is now vital to embrace the challenges of the 21st century: the environmental challenge, and the fight against climate change; the scientific and industrial challenge to ensure Europe's position as a major economic power; and the challenge of world solidarity, combating poverty in other parts of the world. The EIB is eager to help Europe face these challenges.

**Philippe Maystadt**  
President of the European Investment  
Bank Group

## The Corporate Operational Plan for 2008-2010

The EIB's detailed business plan for the years to come is set out in a publicly available document: the Corporate Operational Plan, which covers the years 2008-2010. Since the EIB's Board of Governors endorsed the strategy of "taking more risk for more value added in support of EU policies" in June 2005, the Bank's efforts have concentrated on this overriding objective.

To be able to consolidate the implementation of this strategic decision, the EIB has refrained from defining additional strategic priorities for 2008-2010. Inside the European Union, the EIB continues to focus on six policy priorities: economic and social cohesion and convergence in the enlarged Union; implementation of the Innovation 2010 Initiative; the development of trans-European transport and access networks (TENs); support for small and medium-sized enterprises; protecting and improving the environment; and sustainable, competitive and secure energy.

In line with the new external mandates defined in the Council Decision of December 2006, depending on the mandate the lending objectives outside the EU cover: pre-accession support; private sector development; security of energy supplies; environmental protection and improvement; and support for a EU presence through foreign direct investment and the transfer of technology and know-how.

### Challenge and response

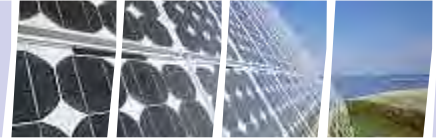
In its operating environment, the EIB faced a number of challenges in 2007, which will continue to loom large. Despite the recent volatility in the financial markets, the Bank has provided a steady flow of investment financing in Europe, particularly in sectors where market participants are reluctant to become involved. The continued demand for loans for infrastructure investment is juxtaposed by the growing need for both loans and risk capital for innovation. Also, the effects of the progressive enlargement of the EU are impacting on the EIB's role at national and EU level, resulting in an increasing policy input from the Bank. At the same time, stakeholders' expectations are high and a sophisticated dialogue with civil society is an ongoing requirement.

The Bank's response to the priority lending objectives and the external challenges has been to ensure a sound funding policy and the pursuit of

relevant lines of business with appropriate instruments. These requirements are reflected in more value added in lending, a new approach to risk, new financial instruments, increased cooperation with the European Commission and others, financial self-sufficiency, effective financial planning, priority targeted resource allocation and increased efficiency.

### Risk-taking and new financial instruments

The approach of taking more risk when required for strategic objectives will be a continuing feature of the EIB's activities. Refinements of the Bank's credit policy, loan grading and risk pricing systems will strengthen the capacity for risk taking and enhance the value added provided by the Bank. Modifications of the credit risk policy concerning unsecured lending to banks and corporate enterprises, financial collateral and loan substitutes – in particular asset-backed securities and covered bonds –



will also increase the EIB's ability to cater for more innovative structures as well as for operations providing capital relief to the Bank's borrowers. A new internal rating methodology, which complies with EU Directive 2006/48/EC, has been extended to new asset classes and refined to assist the Bank in taking on more risk when required for strategic objectives.

The development of higher-risk operations supported by dedicated reserves from the Bank's own resources and from the European Commission will play an important role in the future implementation of the strategy. The amounts involved are considerable. Under the Structured Finance Facility (SFF) total reserves of EUR 3.75bn have been allocated as a capital cushion for senior loans and guarantees incorporating pre-completion and early operational risk; subordinated loans and guarantees ranking ahead of shareholder subordinated debt; mezzanine finance, including high-yield debt for rapidly growing or restructuring industrial companies; project-related derivatives; and equity-type instruments. The Risk Sharing Finance Facility has EUR 2bn as a capital cushion, for which the EIB has earmarked EUR 1bn from the SFF and the European Commission is contributing EUR 1bn from the 7th Research Framework Programme. This enables multiple leveraging with loans specifically aimed at financing investment in research, development and innovation. EUR 500m has been earmarked for the Loan Guarantee Instrument for TEN-Trans-

port Projects, plus an equivalent amount from the Commission, in order to provide guarantees for standby credit facilities in TEN projects to cover revenue shortfall risks during the ramp-up operating period of these projects. EUR 500m of the SFF is for risk-sharing finance for private sector development in the Mediterranean partner countries. The EUR 1.75bn balance is available for approved objectives under the Innovation 2010 Initiative, TENs and energy. Market demand is increasing rapidly. At end-2007 SFF loan signatures had increased to EUR 2.8bn, up from EUR 1.3bn a year before.

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### Cooperation with the European Commission

Cooperation with the Commission is not limited to risk-sharing arrangements. Co-programming and co-financing are widespread. Recent joint initiatives have included JASPERS, making technical assistance available to help beneficiary countries to prepare major viable infrastructure projects that will be supported by the EU Structural and Cohesion Funds. The European Bank for Reconstruction and Development is also a partner of JASPERS. JESSICA is a joint initiative of the Commission and the EIB in cooperation with the Council of Europe Development Bank, providing Member States and European Regional Development Fund managers

with tailored solutions for financing a wide range of urban renewal and development projects. Under JEREMIE, the EIB Group and the Commission improve small and medium-sized enterprises' access to finance, including first-time entrepreneurs and micro-credit in developing regions. The European Investment Fund has been mandated by the Commission to carry out its Competitiveness and Innovation Framework Programme, with a very comprehensive range of financial instruments worth EUR 1.1bn. Also, under EPEC, the European PPP Expertise Centre, the Commission and the Bank will disseminate information and best practice for the benefit of Europe's public PPP task forces and provide policy and programme support in PPP procurement and management to its public sector membership.

Outside the European Union, in addition to the maximum EUR 27.8bn in external mandates over the period 2007-2013, the EIB and the Commission are co-funding the ACP Water Project Preparation Facility. The Bank also manages the EU-Africa Infrastructure Trust Fund, which is co-financed by

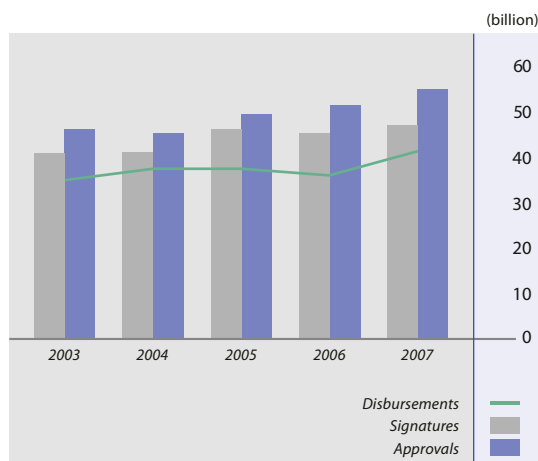
the Commission and 10 Member States. The aim of this innovative facility is to increase sustainable EU funding for African regional and trans-border infrastructure by combining public grant money with long-term loans.

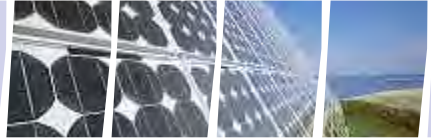
### Financial planning and self-sufficiency

The implementation of the strategy must be reconciled with the EIB's long-term financial sustainability objective. Due to the nature and mission of the Bank, a significant part of the benefits produced derives from the contribution made by the EIB as a policy-driven institution. The Bank's net surplus is driven by the return on investment of own funds and cost-covering intermediation revenue generated by loans. As a public institution, the EIB eschews speculative exposures to financial risks and sets its financial risk tolerance at a level to ensure the long-term financial sustainability of the Bank. Due to several factors, the return on own funds is expected to follow a moderately decreasing pattern in 2008-2010. Intermediation revenue is essentially limited to covering administrative costs and pricing credit risk. Whilst anticipating the value-added benefits of the Bank's participation in more complex and riskier activities, the increased credit default risk could generate a negative effect on expected cost coverage, and controlling heightened levels of reputational, legal and operational risk is resource-intensive. Similarly, activities such as technical assistance and other advisory work are important at the policy level but do not directly contribute to operational income.

On the basis of the Corporate Operational Plan 2008-2010 and the present capital situation, thanks to targeted resource allocation and increased efficiency the EIB will nevertheless not be needing a capital increase before 2010, and it will be able to fund this capital increase from internally generated reserves, not from cash contributions from Member States.

**Disbursements, contracts signed and projects approved (2003-2007)**





Finally, with a view to reinforcing the capital structure of the European Investment Fund for future developments, the authorised share capital was increased by 50% to EUR 3bn in 2007. The EIB has taken up 100% of its rights to new shares; the Commission will take its rights up gradually over four years; and the shareholding financial institutions have taken up over 70% of their rights, resulting in EIF own funds of EUR 965m. This should ensure the EIF's financial sustainability until at least 2013, with these funds being deployed progressively during the intervening period.

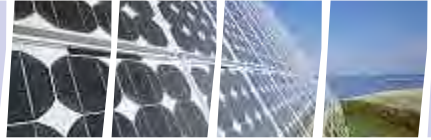


The EIB's Board of Directors



## EIB Group Activity in 2007





## Balanced development throughout the Union

The European Investment Bank has always been the bank for the regions, the assisted areas in the European Union that also receive grant aid from the Structural Funds. In line with the European Union's renewed Cohesion Policy for 2007-2013, the EIB has concentrated its regional development lending on the newly-defined convergence regions, including the phasing-out and phasing-in regions. These are the poorest 113 regions in the EU-27, with a population of 190 million. Outside convergence regions, the new regional policy promotes the objectives of competitiveness and employment, which the EIB supports mainly via lending under its Innovation 2010 Initiative, the development of trans-European networks, small and medium-sized enterprises and environmental sustainability.

The Bank has set itself a medium-term target of 40-45% of total loans in the EU for convergence purposes. In 2007, EUR 13.8bn went to investment in the convergence regions, which was within the target range.

### Structural Programme Loans for the new Member States

A large part of the lending for convergence took place in the twelve Member States that joined the EU since 2004. In 2007, EIB loans in these countries totalled EUR 5.75bn. Most of the loans were granted in tandem with grant finance from the Structural Funds.

Co-financing between the Structural Funds and the Bank can be arranged on a project-by-project basis or on a programme basis. By contributing to the funding of a number of larger or smaller investments included in an investment programme in a given sector or region, the EIB can promote growth-enhancing conditions and factors leading to real convergence for the least developed Member States and regions. This EIB product is called a Structural Programme Loan.

Thus, in 2007 the Bank decided to lend EUR 700m to co-finance Bulgaria's national contribution to the implementation of investment priorities and measures with the EU Cohesion and Structural Funds. The eligible projects are identified by the operational programmes of the National Strategic Reference Framework and the rural development programme of the European Agricultural Fund for



Rural Development for the period 2007-2013. The co-financing facility will initially be used for transport and environment sector investments but may be extended to the other EU Funds' programmes for regional development, economic competitiveness, human resources development and agriculture, if requested by the Bulgarian Government. Total EU Cohesion and Structural Fund resources available to Bulgaria for this period amount to some EUR 6.8bn. The Bank's Structural Programme Loan can also finance a large number of relatively small sub-projects which, due to their small size, would not qualify for direct EIB financing. Through this framework loan, the EIB can provide pre-financing when needed and offer long-term co-financing on the most attractive terms.

### Convergence in the EU

Breakdown of direct loans signed in 2007 by sector

	Amount	Total %
Communications infrastructure	5 476	40
Energy	2 036	15
Health, education	1 689	12
Water, sanitation, waste	1 025	7
Urban development	827	6
Industry	1 584	11
Other services	1 175	9
<b>Total individual loans</b>	<b>13 812</b>	<b>100</b>

### Across all sectors

Within the convergence regions EIB-financed projects can be found in all sectors. In 2007 the most important were transport (32%), energy (15%), health and education (12%), and water and sanitation (7%).

Loans for communications infrastructure reached EUR 5.5bn. An important part of that amount was a large EUR 1bn loan for the construction of the Milan-Naples section of the high-speed/high-capacity rail network in Italy. The project is part of the priority TEN corridor linking Berlin to Southern Italy by rail. It is a significant investment in sustainable transport and will facilitate access to convergence regions in the south of Italy.

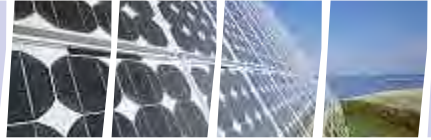
Energy investment in convergence regions accounted for EUR 2bn in EIB loans. In Sines, Portugal, the Bank supported the construction of a co-generation plant with a loan of EUR 19m. This loan followed on from an earlier one of EUR 39m. The additional amount was made possible because in exceptional circumstances the ceiling for Bank financing may be raised from 50% to 75% of the project cost. The new plant will produce three times more electricity than the plant it replaces, thus generating substantial gains in energy efficiency. As the project's surplus electricity will be

supplied to the national grid, it will replace power generated by other fuel power plants and thereby reduce CO<sub>2</sub> emissions by an estimated 20%.

With EUR 1.7bn in EIB loans for investment in health and education, this sector plays an important role. One of the health projects in Spain concerned the construction of a new general hospital and seven day-care health centres in the convergence area of Mieres, central Asturias. The project facilitates the region's role as a healthcare provider and improves the quality of and access to hospital accommodation and services. As the project includes an element of clinical education, training and research, it also contributes to the Bank's Innovation 2010 Initiative.

EIB-financed industry investment in the convergence regions amounted to EUR 1.6bn in 2007. The EUR 71m loan to Glaverbel Czech is an example of the social and economic impact local industries can have. The loan will be used for the construction of a new float glass line in Teplice and the expansion of automotive glass production facilities in nearby Chudeřice, both in Ústí, a Czech convergence region. Ústí has a centuries-old tradition of industrial and agricultural production, especially in the power industry, coal mining and chemicals. The decline of these traditional industries has led to the region having the highest jobless figures in the Czech Republic. Glaverbel's project, however, will contribute to regional economic development and diversify employment away from the traditional industries. The project is expected to create 100 new jobs in Chudeřice and another 70 in Teplice.

Obviously, many of the projects in the convergence regions support other priorities as well. In 2007, 23% of individual lending to support the Lisbon Agenda, which aims to establish a competitive, innovative and knowledge-based European economy, went to convergence regions, as did 33% of lending aimed at improving the natural environment, 33% of lending for trans-European transport networks and 15% of energy project lending.



### New financial products

The EIB also made new financial products available to the regions. In Poland, the Bank participated with PLN 200m (EUR 52m) in an issue of public sector-covered bonds for financing small and medium-scale projects implemented by public sector entities in the fields of infrastructure, environment, energy, health and education. This substitute for a straightforward credit line is backed by loan receivables of the BRE Bank Hipoteczny S.A. The so far unique operation increases the number of EIB partner financing institutions in Poland and broadens the possibilities of EIB support for the modernisation of local infrastructure.

### JASPERS

In the upstream phase of the preparation of large investment projects, JASPERS has become a key instrument in the cooperation with the EU Structural Funds, by helping the 12 new Member States to present viable projects and therefore to access more rapidly and efficiently the substantial sup-

port from the European Regional Development Fund and the Cohesion Fund that will be available over the next few years.

JASPERS stands for Joint Assistance to Support Projects in European Regions. Bringing together the technical expertise of the European Commission, the EBRD and the EIB, it offers technical assistance free of charge. At the end of 2007 the team consisted of 55 experts, working not only from Luxembourg, but also from Bucharest, Vienna and Warsaw, where offices were opened in the course of the year. The Bucharest Office covers project preparation in Bulgaria and Romania, the Vienna Office the Central European countries, while the Warsaw Office covers Poland and the Baltic States.

The JASPERS Action Plan advanced well in 2007, with JASPERS assisting in the preparation of 261 projects and horizontal tasks aimed at catalysing or accelerating capital investment of over EUR 32bn in the coming years – this across all 12 new Member States and a wide range of strategic sectors, with a focus on the environment (water, wastewater and solid waste), transport, and energy efficiency and renewable energy.

## Support for innovation

Since the establishment of the Lisbon Agenda in 2000, the EIB has financed investment helping to establish a competitive, innovative and knowledge-based economy, capable of sustainable growth, creating more and better jobs and greater social cohesion. Under its Innovation 2010 Initiative, the goal was to lend EUR 50bn in the period 2000-2010, a target which was already reached in the course of 2007, when investments in RDI, education and ICT accounted for EUR 10.3bn in new EIB loans.

### Research, development and innovation

RDI is shorthand for one of the three lending priorities under the Innovation 2010 Initiative. Encompassing more than research and development, it includes the transformation of new knowledge into productive economic activity. Some EUR 6.7bn went to RDI in the EU in 2007 and another EUR 455m to RDI in Turkey.

