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Bilag
1

Journalnummer
400.C.2-0

Kontor
EU-sekr.

10. december 2003

Til underretning for Folketingets Europaudvalg vedlægges i forbindelse med
Det Europæiske Råd i Bruxelles den 12.-13. december 2003 rapporten
"Vækstinitiativet - fremskridtsrapport fra Den Europæiske Investerings
Bank", 15037/03.

P. B. Orskov



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 19 November 2003

15037/03

**ECOFIN 355
FIN 522
TRANS 303
ECO 243
ENER 315
RECH 218
TELECOM 156
SOC 484**

NOTE

from : General Secretariat of the Council
to : Coreper/COUNCIL

Subject : Growth Initiative: progress report by the European Investment Bank

Delegations will find attached the progress report on the Growth Initiative, prepared by the European Investment Bank.¹

Encl.:

¹ This document was received by the Council Secretariat in English only.

GROWTH INITIATIVE**EIB/EIF Timetable****Progress report: Gearing up to action****1. Background**

Together with its report to the ECOFIN meeting of 7 October ("The Growth Initiative: further report to ECOFIN", Council Doc. 13148/03 of 1 October, 2003), the European Investment Bank has submitted a timetable identifying concrete steps for a quick implementation of the EIB/EIF contribution to the Growth initiative (GI). The purpose of the present report is to inform the ECOFIN Council about progress achieved to date and the perspectives for the near future. While focusing on concrete actions under the direct responsibility of the Bank's organs (as reflected in its Corporate Operational Plan), it has been prepared in the context of a continuing and reinforced cooperation with the relevant Commission services and due account has been taken of the policy conclusions reached in the successive meetings dealing with the definition of the Growth Initiative and of the Bank's contribution to it (EIB Board of Directors of 17 September, EFC of 3 October, ECOFIN of 7 October, European Council of 16-17 October), particularly in their relation with the Lisbon agenda.

2. Decisions taken by the EIB Board of Directors

In agreement with the proposed timetable, the EIB Board of Directors of 23 October 2003 has given its assent to two important proposals presented by the EIB Management Committee.

The first proposal concerns the **introduction of financing instruments targeting mid-cap companies**. This innovation closes a gap in the existing range of EIB lending instruments in favour of investment projects by firms of intermediate size. It should be particularly relevant for investment projects in the field of Research, Development and Innovation (RDI), an essential component of the Growth Initiative.

The second proposal concerns the **allocation of the Special Supplementary Reserve of 750 million** already established by the Governors. It has thus been decided to allocate 250m to the **fund for Structured Finance Facility (SFF) operations** and 500m to the **fund for Venture Capital (VC) operations** that would be subsequently mandated to the EIF. Concerning the EIF, and assuming the conditions are met to increase the gearing ratio from 175% to 200%, this allocation of 500m could mean additional headroom for VC operations of 1,000m. It is a very significant amount both in absolute terms and given the present difficult market circumstances. Previous reports have stressed that the VC activity of EIF is an essential instrument to support the RDI part of the Growth Initiative by targeting innovative SMEs. Concerning operations under SFF and in addition to the 250m allocation mentioned above, the Board of Directors has simultaneously approved a revision of the framework governing these operations. This revision includes a reduction of capital allocation ratios (now closer to Basle II recommendations while still remaining more stringent). It also creates an enhanced SFF financing capacity. Under present assumptions about the risk profile of future SFF operations, the total business volume can be estimated at some 3,950 m, with 2,500 m associated with the new 250 m allocation and 1,450 m with the unused part of the previous allocation. This figure represents an additional contribution from the Bank that is significantly higher than figures previously mentioned. It is recalled that SFF operations are of interest to support GI related operations, both in the field of TEN and of RDI.

Altogether, these measures reinforce very significantly the potential of the EIB Group to support a number of important and diverse components of the Growth Initiative.

3. Growth Initiative and preparation of COP 2004-2006 (I): general

The proposed EIB/EIF timetable also foresaw an explicit inclusion of the EIB Group's support to the Growth Initiative into the Corporate Operational Plans (COP) of both institutions. They are under preparation and will be adopted in December 2003 by their respective Boards. They are developed on a three-year rolling basis and cover the period 2004-2006.

