



# **EUROPEAN INVESTMENT BANK**

## **Eligibility Guidelines – Consistency of EIB operations with EU objectives**

### **Projects Directorate**

October 2007

1.	INTRODUCTION .....	4
1.1.	GENERAL GUIDELINES .....	4
2.	ECONOMIC AND SOCIAL COHESION / CONVERGENCE .....	6
2.1.	TREATY BASIS AND POLICY CONTEXT .....	6
2.2.	BANK'S POLICIES AND ACTIONS .....	8
2.3.	ELIGIBILITY GUIDELINES .....	8
2.4.	SYNOPTIC TABLE: Economic and social cohesion / Convergence .....	10
3.	THE LISBON PROCESS: INNOVATION 2010 INITIATIVE.....	11
3.1.	THE LISBON OBJECTIVES .....	11
3.2.	FRAMEWORK FOR THE BANK'S ACTION: i2i .....	11
3.3.	KEY i2i OBJECTIVES .....	12
4.	i2i: RESEARCH & DEVELOPMENT .....	13
4.1.	TREATY BASIS AND POLICY CONTEXT .....	13
4.2.	BANK'S POLICIES AND ACTIONS .....	14
4.3.	ELIGIBILITY GUIDELINES .....	15
4.4.	SYNOPTIC TABLE: i2i – Research & Development.....	16
5.	i2i: INFORMATION AND COMMUNICATION TECHNOLOGY .....	17
5.1.	TREATY BASIS AND POLICY CONTEXT .....	17
5.2.	BANK'S POLICIES AND ACTIONS .....	18
5.3.	ELIGIBILITY GUIDELINES .....	19
5.4.	SYNOPTIC TABLE: i2i – Information and Communication Technology.....	20
6.	i2i: EDUCATION AND TRAINING .....	22
6.1.	TREATY BASIS AND POLICY CONTEXT .....	22
6.2.	BANK'S POLICIES AND ACTIONS .....	23
6.3.	ELIGIBILITY GUIDELINES .....	23
6.4.	SYNOPTIC TABLE: i2i – Education and Training.....	24
7.	TRANSPORT - TENS .....	25
7.2.	TREATY BASIS AND POLICY CONTEXT .....	25
7.3.	BANK'S POLICIES AND ACTIONS .....	27
7.4.	ELIGIBILITY GUIDELINES .....	28
7.5.	SYNOPTIC TABLE: Transport – TENS.....	29
8.	SMEs: SMALL AND MEDIUM SIZED ENTERPRISES.....	31
8.1.	TREATY BASIS AND POLICY CONTEXT .....	31
8.2.	BANK'S POLICIES AND ACTIONS .....	32
8.3.	ELIGIBILITY GUIDELINES .....	32
9.	NATURAL ENVIRONMENT .....	33
9.1.	TREATY BASIS AND POLICY CONTEXT .....	33
9.2.	BANK'S POLICIES AND ACTIONS .....	34
9.3.	ELIGIBILITY GUIDELINES .....	35
9.4.	SYNOPTIC TABLE: Natural Environment.....	36

10.	SUSTAINABLE COMMUNITIES .....	37
10.1.	TREATY BASIS AND POLICY CONTEXT .....	37
10.2.	BANK'S POLICIES AND ACTIONS .....	39
10.3.	ELIGIBILITY GUIDELINES .....	40
10.4.	SYNOPTIC TABLE: Sustainable Communities .....	41
11.	ENERGY.....	43
11.1.	TREATY BASIS AND POLICY CONTEXT .....	43
11.2.	BANK'S POLICIES AND ACTIONS .....	44
11.3.	ELIGIBILITY GUIDELINES .....	47
11.4.	SYNOPTIC TABLE: Sustainable, competitive and secure Energy.....	48

# 1. INTRODUCTION

## 1.1. GENERAL GUIDELINES

The Eligibility guidelines contained in this manual are an **update** of the previous version communicated to the Board in March 2004 (CA document 04/89a).