Financial instruments developed by the Bank in support of investment underpinning the Lisbon Agenda have a key role to play in RDI finance. The

Risk Sharing Finance Facility (RSFF), set up jointly by the EIB and the Commission and operational since mid-2007, is particularly relevant. The RSFF is built on the principle of credit risk-sharing between the Commission and the EIB and extends the Bank's ability to provide loans or guarantees to projects of promoters with a low or sub-investment grade risk profile. This involves taking financial risks beyond those normally accepted by investors. The scheme provides a wealth of opportunities for new and innovative financing solutions for the private sector and the research economy. The take-up has been rapid, with RSFF loans going to renewable energy, automotive, engineering and biotechnology projects.

### The EIB-Universities Research Action



Education ranks high on the European Investment Bank's agenda. It is a key contributor to the Lisbon Strategy and underpins the Bank's activity in fostering social cohesion and promoting innovation. In parallel to its lending activity in this sector, the Bank has developed the EIB-Universities Research Action to channel its institutional support to higher education and academic research. The Action is designed to respond in a consistent way to the requests coming from European universities – notably for financial assistance, but also for research inputs. It also facilitates the academic and research work of the Bank's staff.

[www.eib.org/universities](http://www.eib.org/universities)





**Signatures Innovation 2010 Initiative**

(million)

	2007	2000-2007
Information and communications technology	1 597	11 947
Education and training	1 262	12 852
Research, development and innovation	7 155	30 179
<b>Total</b>	<b>10 289</b>	<b>55 994</b>

In coordination with the European Strategy Forum on Research Infrastructure (ESFRI) and the European Intergovernmental Research Organisations Forum, the EIB is in discussion with promoters of large research infrastructure investments, in particular the 35 EU-scale projects with an estimated cost of EUR 14bn. ESFRI brings together representatives of EU Member States and Associated States as well as the European Commission and aims to develop a coherent approach to policy-making on research infrastructure in Europe. The specific nature of these projects, implemented over very long time periods, involving dedicated scientific equipment, complex operating arrangements and, last but not least, long-term financial commitments from the national authorities promoting the project, require new, unconventional solutions, built on a viable sharing of risks among all parties concerned.



**Education and training**

EUR 1.3bn in EIB loans went to education in 2007. The bulk of the Bank's investments in the education sector to date have been in support of infrastructure – buildings, facilities and equipment – required for the acquisition of knowledge and skills. For instance, in the autonomous community of Valencia, Spain, the Bank financed the construction, rehabilitation and extension, as well as furnishing and equipping of primary, secondary and vocational education facilities and other related educational infrastructure.

More recently, a big effort has been made to promote education projects that will improve the quality of education more directly. This implies giving greater consideration to investments in demand-side measures and intangible assets, such as student loans and academic RDI, that will widen access to and enhance the quality of education. In Hungary for example, the Bank lent EUR 150m for a student loan scheme that is part of a wider national strategy to increase the quality of higher education, encourage participation and enhance equal opportunity of access. The scheme already has a track record of improving the accountability of the institutions, reaching those students who come from poorer families, and has systems and procedures in place to maximise efficiency and ensure the long-term sustainability of the student loan system. The future may also see the Bank financing investment in modern curricula, improved methods of instruction and, especially, better teaching at European schools and universities.

### Innovative finance for innovation

The symbolism was appropriate when the Risk Sharing Finance Facility (RSFF) was launched on 5 June 2007, the agreement being signed in parallel by Commissioner Potočník in Hamburg during the 4th European Conference on Research Infrastructures and by EIB President Philippe Maystadt at the annual meeting of the EIB's Board of Governors in Luxembourg. Backing up RDI with finance, the RSFF is the result of effective cooperation between the EIB and the European Commission. With a capital contribution of EUR 1bn each from the EU's 7th Research Framework Programme and the EIB's Structured Finance Facility, the RSFF is expected to leverage EUR 10bn of additional financing for RDI.

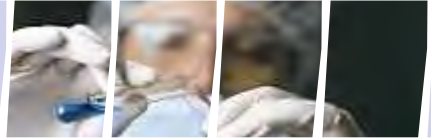
The take-up proved almost immediate. Already by September eight financing operations concerning renewable energy technologies, energy efficiency, automotive components, engineering and biotechnology projects had been concluded for a total amount of EUR 359m. By year-end a total of EUR 459m had been lent under the RSFF for projects located in four Member States.

The RSFF can finance small and large companies with direct loans but also via intermediation. In Germany, for example, a credit line was set up for innovative small and medium-sized automotive suppliers to finance their RDI activities through the sale and lease-back of their intellectual property rights to Deutsche Leasing, a leading leasing institute. Under the RSFF window the Bank is aiming for an overall increase in innovation lending in Europe in 2008, with a growing number of smaller operations.

### Information and communications technology

ICT is a key sector for implementing the Lisbon Strategy and accounted for EUR 1.6bn in loans in 2007. These involve major projects requiring large loans, such as British Telecom's investment in the next generation of telecommunications services, which took up EUR 455m, and Telefonica's new UMTS broadband mobile telephone network in Spain, for which the Bank lent EUR 375m.

A Memorandum of Understanding was signed between the Commission and the EIB in 2007 to support the EU regulatory framework for electronic communications and notably the EU policy to reduce the "broadband gap". The investment requirements for next generation networks are potentially large and the Bank is expected to play an increasing role in encouraging private sector investment in such infrastructure. Moreover, the Bank is supporting the establishment of alternative broadband access platforms, which may include wireless technologies and require new types of financing options.



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### The EIF and innovation

The European Investment Fund, the EIB's subsidiary, plays an important role in implementing the Lisbon Strategy by investing in venture capital funds that provide innovative SMEs with equity resources.

In recent years, the EIF has widened the scope of its venture capital investments beyond early-stage funds and upstream to technology transfers, the process by which R&D results are transformed into marketable products or services. The Fund has now also been mandated by the European Commission to manage a EUR 1.1bn facility within the EU's Competitiveness and Innovation Framework Programme (CIP) covering the period 2007-2013. The CIP aims to increase the competitiveness of European enterprises, support innovation and provide better access to finance for SMEs. Significant resources will be devoted to clean-tech activities.

## Environmental sustainability

There are three dimensions to the EIB's environmental responsibility. First, for all the projects it finances, the Bank pays special attention to the issue of environmental sustainability, focusing on the environmental impact assessment of the investments proposed and the adequacy of mitigating measures and, more than ever before, on the energy efficiency of proposed technologies or processes. As a minimum, the Bank ensures that the projects it finances are compliant with EU environmental principles and standards.

Second, a large part of the EIB's lending is specifically targeted at protecting and improving the natural and built environments and fostering social well-being in the interest of sustainable development. The Bank supports projects that focus on climate change, protecting nature and biodiversity, dealing with the links between the environment and health, and promoting the sustainable use of natural resources and management of waste.

The third dimension is for the Bank to assume environmental responsibility for its corporate environmental footprint. Although the EIB's footprint in this sense does not have the same magnitude as its footprint from financing projects, the Bank works continuously to improve the environmental performance of its buildings and the housekeeping of its offices (see section on "Direct footprint and working responsibly").

The lending target for environmental protection and sustainable communities is 30-35% of all loans, both in and outside Europe. In line with this objective, the Bank's environmental lending in the EU and EFTA countries came to more than EUR 13bn in 2007, while outside the EU it accounted for EUR 1.6bn, together amounting to 30.5% of total lending.




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### Natural environment

For the natural environment, priority is given to investment and action that promote climate change mitigation, projects in the areas of water, wastewater and solid waste management and air pollution abatement.

With regard to climate change, the Bank – guided by the Kyoto Protocol – is supporting efforts to achieve lower carbon emissions by financing investments in fuel switching, the development of renewable energy and energy efficiency. Financing energy investment is also a specific policy objective of the EIB and the Bank's approach to transport is equally strongly influenced by climate change considerations (see also sections on "TENs: transport networks for Europe" and "Sustainable, competitive and secure energy").

In renewable energy, the Bank's role is to support the development of new technologies and to



help these technologies attain an industrial scale. In Spain, the Solucar solar power plant, for which the EIB lent EUR 50m in 2007, promotes the use of indigenous renewable energy and contributes to combating climate change. The investment financed includes the construction and operation of two grid-connected solar power plants using solar concentration technologies. These technologies are remarkable. At the core is a field of heliostats (solar reflectors), placed in semi-circles at ground level around a tower with a thermal solar receiver mounted on top. The heliostats track the sun's position and concentrate the solar radiation on to the receiver. The receiver is a large heat exchanger, in which the solar heat vaporises water into steam, which then drives the electric generator by means of a steam turbine. The location of the plants, 20 km west of Seville, is an asset. It benefits from being in one of the sunniest places in Europe, with access to river water for cooling and ready access to high-voltage transmission lines nearby.

In 2007, the EIB signed contracts to finance water and wastewater projects to the tune of EUR 2.6bn, not only inside the European Union but outside as well. In Panama, for example, the Bank will support

## Environmental and social policy

In 2007 the EIB's Environmental and Social Practices Handbook was updated and made available to the public. It describes the internal processes and practices of the Bank, particularly the work carried out by its Projects Directorate (PJ), to ensure that all financing activities are consistent with its environmental policy. In 2008, the Bank intends to publish a new Statement on its Environmental and Social Policy (Principles and Standards), as a strong reaffirmation of its environmental concerns and credentials. This Statement will be subject to a public consultation process before publication.



the improvement of sanitation and environmental conditions in Panama City and bay area through wastewater treatment. By increasing the proportion of treated wastewater from less than 5% to close to 50%, the project will improve the quality of life of local residents, particularly in poor areas that were previously without sanitation services, and will help to develop tourism and fishing in the

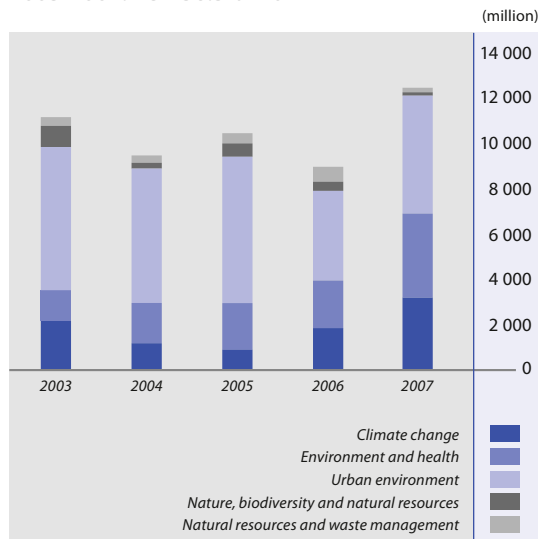
region. In Maseru, the capital of Lesotho, the Bank will finance an investment programme adapted to the different income levels of the beneficiaries and including connection to central sewer networks as well as the construction of low-cost on-site sanitation facilities. Together with the refurbishment of an existing wastewater treatment plant and the construction of a new plant, this will help to reduce the pollution of Maseru's raw water sources and lower the incidence of water-related diseases.

**Environment and quality of life in the EU**  
Individual loans in 2007

	(million)
	<b>Total</b>
Climate change	3 385
Environment and health	4 088
Urban environment	5 426
Nature, biodiversity and natural resources	34
Natural resources and waste management	89
<b>Total individual loans</b>	<b>13 021</b>

Solid waste projects are playing a growing role in the Bank's activities in order to assist European policy on recycling landfill, greenhouse gases and non-fossil energy. With a recent project in Alkmaar, in the Netherlands, the EIB supported the construction of a solid biomass combustion unit next to an existing incineration plant. The unit provides treatment capacity for construction and demolition waste wood, the non-compostable wood part from green waste, bulky refuse delivered at bring sites, and wooden packaging material and pellets. Most of these solid waste wood volumes arise within the region and were formerly exported to Germany for incineration. The project improves the current disposal practices, supports reduction targets for biodegradable waste wood going to landfills and puts an end to the long-distance transport of waste.

**Individual loans**  
2003-2007: EUR 56.5 billion



Loans for industrial pollution abatement accounted for EUR 194m in 2007. Among the projects were environmental improvements at paper mills in Germany and Portugal. In Germany, the Bank lent EUR 34m to Myllykoski Corporation, which runs three paper mills in the country. The loan went to emission reduction in two of the paper mills, investment in energy efficiency in all three, and an RDI programme comprising process and product innovation. In Portugal, EUR 80m went to Portucel, also a private sector company, for environmental upgrading, including air pollution abatement, at its three factories. Following the necessary investments, the factories will conform with best available technology and fulfil the requirements of the Integrated Pollution Prevention and Control Council Directives.



### Sustainable communities

For the built environment, the emphasis is on promoting sustainable cities and communities, in line with the EU's integrated urban development approach, covering all economic, social, environmental and human capital dimensions. This comprehensive approach to promoting sustainable investment for convergence, growth and jobs in Europe's cities is based on the "Leipzig Charter", the common principles and strategies agreed at the Informal Ministerial Meeting that took place in that city in May 2007. Where appropriate, the EIB offers financial support to promoters of urban renewal projects through a product mix which includes its Structured Finance Facility and advisory services, notably for the creation of urban development funds.

A new instrument of the EIB's urban activity is JESSICA, which stands for Joint European Support for Sustainable Investment in City Areas to stimulate investment under integrated urban development plans. JESSICA allows Managing Authorities to use resources from the Structural Funds to invest in urban development funds through recyclable and recoverable financial mechanisms, such as equity, guarantees and loans. The first urban development fund under JESSICA was launched in Saxony, Germany, in 2007. Appropriately, a key partner in this pilot project is the Municipality of Leipzig.

### Post-2012

The European Investment Bank's EUR 100m Post-2012 Carbon Fund was launched in Ljubljana during the 2007 EIB Forum. The Post-2012 Carbon Fund is designed to underpin the market value of carbon emission reduction units produced after the expiry of the current Kyoto Protocol in 2012. The Bank and its partners have designed the Fund to encourage and facilitate investment in projects that will give rise to carbon credits in a longer-term time perspective. Through the mechanism of the Fund, "patient and catalytic public sector capital" will serve to enhance the role of carbon credits as a project finance instrument. The Fund will also support friendly projects, such as renewable energy, energy efficiency, forestry and greenhouse gas-related measures between 2013 and 2022.

Investment in health facilities is also part of creating sustainable communities. In 2007, improvements to existing hospital infrastructure and the creation of new medical establishments in the EU took up EUR 2.1bn in EIB loans.

The integrated approach to urban development may be observed at work in Venice. Here the Bank lent EUR 120m in 2007 for schemes included in a comprehensive investment programme based on an integrated long-term strategy for urban renewal.

The investment in urban infrastructure, historic buildings and educational and social facilities contributes to the city's economic viability, environmental sustainability and the quality of life of its inhabitants. One urban scheme aims at diminishing the effects of the "moto ondoso", the damaging wave motion created by boats, by optimising and reorganising water traffic and logistics on the Lido island. The ageing and declining population of the city will benefit from the transformation of the historic Penitenti and San Lorenzo buildings into homes for the elderly. In addition, a bypass on the mainland of Greater Venice, in Mestre, will reduce traffic congestion and enhance the environment. A high-tech component is also included: the establishment of a Wi-Fi network allowing for a better connection between public buildings, a new service with high value added offered to local enterprises and the introduction of a tourist-dedicated Radio Frequency Identification system. Typically this loan does not stand alone. Other financing operations that were recently concluded in and

around the city of Venice benefited Venice Tramway, Ca' Foscari University and new Mestre hospital projects, the regional light railway and small and medium-sized enterprises in the region through Veneto Sviluppo.

Combining improvements to the natural and urban environments in France, the Ministry for Ecology and for Sustainable Development and Town and Country Planning, the EIB and Groupe Caisse d'Epargne joined forces in 2007 to support public investment for the construction or refurbishment of public buildings as part of the effort to combat global warming and improve the urban environment. The objective is for schools and colleges, crèches, administrative buildings, sports and leisure centres, and community centres to move beyond existing heating and insulation standards and achieve an outstandingly high level environmentally and in terms of energy performance. Some 400 projects have already been identified under the programme, to which the EIB can contribute up to EUR 350m.



## TENs: transport networks for Europe

Trans-European transport networks (TENs) provide high-quality infrastructure in the European Union and connect the EU with the Accession Countries and the Neighbours to the South and East. Priority TENs are also one of the two legs of the European Action for Growth (the other is research, development and innovation), the 2003 initiative to strengthen Europe's long-term growth potential.

Underpinning the Action for Growth, the EIB set itself a EUR 75bn lending target for investment in large infrastructure networks in the period 2004-2013. In 2007, the Bank lent EUR 7.4bn for large infrastructure networks across the Union, which is fully in line with the target. Rail, which is becoming an increasingly important priority sector, accounted for EUR 3.3bn of EIB lending, roads accounted for EUR 2.7bn, while aviation projects took up EUR 630m, maritime investment EUR 434m, and sundry infrastructure EUR 426m. Lending for transport TENs in Spain was particularly important, amounting to EUR 2.2bn and including two high-speed train projects on the Cordoba-Malaga and Madrid-Valladolid lines.