This inclusion is important as it ensures a full integration of corresponding actions within overall business planning. In addition, the three-year horizon ensures multi-annual continuity while still accommodating a “quick start” approach as discussed below.

The COP preparatory work has been adapted and accelerated in order to make GI related information available for the ECOFIN meeting of 25 November and for the preparatory EFC meetings. It is presented below both for the TEN and RDI components, in advance of the full finalisation of the corresponding COPs. The presented work is thus still provisional and further refinement will be made by this date. However the main thrust of the presentation below should remain largely unchanged.

The EU Council in October has requested the establishment of “a *“quick-start programme” identifying a list of projects in an enlarged Union based on transparent criteria, along with assessments of their significance for the integration of the internal market in the enlarged Europe, their economic and financial viability, their impact on growth and the leveraging effect on private capital*”. The Bank’s contribution to the Growth Initiative will provide particular attention to support projects identified under such “quick start programme”; it will also finance other viable projects related to the TEN and RDI areas in support of the Growth Initiative.

In both areas it must be stressed that actual achievements will need to build on the sustained involvement of all actors concerned, notably also in the private sector, and will thus depend on market receptiveness.

4. Growth Initiative and preparation of COP 2004-2006 (II): Trans European Networks

4.1. The European Council of 16-17 October has confirmed "*speeding up the implementation of European transport, energy and telecoms networks*" as one key component of the Growth Initiative. To support this objective, the Bank introduced in July 2003 the concept of the TEN Investment Facility (TIF). Within this context, a number of actions has already been proposed, in particular the possible provision of 50 billion EUR of senior loans by 2010 in the field of trans-European transport networks (denominated as TEN-T) plus appropriate recourse to SFF financing. The overall TEN-T area to which these commitments may refer is not restricted to the 29 "priority projects"² of the new list proposed by the Commission on 1 October 2003 (in the context of the revision of the guidelines and financial rules for TEN-T). As stressed in previous EIB reports, it also includes investments related to the overall trans-European transport networks identified at (enlarged) EU level.

The assessment made by the Bank at the current stage is that up to 25 billion of senior loans might be made available to TEN-T projects over the 2004-2006 COP period. This could be split (roughly) in half between a sub-set of the 29 "priority projects" ("quick start" approach) and other TEN-T projects. The total investment supported would be in the order of 75 billions. In terms of an indicative geographical split, 20 billion would correspond to projects located in the EU-15, with the remaining 5 billion in the Accessing and Accession countries.

² In this note, we use the official terminology of "priority projects" as contained in the Commission's amended proposal for a decision of the European Parliament and the Council on the Community guidelines for the development of the trans-European transport network (COM(2003)564 final of 1 October, 2003). The reader should be aware that these "priority projects" are composed of several sub-projects, sometimes of very significant size.

4.2. In previous discussions, particular attention has been paid to the advancement of investments associated with the 29 "priority projects" of the Commission list. It is recalled that this list is largely derived from the Van Miert High Level Group report (inclusion of all projects of the so called "list 1" of this report). Involvement in these priority projects requires a careful assessment of the quality of the investment schemes and their potential for quick implementation. While the goal is to advance as many projects as possible, it must be recognised that undertaking appropriate environmental impact assessments, preparing detailed design, assembling proper financing packages etc. takes time. In some projects, notably large cross-border investments, there remain legal and institutional issues that, even with the best will in the world, will not be resolved in the immediate future. Hence the idea to identify a "quick start" package within this list.