The EIB eligibility guidelines describe the scope of what the EIB can finance, in line with the art. 267 of the Treaty, the EIB Statute, and the EU policy framework and Council decisions. They are closely linked to the COP lending objectives, which represent, within the scope of EIB lending, what the Bank decides to finance in priority for a three-year period. The guidelines provide thus the basic elements for the **eligibility of Bank's lending operations in EU countries**, and are fundamentally based on the link between the Bank's operations and the EU policy objectives.

The Board of Governors emphasised the need for the Bank to maximise the **value added** of its operations by integrating, in its project evaluations and financing decisions, the three pillars of value added: (i) consistency between each operation and the priority objectives of the EU; (ii) quality and soundness of each project; and (iii) particular financial benefits obtained by the provision of the EIB funds to the promoter.

The role of the Bank as a **policy-driven public institution** is to contribute to the implementation of EU policies and objectives. In this context, in relation to the **first pillar of value added**, the Bank's remit and the basic principles governing its operations are embodied in various articles of the Treaty establishing the European Community and in the Bank's Statute, which is part of the Treaty. The Eligibility criteria described in this manual typically correspond to the Bank's priority lending objectives, as outlined in the Bank's Corporate Operational Plan (COP) and reflect the evolution of the EU policies and associated decisions taken by the European Council. There may also be areas of investment in line with general eligibility criteria that are not part of specific COP priority lending objectives. The lower priority of such operations is reflected in a correspondingly lower rating on Value Added pillar 1 "Consistency with the priority objectives of the EU".

The focus of this manual is on **EU internal policies**. This document can nevertheless constitute a useful reference for the Bank's operations outside the EU, particularly in Accession, Candidate and potential Candidate countries, with respect to the specific objectives covered by the applicable mandates (ref. [Council decision 2006/1016/EC of 19 December 2006](#)).

The approach developed in this manual is standardised across Eligibility criteria while reflecting, at the same time, the nature of the relevant EU and EIB decisions and regulations applicable to each criterion. For each of the eligibility criteria, the guidelines are based on a review of the Treaty basis, of EU policy and legal framework, and of the Bank's policies and actions, leading to the identification of specific criteria and of categories of investment. In addition, references are provided to EU documents on which the general policy framework for each of the Eligibility criteria is based. References to EU documents (e.g. regulations, directives) are based on public information available on the [EU web site](#)<sup>1</sup>. In a limited number of cases, specific references to relevant International Treaties and agreements are provided.

The eligibility of the Bank's operations reflects the consistency of the operations with the EIB eligibility criteria, and in particular this is defined at **three levels of detail**:

Eligibility criteria, defined on the basis of EU policies and objectives applicable to the Bank,

Specific criteria: the detailed criteria underpinning each criterion of the Bank

Categories of investment: the detailed types of investment projects which contribute to each specific criterion.

Each project can comply with one or more eligibility criteria and specific criteria. Similarly, projects can be classified under one or more categories of investment.

---

<sup>1</sup> Disclaimer concerning hyper-links to EU website and related documents: "Only European Union legislation printed in the paper edition of the *Official Journal of the European Union* is deemed authentic".

Per each project proposal, the Bank's services analyse the possible eligibility of the project, in accordance with the Bank's Statute and eligibility criteria as set out in this manual. This analysis is done at an early stage of the project cycle, and updated / refined as the project progresses until submission for the Board's approval.

The Eligibility guidelines included in this manual are **updated** on a regular basis under the ownership of the EIB Projects directorate, to reflect EU policy developments in the various areas and sectors, and are available to the public on the website of the Bank ([www.eib.org](http://www.eib.org)), in line with the Bank's Public Disclosure Policy.

## 2. ECONOMIC AND SOCIAL COHESION / CONVERGENCE

### 2.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

The role of the Bank in support of **economic and social cohesion** within the EU is grounded in several parts of the [Treaty establishing the European Community](#): in Title XVII – “Economic and social cohesion”; in Articles 158 to 161, in particular supporting a common policy in favour of economic and social cohesion; in Article 267 defining the missions of the Bank and, finally, in the Protocol on economic and social cohesion annexed to the Treaty.