Outside the EU, the EIB lent EUR 916m for extensions to transport TENs. In the Accession and Potential Accession Countries lending accounted for EUR 686m and in Neighbouring Countries to the East it amounted to EUR 230m. In Ukraine, the Bank lent EUR 200m for the rehabilitation of the M-06 road, which is the major route between Ukraine and the European Union, the Pan-European Corridor III, linking the capital of Ukraine with Hungary, Slovakia and Poland.

### Public-private partnerships

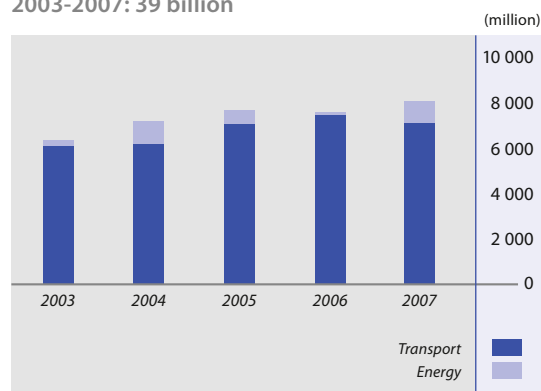
The EIB is one of the biggest funders of PPPs, in a variety of sectors, including water, health and education. In transport these partnerships accounted for 15% of the Bank's lending in 2007, with the EIB

participating in the first German motorway PPP project, the construction of the Eisenach bypass on the A4 in Thuringia. The Bank lent EUR 89m towards widening the existing motorway to six lanes, partly on a new alignment which will deliver a high-quality route offering improved service and enhanced safety for users. The project uses an innovative financing scheme and is part of the first group of four motorway projects that will ultimately be financed from revenues generated by the toll road system for heavy trucks introduced in 2005.

Over the years, the EIB has built up considerable expertise in financing PPPs, which it shares with customers and Member States. Together with the European Commission and Member States, the Bank is working to set up a European PPP Expertise Centre (EPEC) to facilitate the effective sharing of experience and best practice in PPPs. The Bank de-

### Trans-European networks

2003-2007: 39 billion



cided in 2007 to establish such a centre and also to finance it in the first instance. EPEC will start its activities in 2008, once its terms of reference and organisation have been finalised.

### Cooperation with the Commission

The Bank expects that the Loan Guarantee Instrument for TEN-Transport Projects (LGTT), which was finalised in 2007 and launched early in 2008, will provide effective support for financing future trans-European networks by providing guarantees for stand-by facilities to cover traffic revenue risks for up to five years after the start of operation. The LGTT is a tool designed to allow greater private sector participation in TEN projects that are exposed to volume risk at the beginning of the operating period. The EIB is contributing EUR 500m from its Structured Finance Facility to the guarantee scheme, while the Commission has allocated the same amount from budgetary funds over the period 2007-2013.

The EIB and the Commission cooperated in a number of joint working groups and steering committees in 2007. Noteworthy are the efforts to steer Structural and Cohesion Fund resources to trans-European network projects, especially in the new

Member States. These efforts are backed up by JASPERS (see also section on “Balanced development throughout the Union”). In addition, the Bank is closely involved in the preparation of particular priority projects at the request of the promoters and EU coordinators, as is the case for the Brenner Base Tunnel and the Galileo Navigation System. The EIB is also working closely with the Commission on the various EU initiatives for the rail, air, intelligent road, river and Motorways of the Sea sectors.

### A new transport lending policy for the EIB

The Bank is an important player in financing the European transport sector. There are good reasons for this. Effective transportation systems are essential to Europe’s prosperity and have a significant impact on economic growth, social development and the environment. The transport sector is an important industry in its own right and makes a major contribution to the functioning of the European economy as a whole. Mobility of goods and persons is an essential component of the competitiveness of European industry and services. The long-term perspective and truly European dimension of major transport projects have made the Bank a natural financier.

A number of EU policies provide the basis for the Bank’s transport lending: the development of the trans-European transport networks (TENs), cohesion policy, sustainable transport development and support for research, development and innovation (RDI). In all cases the Bank’s lending policy for this sector is multi-dimensional and integrates environmental concerns at all stages of the Bank’s due diligence. Moreover, the Bank supports a range of transport projects where the explicit project aim is to achieve environmentally-friendly and sustainable transport systems leading to a substantial reduction in emissions of CO<sub>2</sub> and other pollutants. Lending to such projects has steadily increased over the last few years in both absolute and relative







terms. This includes lending for urban transport systems as well as projects in the field of research and development aimed at reducing exhaust gas emissions, enhancing fuel efficiency and improving safety. In relation to the aggregate underlying investments made in the road and rail sectors, the Bank has demonstrated a clear preference for funding projects in the railway sector.

While the range of traditional policy objectives for the Bank's lending in the transport sector remains valid, the new and complex policy context arising from the need to combat global warming is evolving rapidly. This led to the formulation of new transport priorities for the EIB in 2007.

## EIB transport policy principles

Mobility is essential for the free movement of people and economic growth. In this context, the EIB will pursue an approach that strives for the most efficient, most economic and most sustainable way of satisfying transport demand. This will require a mix of transport solutions, covering all modes, though carefully planned to control the negative environmental impacts of transport.

The EIB will continue its strong commitment to the funding of TENs. The long-term nature of these investments and their essential role in achieving an efficient and cohesive Community-wide transport system continue to make them the backbone of transport investment in the EU and essential for the functioning of the internal market. The relationship between the stock of infrastructure capital and greenhouse gas emissions is complex, but this does not in itself call into question this continued EU commitment to TENs.

Funding railways, inland waterways and maritime projects (in particular Motorways of the Sea) will continue to be a priority as these are intrinsically the most promising in terms of reducing greenhouse gas emissions per transport unit. The same applies to urban transport and intermodal hubs.

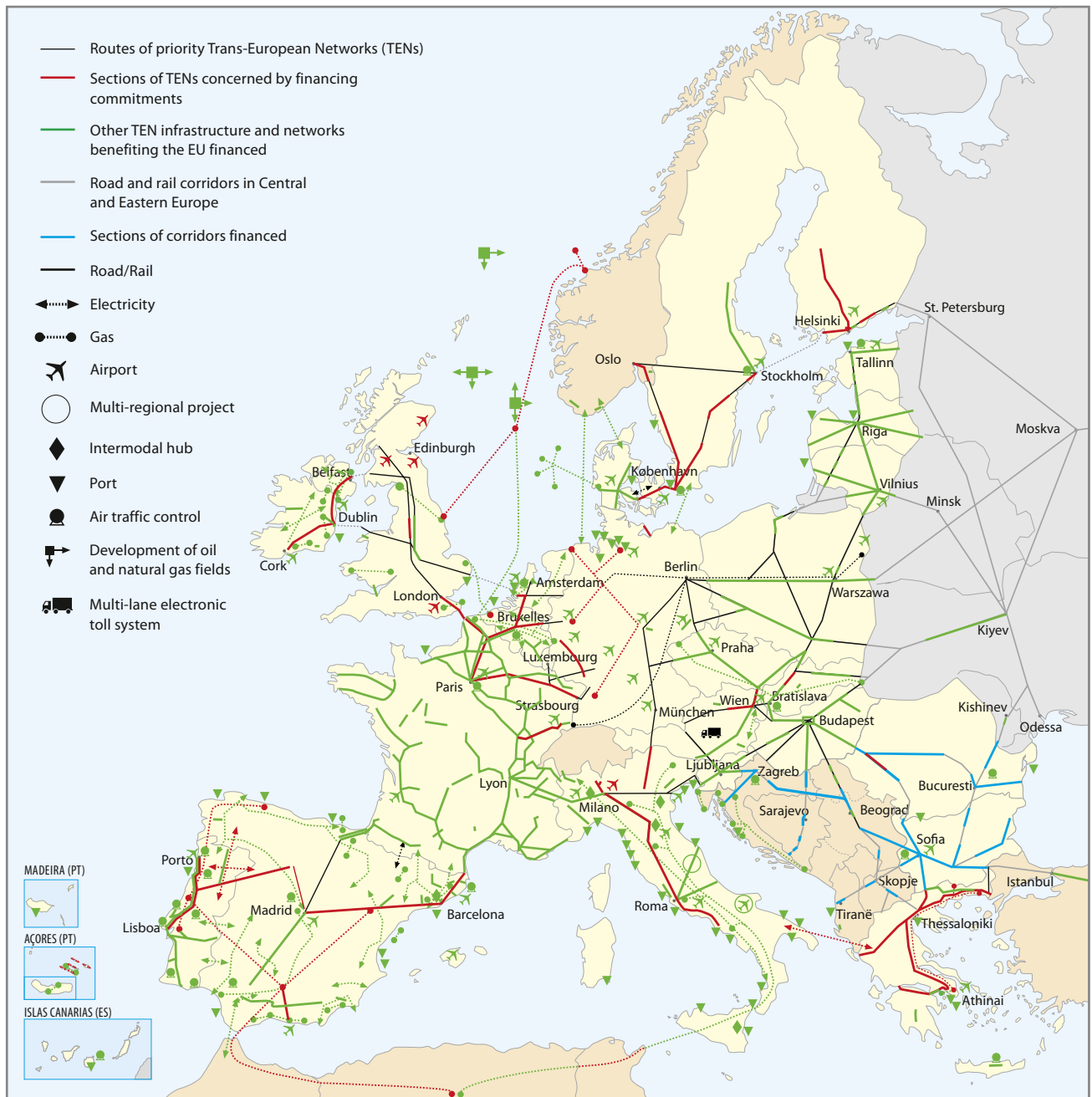
Road and airport projects must demonstrate high economic value to qualify for EIB support. Lending will focus on improvements in safety, efficiency and reduced environmental impacts.

In the rail, shipping, and urban transport sectors, financing the purchase of means of transport is consistent with climate change goals. The financing of aircraft purchase will be confined to exceptional circumstances where very strong value added can be demonstrated. The aircraft business is handled effectively by the private sector and EIB involvement will be limited. Examples could be connections to convergence regions if air transport is essential to secure the territorial integrity of the EU and fuel efficiency is improved. Another example would be to fund specialised aircraft for fighting forest fires or other such non-standard uses.

Further emphasis will be given to RDI activities with vehicle manufacturers, whatever the sector involved. This should focus primarily on ensuring energy efficiency, emissions reduction and safety enhancement. Support for automotive manufacturing should, however, be selective and limited to projects in convergence regions, where their contribution to employment and innovation diffusion, including through their links with the local mid-cap and SME network, is important. In all cases, the projects supported should be fully in line with the orientations of EU environmental and energy efficiency policies, achieving higher environmental standards and accelerating the attainment of the goal of reducing CO<sub>2</sub> emissions (as, for example, through the development of energy-efficient smaller cars and renewably fuelled vehicles).



## EIB operations in support of Trans-European Networks and corridors 1993-2007



## Support for small and medium-sized enterprises

Small and medium-sized enterprises (SMEs) are a major source of employment, entrepreneurial skills and innovation and also support economic and social cohesion in the European Union. The EU's SME policy is to promote successful entrepreneurship and improve the business environment for SMEs, in order to allow them to meet the challenges faced in today's global, knowledge-based economy and realise their full potential.

Support for SMEs is a key operational priority for the EIB Group. This transversal activity involves both EIB lending, through the EU banking sector (EIB lines of credit, by which the EIB provides funds to financial intermediaries at attractive rates, which are passed on in an appropriate manner to SMEs), and EIF support for SMEs, both by providing equity (venture capital investments) and facilitating access to finance (via securitisation and guarantee schemes). The EIF's capital was increased by 50% to EUR 3bn in 2007, strengthening the hand of the Fund in pursuing its policy objectives whilst ensuring its financial self-sufficiency until 2013. The EIB, as the largest EIF shareholder, demonstrated its commitment to supporting European SMEs by exercising its share of the 2007 capital increase in full.

### Results for 2007

The EIB Group's SME activity provided support for an estimated 162 000 SMEs in 2007, with a specific focus on innovative SMEs with high growth potential, small renewable energy schemes promoted by SMEs, and micro-enterprises. This support took the form of lines of credit totalling some EUR 5bn, granted to the EIB's intermediaries throughout the European Union. The EIF's role as a major player in the European venture capital markets was confirmed, with its operations in that sector totalling over EUR 520m in 2007. Guarantee operations amounted to EUR 1.4bn. This activity is expected to increase significantly in 2008 following the adoption of the EU's new Competitiveness and Innovation Framework Programme (CIP) mandate

towards the end of 2007 (see also section on "Support for Innovation"). EIF credit enhancement activity reached record levels in 2007 in terms of both volumes and number of deals. Under this activity, the EIF guarantees the junior tranches of ABS transactions, making them more attractive to investors and thus easier to sell for the originating banks. This in turn encourages the banks to develop their SME lending activity.

### Product diversification

Besides continuing the traditional SME credit line activity with its more than 100 partner banks throughout Europe, which was especially appreciated by the financial sector amid the market turmoil of the second half of the year, the Bank has continued to work towards diversifying its product offering for SMEs to meet market needs.

In 2007, the Bank extended its network of intermediary banks by adding Hypo Tirol Bank AG in Austria, SEB Vilniaus Bankas in Lithuania, EFL and Millennium Leasing in Poland, and Isbank, Finansbank and DenizBank in Turkey.

In order to reach smaller, regional banks, a number of securitisations were concluded, for instance in Spain with Rural Coop Bank, Bankinter and Banco Popular, and in Italy with Selmabipiemme. For the first time, a transaction of this type was also signed in a new Member State, a EUR 200m operation with Millennium Leasing in Poland. This operation will improve access to long-term financing for Polish



SMEs as well as micro-enterprises with fewer than ten employees.

Underpinning its strategy of taking more risk to provide more value added, the EIB also engaged in a number of risk-sharing transactions where it assumed part of the risk associated with the SMEs themselves and thus encouraged the banks to develop their SME lending activity. Operations of this type approved in 2007 included the RZB Group Risk Sharing Facility, a EUR 100m EIB Mid-Cap Loan in Austria, Hungary and Romania that will finance projects of limited scale carried out by mid-cap enterprises. Another example is Avenir Entreprises Mezzanine, a closed-end fund in France which will finance SMEs with convertible bonds. The Bank subscribed to the fund for up to EUR 20m, alongside OSEO and CDC Entreprises. With KfW IPEX-Bank, the EIB set up a EUR 100m credit risk-sharing scheme for small and mid-sized low and sub-investment grade transactions with companies investing in RDI in Germany.

The EIB also focused on lending to very small enterprises and to SME investments in renewable energy or energy efficiency. In the Czech Republic a

risk-sharing credit line will finance small and medium-scale projects in the field of rational use of energy, energy efficiency and renewable energy as well as research, development and innovation in energy. Rentenbank in Germany also received a credit line to finance long-term investments in renewable energy, notably in biogas, biofuel, wind power and photovoltaic energy.

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#### Consultation to increase value added for SMEs

The EIB carried out an extensive review of its product offering for small and medium-sized enterprises in 2007, in cooperation with SME representatives, the European Commission, specialised institutions and banking partners. Improvements will result from better targeting of specific market segments and from further developing risk-sharing operations with financial intermediaries, the final aim of course being to increase the value added provided by the Bank for SMEs. The findings of the consultation process will be used in the course of 2008 to formulate a new strategy for the EIB Group's products for SMEs.

The timing of the review fits in with the thinking of the European Commission, which launched the "European Initiative for the Development of Micro-credit in Support of Growth and Employment" in November 2007 and is currently working on a "Small Business Act for Europe". This is to be adopted by the Commission in June 2008 and will include a chapter on how to improve SMEs' access to finance.

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#### A European Commission mandate for the EIF

In 2007, the European Commission gave the European Investment Fund a mandate to manage a EUR 1.1bn facility under the Competitiveness and Innovation Framework Programme (CIP). The CIP will be split between venture capital and guarantees and cover the period 2007- 2013.



The CIP aims to encourage the competitiveness of European enterprises, support innovation and provide better access to finance for SMEs. Its objectives will be comparable to those of its predecessor, the Multi-annual Programme for Enterprise and Entrepreneurship 2001-2006 (MAP), i.e. to generate economic growth and create more jobs as well as boost productivity, competitiveness and innovation in the EU. The CIP, however, has been designed as a more ambitious programme than the MAP. It should cover a larger geographical area and will extend the range of instruments to include new market segments and products.

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#### **A Commission-EIF initiative: JEREMIE**

JEREMIE, the Joint European Resources for Micro-to-Medium Enterprises initiative, is designed to give EU Member States the option of using a portion of their Structural Funds allocations in the

budgetary period 2007-2013 to establish a revolving fund, managed by an intermediary, to improve access to finance for small enterprises, including start-ups, and provide microcredit in regional development areas through a tailored package of financial products.

During 2006 and 2007, the special JEREMIE task force created within the EIF conducted some 40 gap analyses at the request of 20 Member States. Memoranda of Understanding have already been signed with Bulgaria, Romania and the Slovak Republic; the first JEREMIE funding agreement was concluded with Greece in June 2007.