4.3. In this perspective and on the basis of available information, the Bank has tried to identify those priority projects for which, in the first place, significant implementation progress can be expected over the next 3 years. Three remarks should be made. The first remark is that this selection is not tantamount to setting priorities within priorities. It reflects a practical assessment of real possibilities over the 2004-2006 period. The second remark is that all the projects on the priority list contain several sub projects with different degrees of maturity or complexity. This is also the case for projects selected as "quick start". Their implementation, while being judged as possibly significant over the coming 2004-2006 period, may have to expand further for several sub projects. Continuity of commitment is thus a critical element for the actual success of the quick start approach. It may require appropriate procedures as discussed below. The third remark applies to all projects or sub-projects that could be considered for Bank's financing. They will have to satisfy the Bank's standard criteria in terms of economic interest, soundness of the financing plan, compatibility with environmental considerations and procurement rules. This is consistent with the criteria put forward by the EU Council. The present assessment has globally taken these criteria into account but they should be checked in detail for each operation.

4.4. The Bank has already been heavily involved in supporting priority TENs. Indeed, the Bank has financed all but one of the ongoing transport projects on the Essen list. To-date the Bank has signed some 22 billion in loans to the priority projects (Essen, 2001 and 2003 lists), and has disbursed EUR 19 billion of this sum.

As said before, the priority projects often include a series of investments. In some case, the timing may be such that a first phase of investment is underway or completed (say, the connecting infrastructure to a tunnel), but that subsequent phases are not yet ready to start (boring the tunnel itself).

Following the above approach, the EIB assessment is that it is reasonable to hope to advance investments in the next 3 years on the following 16 projects in the table, drawn from the list of 29 “priority projects”.

The EIB believes that it can contribute in the order of 12-13 billion to the 16 projects identified above during the next three years. Additional sums can, of course, be provided to the same projects during later stages of their implementation towards the end of the decade. It is worth stressing again that financing by the Bank of a stand-alone sub-project is based on an individual assessment according to the Bank’s standard criteria in terms of economic interest, soundness of the financing plan, compatibility with environmental considerations and procurement rules. The soundness of the financing plan may depend on the capacity of this (sub-)project to attract private sector participation.

A similar logic should apply to other projects on the priority list. While the range of investments will continue to be reviewed by the Bank for new lending opportunities, projects not included in this possible “quick start” package remain candidates for a second stage in the period 2007-2010.

Table

Priority Project	Name / Description
1	High-speed train/combined transport north-south (Germany-Austria-Italy)
2	High-speed train PBKAL (Paris – Brussels – Cologne – Amsterdam – London)
3	High-speed train south (Madrid-Barcelona-Perpignan-Montpellier & Madrid-Vitoria-Dax-Bordeaux-Tours & Lisboa/Porto-Madrid)
4	High-speed train east (Paris-eastern France-southern Germany including Metz- Luxembourg branch)
6	High-speed train/combined transport France- Italy - Slovenia - Hungary
7	Greek motorways (Pathe& Via Egnatia) & Sofia-Kulata-Greek/Bulgarian border motorway & Nadlac-Sibiu motorway
8	Portugal/Spain multimodal link
12	Nordic triangle rail/ road
13	Ireland/ United Kingdom/ Benelux road link
15	Galileo
19	High-speed rail interoperability on the Iberian peninsula
21	Motorways of the sea
22	Railway line Athina-Sofia-Budapest-Wien-Praha-Nürnberg/Dresden
23	Railway line Gdansk-Warszawa-Brno/Bratislava/Wien
24	Railway line Lyon/Genova-Basel-Duisburg-Rotterdam/Antwerp
25	Motorway route Gdansk-Brno/Bratislava/Wien

A review of the projects in the quick start package moreover suggests that most candidates for PPP structures have already been identified. The majority of investments on the priority list will remain the responsibility of state-owned companies with support from budgetary sources.

4.5. Concerning more specifically TEN-T, the Commission has circulated a number of specific criteria that it considers relevant for a quick start approach: maturity (directly reflecting quick start perspective), trans-national dimension, impact on growth and innovation in an enlarged Union (for instance high speed technology), sustainability. The previous list of 16 projects appears consistent with all these criteria, with some limited exceptions concerning the trans-national characteristics, notably at the level of sub-projects. It enlarges, in a moderate way, the number of potential investments.

To conclude, the quick start approach should not be a mere labelling exercise if the aim is to get results. Defining a project as quick start should also reflect clear and concrete commitments (including in financial terms) from all parties involved, in favour of its prompt and steady advancement. This concerns the interested Member States (in particular for trans-border projects) and regional authorities, the promoters as well as the Commission and the Bank. Within such commitments, the designation of "European coordinators" as proposed by the Commission can be an efficient tool for achieving progress.

