

EIB press release on the activities of the EIB Group in 2002 (13 February 2003)

Caption: At the EIB annual press conference held on 13 February 2003 in Brussels, a press release is published on the activities of the EIB Group in 2002.

Source: EIB Group 2002: Setting the course for the years ahead. [ON-LINE]. [Luxembourg]: European Investment Bank, [06.03.2003]. Disponible sur <http://www.eib.org/news/press/press.asp?press=2601>.

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URL: http://www.cvce.eu/obj/eib_press_release_on_the_activities_of_the_eib_group_in_2002_13_february_2003-en-49f6bdb5-b85a-46cf-9a95-46c8397fc443.html

Publication date: 23/10/2012

EIB Group 2002: Setting the course for the years ahead

In 2002, the European Investment Bank lent a total of EUR 39.6 billion (2001: 36.8 billion) for projects furthering the European Union's political objectives. Financing in the EU Member States reached EUR 33.4 billion, while EUR 6.2 billion was made available in non-EU countries. Lending in the future Member States of Central and Eastern Europe as well as Malta and Cyprus ran to a record EUR 3.6 billion and to EUR 1.6 billion in the Mediterranean Partner Countries. In the West Balkan Countries, the EIB assisted reconstruction and development projects to the tune of EUR 425 million. Lending in support of EU development policy totalled EUR 523 million, of which EUR 298 million went to the ACP States (Africa, Caribbean, Pacific), EUR 50 million to South Africa, EUR 90 million to Asia and EUR 85 million to Latin America.

The European Investment Fund (EIF) – the EIB Group's venture capital arm – took participations worth some EUR 470 million in venture capital funds and provided a total of EUR 1.23 billion in guarantees for SME financing.

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

As at 31 December 2002, the EIB's balance sheet total stood at EUR 221 billion. Outstanding debt amounted to EUR 185 billion and outstanding loans EUR 234 billion.

Policy decisions shaping future activity

Capital increase to EUR 150 billion in endorsement of the EIB's strategic orientations

The European Investment Bank's Board of Governors decided in June 2002 on an increase of the Bank's subscribed capital from EUR 100 to 150 billion, which entered into effect on 1 January 2003. With this capital increase, the statutory ceiling for the Bank's lending was raised to 375 billion. Capital actually paid-in was increased from EUR 6 billion to 7.5 billion. This was funded through the conversion of the Bank's Reserves so there was no need to draw on the budgets of the Member States and burden taxpayers. The capital increase will allow for overall growth of the Bank's lending activities in the years 2003 – 2008.

With the capital increase, the Member States have endorsed the strategic orientations of the EIB Group. Within the EU, the priorities are to contribute to regional development and economic and social cohesion, environmental protection and an innovative, competitive European economy. Priority is further given to the economic integration of the future Member States into the Union. Outside the Union, the EIB Group will step up its support for the Union's development and cooperation policy, particularly in the Mediterranean and ACP Partner Countries.

Strengthening the EIB's position as the major external source of finance in the future Member States

In 2002, lending increased strongly to EUR 3.6 billion (2001: 2.7 billion), bringing total lending since 1990 to nearly EUR 20 billion. In 2002, key importance was attached, again, to transport and communications infrastructure interlinking the region and connecting the region to the EU (48.5% of total lending). Special emphasis was placed on environmental lending, particularly in the water sector (26%) in order to help the future EU members meet the EU's environmental standards. Transport and environmental projects were co-financed, in a number of cases, with grant money from the EU's ISPA programme. In the area of health and education infrastructure, which requires substantial investment, activity was extended (5%). In addition, the EIB offered strong support to SMEs, via global loans to local banks (15%), as well as to foreign direct investment, which contributes to the transfer of both know-how and capital into the region. Projects scrutinized and approved reached a record level of EUR 6.4 billion in 2002, leaving the Bank with a well filled project pipeline that should allow for strong lending in the years ahead.