Article 158 defines the notion of social cohesion: *“In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.”*

Article 159 describes in more detail the institutions and instruments supporting the implementation of the EU economic and social cohesion, including the EIB: *“Member States shall conduct their economic policies and shall coordinate them in such a way as, in addition, to attain the objectives set out in Article 158 ... The Community shall also support the achievement of these objectives by the action it takes through the Structural Funds (European Agricultural Guidance and Guarantee (EAGGF), Guidance Section; European Social Fund (ESF); European Regional Development Fund (ERDF), the [European Investment Bank](#) and the other existing financial instruments”.*

Article 161 creates the Cohesion Fund and defines its various fields of intervention (i.e. it is reserved for projects in the field of environment and Trans-European networks (TEN) in the area of transport infrastructure).

In Article 267 of the [Treaty establishing the European Community](#), defining the main objectives of the Bank, it is clearly stated that the Bank should support *“projects for developing less-developed regions”*.

Finally, in the protocol on economic and social cohesion annexed to the Treaty, Member States *“reaffirm their conviction that the EIB should continue to devote the majority of its resources to the promotion of economic and social cohesion”*.

#### *Policy context*

*“More growth and jobs for all regions and cities of the European Union”* – is the main message of the new cohesion policy as defined for the 2007-2013 programming period. The implementation of it focuses mainly on the convergence regions (see below). Regulation (EC) No. 1083/2006<sup>2</sup> stipulates common principles, rules and standards for the implementation of the three cohesion instruments: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF). Specific provisions, based on established principles of programming, concentration, additionality, partnership and efficiency, concerning the type of activities which may be financed by the cohesion instruments have been laid down by the Council and the European Parliament in four further regulations.<sup>3</sup>

Based on the Structural Funds regulations and the Community Strategic Guidelines for Cohesion adopted by the Commission, Member States prepare National Strategic Reference Frameworks (NSRFs) and Operational Programmes (OPs). OPs can be sectoral or regional. These constitute the source for the final selection of projects.

---

<sup>2</sup> [OJ L 210 of 31.07.2006](#). The new regulation was adopted by the Council of the European Union on 11 July 2006.

<sup>3</sup> Regulation on the European Regional Development Fund (ERDF) Regulation No. 1080/2006, [OJ L 210 of 31.07.2006](#); Regulation on the European Social Fund (ESF) Regulation No. 1081/2006, [OJ L 210 of 31.07.2006](#); Regulation on the Cohesion Fund (CF) Regulation No. 1084/2006, [OJ L 210 of 31.07.2006](#); Regulation on a European Grouping of Territorial Co-operation (EGTC) Regulation No. 1082/2006, [OJ L 210 of 31.07.2006](#).

In comparison to the 2000-2006 programming period there are three major changes which are important for the implementation of projects and their financing.

- Firstly, a simplification of community objectives and a reduction of initiatives (from 9 objectives including community initiatives to 3), defined as follows for 2007-2013 :
  1. **Convergence** – The key objective is to promote growth-enhancing conditions and factors leading to real convergence for the least developed Member States; 81.5 % of funds are dedicated to this objective.
  2. **Regional Competitiveness and Employment** (no territorial differentiation) – The key objective is to strengthen regions' competitiveness and attractiveness as well as employment both via developmental regional programmes and through the investment in mainly human resources and labour market measures; 16 % of funds are dedicated to this objective.
  3. **European Territorial Cooperation** –The key objective is to support support co-operation between regions at cross-border, trans-national and interregional level to further develop the balanced integration of the EU territory; 2.5 % of funds are dedicated to this objective.
- Secondly, the rural development and fisheries will be included in the 2007-2013 programming, but not under the financial tools of the European structural policy, as they will be financed under EU budget heading 2 "Preservation and management of natural resources".
- Finally, there is a reduction of relevant financial tools (Structural Funds) to the:
  - i. European Regional Development Fund (ERDF);
  - ii. European Social Fund (ESF);
  - iii. Cohesion Fund (CF).