4.6. It has been indicated that out of the foreseen EIB contribution to TEN-T projects of 25 billion over the next 3 years, approximately half would be for other investments on the TEN network. As stressed in previous reports, these investments are usually smaller and less complex than those associated with the large projects of the priority list and may therefore generate results within a shorter timeframe.

In terms of transport modes, many of the priority projects within the EIB's "quick start" identification involve the railways, and it is likely that the majority of EIB projects in the maritime sector will be related to the Motorways of the Sea priority project. Most of the (smaller) TEN investments outside this list will be in the road and air sectors. Typically we would expect to see 60-65% of these projects in the road sector. Another 25-30% would be for airports, with a further 10% for miscellaneous rail investments.

4.7. There will be some geographical variation in these ratios. Of particular note is the relatively lesser role of "priority projects" in Eastern Europe in the Bank's lending portfolio to-date. This is not surprising as the concept of priorities within the overall TEN/TINA list is a new phenomenon for the region. Moreover, many of the transport projects with by far the highest economic interest have involved rehabilitation works on high-density traffic corridors between the main cities of the region.

However, available information on possible operations in the region suggests that a significant increase in the proportion of priority projects is likely to occur over the medium term. A split: 1/3, priority list; 2/3, other important TEN-T projects, seems, at first sight, a realistic assumption for the next few years. A recent EIB study of investment and financing trends for the region has suggested that a split 2:1 between road and rail would be the most likely outcome. Such a split results from the need to start developing motorway networks coupled with the need for restructuring in the railways. The role of the EIB is also influenced by other co-financiers of transport projects, notably the EU Cohesion Fund.

4.8. Of course the issue of absorption capacity will be particularly critical after enlargement. The ability of the new Member States to absorb grants from the Cohesion and Structural Funds will depend on the availability of competent staff dedicated to the preparation and implementation of projects. Often, external technical assistance will be required. A possible way to reduce the burden on public bodies responsible for the implementation of projects is to better coordinate Commission and EIB activity.

4.9. Turning to the case of Energy-TEN projects (electricity and gas), it is fair to recognise that relatively less emphasis has been put on this category during most discussions related with the Growth Initiative. Recent incidents affecting electricity networks as well as security of supply considerations may justify a renewed focus on this TEN category. The text adopted in June 2003 by the European Parliament and the Council lays down a series of guidelines for trans-European energy networks, with an identification of corresponding priority projects and of projects of common interest (decision 1229/2003/EC).

The present assessment by the Bank is that annual financing on these projects could be in the 500-1,000 million range but further review of needs and opportunities has to be done. It should be stressed that emphasis on additional transmission or storage capacities for energy should not detract from sustained efforts towards a more rational use of energy, the development of renewable energy and the mitigation of greenhouse effects. The Bank is determined to further reinforce its activity in these fields. It can furthermore be noted that some actions proposed under RDI considerations are consistent with this orientation (hydrogen economy for instance).

4.10. The case of TEN-telecommunications, or e-TEN, is specific. EU decisions and guidelines in this area are targeted towards categories of projects and do not focus on identified networks or projects within networks as for TEN-T and TEN-energy. The corresponding areas are largely covered by i2i-type operations as described below. It is mentioned for instance that an (average) annual loan volume of 2.5 billion could be available for projects in the ICT sector over the next three years. A substantial part of it can be related with e-TEN orientations (broadband for instance).

4.11. Altogether, this preliminary assessment made by the Bank confirms its capacity to engage into a swift implementation of its announced overall commitments concerning TEN projects and within the context of its forthcoming Corporate Operational Plan.

Over the next three years (2004-2006) and within the COP framework:

- up to 25 billion lending could support TEN-T projects, with (roughly) equal sharing between the support to a "quick start" package interesting 16 of the 29 projects of the "priority list" and to other TEN-T related projects;

- annual lending of 500-1,000 m can be envisaged in the field of energy-TEN with possible additional developments;

- an important substantial part of i2i lending as described below can support the objectives and priorities set in the e-TEN guidelines.

