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## REPORT

on the EIB Annual Report for 2005  
(2006/2269(INI))

Committee on Economic and Monetary Affairs

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the EIB Annual Report for 2005  
(2006/2269(INI))**

*The European Parliament,*

- having regard to Articles 266 and 267 of the EC Treaty establishing the European Investment Bank (EIB), and the Protocol on the Statute of the European Investment Bank annexed to the Treaty,
  - having regard to the EIB Group's Activity Report for 2005, its Operational Plan for 2006 - 2008, the European Investment Fund Annual Report for 2005, the annual reports by the Audit Committee for 2005 and the response from the Management Committee, the 2005 general report on operations evaluation, and the EIB President's hearing with the relevant Parliament committee on 20 June 2005,
  - having regard to the European Initiative for Growth adopted by the Brussels European Council on 12 and 13 December 2003,
  - having regard to its resolution of 8 March 2005 on the activity report for 2003 of the European Investment Bank<sup>1</sup>, and its resolution of 4 April 2006 on the situation of the European economy: preparatory report on the broad economic policy guidelines for 2006<sup>2</sup>,
  - having regard to the EIB's Environmental Report 2004,
  - having regard to the EIB's publication, The Social Assessment of Projects outside the European Union: the approach of the European Investment Bank, of 2 October 2006,
  - having regard to the Convention on access to information, public participation in decision-making and access to justice in environmental matters (the Aarhus Convention), according to which the Community has committed itself to guaranteeing 'the rights of access to information, public participation in decision-making and access to justice in environmental matters',
  - having regard to Rules 112(2) and 45 of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A6-0011/2007),
- A. whereas the EIB is a public bank with a political dimension, established by virtue of the EC Treaty as the main financial institution to achieve the EU's objectives,
- B. whereas the growth potential of the European economy continues to be fairly low, at around 2 %, much lower than that achieved by other areas of the world, and is insufficient to provide employment for the more than 12 million unemployed Europeans and for the

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<sup>1</sup> OJ C 320E, 15.12.2005, p. 66.

<sup>2</sup> *Texts Adopted*, P6\_TA(2006)0124.

development of an enlarged Europe,

- C. whereas in 2005 the EIB granted loans worth EUR 47 400 million, of which EUR 42 300 million was allocated to the EU countries, EUR 2 000 million to the acceding countries, and EUR 3 100 million to associated countries, and whereas some EUR 9 000 million was distributed through intermediary banks,
  - D. whereas out of the loans granted by the EIB Group, EUR 34 000 million was allocated to economic and social cohesion, EUR 10 700 million to the Innovation 2010 initiative, EUR 12 300 to environmental protection, EUR 8 200 million to the development of the trans-European networks, EUR 4 200 million to support for SMEs, EUR 3 600 million as a contribution to European external cooperation and development aid policy, EUR 400 million to venture capital funds, and EUR 1 700 million to guarantees for SMEs,
  - E. whereas the Commission's Integrated Guidelines for Growth and Jobs (2005-2008) (COM(2005)0141) point to the need to promote a more entrepreneurial culture and the creation of new enterprises, and whereas one way of achieving those objectives is to improve access to finance for small and medium-sized enterprises (SMEs),
  - F. whereas SMEs in the EU, which total almost 23 million, which make up half of the entire EU economy and employ two thirds of European workers, have an important part to play in economic and social cohesion,
  - G. whereas a new European energy policy is needed in order to cope with high energy prices, guarantee security of supply, and halt climate change,
- 1. Congratulates the EIB on its activity report for 2005, on its increased transparency to the public and on the improvement of its control systems; encourages the EIB to continue with its work in developing the European economy;

### ***Strategy and activities***

- 2. Welcomes the fact that the EIB has adopted the Lisbon Strategy objectives on growth and employment and welcomes the changes made by the EIB in its work with a view to achieving those objectives; considers that the question arises as to whether the EIB's resources are sufficient to achieve those objectives;
- 3. Notes that in the review of EIB strategy carried out in 2005, encouraging economic and social cohesion within the European Union continued to be the EIB's main aim; therefore calls for the EIB's activity in this field to focus on the least developed regions;
- 4. (Urges the EIB, with reference to the Innovation 2010 initiative, to fund projects that are directly relevant to innovation; with regard to education and training; calls for the policy goal of the European Union to become a knowledge-based society to be fully supported, with a particular emphasis on innovation-related education projects, both in higher and basic education in order to improve Europe's human potential; supports the EIB in its efforts to bring less developed areas into the knowledge-based economy;