In addition, the new implementation system is designed to be simpler (e.g. one programming document instead of two), decentralized (national eligibility rules) and flexible (management by axes and no longer by measures).

Hence, during the 2007-2013 programming period, the ERDF, the ESF and, in a more selective form, the CF will contribute to three objectives: Convergence (ERDF, ESF and CF), Regional Competitiveness and Employment (ERDF, ESF) and European Territorial Cooperation (ERDF). Based on the criterion of regional GDP below 75% of the EU average, a number of **regions** are eligible for the Convergence objective while all other regions have access to the Regional Competitiveness and Employment objective. The geographic eligibility of regions under the European Territorial Cooperation objective refers to cross border or trans-national cooperation areas subject to Commission decision. The Cohesion Fund, for its part, funds projects (within multi-annual programmes) only in specific **countries** (i.e. all new Member States, Greece, Portugal as well as, on a transitional basis, Spain) without being limited within these countries to specific regions, but with limited specific objectives (transport (TENs), environment, sustainable development).

Programmes cofinanced by the Structural Funds will focus on the objectives of growth and jobs (Lisbon agenda), in particular the following earmarked thematic priorities : research and development, innovation and entrepreneurship, information society, transport (for convergence regions), energy (for convergence regions) including renewable energy sources and energy efficiency, human resources and labour market policy.

The 2007-2013 cohesion policy is characterized also by a closer cooperation between the European Commission, the EIB and other financial institutions. A number of technical assistance and financial instruments in support of the efficient management and implementation of the Structural Funds have been launched in light of this cooperation: JASPERS (Joint Assistance in supporting Projects in European Regions), JEREMIE (Joint European Resources for Micro to Medium Enterprises) and JESSICA (Joint European Support for Sustainable Investment in City Areas).

The JASPERS technical assistance partnership between the European Commission, the EIB and the European Bank for Reconstruction (EBRD) provides technical expertise to the New member States to develop infrastructure projects mainly in the transport and environmental sector. JEREMIE, which is a joint EIB, EIF and European Commission initiative, refers to the development of financial engineering models for SMEs to improve access to finance, while JESSICA, a new European Commission initiative supported by the EIB and the Council of Europe Development Bank, will support authorities in EU Member States to exploit financial engineering mechanisms in support of investment in sustainable urban development in the context of European cohesion policies.

For more information please consult the EU Commission Regional policy website: [http://ec.europa.eu/regional\\_policy](http://ec.europa.eu/regional_policy).

## **2.2. BANK'S POLICIES AND ACTIONS**

In addition to Article 267 of the Treaty establishing the European Community, the Treaty of Maastricht states that, *"in carrying out its task, the Bank shall facilitate the financing of investment programmes in conjunction with assistance from the Structural Funds and other Community financial instruments"*.

The Bank's primary objective of supporting EU regional development and economic and social cohesion is in line with the structural policies of the Community. The policy of the Bank in this field is thus taking place in a EU-determined framework. However, in terms of operations, the Bank exercises its discretionary power regarding not only the choice of individual operations, but also the sectors in a given area to be covered and the type of eligible investments.

EIB operational lending priorities in Europe are adjusted to reflect EU policy developments as foreseen in the 2007-2013 Financial Perspectives and related new co-financing mechanisms between EU budgetary funds and EIB loans and new initiatives involving EIB, the Commission and Member States. A closer alignment between EIB activities (as lender, provider of advisory services but also manager of EU funds and programmes) and EU priority objectives is foreseen in the 2007-2013 programming period, whereby the decisions of the European Council concerning the renewed Cohesion Policy are integrated in the Bank's lending activities with a transitional period to end-2007.