In addition the Bank will be able to mobilize SFF resources in special cases, notably in the context of PPP operations, as stated before. This deployment is closely linked with the precise financial characteristics of individual operations and it is premature at this stage to provide overall figures. The Bank is in the process of identifying possible pipelines of such operations.

Implementation of these three-year perspectives will necessitate close and effective cooperation with all actors concerned. As indicated before, this applies in particular to the priority projects to be considered as quick-start.

4.12. As mentioned in previous reports, the support to concrete projects will be accompanied by continuing efforts to improve the range of financial instruments under TIF, related to the specific requirements of the sector. Some more recent or ongoing developments are worth mentioning. They concern guarantee aspects, securitisation, strengthening of co-financing with capital markets and combined use of EU funds and EIB loans.

a) Concerning **guarantees**, an important development is the proposal by the Commission of a new, EU Guarantee instrument. The aim of this instrument would be to leverage private sector funding of TEN. It could focus on post-construction risks, specifically the risks of traffic/revenue shortfalls in the early years of green field projects. It would be available only to projects with a share of risks taken by the private sector, especially PPPs. The Bank fully supports the Commission's proposal. .

In addition, the Bank is ready to develop its own guarantee activity, for instance in collaboration with monoline insurance companies on a debt service basis to investment grade projects or in favour of public bodies and municipalities in the Accessing countries so as to strengthen the ability of the domestic financial institutions to finance infrastructure both in domestic currencies and in EUR.

b) As indicated previously, **securitisation** is becoming an important tool for financing infrastructure at all levels, for the public as well as private sectors. The creation of the Euro market as well as the changes in the banking and insurance sectors are indeed opening up to an increasing degree the possibilities for promoters and institutions to draw financial support from different categories of investors in larger amounts throughout the Union in a more efficient manner.

In this context, the Bank is prepared to collaborate with major European institutions to increase the flow of funds into suitable projects. Whilst those institutional investors (private and public pension funds, life insurance companies) seek a diversification of the maturity and risk profiles of their investment portfolios, their investment into infrastructure is often hampered by restrictive legislation in the Member States. EIB is therefore prepared to establish, and manage specific co-financing mechanisms – “Securitisation Trusts” – which will allow institutional investors to co-invest in investment grade infrastructure PPP projects that the EIB is financing, and attract additional private finance through the securitisation of their infrastructure assets. The Securitisation Trusts would be flexible co-financing structures under which the EIB could participate and/or organise and manage infrastructure securitisations. Separate Securitisation Trusts could be established per country and/or sector as circumstances require. As much as possible, the assets held by the Securitisation Trusts would be liquid and tradable and therefore suitable for those institutional investors which need to trade.

c) The previous measures would also help to reinforce co-financing with other institutions and capital markets. Additional action might be considered in the field of **re-financing**. EIB intends to facilitate private sector participation by expanded use of re-financing of projects so as to support private sector promoters and financial institutions, which do not have access to necessary long-term resources.

d) **Cooperation with EU Funds** is to be reinforced to increase overall leverage and efficiency of EU financial support. This topic is also being reviewed by the Commission. It is relevant not only for the TEN part, but also for the RDI field. In addition to considering co-financing and/or complementary financing of investment projects by both EU grants and EIB loans, the area of technical assistance is also a field where a more systematic combination of EU budget resources and EIB expertise could be sought and should generate a higher degree of efficiency in terms of preparation as well as of mobilisation of subsequent funding resources, once an investment project is well prepared and dimensioned and ready to start its actual investment phase. Supporting “financial engineering” can be part of technical assistance.