5. Congratulates the EIB on having achieved its aim of devoting between 30 and 35 % of its individual loans within the EU to projects intended to protect or improve the natural or urban environment; notes that out of the total loans made within the European Union, 60 % were granted in relation to the urban environment (public transport and urban renewal), while only 20 % were intended for research into energy efficiency and the development of renewable forms of energy; urges the EIB, therefore, to distribute funds for environmental protection more coherently;
6. Welcomes the EIB's intention to draw up a new energy action plan incorporating the new EU energy objectives; calls on the EIB to adopt more ambitious financing objectives both for renewable energies and for programmes to improve energy efficiency, above all in the new Member States and in the SME sector, where there is more scope for improvement;
7. Congratulates the EIB on its role as a financial catalyst, above all in relation to loans in support of public-private partnerships promoting private sector participation in financing the Trans-European Networks; calls for an EU guarantee instrument to be developed specifically for TEN-T projects in order to cover the risk that revenue might fall short of the expected levels in the initial operating phase; stresses the importance of improving the dimension of energy networks to and among Member States to facilitate the creation of the internal market for energy supply and distribution;
8. Considers that EIB activities should reflect the needs of an enlarged EU; points out that the EIB does not have a permanent delegation in the Baltic Sea region, which would cover the Baltic States, Denmark, Finland, Sweden and EEA-EFTA countries;
9. Calls for greater consistency in the EIB's external mandate both with regard to the sufficiency of funds for the whole period of the new mandate and their distribution by geographical areas; points out that the loans granted to Latin America are insufficient, representing only 2,5 % of the total devoted to projects outside the European Union; welcomes the new initiative combining EIB loans with EU grant aid for regional infrastructure projects in Africa as well as other initiatives that support an African development agenda that must be developed on the basis of sustainability criteria, in environmental, social and economic terms; urges the EIB, in conjunction with global loans for Mediterranean partner countries, to implement technical assistance in order to help develop and reform the local financial sector;
10. Congratulates the EIB Board of Governors, which in 2005 made support for SMEs one of its five priority objectives; supports the EIB in its effort to develop financial instruments appropriate to the needs of SMEs, so that the objective is that global loans to SMEs represent more than 50 % of total global loans every year;

### ***Methods of operation***

11. Welcomes the closer cooperation with the Commission in the new programmes which aim to increase the efficiency of expenditure thanks to the experience acquired by the EIB, in particular the JASPERS programme;
12. Points out that a range of new financial instruments managed by the EIB and the European Investment Fund (EIF) will have a multiplier effect on non-reimbursable aid, and is

delighted that the JEREMIE initiative has come into operation, since it could produce a multiplier effect of up to ten times the size of the Structural Fund budget through the operation of the EIF serving to turn subsidies into a range of financial products aimed at SMEs;

13. Considers that the new cooperation and financing arrangements must be evaluated carefully with a view to correcting any administrative obstacles that may be involved;
14. Points out to the EIB that its loans must not be a substitute, under more advantageous conditions for the intermediary financial institutions, for loans which in any case would have been granted by the private sector;
15. Calls on the Court of Auditors to ensure that the conditions governing the loans and guarantees involving EU budget resources granted by the EIB do not serve to enable certain privileged parties to benefit indirectly from unwarranted assistance when they could obtain financing on the market; 16. Calls on the EIB to conduct a detailed study on the real contribution of the EIB investment to regional development, once also analysed the effects of EU policies and to introduce appropriate indicators, as recommended by its own evaluation department;
17. Recommends that the EIB further increase the possibilities of access to its finance, above all for SMEs, by increasing the number of financial institutions with the appropriate expertise and lending capacities to support EU priorities, acting as intermediaries in each country, which at the same time would improve the conditions for the end recipients;

### ***Transparency and performance***

18. Calls on the EIB to explain more clearly its evaluation criteria when selecting projects for funding and to submit an evaluation of its operations in terms of economic growth and employment; recommends that the EIB publish its information on the investment projects in which it is involved, to encourage private investors to participate in the possible financing of those projects;
19. Recommends that the EIB lay down more clear-cut criteria to govern the ultimate allocation of its global loans; and calls on the EIB to establish a transparent procedure for determining and assessing how the loans have been used by intermediary banks, in particular with a view to ascertaining whether the quality of EIB loans really benefits the end recipients;
20. Calls on the EIB to ensure that its operational standards are consistent with international standards and best practices; and to establish a transparent participation mechanism to involve civil society organisations and other interested parties in the formulation of strengthened EIB social standards;
21. Calls on the EIB to set up a new environmental framework based on clear, binding and enforceable minimum standards, which would provide an opportunity for the EIB to make its values and standards clear to all stakeholders, including local communities;