The renewed Cohesion Policy for 2007-2013 and the subsequent Structural Funds regulations as approved by the Council of the European Union and the European Parliament, have placed the focus of future cohesion policy on the Convergence objective, thus promoting growth-enhancing conditions and factors leading to real convergence for the least developed Member States and regions. Given this orientation, the Bank concentrates its regional development actions on convergence lending, comprising lending to the newly-defined convergence regions, plus the phasing-out and phasing-in regions. The geographical scope of this objective encompasses in total 113 regions with a population of 190 million in EU-27.

The two other objectives of the EU Structural Funds - regional competitiveness and employment, as well as European territorial cooperation - are equally supported by EIB financing, but through operations under other existing lending priorities (i2i, SMEs and environment).

The 2007-2013 programming period will be characterized by an intensified cooperation with the EU Commission and the beneficial countries. The Bank has been active upfront in the preparation of the programming regarding the use of Structural Funds, in discussions of NSRFs and OPs and in the development of new technical assistance and financial instruments. The Bank will continue to identify the complementary needs for EIB lending and co-financing arrangements as specific operational programmes take shape and are formally adopted.

The actions initiated in the areas of the three new instruments, JASPERS, JESSICA and JEREMIE (in cooperation with EIF) demonstrate the Bank's commitment and willingness to diversify its activities in order to better meet the needs of the new Cohesion Policy, with reference to technical assistance of large projects in infrastructure and environment, financial engineering mainly for SMEs and access to finance, and in promoting sustainable urban development in the EU.

## **2.3. ELIGIBILITY GUIDELINES**

Investment projects or programmes eligible under the Convergence eligibility criterion must relate to identified geographical areas (convergence regions, plus the phasing-out and phasing-in regions), as agreed between the Member States and the EC at the beginning of the programming phase of structural actions in the National Strategic Reference Frameworks (NSRF's) and subsequent

Operational Programmes (OP's), including regional programmes. For further information see [DG Regio Web site](#)).

The projects eligible under the Convergence eligibility criterion must provide quantifiable/qualitative benefits to the community/population targeted and typically be located in Convergence regions as defined above. Projects not fully or only partially located within these regions can also be eligible for Bank's funding under Convergence if it can be demonstrated that such projects contribute in a significant way to the economic development of these regions.

Operations co-financed with the EU Structural Funds under the "Competitiveness and employment" objective, including social cohesion projects in the whole EU, will be considered for Bank's co-financing, as they typically contribute to other COP lending priorities. The co-financing with EU funds is identified.

Temporary transitional measures are introduced up to end-2007 to cover operations already in the project cycle and falling outside the new Convergence objective (i.e. projects located in former objective 2 areas and some former objective 1 regions) to accommodate the new definition.

For maps of eligible regions, please consult the EU Commission website: [http://ec.europa.eu/regional\\_policy/sources/graph/cartes\\_en.htm](http://ec.europa.eu/regional_policy/sources/graph/cartes_en.htm)

## 2.4. SYNOPTIC TABLE: Economic and social cohesion / Convergence

<b>SPECIFIC CRITERIA</b>	<b>REFERENCES</b>	<b>CATEGORIES OF INVESTMENT/INDICATORS</b>
<b>Strengthening of basic infrastructure potential</b>	Regulation (EC) No. 1083/2006, <a href="#">OJ L 210 of 31.07.2006</a> Relevant priority axes or measures of the NSRF/OP concerned by the project <a href="#">List of eligible areas</a>	<ul style="list-style-type: none"> <li>• Extension of network/services increasing availability to and accessibility of eligible population to convergence regions</li> <li>• Complementary secondary connections, rail infrastructure and interoperability</li> <li>• Improve connectivity of landlocked territories to TEN-transport</li> <li>• Addressing investment in infrastructure and especially compliance with EU standards in particular regarding environmental legislation in water, waste, air, nature and species protection and biodiversity</li> </ul>
<b>Developing or rationalising economic activity</b> - Strengthening the synergies between environmental protection and growth - Addressing Europe's intensive use of traditional energy sources	Idem	<ul style="list-style-type: none"> <li>• New activity diversifying the regional economic base, including support of RTD activities in SMEs</li> <li>• Reinforcing, rationalising, developing existing activity (capacity investment to face growing demand, competitiveness, R&amp;D)</li> <li>• Supporting projects to improve energy efficiency</li> <li>• Supporting the development and use of renewable and alternative technologies</li> </ul>
<b>Improving knowledge and innovation for growth and jobs</b>	Idem	<ul style="list-style-type: none"> <li>• General education investments reinforcing availability of human capital infrastructures</li> <li>• Higher education and research (including medical) improving the quality of the local human capital basis, R&amp;D capacity building, RTD development</li> <li>• Innovation, support to excellence, clusters, innovations, entrepreneurship</li> <li>• Access to finance, alleviation of social problems or exclusion, measures targeting disadvantaged groups</li> </ul>