5. Growth Initiative and preparation of COP 2004-2006 (III): research, development and innovation (RDI)

5.1. The Presidency Conclusions of the Brussels European Council identify “*investment in human capital*”, in terms of “*innovation, research and developments and skills*” as the other key component of the Growth Initiative. According to paragraph 11 of these Conclusions, “*innovation, research and development and skills are crucial for Europe's growth potential... Various European instruments should play their part, notably European technology platforms, EIB instruments, the Structural Funds, and preparatory actions... Specific attention must be devoted to the needs of innovative SMEs that operate on the technological boundary and to technology transfer to peripheral region.*”

5.2. As indicated in previous reports, the EIB Governors approved in June 2003 the Innovation 2010 Initiative (i2i), as a successor to the first phase successfully initiated in Lisbon in March 2000. i2i constitutes the natural framework for the Bank's support to this other main component of the Growth Initiative. The EIB/EIF timetable indeed proposed that, within the COP procedure, Innovation 2010 Initiative be “*refocused in line with the Growth Initiative*”.

In overall terms, the Bank has already indicated its readiness to consider a volume of 40 billion in loans for i2i operations until 2010 as well as proper recourse to SFF instruments. In addition VC or guarantee operations managed by the EIF were recognised as important financing instruments in favour of innovative SMEs.

The comments below give information about possible developments over the 2004-2006 period, in relation also with initiatives taken or considered by the Commission . A recent and important development concerns the identification by the Commission of possible "quick start" projects in the field of RDI that can call for very active cooperation with the Bank. Initial contacts with several promoters and potential borrowers exist already. The "quick start" projects might in particular relate to

- Free Electron Laser facilities,
- Development of Nano-Electronics,
- Development of the European Hydrogen Economy,
- Global Monitoring for Environment and Security (GMES),
- Support to universal broadband infrastructure and services,
- ICT-based research networking infrastructures (GEANT) and
- Soyouz at the Guiana Space Centre.

5.3. The Bank's present assessment is that, over the 2004-2006 COP period, an amount of 20 billion lending could be devoted to overall projects eligible under i2i and supporting the Growth Initiative. An indicative split between the three main i2i components is 5 billion for education and training, 8 billion for RDI operations and 7 billion for ICT projects. It has already been mentioned that a significant part of the latter category would be also in line with e-TEN perspectives. Concerning SFF operations preliminary estimates point to possible annual figures between 300 and 500 millions.

Over the same period it is estimated that EIF VC operations could amount to a total of around 1 billion and guarantee operations in favour of SME to over 3 billion.

5.4. These quantitative figures are completed by a list of actions and operations providing, to the extent already possible and within certain limits of confidentiality (notably where private sector borrowers are concerned), a qualitative overview on where EIB (and EIF) is most likely to concentrate its efforts over the next 3 years. This list is necessarily incomplete, certain operations may ultimately be dropped (e.g. because the promoter may push back the operation, or finance it differently), and other operations be added over the course of the next year(s). It should be underlined that RDI business planning cannot be the same as for TENs projects given the frequently private-sector origin of RDI projects, their shorter investment cycle, their higher exposure to market developments as well as the smaller investment amounts involved. Moreover, innovation-rich projects arise from a wide variety of sectors, and thus an action programme is necessarily heterogeneous in its components. Despite these caveats, the following list intends to give a more concrete idea of forthcoming i2i operations. The presentation uses the categories retained in the EIB report to the ECOFIN meeting of 3 October (where the stress was more on past EIB experience, while it focuses now on possible future operations).

This presentation by category is also intended to identify concrete cooperation opportunities with the various initiatives launched by the Commission in addition to the recent selection of "quick start" projects (European Research Area, 6th Framework Programme for Research and Technological Development – FP6, Investing in Research Action Plan, e-Europe 2005 Action Plan, etc). Where possible, cooperation will also be sought at the level of individual operations, for instance when identifying operations of common interest to be financed or when trying to combine EIB finance with EU grants. In this context, the EIB follows with interest the establishment and progress made with EU technology platforms. It also welcomes the arrangement that project proponents not having been able to access FP6 resources because of a lack of funds are encouraged to contact EIB as an alternative source of finance.

5.5. Large Research Infrastructures

EIB has entered into contacts with potential public promoters on financing the development of free electrons lasers in Europe. Further discussions are to take place on the occasion of the ESFRI conference (21 November) in Trieste on large research infrastructures. First projects under consideration might be the Trieste free electron laser and the TESLA accelerator currently under development at the DESY laboratory in Hamburg (Germany). This relates directly with the “quick start” initiative being considered by the Commission for the development of a network of Free Electron Laser facilities.