In 2002, the Bank took all necessary steps to prepare for the arrival of its new shareholders and started

recruiting staff from the future Member States.

Launch of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

In response to the conclusions of the Barcelona European Council (15-16 March 2002) on strengthening the Euro-Mediterranean Partnership, this new facility was set up in October 2002 with the objective of helping the 12 Mediterranean Partner Countries (MPC) to meet the challenges of economic and social modernisation and enhanced regional integration, thus contributing to the planned creation of a free-trade area between the EU and the MPC by 2010. FEMIP will focus on development of the private sector, regional cooperation projects and investment in health and education. It will provide technical assistance for the design of projects and reforms in different economic sectors. The EIB's lending under FEMIP is planned to increase gradually from EUR 1.6 billion (2002) to 2 billion annually and reach a total of 8 to 10 billion by 2006. Among the first private sector projects financed under FEMIP are a car manufacturing plant in Turkey, a natural gas liquefaction plant in Egypt and cement factories in Tunisia and Algeria.

The Partner Countries are involved in FEMIP through the creation of a Policy Dialogue and Coordination Committee (PDCC), which will meet twice a year and be composed of representatives of the Finance Ministries of the 15 EU Member States and Finance and Economy Ministers of the 12 Partner Countries. The PDCC will ensure that the Mediterranean Partner Countries have a major input into the implementation of MPC/EU financial and economic cooperation. The EIB will also set up offices in the region; the first one will be opened in Cairo this year.

Preparations for the Cotonou Investment Facility

The Lomé Convention, in the framework of which EIB has financed development in the ACP Countries, will be replaced by the Cotonou Agreement, as soon as the latter has been ratified by all of the EU Member States. The Member States have entrusted the EIB with the remit of managing, over the next five years, a EUR 2.2 billion Investment Facility to finance operations in the ACP Countries. In addition to the facility, the EIB will continue to invest its own resources in the ACP Countries, up to an amount of EUR 1.7 billion, over the same five-year period. The main focus will be on poverty reduction. Priority will therefore be given to smaller-scale investment in the private sector and projects in the fields of health and education. The Investment Facility will be set up as a revolving fund: capital repayments will be used to finance new projects.

Rapid response to floods in Central Europe

Rainfall in the second week of August 2002 in the Elbe catchment area was unprecedented and caused severe damage. The EIB reacted without delay. On 18 August, an aid programme was proposed to the Heads of Government of Germany, Austria and the Czech Republic; by mid-September, the Bank's decision-making bodies had approved an immediate aid programme of EUR 1 billion in 2002; by end-December, finance contracts worth 1 billion had been signed (Germany EUR 430 million; Czech Republic 400 m; Austria 170 m). These loans were provided on particularly favourable terms. The Bank stands ready to grant further loans over the next two years in order to finance major repairs and damage prevention measures. The Bank is also ready to lend, at the same favourable conditions, for the rehabilitation of oil slicked coasts in Galicia/ Spain. A first loan of EUR 150 million should be signed in the next weeks.

Lending in 2002

Continued priority for regional development and economic and social cohesion

Regional development continued to be the Bank's top lending priority, absorbing an aggregate EUR 22.9 billion in the present and future EU Member States. Within the EU 15, EUR 12.5 billion or 60% of total individual loans and an estimated EUR 6.8 billion in global loan allocations for SMEs and smaller public investment projects were directed towards schemes in assisted areas. In the future Member States, the Bank provided EUR 3.6 billion. Cooperation with the Commission continued to play a key role in achieving the

regional development targets and maximising synergies between EIB loans and grant money from the Commission. For example, the EIB and the Commission are co-financing regional development schemes in Italy and Spain. The Bank is also actively involved in project appraisal and information exchange on large projects that are the subject of grant requests under the ERDF, Cohesion Fund and ISPA.

