

Speech by Philippe Maystadt (7 February 2002)

Caption: At the Annual Press Conference held in Brussels on 7 February 2002, Philippe Maystadt, President of the European Investment Bank, reports on the Bank's 2001 activities and outlines perspectives for 2002. In his speech, he also emphasises the importance of the various institutional changes affecting the Bank, introduced with a view to fulfilling its objectives more effectively.

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Speech by Mr Philippe MAYSTADT, President of the EIB and Chairman of its Board of Directors, during the Annual Press Conference on 7 February 2002, in Brussels

Ladies and Gentlemen,

I am very pleased to welcome you once again to the European Investment Bank's annual press conference and to let you be the first to hear how we performed in 2001 in discharging our remit to support the European Union's objectives.

The documentation handed to you details the different facets of our operations, but I should like to set the scene with some key figures: in 2001, the EIB lent EUR 36.8 billion, 31.2 billion of this in the Union and 5.6 billion in non-member countries; and to fund this lending, the Bank borrowed 32.3 billion via 148 operations involving 13 currencies. Alongside our own activity, our subsidiary the EIF (European Investment Fund) substantially stepped up its support for SMEs, investing over 800 million in venture capital and granting 960 million in guarantees.

As at 31 December 2001, the Bank's balance sheet totalled 209.4 billion, with outstanding borrowings of 176 billion and loans of 221 billion.

Efficiency in the service of the union

During my two years' tenure as President of the EIB Group, my main focus has been on ensuring that the Bank and the EIF contribute efficiently to furthering the Union's objectives.

I have encapsulated this priority in the phrase "Policy-driven Public Bank". This describes a public bank which, in full harmony with the Union's other institutions and without burdening the public finances, contributes to the implementation of projects that give concrete expression to the economic, social and, ultimately, political priorities of the Union.

To support this objective of efficiency, the Bank has introduced various changes in the past two years that I should like to outline to you today.

- On the institutional level, first of all, we have deepened our dialogue with the **European Parliament** through participation in various meetings of Parliamentary committees (notably the Committee on Economic and Monetary Affairs) and, above all, through the examination in plenary session of a report by the Parliament on monitoring the activities of the Bank. The aim has been to organise a frank and open dialogue on the Bank's contribution to furthering the Union's objectives, a sphere where the Union's elected representatives are both the driving force and ultimate monitoring body. This dialogue is of great value to us: it enables us both to increase awareness of what we do and to learn at first hand what the European Parliament's priorities are. Finally, and without doubt most importantly, this ongoing dialogue enables the Parliament to dovetail the Bank's operations with the discharge of its legislative and budgetary responsibilities, thereby making for greater consistency in the initiatives that the Union pursues for the benefit of its citizens.
- In parallel, the Bank is involved in the **Ecofin Council**, placing its expertise at the Union's disposal, particularly with regard to the deployment of new instruments. The gratifying result is that there is now scarcely a European Council meeting where the Heads of State and Government do not refer to the Bank. This was again the case in 2001 at the Council meetings in Stockholm in March (inviting the Bank to step up its financing to turn Europe into a high performance economy based on knowledge and innovation); and again in Ghent, in October, when the Council asked the EIB to spearhead efforts to stabilise investment in sectors hardest hit by the economic slowdown. The Bank has also strengthened its operational links with the Commission in order to enhance the synergies between the Bank's lending, the EIF's operations and the Union's budgetary resources in furthering the common objectives. This applies particularly to regional development, preparing the Accession Countries for EU membership, promoting research and development and supporting European audiovisual production - areas on which the two institutions have concluded

agreements. In addition, an important document on environmental protection is currently being finalised with a view to achieving better coordination between our respective efforts, particularly to facilitate practical implementation of the Union's commitments on sustainable development and combating climate change.

- Finally, in 2001 the Bank implemented its new policy of **transparency**. The main vector of this is a new information policy: the Bank now lists projects under appraisal on its website, with details of the parameters for each investment; the Bank also discloses its operational strategies by publishing its multiannual Corporate Operational Plan (COP) and its documents on sectoral policy (those relating to the environment, sustainable development, climate change and preparing the Accession Countries for membership are already to be found there); and finally, the EIB makes available detailed information on its procedures and methods for project appraisal and monitoring. These efforts to achieve transparency are flanked by an ongoing dialogue with representatives of civil society through the NGOs. In the course of 2001 alone, the Bank participated in 5 meetings held by NGOs on sectoral aspects of their activities, and itself organised two round tables - one in June in Brussels on its information policy and the other in November, in London, to discuss its policies on poverty reduction and sustainable development in the emerging countries.
- To reinforce this strategy of openness, the EIB also forged closer links with the **Economic and Social Committee (ESC)** so that it can take account of the Committee's opinions in developing its financing strategies and also to turn to account the Committee's enhanced role, as defined by the Treaty of Nice, as an interface between the Union's organs and the wider community.