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

## Sustainable, competitive and secure energy

The promotion of sustainable, competitive and secure sources of energy is a key policy objective of the European Union. The increased focus on the challenges of climate change has moved energy to the top of the EU agenda. For this reason, the European Investment Bank's Board of Governors decided in 2007 to reinforce the EIB's contribution to clean energy for Europe and to establish a special lending window for energy investment outside the EU.

The Action Plan adopted by the Brussels European Council in March 2007 defines EU energy policy. It also sets ambitious targets: 20% reduction of greenhouse gas emissions by 2020 compared to 1990; 20% share of renewable energies in the overall EU energy mix; 10% share of biofuels in petrol and diesel for transport; and 20% reduction in energy consumption compared to the baseline projections for 2020. Early in 2008, the European Commission agreed on a far-reaching package of "Climate Action" proposals that will underpin the European Council's commitments to fight climate change and promote renewable energy.

The EIB is carefully monitoring energy policy developments. Against this background, the Bank's energy and climate change lending focuses on five priority areas: renewable energy; energy efficiency; RDI in energy; security and diversification of internal supply (including trans-European energy networks); and external energy security and economic development in Neighbour and Partner Countries.

As energy is a pressing area for investment, the Bank has acted accordingly. For 2007 the objective was to lend a total of EUR 4bn for energy projects in and outside the European Union, of which EUR 900m for renewable energy. In fact, the Bank lent EUR 5.4bn in the EU (plus Iceland), EUR 1.5bn of which for renewables, and another EUR 1.4bn outside the Union, 518m of which was for renewable energy. EUR 500m was lent under a special EUR 3bn facility, created for financing energy investment outside the current development mandates in Neighbourhood Countries, the ACP countries, South Africa, Asia and Latin America up to 2013.




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### Renewable energy and energy efficiency

These are record lending figures for renewables. By way of comparison, in recent years the average annual lending for renewable energy was some EUR 450m. The EIB has financed mature technologies that are already used commercially, such as onshore wind farms, hydropower, geothermal and solid biomass. It has also financed emerging technologies that are in an early implementation phase, such as photovoltaics, solar thermal and second-generation biofuel production technologies. Investment in emerging renewable energy technol-

ogy has a dual purpose: to produce electricity and to help reduce the cost of the technology, notably through learning-by-doing.

Energy efficiency accounted for EUR 945m in loans in the EU. Combined heat and power generation, as well as district heating networks, are a Bank priority. In Italy, the EIB lent EUR 200m to Eni for the construction of a combined-cycle power plant outside the city of Ferrara, facilitating the decommissioning of obsolete, inefficient and more polluting oil-fired power plants. In Germany, the EIB financed a thermal waste incineration plant in Suhl, in Thuringia.

### Energy RDI

Investment in energy research, development and innovation projects contributes significantly to meeting the long-term objectives of the EU's energy policy, including those related to climate change, and also plays a role in the implementation of the Lisbon Agenda to create a competitive knowledge-based European economy. The EIB is already focusing heavily on renewable energy and energy efficiency in its lending for RDI. After the launch of the Risk Sharing Finance Facility in mid-2007 (see also section on "Support for innovation"), many of the first loans were for energy RDI: the development of solar power technology at the

Andasol thermal solar power plant north of the Sierra Nevada in Spain; also in Spain, a different solar power technology at the Solucar solar power plant near Seville and investment in innovative energy technologies by the Abengoa Group; in Austria, the development by AVL of clean and efficient automotive powertrains, as well as research on hydrogen and fuel cell technology, nanocomposites and engine technologies to increase energy efficiency.

The EIB is also working with industry and the European Commission on the financial support that will be necessary for the carbon capture and storage demonstration plants planned by the Commission and carbon emitters in Europe, particularly in the energy industry. In addition, the Bank is closely monitoring the European Technology Platforms, especially those devoted to hydrogen and fuel cells, photovoltaics, wind, zero-emission fossil-fuelled power plants and thermal solar energy.

The EIF signed its first clean-tech deal in 2006 and has begun to play an important role in this market segment as viable clean tech-dedicated venture funds come to the market. Given the heightened emphasis on clean tech, the EIF expects to allocate a significant part of the CIP mandate to this segment (see also the section on "Supporting innovation").

### Energy TENs and security of supply

In 2007, loans for trans-European energy networks totalled EUR 1.4bn. The EIB is involved in most pan-European priority gas projects and aims to increase its involvement in electricity investment in the future. In Belgium, EIB-financed investment in the Fluxys LNG terminal in Zeebrugge will help to increase, secure and diversify gas supplies to the EU, as imported gas can easily be moved to the UK, the Netherlands, Germany, Luxembourg and France. A loan to Eni in Italy will finance the expansion of the Transmed pipeline, improving the supply of Algerian gas, across Tunisia, to Italy and the EU.





## Annual EIB Forum focused on energy in 2007

The 2007 EIB Forum held in Ljubljana, Slovenia, on 27 and 28 September was dedicated to one of Europe's most pressing topics: Investing in Energy – Mastering Climate Change. Leading government officials, academics and industry representatives provided food for thought on how best to translate European objectives into concrete solutions.

As many of the speakers at the Forum agreed, innovative technologies and the effective use of capital can offer Europe a unique competitive advantage in the drive to promote energy efficiency and increase the use of renewable energies. The Forum turned its attention a number of times to the Lisbon Agenda, the EU's Action Plan to establish a competitive, innovative and knowledge-based European economy, capable of sustainable economic growth and greater social cohesion by 2010. Many of the speakers at the Forum stated that only by providing the right political environment and market conditions can Europe rise to the RDI challenge that is fundamental to innovation in the energy sector. As EIB President Philippe Maystadt put it, "Europe has the scientific and technical knowledge to develop practical solutions. It also has the financial resources to be able to bear the costs of implementing new technologies and regulatory systems. What's more, playing such a pioneering role is likely, ultimately, to have an economic pay-off."





A EUR 200m EIB loan for Urenco Ltd will help to diversify secure energy sources. Urenco is expanding two uranium enrichment plants based in the UK and the Netherlands. The project comprises the installation of new centrifuge cascades in both plants. A full Environmental Impact Assessment has been carried out and Urenco adheres to all safe-

guards set by Euratom, the International Atomic Energy Agency and other public agencies controlling the highly regulated nuclear fuel cycle.

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### Energy outside the EU

With the aim of improving external security of supply and stimulating economic development, in 2007 the EIB financed energy investment in Croatia, the Balkans, Mediterranean partner countries, Uganda, South Africa, and China. In China, the Bank provided a EUR 500m framework loan to support investment projects in the energy and industrial sectors that will help to reduce greenhouse gases and other polluting emissions. It was the first loan to be provided by the EIB under the EUR 3bn Energy Sustainability and Security of Supply Facility, authorised in June 2007 by the Governors of the Bank to enhance EU action addressing climate change and security of energy supplies.





## Candidate and potential Candidate Countries

The EIB is fully involved in lending operations in the Accession Countries Turkey and Croatia and the Candidate Country Former Yugoslav Republic of Macedonia, as well as in the remaining Western Balkan States, the potential Candidate Countries. The Bank's activities are geared to supporting the economic development process and thus also preparing the countries' potential transition to EU membership. Lending takes place under the Pre-Accession Facility and the Pre-Accession Mandate, both renewed in 2007, and in close cooperation with the European Commission and the international financing institutions operating in these countries.

### Croatia

The EIB's financing of projects in Croatia is focused on supporting investment that will help the country to meet the EU accession criteria. In 2007, the EIB signed finance contracts worth EUR 330m and lending in Croatia since 2001 now totals EUR 1.3 billion. Lending activity in 2007 was well diversified, supporting upgrading of the country's energy and transport infrastructure as well as indirect financing of smaller projects pursued by SMEs and municipalities through credit lines. The Bank provided EUR 190m for the second phase of the improvement and expansion of the natural gas transmission system, involving some 930 km of new high-pressure gas pipelines. A EUR 100m loan went to the construction of the infrastructure of the new ferry port of Zadar, creating new opportunities for the historic city and improving its links with Croatia's islands and beyond to other countries in the Mediterranean.

Over the coming years the Bank plans to expand its lending to municipalities and local authorities to improve environmental and health and education infrastructure.

### Turkey

The EIB plays an important role in Turkey's EU accession process, lending EUR 2.1bn in 2007, compared

to EUR 1.8bn in 2006. As an Accession Country, Turkey will receive grant finance through a new Instrument for Pre-Accession Assistance for the period 2007-2013. The EIB complements these grant funds with loans made available under the External Lending Mandate and through its own Pre-Accession Facility, under which the Bank provides loans and guarantees at its own risk. The EIB cooperates closely with the European Commission and public Turkish bodies in defining priority investments in line with the national development plans and EU priorities.

In 2007, the EIB supported investment in both the public and the private sector in Turkey. In the private sector, it financed the modernisation of Ford Otosan's factories in Kocaeli and Inönü, and modernisation and capacity improvements at the Sisecam glass manufacturing plant in the province of Bursa. The Bank also stepped up its lending to small and medium-sized enterprises, which reached EUR 900m.

Efficient infrastructure is a prerequisite for further growth and the development of the country. With that in mind, a large share of the 2007 lending went to municipal transport infrastructure in Antalya and Izmir, the Istanbul-Ankara high-speed railway and the Turkish Airline fleet renewal. The fleet renewal project, which was already approved at the end of 2005, fosters economic development and regional cooperation between Turkey and other countries, including the EU.

The Bank also invested in RDI. Turkey's progress in this area will be important for its competitive po-



sition within the European Union. A EUR 400m EIB loan went to TÜBİTAK, the Scientific and Technological Research Council of Turkey, for a range of investments including academic research programmes, laboratories and scientific equipment.

Turkey is by far the largest recipient country of EIB financing outside the European Union, with a total lending volume of EUR 6.2bn for the 2003-2007 period. The upcoming opening of local offices in Ankara and Istanbul testify to the importance the EIB attaches to its activities in this country.

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### Western Balkans

The countries of the Western Balkans are considered potential Candidate Countries. EIB lending in Albania, Bosnia and Herzegovina, FYR of Macedonia, Montenegro and Serbia will help their eventual integration into the European Union. More generally, European Union and EIB support helps to foster political and economic reform and encourages social reconciliation in the region. In 2007, EIB lending

in the region reached a record EUR 440m, bringing the total lending since 1995 to some EUR 2.5bn.

More than two thirds of the lending supported the development of transport and energy infrastructure. In Bosnia-Herzegovina, EUR 103m went to the rehabilitation of hydropower plants and electric power distribution systems. The investment will result in better energy efficiency and increased quality and reliability of power supplies in the country. A loan of EUR 60m went to the construction of a motorway bypass for the Serbian capital Belgrade. The project will help to increase transport safety and capacity in Serbia, which is on the crossroads of the crucial trans-European corridors in the Western Balkans. Another loan in Serbia went to the rehabilitation of Belgrade's Gazela Bridge. The project was co-financed with the European Bank for Reconstruction and Development and the European Agency for Reconstruction. Other transport projects included a road rehabilitation programme in Bosnia-Herzegovina and the construction of an expressway between Levan and Vlorë in Albania.

The Bank lent EUR 120m to small and medium-sized enterprises in the region via credit lines to local intermediaries. One of these SME credit lines was made available in Kosovo and was the first loan in this part of the Western Balkans. In addition, the EIB invested EUR 25m in the European Fund for Southeast Europe (EFSE), which will on-lend the funds via intermediary financial institutions to micro and small enterprises. The majority of the EFSE's investments will be in the Western Balkan countries and the rest in Bulgaria, Romania and Moldova, and possibly other countries of south-eastern Europe.



## European Neighbour and Partner Countries

2007 was the first year in which the Bank's lending in the Neighbourhood and Partnership Countries took place under the new mandate given by the Council, which made EUR 12.4bn in loans available over the period 2007-2013. This is the Bank's biggest mandate ever outside the Union, effectively doubling EIB activity in the nine Mediterranean partner countries and increasing lending in Russia and the Eastern Neighbour Countries sixfold.

### FEMIP: a record year for support for the private sector

Of the finance totalling EUR 1.4bn provided in the nine partner countries in North Africa and the Middle East under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), a record 68% went to the private sector in 2007, in line with the priorities of the European Neighbourhood Policy.

In 2003 the European Union formulated a policy involving preferential relations with the countries on its borders to the south and east, the European Neighbourhood Policy. The EIB's activities in the Mediterranean have, since 2002, come under FEMIP. In line with the Barcelona Process – a wide framework of relations between EU Member States and Mediterranean partner countries – and the European Neighbourhood Policy, FEMIP's remit is to promote the economic development of nine Mediterranean countries by investing in two main areas: support for the private sector, the driving force behind sustainable growth, and the creation of an investment-friendly environment by means of efficient infrastructure and appropriate banking



### Mediterranean countries

Loans provided in 2007

(million)

	Total	Resources	
		own	budgetary
Tunisia	389	385	4
Morocco	336	330	6
Lebanon	300	295	5
Egypt	130	130	–
Israel	120	120	–
Syria	80	80	–
Jordan	50	50	–
Regional	31	–	31
Algeria	3	–	3
<b>Mediterranean countries</b>	<b>1 438</b>	<b>1 390</b>	<b>48</b>

systems. FEMIP has established itself as the main financial partner in the Mediterranean region, with more than EUR 7bn invested since 2002. It also encourages dialogue between the partner countries and with the EU at the institutional level, and also with the representatives of the private sector and civil society.

While the total volume of operations carried out in 2007 (EUR 1.4bn) was slightly higher than in 2006, the type of project supported was very different, with 68% being private sector projects, compared with 30% in 2006. This proportion of support for the private sector had never been achieved before by FEMIP and reflects a strategic choice in line with the recommendations of the European Council.

More than 44% of the total volume of operations involved support for small and medium-sized en-

terprises via local banks, in Jordan, Lebanon, Syria and Tunisia. Also promoting the private sector, 3% of the total amount consisted of equity stakes in companies, as in Algeria, or in investment funds, in Lebanon, Morocco and Tunisia.

FEMIP also continued to support major infrastructure projects in the partner countries, with EUR 465m (32% of the total) being provided for energy infrastructure, with the construction of two natural gas-fired power stations in Egypt, the optimisation of hydroelectricity generating capacity in Morocco, and the expansion of the Transmed gas pipeline, connecting Algeria to Italy via Tunisia. The last of these projects is one of the priority energy TENS. Transport infrastructure accounted for 13% of the total, with the construction of a section of motorway linking Fez and Oujda in Morocco, completing the country's motorway network. FEMIP also backed the construction of a desalination plant in

Israel, bringing its support for water infrastructure and sanitation to 8% of the lending volume.

With regard to the geographical breakdown, 51% of the total volume was allocated to the Maghreb region (8 projects, totalling EUR 728m), 47% to the Near East (7 projects, amounting to EUR 680m), while three projects had a regional dimension. For instance, the Altermed investment fund, in which FEMIP invested EUR 11m in December 2007, is dedicated to SMEs in both Tunisia and Morocco.

In addition to loans and private equity, FEMIP has continued to provide technical assistance to support promoters during all stages of the project cycle. These operations are financed by the FEMIP Support Fund, which uses non-repayable aid granted by the European Commission. In 2007, 24 contracts were signed for technical assistance operations in the Mediterranean partner countries totalling EUR 17.5m.

#### *Increasingly sophisticated financial structures*

In qualitative terms, 2007 was also a year of firsts. For the first time, FEMIP was involved in preparing and financing two public-private partnerships, in Israel with the desalination plant in Hadera, near Tel Aviv, and the Tanger-Med port in Morocco, a loan expected to be signed in 2008. Here, it was able to pass on to its two Mediterranean partners the expertise developed by the EIB in this field within the European Union.

FEMIP also initiated and promoted the first privately managed start-up fund in Tunisia. The "Phenicia Seed Fund" is focused on innovative Tunisian companies that are in the process of being set up or have been established for less than five years. This operation is financed under the FEMIP Trust Fund (FTF). Established in 2004 with resources made available by 15 Member States and the European Commission, the purpose of the Trust Fund is to direct resources to operations in certain priority sectors in order to foster private sector development in the region. In 2007, the FTF Assembly of Donors approved

### **Working with Mediterranean universities**

In 2007, the European Investment Bank and UNIMED, the Mediterranean Universities Union, signed a "Memorandum of Understanding". UNIMED is an association of 74 universities from the countries bordering the Mediterranean and aims to promote research in the areas of conservation and enhancement of the cultural heritage, the environment, health, the economy and new communication technologies, in order to contribute to the political and economic dimensions of relations between the European Union and its Mediterranean partner countries.



five new operations for a total volume of EUR 0.75m. This brought the total number of approved operations to 18 for a total volume of EUR 6.9m.