22. Congratulates the EIB on developing its control system to give greater weight to ex-post evaluation of operations; welcomes the publication of a summary of evaluations carried out by the Operations Evaluation department; reiterates its request at point 14 of its resolution of 22 April 2004 on the activity report for 2002 of the European Investment Bank<sup>1</sup> that the EIB should provide information on failed projects, in order to learn from such failures;
  23. Notes the EIB's intention to associate itself voluntarily with the establishment of an international solvency ratio (Basel II); calls on the EIB to communicate the methodologies applied and the constituent components of this ratio; calls for a study on the way that application of Basel II is supervised;
  24. Welcomes the EIB's focus on transparency, outlined in its new Disclosure Policy of 28 March 2006;
  25. Urges the EIB to continue to improve its communications policy; calls for the main contents of the EIB web page to be translated into all the EU languages;
  26. Calls on the EIB to continue providing Parliament and the public an annual summary of measures taken to improve its performance, in line with Parliament's previous resolutions;
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27. Instructs its President to forward this resolution to the Council, the Commission and the European Investment Bank.

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<sup>1</sup> OJ C 104, 30.4.2004, p.1019.

## **EXPLANATORY STATEMENT**

Two fundamental premises underlie the content of this report.

The first is the fact that the EIB is a public bank established by virtue of the EC Treaty to achieve the objectives of the EU, and its shareholders are the Member States.

The second is the low growth potential of the European economy, which most studies place at around 2%. This figure is clearly lower than the results obtained by other areas of the world, particularly the United States, which has a growth potential of around 4%, and by various Asian countries where the figures are between 8 and 9%. Moreover, it will not be enough to create the new jobs that Europe needs or for its development at a key moment after the last enlargement and with Bulgaria and Romania about to join. The EU must be able to fulfil the promise of prosperity which encouraged those countries to become members.

Therefore the main objective of economic policy in Europe must be to increase its growth potential. And since SMEs are the backbone of the European economy, employing two thirds of workers in the Community, the proposals in this report are largely intended to increase and improve the instruments that the EIB makes available to assist SMEs. Access to the finance that they need for their investment projects is undoubtedly one of the key points for their development.

This report forms part of a dialogue between two European institutions. This dialogue, although it is fairly recent in comparison with the almost 50 years of the European Investment Bank's existence, has been fruitful. I should like to highlight the spirit of cooperation and understanding which has characterised our contacts with the EIB.

On this basis, we acknowledge the progress that the EIB has made in 2005, and encourage it to continue its contribution to the development of the European economy.

### **Strategy and activities**

We have analysed the Bank's strategy and activities without losing sight of its intention to follow the path mapped out in Lisbon. The bank's activities have focused on five areas: promoting economic and social cohesion in the EU, the Innovation 2010 initiative, protection of the environment, development of the Trans-European Networks, and contributing to the European policy on development aid and external cooperation. Following the decision of the Board of Governors in June 2005, support for small and medium-sized enterprises was added to these five areas.

In view of such ambitious objectives, the question arises whether the resources available to the EIB are sufficient to develop the policies needed to achieve them. If we want the EIB to make a real contribution to the growth of the European economy, the comparison that should be made is not the usual comparison with the World Bank, but with the activities of some of



the major commercial banks in Europe.

With reference to these objectives, we must emphasise that promoting economic and social cohesion within the European Union is still the EIB's main task, and therefore the Bank's activities should focus primarily on the least developed regions. It is not very consistent that in the last four years the trend for loans in this area has been to focus mainly on Objective 2 regions and not on the least developed Objective 1 regions.

Thus, within the innovation objective, we support the EIB in its efforts to ensure that these less developed areas become part of the knowledge-based economy.

Because of the relevance of the Innovation 2010 programme to encouraging growth in Europe, the EIB should focus its efforts on projects which are directly and clearly relevant to innovation, for example higher education in innovation-related subjects, which has a greater impact than some of the activities in 2005 concerned with primary education or cofinancing of television productions.

In a global context of high energy prices, the work that the EIB is doing to establish a new energy action plan, incorporating the EU's new energy objectives, is particularly relevant. This will enable us to meet the many challenges set by energy, both with regard to higher prices and consistently high demand, and with regard to security of supply and climate change.

The EIB's function as a financial catalyst is no less important, above all through its loans to support public-private partnerships that promote private sector participation in financing the Trans-European Networks.