Ladies and Gentlemen:

My reason for wishing to focus your attention on these institutional changes affecting the Bank is that they have an important bearing on the conduct of our operations, as is shown by the highlights of our activity in 2001.

Strengthening the union's economic and social cohesion and quality of life

First of all, I should like to underline the top priority that the EIB Group always accords to strengthening the Union's economic and social cohesion; and our perspective now encompasses the Accession Countries - our members-to-be in the very near future.

In 2001, the Bank devoted nearly EUR 22 billion to the financing of projects in the least developed regions of the Union and the Accession Countries. This unprecedented support ranged across all sectors of the economy, from basic infrastructure - large and small - to industrial projects and SMEs. But more important than this was the major catalytic effect in attracting other sources of finance, particularly from banks, while the bulk of the EIB's lending also involves the deployment of Community structural funds. In addition, there is a close degree of complementarity between the Bank's choice of projects in these regions and the achievement of the objectives defined at Union level. This makes a decisive contribution to giving the populations of these areas equal access to state-of-the-art health and education facilities (87% of loans to these sectors go to less developed areas), new technologies, advanced communications networks, a better quality of life and protection of the environment.

In this connection, I am pleased to report our continuing endeavours in the field of **environmental protection**. In the year 2001 alone we advanced some EUR 9 billion for this purpose, of which 8 billion was within the Union. This lending mainly targeted the treatment and protection of water resources, waste management and the generation of non-polluting or renewable energy. Through our global loans, we also supported thousands of small local infrastructure schemes, which often have a decisive impact on the quality of life in these regions.

The Bank could not, year after year, sustain such a high volume of environmental protection lending if it did not engage in a **continuous review of its methods for appraising the projects it finances and taking account of their environmental parameters**. I have already mentioned our action in completely overhauling our environmental strategy documents in order to support the Union's commitments on climate

change and sustainable development; these are available on our website. During the year, the Bank also rethought its internal organisation in this domain, creating a new environmental set-up within the Projects Directorate based on an "environmental unit" and "an environmental evaluation group". In order to ensure consistency between the Bank's individual project choices and its revised environmental criteria, an "Inter-Directorate Steering Committee" brings together the Bank's operational Directors General several times a year to consider the issues of methodology, portfolio composition and the evaluation of operations from the point of view of their environmental impact.

Modernising and sustaining europe's economy

Ladies and Gentlemen:

The second objective that we are called on to pursue is modernising and sustaining Europe's economy in order to enable the Union, now underpinned by the creation of its new currency, to play its full part in a globalised economy. The Innovation 2000 Initiative (i2i), which the EIB Group set up in the wake of the conclusions of the Lisbon European Council (March 2000), aims to further this objective by promoting the development of a knowledge-based and innovation-driven European economy.

As you are aware, "i2i" revolves around five objectives that pave the way for technological upgrading and for equipping human capital to cope with the challenges of the European economy of tomorrow. In 2001, "i2i" surged ahead, **bringing to more than 10.3 billion (9.1 billion EIB + 1.2 billion EIF) the volume of operations approved** in the Union's member countries taken together plus seven of the Accession Countries; total loans signed amounted to 7.2 billion (over 5 billion of this in 2001) and the volume of EIF equity participations exceeded 2 billion (800 million of this in 2001 alone). Thus the Group has gone a long way towards achieving the goal set for it by the Lisbon European Council in March 2000, namely investing between EUR 12 and 15 billion under the "i2i" programme by the end of 2003. The sectoral variety of the projects financed and their strong concentration in the Union's less advantaged areas demonstrate that the EIB Group has managed, within a very short timespan, to respond to a real economic demand with suitably tailored financial products while according priority to investment producing a transfer of know-how to the less advanced regions.

The projects financed under "i2i" cover a wide range of sectors, but I should like to focus on two which are equally important for the competitiveness of our economy:

- In 2001, **1.7 billion was invested in 12 R&D projects** undertaken by the private sector in 11 countries of the Union and Central Europe, in the chemical-pharmaceutical, metallurgy, electronic components and telecommunications sectors. Among these, it is worth highlighting in particular two projects with a pan-European dimension involving research efforts towards the establishment and shared management of 3rd generation telecommunications networks. Moreover, several projects approved by the Bank but not yet signed will concern the development of centres of excellence bringing together university facilities, research infrastructure and business resources on a single site.
- My second example involves **SMEs**, whose development is essential to preserving the social fabric and keeping our economy competitive. In 2001, 5.2 billion of long-term loans went to support investment projects undertaken by over 50 000 enterprises, while the EIF sharply expanded its operations in a market that was nevertheless in decline. As I have already mentioned, the Fund invested over EUR 800 million in stakes in 53 venture capital funds intended to bolster the equity base of innovative or developing businesses, and concluded 39 guarantee operations with a total value approaching a billion euro in support of SMEs. This brings the number of businesses that have indirectly benefited from the EIB Group's operations to over 100 000.