### *Strategic meetings and studies*

A number of meetings were held in 2007 to continue the dialogue initiated under FEMIP between the people of Europe and the Mediterranean region. First, at the institutional level the FEMIP Ministerial Council met in Cyprus on 14 May, while the FEMIP Committee, which is made up of representatives of the European and Mediterranean countries and is responsible for reviewing FEMIP's strategy, met on 6 February, 3 April and 20 November.

In addition, two studies financed by the FEMIP Trust Fund were published on the Bank's website. The first one, entitled "Study on improving the efficiency of workers' remittances in Mediterranean countries", was presented at a FEMIP Conference held in Paris in March 2007, which brought together associations and representatives of civil society and the private sector from both sides of the Mediterranean. The second, published in June 2007, is a study on private savings in Morocco, which recommends concrete measures for mobilising those savings more effectively.



Under the new 2007-2013 mandate, EUR 3.7bn in EIB loans is available to finance investment in Russia, Ukraine and – subject to future Council agreement – Belarus in Eastern Europe, and in Armenia, Azerbaijan and Georgia in the Southern Caucasus. The EIB will provide long-term loans for projects that are of significant EU interest in the transport, energy, telecommunications and environmental infrastructure sectors. Priority will be given to projects on extended major trans-European network routes, projects with cross-border implications for one or more Member States and major projects favouring regional integration through increased connectivity. In the environmental sector, the EIB attaches priority in Russia, in particular, to projects that come under the Northern Dimension Environmental Partnership, a cooperative effort involving the European Commission, the Russian Federation, the EBRD, the Nordic Investment Bank and the EIB, as well as a number of donor countries, to tackle the most pressing environmental problems in north-west Russia. In the energy sector, strategic energy supplies and energy transport projects are of particular importance.

The first EIB loan for an environmental project in Russia, in St Petersburg, dates back to 2003. Two further environmental protection loans were signed in the following years, for projects also located in St Petersburg, for a total of EUR 85m. In 2007 no new loans were signed in Russia, but preparatory work was carried out on a number of PPP projects, in particular the St Petersburg Western High Speed

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### **Russia and the Eastern Neighbours**

EIB financing operations in Eastern Europe, the Southern Caucasus and Russia are carried out in close cooperation with the European Bank for Reconstruction and Development (EBRD) according to the terms set out in a tripartite Memorandum of Understanding between the European Commission, the EIB and the EBRD, which aims to bring together the expertise, capacity and comparative advantages of each participant for the successful implementation of the European Neighbourhood Policy and the EU-Russia Strategic Partnership. The objective is to strengthen prosperity, stability and security.





Diameter. The aim of this project is to build a toll motorway across the western part of the city of St Petersburg, linking the northern and southern parts of the ring road and providing a direct connection to the city's Grand Port and with Finland.

The Bank became operational in Ukraine in 2006 and in 2007 signed its first loan in that country in support of motorway rehabilitation on the Pan-European Corridor between Kiev and Brody. 2007

also saw the EIB become operational in Moldova, where it signed its first financing operation, which was aimed at improving road connections with the European Union. The EIB lent EUR 30m for rehabilitation of roads linking the capital Chisinau to the EU border. This project, piloted by the World Bank (WB) is co-financed by the WB, the EIB and the EBRD. The WB and EBRD are also providing loans to rehabilitate the main North-South road axis in the country. The loans are closely coordinated with the International Monetary Fund and the European Commission.

The new mandate for 2007-2013 expands the EIB's activities in the EU's Eastern Neighbour countries to include the Southern Caucasus. In order for the EIB to become active in these new countries, Framework Agreements must be concluded between the Bank and the country concerned. In the Southern Caucasus, such a Framework Agreement was signed with Georgia in June 2007 and with Armenia early in 2008, while negotiations with Azerbaijan are still ongoing, with a view to signing an agreement in 2008.



## ACP, Asian and Latin American partner countries

The European Investment Bank is instrumental in implementing the EU's development and economic cooperation policy in countries outside the Union. It has been an active development partner in many African, Caribbean and Pacific (ACP) countries since 1963 and in the Overseas Countries and Territories (OCTs) since the 1970s. The Bank's operations in these regions contribute to sustainable social and economic development and poverty alleviation. In Asia and Latin America (ALA), EIB activity dates back to 1993. Here the focus has been on economic cooperation and projects of mutual interest to the recipient country and the EU. More recently, environmental protection and energy security have come to the fore.

### Development finance for the ACP countries and the OCTs

2007 marked a significant year in EU-ACP relations, with the Portuguese Presidency prioritising the development needs of Africa. The EU-Africa Summit in December 2007 was the second of its kind, the first (Cairo, 2000) having also been organised by Portugal. Bringing together Heads of State and Government, the Summit laid out the strategic partnership between the two continents.

In 2007, EIB lending from own resources reached a record EUR 432m, while signatures under the Investment Facility (IF) totalled EUR 325m. The Investment Facility is a EUR 2bn risk-bearing revolving instrument, established to support investment in private enterprises and commercially-run public sector entities, including revenue-generating infrastructure, over the period 2003-2007. The IF has established a strong track record of activity, with a total of approved operations that stood at EUR 1.99bn at the end of 2007, or 98% of the available amount. A separate budget of EUR 20m covers the Overseas Countries and Territories. Under the second Financial Protocol of the revised EU-ACP Cotonou Agreement for the period 2008-2013, the Investment Facility will receive additional funding of EUR 1.1bn, plus EUR 400m for interest subsidies and technical assistance.

EIB lending under the IF has given priority to the private sector, which accounted for 79% of the cu-

mulative signed portfolio at the end of 2007. 52% of the current IF portfolio targets financial services, notably through the development of the Bank's microfinance activities, in particular in sub-Saharan Africa. 17% of the IF portfolio relates to industrial investments (including mining operations) and a further 28% to basic infrastructure, covering energy, water, transport and telecommunications investments, the remaining 3% being dedicated to agriculture and tourism.

### African, Caribbean, Pacific States and South Africa Loans provided in 2007

	Total	Resources	
		own	budgetary
Africa	686	432	254
<i>Southern and Indian Ocean</i>	328	304	25
<i>East</i>	149	–	149
<i>West</i>	128	128	–
<i>Central and Equatorial</i>	73	–	73
<i>Multiregional</i>	8	–	8
Caribbean	56	–	56
Pacific	2	–	2
OCTs	10	–	10
Multiregional	3	–	3
<b>ACP-OCTs</b>	<b>756</b>	<b>432</b>	<b>325</b>
<b>South Africa</b>	<b>113</b>	<b>113</b>	<b>–</b>

(million)

### EU-Africa Infrastructure Trust Fund

April 2007 saw the successful launch of the EU-Africa Infrastructure Trust Fund, which is managed by the EIB. This innovative fund supports the development of cross-border or regional infrastructure projects in sub-Saharan Africa and brings together the technical and funding expertise of the Bank and other EU development financiers with the grant resources of the European Commission and EU Member States.

With the UK joining in December 2007, the Trust Fund now has 11 donors – the Commission and ten EU Member States. Donors' commitments to the Fund currently stand at EUR 98m and are expected to increase further in 2008. In 2007, EUR 16.2m was approved for grant allocation to four infrastructure projects.

### EIB regional offices

The EIB inaugurated regional representations in Fort-de-France in May 2007 and Sydney in November 2007, serving the Caribbean and Pacific regions respectively. As well as developing EIB operational activities in the regions, the offices will facilitate communication and coordination links not only with potential project promoters, but also with other donors based in the regions, in particular the European Commission delegations.

The opening of the offices for the Caribbean and Pacific brings the number of EIB regional ACP offices to five – in 2005 offices were opened in Nairobi serving East and Central Africa, in Dakar for West Africa and in Tshwane (Pretoria) to cover Southern Africa and the Indian Ocean region. As a result, all ACP areas are currently served by local representations, enabling the Bank to strengthen and deepen the strategic role it plays in contributing to sustainable economic growth across the entire range of ACP and OCT countries.



In the coming years, the Bank's emphasis will be on infrastructure and the financial sector. In infrastructure, the focus will be on basic investments in energy, sanitation and water projects, for instance, with priority being given to projects initiated by the private sector and regional initiatives (projects involving or having an impact on more than one country). In the financial sector, the emphasis will be on equity activities. The Bank will also channel funds through local financial institutions, supporting the development of local financial markets and providing funding for smaller enterprises, including micro-enterprises.

### EIB lending in South Africa

EIB lending in South Africa is provided under a separate mandate. For 2007-2013 EUR 900m is available, compared to EUR 825m for 2000-2006. Under the new mandate, and in cooperation with the South African authorities, public agencies, private enterprise and the financial sector, the Bank will focus on investment in infrastructure projects of public interest (including municipal infrastructure, power and water supply) and support for the private sector, including SMEs. In October 2007, the EIB signed a Declaration of Intent with the Government of the Republic of South Africa assuring continued EIB financing support during the period 2007-2013. Lending in South Africa totalled EUR 113m in 2007.



## Microfinance, a major impact in ACP countries

The relevance of microfinance – that is the supply of loans, savings, and other basic financial services to the poor – to alleviating poverty is nowadays widely recognised. Over the years, the Bank has developed knowledge and expertise in the field of microfinance in the African, Caribbean and Pacific regions.

The Bank's microfinance strategy focuses on the areas where it can add the most value: the provision of equity to existing or newly created institutions and of local currency, in particular through guarantees. By the end of 2007, the Bank had committed a total of EUR 75m in equity and debt for microfinance in the ACPs. Microfinance investment funds proved especially effective not only in providing funding to existing microfinance institutions (MFIs) in countries such as Kenya, Uganda, Ghana and Mozambique, but also in starting up or strengthening greenfield MFIs in Cameroon, the Democratic Republic of Congo, Madagascar, Nigeria and Chad.

Through its operations, the Bank is seeking a triple return on investment: financial, social and a demonstration effect. Financial return is essential to ensure the sustainability of the MFIs concerned and their attractiveness to other investors. Social return needs to be measured in terms of income growth at the level of those benefiting from microcredits. The demonstration effect is required to encourage future mobilisation of larger funding sources both in the North and the South.

Despite encouraging developments, a majority of poor people still have no access to basic financial services. Much remains to be done and the EIB endeavours to contribute in a proactive manner by remaining at the forefront of the industry and taking pioneering risk on high-impact projects. However, the Bank's involvement in microfinance extends beyond strictly project-related activities and encompasses a continuous dialogue with the EU Member States, the European Commission and other important stakeholders.

In 2007, the Bank concluded three new microfinance investments in the ACP for a total of EUR 11m and established a new framework to provide technical assistance funding to support the development of the microfinance industry.



### Economic cooperation with ALA

In 2007, the EIB started lending under a new mandate in Asia and Latin America covering 2007-2013. Over this period the EIB can lend up to EUR 3.8bn in ALA partner countries. This represents a substantial increase of 53% compared to the previous mandate for the period 2000-2006. The new mandate has been subdivided into indicative ceilings of EUR 2.8bn for Latin America and EUR 1.0bn for Asia.

The Bank's activities in ALA complement the EU's cooperation strategy with the countries concerned. In sector terms, the lending objectives for Asia and Latin America have been broadened. EIB lending will target environmental protection, including climate change mitigation, and projects that contribute to the energy security of the EU, and will continue to support an EU presence through foreign direct investment, transfer of technology and know-how.

In 2007, EIB lending for projects located in Asia and Latin America totalled EUR 925m, of which EUR 365m for projects in Brazil, Panama, Peru and Uruguay, EUR 60m for a project in the Philippines and EUR 500m in China for a large-scale multi-investment scheme designed to support investment projects in the energy and industrial sectors that will help to prevent or reduce greenhouse gases and other polluting emissions. This was the first loan to be provided by the EIB under the EUR 3bn Energy Sustainability and Security of Supply Facility authorised in June 2007 by the Governors of the Bank to enhance EU action addressing climate change and security of energy supplies (see also the section on "Sustainable, competitive and secure energy", p33.).





# EIB borrowing activity

## A leading sovereign-class international debt issuer

### Resilient funding in turbulent times

The EIB's funding activities were resilient during the turmoil that overshadowed capital markets in the course of 2007, thereby sustaining a continued competitive offering of loan products. In 2007, the Bank raised a total of EUR 55bn<sup>1</sup> via 236 transactions in 23 currencies, including four currencies in synthetic format. In September, in parallel with

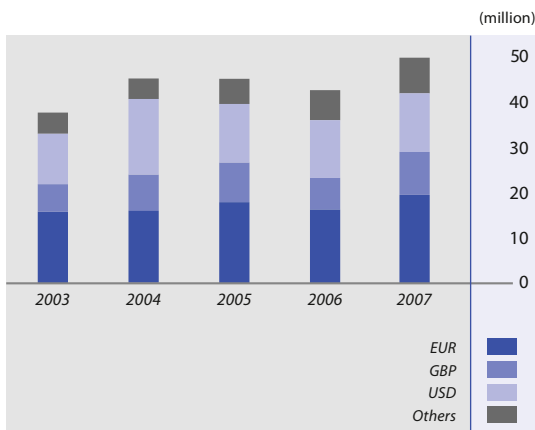
progress in its lending programme and loan disbursements, the Bank increased its funding ceiling from EUR 50bn to EUR 55bn. The funding volume of EUR 55bn was significantly larger than in the 2006 funding programme (EUR 48bn).

Such results were underpinned by the Bank's top-quality credit standing and a strategic and responsive approach to markets. The continuing support from EU sovereign shareholders remains a cornerstone of the Bank's credit standing.

### A reliable benchmark

In this challenging environment the Bank benefited from the strength of its benchmark programmes in its core currencies (EUR, GBP and USD), which generated funding for EUR 38bn (69% of the total). This represents a significant increase versus 2006 (EUR 28bn or 59%). Targeted issues in the three core currencies in plain vanilla and structured format were also substantial, amounting to EUR 8bn.

### Borrowing programme volume before swaps 2003-2007: 245 billion



### EUR: high volume and innovation

In EUR a total of 27 transactions were conducted in 2007, raising EUR 20.5bn in all, or 37.5% of the total funding programme for the year. Four new euro-denominated **benchmarks** or Euro Area Reference Notes ('EARN'<sup>TM</sup>) were issued, compared with the two typically issued in recent years. This provided the largest source of benchmark funding for the Bank (EUR 16bn).

The Bank remained the only borrower to complement sovereigns with benchmark issues of EUR 5bn size outstanding in maturities from three years to 30 years. Structured bonds in EUR amounted to EUR 1.4bn (roughly 30% of all EIB structures in 2007).

<sup>1</sup> Volume of EUR 54.7bn raised under the global borrowing authorisation given by the Board of Directors for 2007, including 'pre-funding' of EUR 77m completed in 2006 for 2007.

A significant innovation, reflecting EU leadership in tackling climate change, was the **Climate Awareness Bond (CAB)** under the Bank's EPOS (European Public Offering of Securities) format – the second of its kind launched by the EIB. This EUR-denominated structured issue offered a unique combination of environmental features. The CAB also offered a vehicle for ongoing EU financial market integration, as a first public bond offering across all 27 EU Member States, facilitated by the passporting mechanism in the EU Prospectus Directive<sup>2</sup> and associated EPOS documentation.

### GBP: Largest non-gilt issuer

In GBP the Bank maintained its position as the largest non-gilt issuer, with a total outstanding sterling debt representing over 9% of the total GBP non-gilt market at end-2007<sup>3</sup>. The Bank made 58 transactions, raising a total of GBP 7.5bn (EUR 11bn) or 20.1% of the total programme for the year. During 2007, 13 different maturities were tapped and there were three **new benchmark lines** across the yield curve.

### USD: Largest non-US issuer in Global format

In USD, 28 transactions were executed raising a total of USD 19.1bn (EUR 14.4bn), or 26.3% of the total programme for the year. Five Global USD 3bn benchmarks were issued across major maturities: this was the largest amount raised by the Bank in any single year through the issuance of USD Global bonds. 2007 also saw sustained interest for non-Global transactions, with Eurodollar issues for USD 2.25bn (EUR 1.7bn) and structured transactions for USD 1.8bn (EUR 1.3bn).

<sup>2</sup> The European Public Offering of Securities or "EPOS" format was first launched in 2006 and allows the Bank to leverage the EU Prospectus Directive, which sets out an efficient mechanism for the "passporting" of prospectuses in the Member States of the European Union: a prospectus approved by the competent authority in one Member State ("home country regulator") can be used as a valid prospectus in any other Member State ("host Member State") without the need for any further prospectus approval ("mutual recognition").

<sup>3</sup> Source: Barclays Sterling Non-Gilt Index, 31 December 2007.

### Diversification: strength in depth

Outside the three core currencies, EUR 8.8bn was raised via 123 transactions in 16 other currencies. In addition, EUR 262.4m was issued in synthetic format in four additional currencies. A noteworthy result in **European currencies** was the strengthening and extension of the yield curve in Swedish krona. In **non-European currencies**, the Bank expanded its benchmark presence in a substantial range of other currencies, through new benchmark issues in Australian dollars, Canadian dollars, Japanese yen and New Zealand dollars.