With regard to the EIB's external mandate, we should like to call for greater consistency, with regard to sufficient funds being available for the next mandate and their geographical distribution. As far as the sufficiency of funds is concerned, situations such as occurred at the end of 2005 must be avoided, when it became apparent that the resources available under the Euromed II programme had been used up, and the EIB decided to grant loans at its own risk to the associated Mediterranean countries during this year. With regard to geographical distribution, we consider that the amount of loans granted to Latin America – €134 million, which represents only 2.5 of the total devoted to projects outside the EU – is insufficient. For the same period the amount of loans for Africa was more than three times higher, and loans for Asia were almost five times higher, and moreover 80% of the total for Asia was concentrated in a single project in China.

### **Methods of operation**

In the section on the Bank's operational plan we welcome the increased cooperation with the Commission, through new programmes such as JASPERS, and the launch of new financial instruments that can have a multiplier effect, such as the JEREMIE instrument.

The global loans granted to financial intermediaries reached €9000 million in 2005, of which 4200 million were for SMEs. In view of this large amount, the EIB must continue to work to ensure that the final recipients of loans under advantageous conditions are actually enterprises. We would thus avoid situations in which loans that would have been granted by

the private sector are now granted under better conditions for the intermediary banks thanks to the EIB's triple A classification.

Moreover, in view of the fact that SMEs often encounter a scarcity of ways of obtaining information, we recommend that the EIB increase access to its products even further, for example through an increase in the number of financial institutions operating as the Bank's intermediaries in each country. The more intermediaries there are, the more possibilities there are that the SMEs will become aware of the financial products that the EIB can offer them.

Therefore we suggest improving the Bank's communication by making the main contents of its web page available in all EU languages, otherwise its message will not easily get through to all the players in the European economy.

### **Transparency and performance**

We should highlight the improvements in 2005 with regard to transparency vis à vis the public concerning the Bank's performance. However, it is important that it explain more clearly its evaluation criteria for selecting investments. Similarly, it should submit an ex-post evaluation of the effects produced in terms of growth and employment, if we really want to be sure that the appropriate instruments are being used.

We noted also a great improvement in control systems, particularly with regard to ex-post analysis of completed operations. However, as this committee pointed out with reference to the EIB's 2002 activity report, we should like to stress the need to publish information on projects which are not successfully completed. Analysing them would make a positive contribution to drawing conclusions on the reasons why these projects fail.

And although we highlight the EIB's willingness voluntarily to join in establishing an international solvency ratio (Basel 2), it should provide information on the methodologies and ratios applied. Moreover, there is a need for a study on the way its implementation is supervised, and the authority that could do so.

## PROCEDURE

<b>Title</b>	The EIB Annual Report for 2005
<b>Procedure number</b>	2006/2269(INI)
<b>Committee responsible</b> Date authorisation announced in plenary	ECON 29.11.2006
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	
<b>Not delivering opinion(s)</b> Date of decision	
<b>Enhanced cooperation</b> Date announced in plenary	
<b>Rapporteur(s)</b> Date appointed	Cristobal Montoro Romero 13.6.2006
<b>Previous rapporteur(s)</b>	
<b>Discussed in committee</b>	11.9.2006      6.11.2006      28.11.2006      19.12.2006
<b>Date adopted</b>	24.1.2007
<b>Result of final vote</b>	+    36 -    0 0    0
<b>Members present for the final vote</b>	Zsolt László Becsey, Pervenche Berès, Sharon Bowles, Udo Bullmann, Ieke van den Burg, David Casa, Corina Crețu, Philip Dimitrov Dimitrov, Jan Christian Ehler, Elisa Ferreira, José Manuel García-Margallo y Marfil, Robert Goebbels, Gunnar Hökmark, Othmar Karas, Piia-Noora Kauppi, Wolf Klinz, Guntars Krasts, Andrea Losco, Astrid Lulling, Gay Mitchell, Cristobal Montoro Romero, Joseph Muscat, John Purvis, Alexander Radwan, Bernhard Rapkay, Antolín Sánchez Presedo, Manuel António dos Santos, Peter Skinner, Margarita Starkevičiūtė, Ivo Strejček; Sahra Wagenknecht
<b>Substitute(s) present for the final vote</b>	Mia De Vits, Ján Hudacký, Thomas Mann, Giovanni Pittella, Poul Nyrup Rasmussen
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	
<b>Date tabled</b>	26.1.2007
<b>Comments</b> (available in one language only)	