Meeting ambitious target for lending for environmental projects

The Bank has set itself the target of directing between a quarter and a third of its individual loans in the present and future Member States towards environmental projects. In 2002, this target was amply met. Individual loans reached a record EUR 9.3 billion in the EU 15 (+ 56% compared to 2001) and 900 million in the future Member States. A further EUR 1.8 billion was advanced for small-scale environmental projects mounted by local authorities and SMEs under global loan arrangements with the EIB's partner banks. Environmental projects include urban transport and renewal, water and sanitation, waste disposal, renewable energy and energy saving. In the future Member States, investment is driven by the need to comply with EU environmental directives, and in many cases projects are co-financed with grant aid from ISPA funds. The Bank will this month publish on its website its first Environmental Report, which provides an account of recent activity.

Long-term priority accorded to an innovative and knowledge-based European economy

EIB financing in support of the EU's strategy for an information and knowledge-based economy, decided by the European Council in Lisbon (2000), amounted to EUR 3.6 billion in 2002. Among the Bank's "i2i"-loans (initiative 2000 innovation), financing of 15 R&D projects for a total of 2.1 billion was predominant, bringing total lending for R&D since May 2000, when the i2i programme was started, to an aggregate 3.8 billion.

Since May 2000, the EIB has approved 14.4 billion and signed contracts worth 10.8 billion for investment in research and development, information and communications technology networks, dissemination of innovation (including support to the audiovisual sector) and human capital formation, in particular education infrastructure. Despite a relatively difficult economic environment, i.e. the unprecedented slump of investment in the high-tech industry, the level of operations is thus in line with the Bank's commitment of EUR 12 - 15 billion of dedicated lending in this sector by the year 2003. With the creation of a more innovative European economy being a long term objective, the Bank has extended its initial support beyond 2003 and made it a priority for its lending until 2010.

Lending for innovative projects covered the entire EU as well as most future EU members. Special attention was also paid to identifying projects in the less favoured regions in order to contribute to development of the European knowledge-based economy throughout the entire Union, and not only in the already more affluent parts of it. Loans worth 6.5 billion or nearly 60% of the total (of loans signed so far) were channelled into the assisted areas within the Union, and an additional 0.6 billion or 7% into the future Member States.

The **European Investment Fund** last year took participations worth EUR 471 million in 36 venture capital funds, bringing its investment portfolio (from own resources and under EIB and Commission mandates) to 109 funds and a total of EUR 2.5 billion by end-2002. The EIF acts as a fund of funds, and its focus is on high-tech and early stage funds, a sector in which it has become one of Europe's main investors.

SME guarantees, which through their important leverage effect allow banks and other financial intermediaries to extend their lending activity to more SMEs, represented EUR 1.2 billion under 32 operations in 2002, bringing total commitments to 4.5 billion (184 operations signed).

Borrowing strategy

Global presence coupled with attention to investors' needs in the specific markets

The EIB raised EUR 38 billion through 219 bond issues in 14 currencies, thereby further consolidating its

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

Emphasis on benchmark issues

35% of resources (EUR 13.3 billion) was raised in EUR, predominantly through **EUR**-denominated benchmark issues (EARNs). At year-end, the Bank had 11 highly liquid benchmarks with an outstanding total of EUR 50 billion and maturities spanning the whole interest rate curve from 2003 to 2012. All EARNs are traded on the MTS Platform and seven of them – totalling EUR 37 billion – also on Euro-MTS. In addition, the Bank launched its first inflation-linked Euro transaction. A record 38% of funds (EUR 14.4 billion) was raised in **USD**, including 9 billion through issuance of global bonds, of which an increasing part was placed in the USA and with Asian central banks. **GBP** issues (EUR 6.2 billion) accounted for 16% of resources raised, further reinforcing the EIB's position as the leading non-sovereign borrower in the UK. On that market, demand proved particularly keen for retail issues targeting private investors as well as for an inflation-linked bond. Other issues were launched in the currencies of Scandinavia, Australia, New Zealand, South Africa, Japan, Taiwan and Hong Kong.

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

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