### Development impact

The Bank extended its developmental activities in new and future Member States and EU Partner and Neighbour countries, including issues in four new currencies: Romanian leu, non-synthetic Russian roubles, synthetic issues in Mauritian rupee and Ghanaian cedi. The debut in Romanian leu added diversity to the market by offering the longest-dated and largest bond at the time of issuance. It was launched and listed on the domestic market in Romania, thereby further enhancing the accessibility and appeal to Romanian investors. The Bank also made its debut in non-synthetic Russian roubles, with 5-year and 10-year issues offering unusually long maturities to this market. In Turkish lira the Bank issued the largest-ever single tranche Eurobond (TRY 1bn), providing a new benchmark for the market.

In African currencies, the Bank diversified its presence, launching 13 transactions in four currencies, including two new currencies, for a total of EUR 311m equivalent. All these issues directed international



investor buying into these currencies. In Mauritian rupee the Bank's issue was the first by a foreign issuer and provided a new benchmark for the market. The first Ghanaian cedi issue provided a top-quality alternative for investors in a market with very limited supply. The Bank remained a reference issuer in South African rand, and expanded its presence in Botswanan pula with a new maturity. These issues served to enhance diversity and market activity levels in these African currencies, in particular through attracting international investor participation.

#### Borrowings signed and raised in 2007 <sup>(\*)</sup> vs. 2006

(EUR million)

	Before swaps:				After swaps:			
	2007		2006		2007		2006	
EUR	20 531	37.5%	17 439	36.3%	42 766	78.1%	31 820	66.2%
BGN <sup>(**)</sup>	28	0.1%						
CZK			18	0.04%			18	0.04%
DKK	134	0.2%	235	0.5%	134	0.2%	235	0.5%
GBP	11 023	20.1%	8 392	17.5%	6 123	11.2%	3 067	6.4%
HUF	108	0.2%	110	0.2%	108	0.2%	97	0.2%
PLN	27	0.1%	32	0.1%	27	0.1%	32	0.1%
RON	90	0.2%						
SEK	893	1.6%	309	0.6%	403	0.7%	309	0.6%
<b>Total EU</b>	<b>32 835</b>	<b>60%</b>	<b>26 535</b>	<b>55%</b>	<b>49 562</b>	<b>91%</b>	<b>35 577</b>	<b>74%</b>
AUD	941	1.7%	1 840	3.8%				
BGN <sup>(**)</sup>			102	0.2%				
CAD	659	1.2%						
CHF	445	0.8%	703	1.5%				
HKD			101	0.2%				
ISK	261	0.5%	501	1.0%				
JPY	2 198	4.0%	1 277	2.7%				
NOK	196	0.4%	424	0.9%	63	0.1%	88	0.2%
NZD	1 344	2.5%	933	1.9%				
RUB	115	0.2%						
TRY	1 097	2.0%	1 095	2.3%				
USD	14 400	26.3%	14 225	29.6%	5 099	9.3%	12 305	25.6%
ZAR	234	0.4%	312	0.7%			80	0.2%
<b>Total non-EU</b>	<b>21 890</b>	<b>40%</b>	<b>21 515</b>	<b>45%</b>	<b>5 162</b>	<b>9%</b>	<b>12 473</b>	<b>26%</b>
<b>TOTAL</b>	<b>54 725</b>	<b>100%</b>	<b>48 050</b>	<b>100%</b>	<b>54 725</b>	<b>100%</b>	<b>48 050</b>	<b>100%</b>

(\*) Resources raised under the global borrowing authorisation given by the Board of Directors for 2007, including 'pre-funding' of EUR 77m completed in 2006 for 2007.

(\*\*) Bulgaria joined the EU on 1 January 2007.

## Corporate Governance





## Working with others

In 2007, the European Investment Bank and the Commission prepared Council discussions and decisions focused on the Bank's priority lending activities for the years to come. In this context, the EIB participated in the Council of Ministers (ECOFIN) and interacted with the European Parliament and its Committees. Furthermore, the Bank maintained a close relationship with consultative bodies such as the Committee of the Regions and the European Economic and Social Committee, pursued its close working relationship with other international financial institutions (IFIs) and kept on its dynamic dialogue with civil society organisations, including non-governmental organisations.

### Open and constructive dialogue with the bodies representing European citizens

In 2007, a fruitful, dynamic and continuous dialogue characterised the good and open relationships between the EIB and the **European Parliament**. Parliament showed broad interest in the Bank and clear support for its lending activities. The Bank's President Philippe Maystadt presented the EIB's Group activities and strategic lending priorities to several parliamentary committees, such as the Committee on Budgetary Control, the Committee on Economic and Monetary Affairs and the Committee on Industry, Research and Energy. At the last meeting, specific emphasis was put on the Bank's contribution in support of a European Energy Policy and climate change issues. At staff level contacts also took place in 2007.

The EIB was in close contact with the **European Economic and Social Committee (EESC)**, in particular the Consultative Commission on Industrial Change in connection with its report on "Innovation: Impact on industrial change and the role of the EIB". At the invitation of the Chairman of the EESC's Section for Economic and Monetary Union and Economic and Social Cohesion, President Maystadt presented the Bank's lending activities, particularly in the field of energy as a new priority, research and development, education and SMEs.

The fifth "Open Days" event was organised by the **Committee of the Regions**, together with DG RE-

GIO, under the title "Making it happen: Regions deliver growth and jobs". The EIB's President and Bank staff participated in the workshops and panels to discuss the three Js (JASPERS, JEREMIE and JESSICA), microcredit, knowledge and innovation, as well as transport infrastructure, while the Bank also organised and chaired a workshop on "PPPs: Experiences from the EIB and Structural Funds". In addition, the EIB cooperated with the Committee of the Regions' Commission for Territorial Cohesion in drawing up a report on the "Leverage effect of structural funds".

### Close cooperation with the Commission and IFIs for activities outside the EU

2007 was a year of continued cooperation with other international financial institutions and European bilateral institutions, in particular in the framework of the new external mandates for EIB activity outside the EU in the period 2007-2013. The main objectives are to maximise synergies and ensure reasonable risk-sharing and coherent sector and project conditionality.

Implementation of the Tripartite Agreement between the Commission, the EBRD and the EIB on operational cooperation in Russia, the Eastern Neighbours and Central Asia started in 2007 with the establishment of a joint project pipeline. In the Middle East and North Africa/Southern Mediterranean region, the IFC has joined the Commission,



the EIB and the IBRD in a strategic cooperation partnership.

Underpinning its lending activities in ACP countries, the EIB collaborates closely with the European Commission and Member States. The Bank is consulted when the Commission prepares country and regional strategies and the extent of its involvement is normally covered in the relevant country or regional strategy paper. The purpose of this exercise is to ensure coherence and synergies between EU development aid and the Bank's operations.

At a more operational level, the Bank works closely with a number of European Development Finance Institutions (EDFIs) through the European Financing Partners group. The EFP is a special-purpose vehicle created in 2004 and jointly owned by the European Development Finance Institutions and the EIB, under which mainly medium-sized, commercially viable private sector projects in ACP countries are financed. The Bank also collaborates actively in a number of areas, notably in infrastructure projects, with Agence Française de Développement (AFD) and Kreditanstalt für Wiederaufbau (KfW). The EU-Africa Infrastructure Trust Fund,

managed by the EIB, is fostering closer collaboration between EU donors and project financiers in pursuit of a common goal – enhanced financing for regional infrastructure in sub-Saharan Africa.

Coordination between the EIB and major multilateral development banks and international financial institutions is systematically pursued in order to maximise the development impact and avoid duplication of effort, and thus reduce the administrative burden on the governments of recipient countries. During 2007, the EIB signed a Memorandum of Understanding with the Asian Development Bank, to extend cooperation in the Asian and Pacific regions. The MoU defines a number of priority areas for cooperation, including renewable energy and energy efficiency projects designed to contribute to climate protection and lead to significant reductions in CO<sub>2</sub> emissions. The EIB is also a member of the Infrastructure Consortium for Africa (ICA), which includes leading multilateral organisations such as the World Bank Group and the African Development Bank, as well as a number of leading bilateral donors active in Africa. In February 2008, the EIB hosted a working-level meeting of the ICA in Luxembourg, dedicated to regional infrastructure projects in Africa.



## Governance and accountability

In 2006, the European Commission commissioned the European Institute of Public Administration, in cooperation with the University of Helsinki, the University of Vaasa and the Utrecht School of Governance, to undertake a comparative study entitled: "Rules and Standards of Professional Ethics for Holders of Public Office in the Member States of the European Union and the EU Institutions."<sup>4</sup>

The results for the different EU institutions, published in 2007, revealed that, while the various EU institutions have entirely different and separate rules and standards concerning conflicts of interests for holders of public office, from a study of regulation density among the six EU institutions, the European Investment Bank and the European Commission came out top in terms of issues regulated, followed by the European Central Bank and the European Court of Auditors (ECA). The study also considered the Bank's infrastructure for managing conflicts of interest to be sophisticated in nature.

### Public consultation on the Bank's anti-fraud policy

During 2007, the EIB conducted a review of its policy, guidelines and procedures on fighting corruption, fraud, money laundering and the financing of terrorism. In line with the Bank's Transparency Policy, the review included a public consultation process, which was launched in February 2007. The process closely followed a set of guidelines based on the Bank's first public consultation, which focused on the EIB's Public Disclosure Policy (for its first consultation, the Bank used the procedures, principles and standards adopted by the European Commission and other IFIs as a benchmark).

The web-based public consultation was launched on 12 February 2007 with the publication of a draft policy and procedures on the Bank's website in English, French and German. The consultation was divided into two rounds, the first taking place from 12 February to 18 April and the second from 12 July to 13 September. In addition, the Bank held two public consultation meetings to discuss its policy review with interested stakeholders. The meetings were announced on the EIB's website and invitations were sent to the 200 organisations and individuals on the consultation mailing list. The consultation process was completed on 13 September.

Approval and publication of the new Policy and Procedures and the Consultation Report will take place in early 2008.

### Working with civil society

Over the years, the EIB has attached great importance to having an open relationship and active dialogue with those civil society organisations (CSOs) that take a particular interest in the European Union and the EIB. Early in 2007, the Bank briefed civil society organisations on the Bank's 2006 results in Brussels. The EIB also organised two workshops. The first one, in Paris, focused on the topics "Partnering with NGOs in water and sanitation projects in developing countries" and "The EIB's environmental and social safeguards and appraisal guidelines". The second workshop took place in Lisbon in the autumn on the occasion of the European Development Days, the central theme of the workshop being the Bank's Economic and Social Impact Assessment Framework (ESIAF). The agendas for these meetings are set jointly by the EIB and interested CSOs, and include speakers from both parties.

Last but not least, the EIB's Public Disclosure Policy has been reviewed to take account of the provisions of the Aarhus Regulation 1367/2006, which

<sup>4</sup> More information on corporate responsibility issues can be found in "Corporate Responsibility 2007", a document included on the CD that comes with this report. CR information is also available on the Bank's website.

has been applied by the EIB with regard to public access to information, public participation in decision-making and access to justice in environmental matters since June 2007.

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### Independent ex post evaluation, internal audit and fraud investigation

The Inspectorate General (IG) combines two main ex post control functions, Internal Audit (IA) and Operations Evaluation (EV), and also includes Fraud Investigation (IN). The Inspectorate plays a crucial role in safeguarding controls, improving operations and in the transparency and accountability process.

Operations Evaluation (EV) provides transparency vis-à-vis the EIB's governing bodies as well as interested outside parties by carrying out thematic, sector and regional/country ex post evaluations of operations financed by the EIB Group. Through its work, it reinforces accountability and encourages the organisation to learn from experience.

In 2007, the Board of Directors endorsed a revised strategy for Operations Evaluation which reinforces its role within the EIB Group. Six evaluations were carried out:

- three for the operations financed by the Bank in the Member States in the fields of: health; Objectives 1 and 2 areas in Germany, Ireland and Spain; and research, development and innovation;
- one for the borrowing and financing operations of the Bank in rand (South Africa) and one for the activities of the FEMIP Trust Fund;
- and an evaluation of the mandates given by the Bank to the EIF for venture capital operations.

Active cooperation with other multilateral development banks was reflected in a joint evaluation with the EBRD and the joint publication of a paper entitled "The Nexus between Infrastructure and Environment".

In addition, EV decided in 2007 to start giving specific environmental ratings to the evaluated operations in order to increase awareness. For all evaluated operations environmental ratings have been good or satisfactory.

Evaluation reports highlighted the importance of assessing promoters' awareness of regulatory compliance and ethical issues, in particular in those cases where the Bank provides a programme loan that includes a large number of smaller operations.

Internal Audit examines and evaluates the relevance and effectiveness of the internal control systems and the procedures involved. It is also introducing and maintaining the Internal Control Framework based on BIS guidelines. Internal Audit therefore reviews and tests controls in critical banking, information technology and administrative areas on a two to five-year cycle using a risk-based approach.

Under the provisions of the Bank's Anti-Fraud Policy, the EIB's staff and business partners are required to maintain the highest level of integrity and efficiency in all EIB activities and operations. The EIB has zero tolerance of fraud, corruption, collusion and coercion (known as "prohibited practices"), money laundering or terrorist financing in its activities or operations. The Fraud Investigation Unit (IG/IN) is the team in the Bank that investigates credible allegations of prohibited practices in EIB-financed operations. In addition to its regular investigation activities, IN organised the 2007 public consultation process on the EIB's Anti-Fraud Policy.

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### Compliance awareness

The Office of the Chief Compliance Officer (OCCO) ensures that the Bank and its staff comply with all applicable laws, regulations, codes of conduct and standards of good practice and acts as a first-line detector of potential non-observance of rules on



ethics and integrity. It checks ex ante the compliance of new policies, procedures, products and operations or intended actions. OCCO also monitors offshore lending and borrowing operations.

In cooperation with Human Resources (HR), OCCO initiated a revision of the existing Whistle Blowing Policies and Procedures in 2007. This exercise was partly motivated by the requests made by several NGOs during the public consultation on the Anti-Fraud Policy for a comprehensive and fully fledged EIB policy on this matter. An awareness-raising exercise was organised for EIB staff members, while a working group was set up to develop the policies and procedures further.

The first seminar – “Understanding money laundering to fight it and applying anti-money laundering international standards” – was organised by the Bank in November 2007 in Douala, Cameroon, for a major African banking group that operates in a number of countries of the subregion. This was a joint initiative by the operational departments and OCCO in the context of entering into a relationship with the banking group in question and took the form of technical assistance to improve corporate governance by helping people to properly understand arrangements for combating money laundering and the financing of terrorism and to put such arrangements in place. The aim was to encourage the sharing of experiences and guarantee real value added for the participants, while at the same time taking account of the legal framework and local characteristics of Central Africa. Some sixty or so top executives, including CEOs and managers of branches and auditing and compliance departments attended this seminar.

### Complaints in 2007

The Complaints Office (CO) is a unit of the European Investment Bank designed to address citizens' and civil society organisations' concerns regarding

### Joint DFI approach to governance

One of the governance highlights of 2007 was the signing of the Approach Statement on Corporate Governance in emerging markets in Washington in October. The leaders of 31 Development Finance Institutions (DFIs) issued a joint statement, placing corporate governance at the forefront of their sustainable development agenda in emerging markets. This initiative highlights the increased role of good corporate governance as a facilitator of international capital flows to emerging market companies.

By signing the statement, the EIB recognises the importance of good corporate governance practices for sustainable economic development; it also acknowledges the critical role that DFIs can play in promoting these values in emerging markets at both the private and public sector level.

the way the Bank carries out its activities. Under the direct authority of the Secretary General, the Complaints Office ensures a centralised and structured investigation, internal and external reporting and a highly responsive and proactive approach. When handling complaints, the CO favours conciliation and problem-solving with a view to facilitating amicable solutions with the parties concerned.

The CO deals with cases of maladministration. This occurs when the Bank fails to act in accordance with the relevant legislation or to respect the principles of good administration, or when it violates human rights. Examples of failure to respect the principles of good administration, as laid down by the European Ombudsman, are: administrative irregularities, unfairness, discrimination, abuse of

power, failure to reply, undue refusal of information and unnecessary delay. In 2007, the CO handled 27 complaints lodged directly with the EIB and four complaints lodged with the European Ombudsman. A large number of complaints concerned the environmental impact of projects financed by the Bank.

The EIB welcomes the closer cooperation with the European Ombudsman that was agreed in 2007. Preparations are under way for the introduction of a Memorandum of Understanding between the two institutions, to be signed early in 2008. The MoU will set out clearly the principles and procedures on which the close cooperation between the two parties is to be based.

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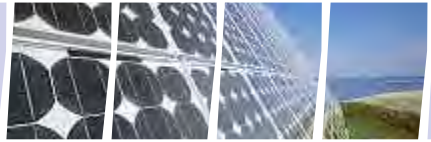
### European Investment Fund and governance

As a central part of its investment and guarantee policy, the European Investment Fund, the

EIB's subsidiary, must actively promote principles of good governance among its business partners and oversee the implementation of such principles through hands-on monitoring. The EIF also applies the usual investment restrictions relating to arms production, tobacco and human cloning and imposing controls with regard to bioethics and GMOs. These controls are monitored by an independent compliance function within the EIF.