A second area concerns the transition of microelectronics towards nanotechnology. Possible EIB involvement is being reviewed through contacts with main probable actors. As mentioned it is the intention of the Commission to launch a “Technology Platform” on this subject.

Contacts have also been established with the European Southern Observatory (ESA). The project consists in the investment in a new array of 64 antennas (Atacama Large Millimetre Array – ALMA) in Chile, constituting one of the largest ground based astronomy projects worldwide. ALMA is to be built between 2003 and 2007. This would be the second operation with a major European joint venture in fundamental research (the first one being CERN).

Preparatory contacts have also been made with a private-sector investor in fuel cell technology that may lead to financing through EIB. This relates more generally with the “European Hydrogen Economy” initiative under present consideration by the Commission. The development of such technologies is also consistent with post-Kyoto developments.

Several possibilities seem also to exist in the area of Space technology. Advanced contacts have been made concerning support to SMEs in performing research on ISS or to enable space flights on Soyouz from ESA/Kourou in French Guiana. This last operation would be related to a “quick start” project presently under consideration by the Commission.

5.6. Science Parks and Incubators

The Bank has developed a relevant experience in this field and it may be interesting to quote a number of recent or envisaged projects. A loan to Finnish Science Parks has thus been recently approved. The project concerns the design, construction and renovation of premises dedicated to high-tech companies and research institutes at four science parks in Finland (Oulu, Espoo, Vantaa and Tampere). Two related projects in Turku and Helsinki have been also financed. The EIB is presently considering support to the development of an industrial park dedicated to companies working in the field of microsystems technology on an abandoned former steelworks site in Germany. A forthcoming project in Austria concerns the expansion and upgrading of a technology centre network beyond an initial phase already successfully implemented in 1999. Approval of financing could occur in early 2004.

It should also be mentioned that the EIF is in advanced discussions with DG Research with a view to undertaking the assessment of the design of a new type of risk capital and technology transfer vehicle linking centres of excellence from different European countries. The aim is to bridge the financing gap between research and early stage investment through an innovative scheme.

5.7. Support to innovative SMEs and/or midsize companies:

As mentioned earlier, the approval of a new instrument targeting mid-cap companies will extend the EIB support for RDI oriented investment by mid-sized businesses. Working procedures are now being established with the Commission and concrete operations could be launched in 2004.

Along the lines of similar global loans with ICO in Spain, EIB is in discussion with Deutsche Industriebank AG (IKB) over the establishment of a new Global Loan facility, specifically dedicated to financing R&D activities of SMEs and, possibly, midsize companies in Europe. Another major German banking group may follow.

Following discussions in the context of the Sixth Framework Programme, specific support structures for innovative SMEs-sized offsprings and subcontractors of industrial corporate companies are being considered. This could include “corporate loans” with interested larger firms (playing the role of an intermediary institution).

It should finally be mentioned that the EIF is pursuing strategic partnerships with other institutions in order to leverage on its market position and expertise. Accordingly, EIF recently announced the launch of a 500m “ERP Facility” for investments in Venture Capital Funds focussing on German high tech companies. The EIF will be responsible for the management of the Facility on a mandate awarded by the German Federal Ministry of Economics and Labour (BMWA).

5.8. Industrial RDI (including prototypes, pilot plants and first commercial units)

The Bank has identified a number of financing opportunities concerning corporate R&D programmes and/or subsequent downstream investment into new products/processes. They cover a wide range of sectors and activities such as automotive industry, aeronautical and space technology, semiconductors, medical technology, biopharmaceutical and bio-technical R&D, as well as R&D and product innovation improving energy efficiency. These operations have not yet been finalised and more precise information cannot be given at this stage for confidentiality reasons. Many of them are related with FP6 objectives.