Finally, in response to the request of the Ghent European Council, the Bank has recently decided to **step up its support for sectors particularly affected by the economic slowdown**. Through its targeted financing choices, the Bank will be able to play a stabilising role in investment in areas such as transport and environmental protection infrastructure, new-technology projects and tourism, by expanding its risk-sharing

lending through its Structured Finance Facility and by financing up to 75% of the cost of certain projects, not least via its global loans.

Accession countries: environment, direct investment and human capital

Outside the Union, the Bank continues as always to devote particular attention to two areas of vital importance for tomorrow's Europe: the Accession Countries of Central and Eastern Europe and the Mediterranean Partner Countries.

In 2001, the Bank invested **2.7 billion in the Accession Countries**, bringing total lending since 1990 to prepare countries for membership to over 16 and a half billion. Confirming a strong trend that has developed in recent years, 2001 saw our lending to the environmental sector taking a 20% share of our investment, with the emphasis on support for foreign direct investment which contributes to the transfer of technological know-how and capital to our future Member States - an essential factor in their competitiveness. Bearing in mind the considerable needs involved, the basic infrastructure sector of course remains a priority: 56% of our aggregate lending went to these sectors, backed in a number of major cases by co-financing with ISPA under our enhanced cooperation arrangements with the Commission. Finally, I am pleased to announce the launch, with 25 million this year, of our support for health and education projects in the Accession Countries to underpin the vitally needed process of modernising not only infrastructural facilities but also healthcare and teaching practices in these countries.

Participating in revitalising the barcelona process

With **1.5 billion lent to the Mediterranean Partner Countries in 2001**, the EIB has established itself as by far the leading source of banking finance for projects to achieve sustainable development in these countries. Our financing, spread equally over the whole area, encompasses the main sectors of the economies concerned and is geared to three objectives: 1) - liberalising the economy by strengthening the private sector and encouraging modernisation of the local banking sector; 2) - ensuring sustainable development by creating basic infrastructure primarily aimed at safeguarding the environment (which accounted for an unprecedented 34% of our lending in 2001) and 3) - supporting the emergence of projects with a regional dimension giving concrete expression to greater cooperation among the beneficiary countries, thereby helping to promote economic development and greater stability across the region.

Nevertheless, despite these significant achievements which testify to the EIB's resolute commitment to furthering the Union's objectives in the region, it has to be recognised that the process launched in Barcelona in 1995 needs to be revitalised in order to deepen the dialogue between the European Union and its partners on the southern and eastern shores of the Mediterranean. As you will have noted, the Spanish Presidency of the Union has put this at the top of its priorities and the EIB for its part is determined to deploy its financial expertise as well as its knowledge of people and needs within the region in support of any initiative that its shareholders consider appropriate. The Bank is accordingly closely involved, at the Council's request and alongside the Commission, in the current debate directed towards:

- bolstering the **coordination of various forms of financial aid** from the Union and its Member States;
- developing **new financial instruments**, for example to encourage more foreign direct investment in the beneficiary countries;
- involving **beneficiary countries** more directly in implementation of the aid so as to increase their commitment to supporting Union-financed projects.

Outlook

Ladies and Gentlemen:

The overview I have just given you clearly illustrates the range and diversity of the arenas in which the EIB Group is called upon to shoulder increased responsibilities in meeting the challenges facing the Union.

As is widely known, the Bank funds its operations without direct recourse to public finances. Instead it taps the capital markets, where its "Triple A" credit rating enables it to borrow on the finest terms to raise the huge sums it needs, using innovative financial engineering techniques that are widely acclaimed - as shown by the accolade of winning Euroweek's Prize for best borrower of the year 2001. In so channelling funds from where they are available to where they are needed, the EIB is acting wholly in keeping with both Union and shareholder guidelines which, through the Bank's multiannual Corporate Operational Plan, have set a framework in terms of volumes and priorities.

The framework is one of sustained activity over the next five years as regards financing outside the Union, and one of relative stability in the volume of lending within the Union.

Five priorities have been set: within the Union, regional development and modernisation of the economy (the "i2i" programme); outside the Union, preparing the Accession Countries for membership and supporting the Union's external aid and cooperation policies; and lastly, an overarching priority, which applies both within and outside the Union, namely supporting projects that safeguard the environment and ensuring the widest diffusion of the highest environmental protection standards through projects financed.

With loans of 221 billion outstanding as at 31 December 2001 and a theoretical upper limit of 250 billion, these objectives have led me to submit to the Bank's shareholders a proposal to consider a **50% increase in its capital**. Discussions within the Bank's Board of Directors are now well advanced regarding possible strategies on how best to equip the Union's financing institution to continue working for an integrated Europe. A decision on this matter will be taken at the next annual meeting of our Governors on 5 June. I have no doubt that once again, as on previous occasions, the proposed capital increase will command the solid and unanimous backing of the Bank's shareholders.