The EIF has published a statement on Corporate Social Responsibility. Its CSR policy follows the guiding principles applied by the EIB. The EIF has a legal personality separate from that of the EIB, with separate contractual employment relations, although the terms of employment are broadly in line with those of the EIB. The EIF has issued a Dignity at Work policy along the lines of the EIB's policy and its code of conduct follows the principles laid down in the EIB Code of Conduct. The EIF's CSR policy, its code of conduct and associated policies are coordinated by the EIF Compliance Function, which was established in 2005.





## Direct footprint and working responsibly

The EIB itself creates its own environmental footprint, in particular through the materials it consumes and the waste it generates; “housekeeping” in this sense is the subject of an internal environmental management system, which was strengthened in 2007.

The EIB is committed to reducing the impact of its activities in terms of climate change. To that end, it has fixed a reduction target for its direct CO<sub>2</sub> emissions of 20-30%, to be attained by 2020. The Bank will use the Greenhouse Gas (GHG) Protocol Initiative Standards for measuring and monitoring its direct environmental impact. The Bank has defined the limits of its carbon footprint responsibility and a set of measures is being implemented that will progressively reduce the direct emissions.

The EIB took the decision in 2007 to purchase electricity originating 100% from renewable sources (hydropower, wind power and biomass). Other measures being implemented with the aim of reducing direct emissions relate mainly to encouraging the use of public or clean transportation, reducing the levels of energy consumption, and better waste and recyclables management. In order to ensure that the targets are met, the Bank is closely monitoring emissions’ levels and remedial action is taken as necessary. The EIB will offset

its residual emissions by purchasing high-quality carbon credits.

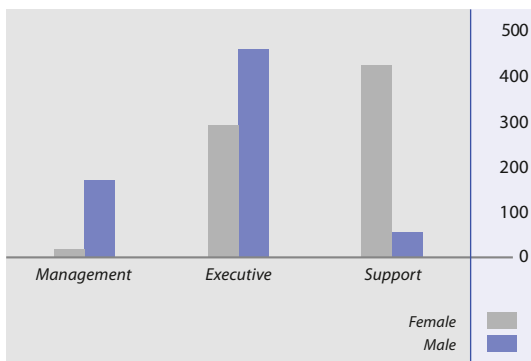
An internal communication plan to raise staff awareness on environmental issues, the impact of climate change and the importance of the measures being proposed is being carried out with the participation of both external and internal speakers.

### Working responsibly

Like all major financial institutions, the Bank is faced with significant changes in both operational and human resources terms. Consequently, in 2007 human resources strategy was reformulated and its priorities were redefined. Taking into account those changes and with the aim of maintaining the quality of the administrative services, the new strategy is based on the following three pillars: excellence in staffing, motivation and individual development, and well-being at work.

People in an international, multicultural environment are likely to be disproportionately vulnerable to the inevitable so-called life events. In fact, even the informal networks on which people usually depend for everyday practical advice are often incomplete in such circumstances. To help prevent issues from turning into real distractions, the Human Resources Department has made a Staff Assistance Programme (SAP) available to staff members and their families. Operated by an external provider, the SAP was launched in September 2007. The programme offers a counselling service dealing with issues relating to personal, relation-

Active staff by category, as at 31/12/2007



ship, emotional or workplace problems as well as offering practical advice concerning family, addiction, legal, financial or housing issues. The service is accessed via telephone, but with face-to-face sessions, by appointment, for more serious problems. It is strictly confidential, even anonymous if preferred by the user.

### Staff representation

Staff issues are dealt with through consultations between HR and the Staff Representatives (SRs), supported by working groups and joint committees. The present College of SRs was elected in March 2007. Staff Representatives are actively taking part in the discussions regarding the implementation of the salary and individual performance evaluation reform. In parallel, the Staff Representatives have been actively involved in the review of the Bank's pension system.

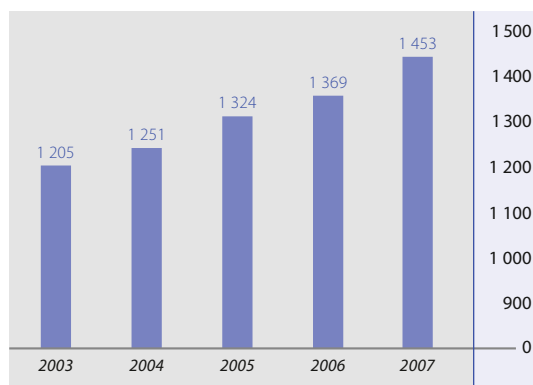
More generally, Staff Representatives are regularly consulted on issues affecting the well-being of staff, either through monthly meetings with Human Resources Management or in ad hoc committees, or in specific consultation meetings. For instance, they participated in the review of the con-

ditions of employment at the EIB's external offices. The SRs also contributed many ideas in the Internal Environmental Management Group to reduce the Bank's carbon footprint.

### Equal opportunities

The Joint Committee on Equal Opportunities (COPEC) monitors implementation of the equal opportunities policy in terms of career development, recruitment, training and social welfare infrastructure. Following an independent review of the Bank's gender status in 2006, the Bank has broadened its approach, aligned it with the global trend, from gender to a more inclusive view of diversity. This approach will better support the implementation of the Bank's new operational strategy, which calls for reaching out from old comfort zones and seeking diverse candidate pools, non-traditional ways of doing business, and new skill profiles. Diversity and equality are seen as business imperatives, and as part of the Bank's corporate social and ethical responsibility. In 2007, the Bank started updating and developing the core aspects of Gender and Diversity (G&D) Strategy, the Action Plan and a monitoring scheme for the EIB Group.

### EIB staff





## EIB Statutory Bodies



The Management Committee

The **Board of Governors** comprises Ministers designated by each of the 27 Member States, usually Finance Ministers. It lays down credit policy guidelines, approves the annual accounts and balance sheet, and decides on the Bank's participation in financing operations outside the European Union as well as on capital increases. It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

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

The Board of Directors consists of 28 Directors, with one Director nominated by each Member State and one by the European Commission. There are 18 Alternates, meaning that some of these positions will be shared by groupings of States.

Furthermore, in order to broaden the Board of Directors' professional expertise in certain fields, the Board is able to co-opt a maximum of six experts (three Directors and three Alternates), who participate in the Board meetings in an advisory capacity, without voting rights.

Decisions are taken by a majority consisting of at least one third of members entitled to vote and representing at least 50% of the subscribed capital.

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

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

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



The Audit Committee

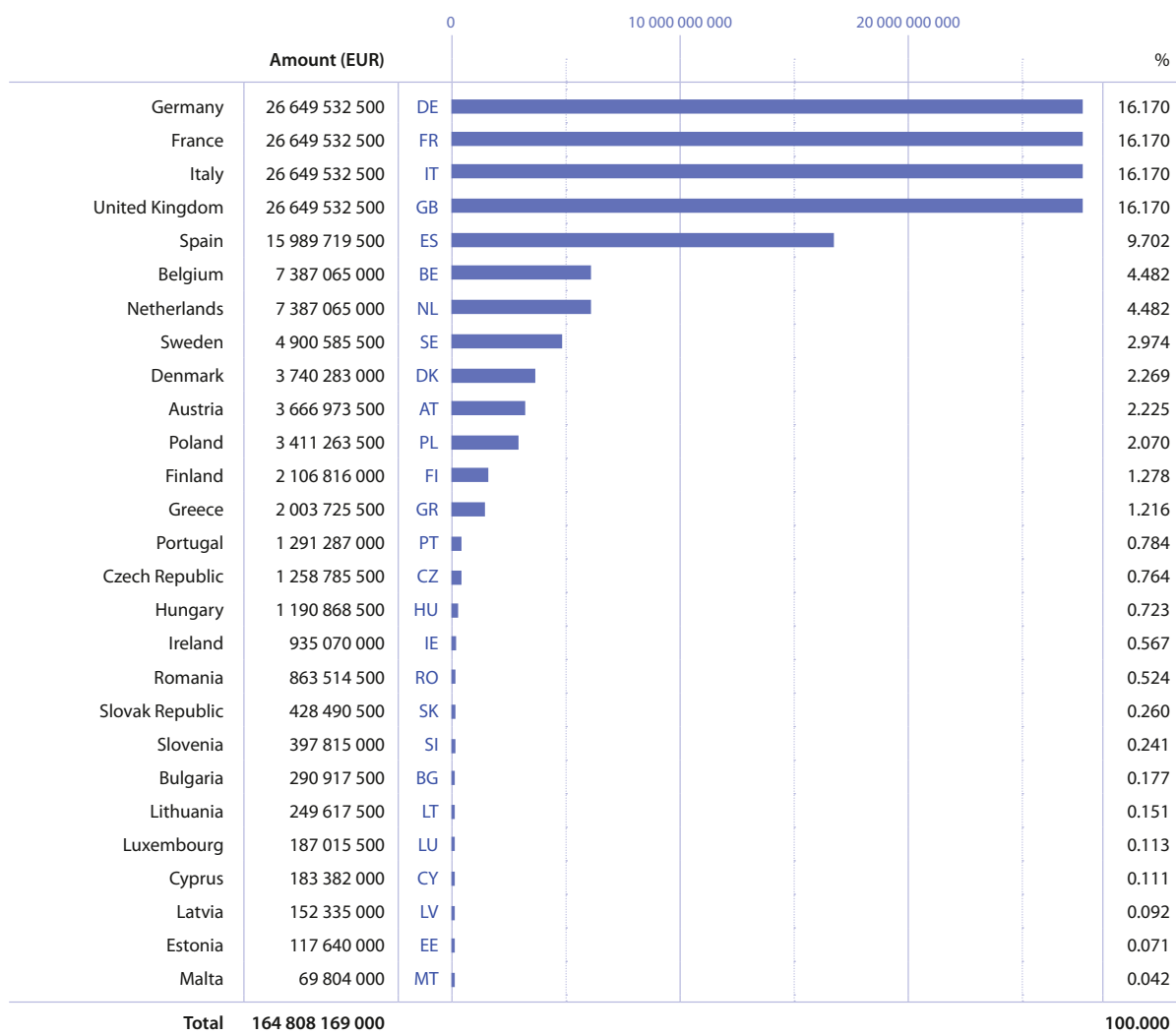
The **Audit Committee** is an independent body answerable directly to the Board of Governors and responsible for verifying that the operations of the Bank have been conducted and its books kept in a proper manner. At the time of approval of the financial statements by the Board of Directors, the Audit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

the Board of Governors together with the annual report of the Board of Directors.

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

**Capital:** Each Member State's share in the Bank's capital is based on its economic weight within the European Union (expressed in GDP) at the time of its accession. In the context of enlargement to include Bulgaria and Romania on 1 January 2007, the provisions of the EIB's Statute have modified the Bank's capital shares and governance. Under its Statute, the Bank is authorised to have maximum loans outstanding equivalent to two and a half times its capital.

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


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




# The Management Committee of the EIB

The College of the Management Committee Members and their supervisory responsibilities  
 Situation as at 01/06/2008

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



- Philippe MAYSTADT** *President of the Bank and Chairman of its Board of Directors*
- ⇒ General strategy
  - ⇒ Institutional matters, relations with other European institutions
  - ⇒ Reporting from Inspector General, Financial Controller and Chief Compliance Officer
  - ⇒ Human resources
  - ⇒ Internal communication
  - ⇒ Equal opportunities policy; Chairman of Joint Committee on Equal Opportunities (COPEC)
  - ⇒ Chairman of EIF Board of Directors
  - ⇒ Chairman of Budget Committee

**Philippe de FONTAINE VIVE CURTAZ**  
 Vice-President



- Philippe de FONTAINE VIVE CURTAZ** *Vice-President*
- ⇒ Financing operations in France and Mediterranean partner countries
  - ⇒ Financing of SMEs
  - ⇒ Partnership with banking sector
  - ⇒ External communication
  - ⇒ Transparency and information policy
  - ⇒ Relations with NGOs
  - ⇒ Member of EIF Board of Directors

**Torsten GERSFELT**  
 Vice-President



- Torsten GERSFELT** *Vice-President*
- ⇒ Financing operations in Netherlands, Denmark, Ireland, ACP States and South Africa
  - ⇒ Energy matters
  - ⇒ Economic, financial and sectoral studies
  - ⇒ Chairman of Arts Committee

**Simon BROOKS**  
 Vice-President



- Simon BROOKS** *Vice-President*
- ⇒ Financing operations in United Kingdom
  - ⇒ Environmental protection
  - ⇒ Internal audit, external audit and relations with Audit Committee
  - ⇒ Compliance
  - ⇒ Relations with European Court of Auditors
  - ⇒ Relations with European Anti-Fraud Office (OLAF) and European Ombudsman
  - ⇒ Buildings, facilities and logistics

**Carlos DA SILVA COSTA**  
 Vice-President



- Carlos DA SILVA COSTA** *Vice-President*
- ⇒ Financing operations in Spain, Belgium, Portugal, Luxembourg, Asia and Latin America
  - ⇒ Legal aspects of operations and products
  - ⇒ Funding
  - ⇒ Member of Arts Committee

**Matthias KOLLATZ-AHNEN**  
 Vice-President



- Matthias KOLLATZ-AHNEN** *Vice-President*
- ⇒ Financing operations in Germany, Austria and Romania and in Croatia and Turkey
  - ⇒ Economic and social cohesion; convergence
  - ⇒ JASPERS initiative (*Joint Assistance to Support Projects in European Regions*)
  - ⇒ Risk management: credit, market and operational risks
  - ⇒ Member of Subsidies Committee

**Eva SREJBER**  
 Vice-President



- Eva SREJBER** *Vice-President*
- ⇒ Financing operations in Sweden, Finland, Lithuania, Latvia, Estonia, eastern neighbours, Russia, and EFTA countries
  - ⇒ i2i programme (implementation of Lisbon strategy), including RSFF (Risk-Sharing Finance Facility)
  - ⇒ Ex post evaluation of operations
  - ⇒ Information technologies
  - ⇒ Chairman of Subsidies Committee

**Marta GAJECKA**  
 Vice-President



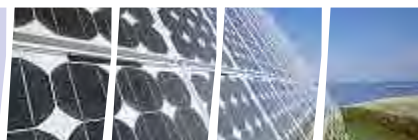
- Marta GAJECKA** *Vice-President*
- ⇒ Financing operations in Poland, Czech Republic, Hungary, Slovakia, Slovenia and Bulgaria
  - ⇒ Trans-European transport and energy networks
  - ⇒ Corporate social responsibility
  - ⇒ Alternate Governor of EBRD

**Dario SCANNAPIECO**  
 Vice-President



- Dario SCANNAPIECO** *Vice-President*
- ⇒ Financing operations in Italy, Greece, Cyprus, Malta and the western Balkans
  - ⇒ Structured Finance Facility (SFF)
  - ⇒ Budget
  - ⇒ Accounting
  - ⇒ Governor of EBRD

# Organisation chart



▶ Department → Division  External Office

(situation at 1 June 2008)



## General Secretariat and Legal Affairs

**Alfonso QUEREJETA**  
Secretary General and General Counsel of Legal Affairs

- ▶ **Institutional Affairs**  
**Dominique de CRAYENCOUR**  
Director
  - **Guido PRUD'HOMME**
  - **Ferdinand SASSEN**

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

### Legal Affairs

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



**Marc DUFRESNE**  
Deputy General Counsel

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

- ▶ **Lending Operations in Europe**

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



## Strategy and Corporate Centre

**Rémy JACOB**  
Director General  
Financial Controller and Chief Information Officer
 

- **Luis BOTELLA MORALES**  
Director

- *Financial Control*  
**Frank TASSONE**
- *Resource Management and Coordination*  
**Geneviève DEWULF**

- ▶ **Strategy and Management Control**

**Jürgen MOEHRKE**  
Director
 

- *Methods and Processes Improvement Task Force*  
**Theoharry GRAMMATIKOS**  
Associate Director
- *IFRS Task Force*  
**Henricus SEERDEN**







- *Economic and Financial Studies*  
**Éric PERÉE**  
Associate Director
- *Budget, Analytics and Partnerships*  
**Janette FOSTER**
- *Strategy and Processes*  
**Claudio PASQUI**
- *Corporate Responsibility Policy*  
**Felismino ALCARPE**

- ▶ **Communication**

**Gill TUDOR**  
Spokesperson and Director
 

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

### Information Offices

-  Paris Office  
**Henry MARTY-GAUQUIÉ**  
Director
-  London Office  
**Adam McDONAUGH**
-  Berlin Office  
**Paul Gerd LÖSER**
-  Rome Office  
...
-  Madrid Office  
**Mercedes SENDÍN DE CÁCERES**
-  Brussels Office  
**Nicholas ANTONOVICS**

# Organisation chart

▶ Department → Division  External Office

(situation at 1 June 2008)

## ▶ Information Technology

**Derek BARWISE**  
Director

- *Technology and Infrastructure*  
...
- *Finance and Lending Applications*  
**Jean-Yves PIRNAY**
- *Administration and Risk Applications*  
**Simon NORCROSS**

## ▶ Buildings, Logistics and Documentation

**Patricia TIBBELS**  
Director

- New Building Task Force  
**Enzo UNFER**
- *Facilities Management*  
**Enzo UNFER** (ad interim)
- *Purchasing and Administrative Services*  
**Gudrun LEITHMANN-FRÜH**
- *Documentation and Records Management*  
...