5.9. Information and Communication Technologies (ICT)

Four “fast track” projects identified by the Commission concern the ICT area: Galileo, support to universal broadband infrastructure and services, ICT-based research networking infrastructures (GEANT) and Global monitoring for the environment and security. The Bank has expressed its willingness to actively co-operate with the Commission on these various projects, in particular with the view to identify bankable operations.

Within the general field of ICT projects, several operations might support initiatives taken, often at national level, to speed up the diffusion and universal access to large band, thus reducing the “digital divide”. They can be in the fixed line segment with technologies such as ADSL or (fibre or coaxial) cable networks, or in the mobile segments with technologies such as UMTS.

A complementary technology for broadband access is digital terrestrial broadcasting (DTTV). It has been slow in diffusion because of financial bottlenecks. Relying on pay-tv operators in financing the rollout of DTTV infrastructure turned out to be problematic, as several cases illustrate. Hence public broadcasters may need to play a larger role. EIB support can help in view of alternative public finance priorities.

A similar situation presents itself for special purpose mobile communication with public service character, such as the switchover to digital platforms for emergency services using trunked mobile radio (e.g. the European standard *Terrestrial Trunked Radio*, TETRA) or for railway signalling (e.g. GSM-R).

The bank’s action could also support R&D programmes by telecom operators, in line with the operation approved for Telecom Italia R&D.

5.10. e-services

Different operations are being discussed in the field of e-services. An area of special interest concerns the modernisation of postal services in several EU-15 or Acceding countries in order to enable such services to fully play their integrating role in the fields of communications, advertising and logistics.

The Bank has just completed a general study on this sector and will draw on its findings to better target the core areas to be supported.

5.11. Education & Training

Over recent years the Bank has developed a significant expertise in this “human capital” field.

Several education & training operations fully in line with the objectives of i2i and providing a good base for RDI activities are under review, even with a geographical scope extending outside Europe (in particular Southern rim of the Mediterranean). Within Europe, they will include the modernisation of several universities, including research facilities. It is recalled that PPP techniques are applied in some countries for education projects.

Identification of e-skills projects proceeds in several Acceding countries. EIB intends to investigate cooperation and co-financing possibilities with the European Social Fund that is supporting a number of e-skills/e-learning programmes within the Union

5.12. As stated above, getting into action is somewhat different in the RDI field in comparison to the TEN area. In particular the variety of sectors from which innovative projects can arise, and their frequently pronounced private sector origin influence business planning at the level of EIB as well as cooperation patterns with the Commission. In some cases, however, the policy objective of moving into a certain direction may be in advance in comparison to existing private initiatives in the corresponding field. This may also be true in some of the “quick start” projects launched by the Commission. The practical issue then often is how to transform policy objectives into concrete and bankable projects, within a reasonable time frame. The EIB stands ready to take up this challenge and to cooperate with the Commission services, as well as national authorities, in order to advise in the process and accelerate it as much as possible.

6. Conclusion: Gearing up to action

As with previous initiatives of this type, the practical implementation of the EIB part of the Growth Initiative will take place under the responsibility of the Bank's organs, within its normal procedures and subject to sound banking rules. Regular reports to its Governors, to ECOFIN and to the European Council will be provided.

Co-operation with Commission, as well as the national and, where relevant, regional authorities, will continue and be re-inforced, where necessary. The Bank is willing to devote special efforts on identifying and structuring viable operations relating to quick start projects both for TENs and RDI.

Implementing the Growth Initiative requires continuity and a long term view. The EIB's three-annual Corporate Operational Plan (on a rolling basis) provides a suitable planning and monitoring framework; if needed, a corresponding link with the post 2006 financial perspectives for the EU budget can be established.

Another dimension concerns continuing cooperation with the successive Presidencies. Important features of the Growth Initiative were launched during the Greek Presidency (Thessalonica Summit) and its further formalisation, notably concerning the EIB's role, was the object of a fruitful cooperation between the Italian Presidency and the Bank. Special attention will be given to the forthcoming Irish Presidency, and to the priorities set by it. The 2004 Spring EU Summit, devoted to the monitoring and further development of the Lisbon process, should in particular provide an opportunity to review first progress achieved on the Growth Initiative.