## Directorate for Operations in the European Union and Candidate Countries

**Thomas HACKETT**  
Director General

## ▶ Operations Support

**Simon BARNES**  
Chief Operational Coordinator

- *Coordination*  
**Dietmar DUMLICH**
  - Ann-Louise AKTIV VIMONT
- *Information Systems and Applications*  
**Thomas FAHRTMANN**
- *Business Support*  
**Bruno DENIS**

## JESSICA

**Eugenio LEANZA**

- Gianni CARBONARO

## ▶ Action for Growth Instruments

**Thomas BARRETT**  
Director

- *Trans-European Networks*  
**Jukka LUUKKANEN**
  - Ale Jan GERCAMA
- *Knowledge Economy (i2i)*  
**Heinz OLBERS**
- *Environment, Energy and Advisory*  
**Christopher KNOWLES**  
Associate Director
  - Andrew VINCE



## ▶ Western Europe

**Laurent de MAUTORT**  
Director

- *i2i and Corporates*  
**Robert SCHOFIELD**
- *Project Finance*  
**Cheryl FISHER**  
Associate Director
- *Public Sector and Utilities*  
**Jean-Christophe CHALINE**
- *Implementation*  
**Peter JACOBS**

## ▶ Spain, Portugal

**Carlos GUILLE**  
Director

- *Spain – Infrastructure*  
**Luca LAZZAROLI**
- *Spain – Banks and Corporates*  
**Fernando de la FUENTE**  
Associate Director
  -  Madrid Office  
**Angel FERRERO**
- *Portugal*  
**Miguel MORGADO**
  -  Lisbon Office  
**Manuel NETO PINTO**
- *Implementation*  
**Rui Artur MARTINS**

## ▶ Central Europe

**Joachim LINK**  
Director

- *Germany – Infrastructure, Energy and Promotional Banks*  
**Peggy NYLUND GREEN**  
Associate Director
- *Germany – Banks and Corporates*  
**Anita FUERSTENBERG-LUCIUS**
- *Austria, Czech Republic, Hungary, Slovakia – Infrastructure and Promotional Banks*  
**Jean VRLA**
- *Austria, Czech Republic, Hungary, Slovakia – Banks and Corporates*  
**Paolo MUNINI**



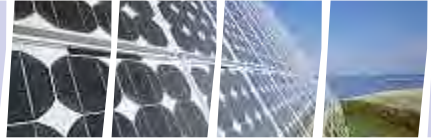
Vienna Office  
**Emanuel MARAVIC**  
Director

## ▶ Adriatic Sea

**Romualdo MASSA BERNUCCI**  
Director

- Luigi MARCON
- *Italy, Malta – Infrastructure*  
**Antonello RICCI**
  - Flavio SCHIAVO CAMPO de GREGORIO
- *Italy, Malta – Banks and Corporates*  
**Marguerite McMAHON**
- *Slovenia, Croatia, Western Balkans*  
**Dominique COURBIN**

# Organisation chart



▶ Department → Division External Office

(situation at 1 June 2008)

## ▶ South-East Europe



**Andreas VERYKIOS**  
Deputy Director General

- *Greece*  
**Themistoklis KOUVARAKIS**  
 Athens Office  
**Fotini KOUTZOUKOU**
- *Bulgaria, Romania, Cyprus*  
**Cormac MURPHY**  
 Bucharest Office  
**Götz VON THADDEN**
- *Turkey*  
**Franz-Josef VETTER**
  - **Hakan LUCIUS**  
 Ankara Office
  - ...
  - Istanbul Office  
**Alain TERRAILLON**

## ▶ Baltic Sea

**Tilman SEIBERT**  
Director

- *Poland*  
**Kim KREILGAARD**  
 Warsaw Office  
**Michal LUBIENIECKI**
- *Baltic States, Denmark, Finland, Sweden, EFTA Countries*  
**Michael O'HALLORAN**  
 Helsinki Office  
**Jaani PIETIKAINEN**



## Directorate for Operations outside the European Union and Candidate Countries

**Jean-Louis BIANCARELLI**  
Director General

- **Matthias ZÖLLNER**  
Managerial Adviser for Climate Change Operations

- *Development Economics Advisory Service*  
**Daniel OTTOLENGHI**  
Chief Development Economist  
Associate Director
  - **Bernard ZILLER**

## ▶ European Neighbour and Partner Countries

**Claudio CORTESE**  
Director

- **Alain NADEAU**

- *Maghreb*  
**Bernard GORDON**
  - Rabat Office  
**René PEREZ**
  - Tunis Office  
**Diederick ZAMBON**

- *Near East*  
**Javier GUTIÉRREZ DEGENÈVE**

Cairo Office  
**Jane MACPHERSON**

- *Eastern Europe, Southern Caucasus and Russia*  
**Constantin SYNADINO**
  - **Umberto DEL PANTA**

- *Special Operations*  
**Jean-Christophe LALOUX**

## ▶ Africa, Caribbean, Pacific – Investment Facility

**Martin CURWEN**  
Director

- *West Africa and Sahel*  
**Gustaaf HEIM**  
 Dakar Office  
**Jack REVERSADE**

- *Central and East Africa*  
**Flavia PALANZA**  
Associate Director  
 Nairobi Office  
**Carmelo COCUZZA**

- *Southern Africa and Indian Ocean*  
**Serge-Arno KLÜMPER**
  - **Angela JENNI**  
 Tshwane (Pretoria) Office  
**David WHITE**

- *Caribbean and Pacific*  
**David CRUSH**  
 Fort-de-France Office  
**Anthony WHITEHOUSE**  
 Sydney Office  
**Jean-Philippe DE JONG**

- *Resource and Business Development*  
**Tassilo HENDUS**  
Associate Director

- *Portfolio Management and Policy*  
**Catherine COLLIN**

## ▶ Asia and Latin America

**Francisco de PAULA COELHO**  
Director

- *Latin America*  
**Alberto BARRAGAN**

- *Asia*  
**Philippe SZYMCZAK**



## Transaction Management and Restructuring

**Klaus TRÖMEL**  
Director

- *Counterpart and Contract Monitoring and Review*  
**Stefano BOTTANI**
- *Restructuring, Refinancing and Repackaging*  
**Volkmar BRUHN-LÉON**

# Organisation chart

▶ Department → Division  External Office

(situation at 1 June 2008)



## Finance Directorate

**Bertrand de MAZIÈRES**  
Director General

→ *Coordination and Financial Policies*  
Éric LAMARCO

### ▶ Capital Markets

**Barbara BARGAGLI PETRUCCI**  
Director

→ *Euro*

**Carlos FERREIRA DA SILVA**  
• Aldo ROMANI

→ *Europe (excluding euro), Africa*  
**Richard TEICHMEISTER**  
• Thomas SCHROEDER

→ *America, Asia, Pacific*  
**Eila KREIVI**  
• Sandeep DHAWAN

→ *Investor Relations and Marketing*  
**Peter MUNRO**

### ▶ Treasury

**Anneli PESHKOFF**  
Director

→ *Liquidity Management*  
**Francis ZEGHERS**  
• Timothy O'CONNELL

→ *Asset/Liability Management*  
**Jean-Dominique POTOCKI**  
• Nicola SANTINI

→ *Portfolio Management*  
**Paul ARTHUR**

→ *Financial Engineering and Advisory Services*  
**Guido BICHISAO**

### ▶ Planning and Settlement of Operations

**Elisabeth MATIZ**  
Director

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

→ *Back Office Treasury*  
**Cynthia LAVALLÉ**

→ *Back Office Borrowings*  
**Antonio VIEIRA**

→ *Systems and Procedures*  
**Lorenzo CICCHELLI**



## Projects Directorate

**Grammatiki TSINGOU-PAPADOPETROU**  
Director General

→ *Sustainable Development*  
**Peter CARTER**  
Associate Director

• Resources Management  
**Béatrice LAURY**

→ *Quality Management*  
**Maj THEANDER**

→ *Project Development and Implementation Support*  
**Hugh GOLDSMITH**

### ▶ Innovation and Competitiveness

**Constantin CHRISTOFIDIS**  
Director

→ *Manufacturing and Industry (R&D)*  
**Gunnar MUENT**

→ *ICT and e-Economy*  
**Harald GRUBER**

→ *Human Capital*  
**John DAVIS**  
• Maria Luisa FERREIRA

→ *Services and SMEs, Agroindustry (including Biofuels)*  
**Hans-Harald JAHN**  
• Pedro OCHOA  
• Rüdiger SCHMIDT  
• Campbell THOMSON

### ▶ Transport and Energy

**Christopher HURST**  
Director

• Nigel HALL

→ *Road and Rail*  
**Matthew ARNDT**

→ *Air and Sea*  
**José Luis ALFARO**  
Associate Director  
• Klaus HEEGE

→ *Energy Generation and Networks*  
**François TREVOUX**  
• Heiko GEBHARDT  
• Josef WELTERMANN

→ *Energy Efficiency and Renewables*  
**Juan ALARIO**  
Associate Director

### ▶ Convergence and Environment

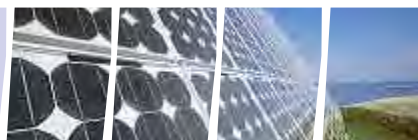
**Guy CLAUSSE**  
Director

→ *Water and Environmental Protection*  
**José FRADE**  
Deputy Director  
• Michel DECKER

→ *Programme Lending*  
**Eugenia KAZAMAKI-OTTERSTEN**

→ *Urban Transport and other Urban Infrastructure*  
**Mateo TURRÓ CALVET**  
Associate Director  
• Mario AYMERICH

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



▶ Department → Division External Office

(situation at 1 June 2008)

→ *Development Projects, New Initiatives, Solid Waste*

**Stephen WRIGHT**  
Associate Director  
• Eberhard GSCHWINDT  
• Philippe GUINET

▶ **JASPERS**

**Patrick WALSH**  
Director

**Agustin AURÍA**  
Deputy Director

Vienna Office  
**Axel HÖRHAGER**

Bucharest Office  
**Nicos YIAMBIDES**

Warsaw Office  
**Michael MAJEWSKI**



**Risk Management Directorate**

**Pierluigi GILIBERT**  
Director General

→ *Coordination and Support*

**Juliette LENDARO**  
• Pierre TYCHON

▶ **Credit Risk**

**Per JEDEFORS**  
Director

→ *Corporates, Public, Infrastructure*

**Stuart ROWLANDS**  
Associate Director

→ *Project and Structured Finance*

**Paolo LOMBARDO**

→ *Financial Institutions and Securitisations*

**Per de HAAS** (acting)

▶ **Financial and Operational Risks**

**Alain GODARD**  
Director

→ *ALM and Market Risk Management*

**Giancarlo SARDELLI**  
• Vincent THUNUS

→ *Derivatives*

**Luis GONZÁLEZ-PACHECO**

→ *Operational Risks*

**Antonio ROCA IGLESIAS**



**Inspectorate General**

**Jan Willem van der KAAIJ**  
Inspector General

- Fraud Investigations Unit  
**Seward de VRIES**

→ *Internal Audit*

**Ciaran HOLLYWOOD**

→ *Operations Evaluation*

**Alain SÈVE**

Associate Director

- Gavin DUNNETT
- Rainer SAERBECK
- Werner SCHMIDT



**EIB Group Compliance Office**

**Konstantin J. ANDREOPOULOS**  
Chief Compliance Officer

- Francesco MANTEGAZZA  
Deputy Chief Compliance Officer



**Human Resources**

**Michel GRILLI**  
Director

- Jean-Philippe BIRCKEL

→ *Administration and Management Systems*

...

- Catherine ALBRECHT

→ *Staffing*

**Luis GARRIDO**

→ *Internal Communication*

**Alain JAVEAU**

**Barbara BALKE**

Deputy Director

→ *People Development and Organisation Management*

...

- Ute PIEPER-SECKELMANN

→ *Well-being and Work/Life Balance*

**René CHRISTENSEN**

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



**Terence BROWN**  
Director representing the EIB



**Walter CERNOIA**  
Alternate Director



## EIF Statutory Bodies

EIF is managed and administered by the following three authorities:

- ⇒ the General Meeting of shareholders (EIB, European Union, 31 financial institutions), which meets at least once a year;
- ⇒ the Board of Directors, composed of seven members and seven alternates, which, *inter alia*, decides on the Fund's operations;
- ⇒ the Chief Executive, who is responsible for the management of the Fund in accordance with the provisions of its Statutes and the guidelines and directives adopted by the Board of Directors.

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

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

### EIF Management and Key People

Situation as at 25/04/2008

#### Chief Executive

Richard PELLY

#### Deputy Chief Executive

Jean-Marie MAGNETTE

#### ► JEREMIE

- Head
- Deputy Head
- Key People

- ⇒ Marc SCHUBLIN
- ⇒ Hubert COTTOGNI
- ⇒ Alexander ANDÒ
- ⇒ Graham COPE

#### ► Risk Management and Monitoring

- Head
- Key People

- ⇒ Thomas MEYER
- ⇒ Helmut KRAEMER-EIS
- ⇒ Pierre-Yves MATHONET

#### Secretary General

Robert WAGENER

#### ► Legal

- Head

- ⇒ Maria LEANDER

#### ► Compliance

- Head

- ⇒ Jobst NEUSS

#### ► Corporate Affairs and Finance

- Head
- Key People

- ⇒ Frédérique SCHEPENS
- ⇒ Petra de BRUXELLES -  
*Human Resources*
- ⇒ Marceline HENDRICK - *Accounts*
- ⇒ Delphine MUNRO -  
*Marketing Communications*
- ⇒ John PARK - *ICT*

#### Director, Investments

John A. HOLLOWAY

#### ► Venture Capital

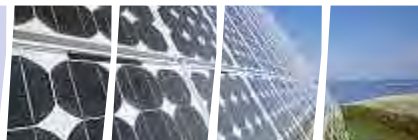
- Heads
- Deputy Heads
- Key People

- ⇒ Jean-Philippe BURCKLEN
- ⇒ Jacques DARCY
- ⇒ Ulrich GRABENWARTER
- ⇒ Matthias UMMENHOFER
- ⇒ David WALKER
- ⇒ Christine PANIER

#### ► Guarantees and Securitisation

- Head
- Deputy Head
- Key People

- ⇒ Alessandro TAPPI
- ⇒ Christa KARIS
- ⇒ Per-Erik ERIKSSON
- ⇒ Gunnar MAI



## Projects eligible for financing by the EIB Group

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

- ⇒ strengthening economic and social cohesion: promoting investment in all sectors of the economy to foster the economic advancement of the less-favoured regions;
- ⇒ furthering investment contributing to the development of a knowledge-based and innovation-driven society;
- ⇒ improving infrastructure and services in the health and education sectors, the key contributors to human capital formation;
- ⇒ developing transport, telecommunications and energy transfer infrastructure networks with a Community dimension;
- ⇒ preserving the environment and improving the quality of life;
- ⇒ securing energy supplies through rational use, harnessing of indigenous resources, including renewable energy, and import diversification.

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

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

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

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

# EIB Group Addresses



## European Investment Bank

[www.eib.org](http://www.eib.org) - [info@eib.org](mailto:info@eib.org)

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☎ (+352) 43 77 04

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☎ (+43-1) 505 36 74

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☎ (+32-2) 230 58 27

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#### Italy

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☎ (+39) 06 42 87 34 38

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#### Romania

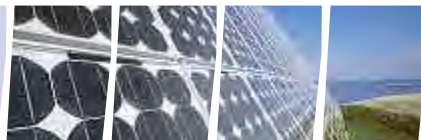
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☎ (+40-21) 317 90 90

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☎ (+34) 914 31 13 83

#### United Kingdom

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### Morocco

Riad Business Center  
Aile sud, Immeuble S3, 4<sup>e</sup> étage  
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✉ (+212) 37 56 53 93

### Pacific

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88 Phillip Street  
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Australia  
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✉ (+61-2) 82 11 05 38

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### South Africa

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Groenkloof  
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✉ (+27-12) 425 04 70

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## European Investment Fund

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On the CD-Rom enclosed with this brochure, readers will find information contained in the three volumes, plus the “Corporate Responsibility 2007” document as well as the main brochures and other documents published in 2007 in the different languages available.

The Annual Report is also available on the Bank’s website [www.eib.org/report](http://www.eib.org/report).



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