## 3. THE LISBON PROCESS: INNOVATION 2010 INITIATIVE

### 3.1. THE LISBON OBJECTIVES

The Bank's "Innovation 2000 Initiative", as it was originally called, is the Bank's contribution to the [Lisbon process](#), which itself was launched at the **Extraordinary EU Summit in Lisbon in March 2000**. Its key message was "*The Union has today set itself a strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world capable of sustainable growth with more and better jobs and greater social cohesion.*" The corresponding "Lisbon strategy" accordingly relies in particular on the following lines of action:

- More R&D, competitiveness and innovation;
- Modernising and strengthening the European social model;
- Applying an appropriate macro-economic policy mix.

The **Lisbon process or strategy** draws on earlier building blocks (Luxembourg process, Cardiff process) and has, since then, been more precisely defined and to some extent widened; it will run and be further developed until 2010. A number of EU regulations, communications and other documents have been produced over the years (cf. indications in Sections 3 to 5). The main forum to develop the Lisbon process is the annual Spring Council Meeting organised since 2001 as a follow up to the original Lisbon Summit: Stockholm 2001, Barcelona 2002, Brussels 2003 and 2004. Among the major developments count e.g. the more explicit introduction of sustainability in the Lisbon process (Göteborg 2001), the identification of the crucial role of R&D and innovation in closing Europe's competitiveness gap, leading to the objective of increasing "*overall spending on R&D and innovation in the Union...with the aim of approaching 3% of GDP by 2010*" and of notably encouraging investment in the private sector (Barcelona 2002). Moreover, the Lisbon process was widened to include, in particular, the new Member States and forthcoming Accession Countries.

The [European Action for Growth](#), launched at the Brussels European Council in December 2003, had the objectives of speeding up the rollout of trans-European transport, energy and electronic communications networks (TENs) and of boosting the Union's ability to generate and use knowledge. The European Action for Growth incorporates a "Quick Start Programme" covering the 2004-2006 period. On 29<sup>th</sup> October 2006, the European Parliament and the Council adopted a decision ([n° 1639/2006/CE](#)) on establishing a [Competitiveness and Innovation framework Programme](#) (CIP) for the period 2007-2013. It offers a coherent and integrated response to the objectives of the renewed Lisbon strategy. The CIP will complement other major programmes covering [cohesion activities](#), [research, technological development and demonstration activities](#) and [lifelong learning](#). The three specific programmes in the CIP framework are:

- [Entrepreneurship and Innovation Programme](#)
- [ICT Policy Support Programme](#)
- [Intelligent Energy-Europe Programme](#)

Eco-innovation is a transversal theme of the whole programme.

For more information, please consult the EU Commission website on Growth and Jobs: [http://ec.europa.eu/growthandjobs/index\\_en.htm](http://ec.europa.eu/growthandjobs/index_en.htm).

### 3.2. FRAMEWORK FOR THE BANK'S ACTION: i2i

The EIB Group has been involved in the preparation and in the implementation of these major EU initiatives, focusing its efforts on those innovation areas where particular investment efforts were most required and where supporting EIB loans or EIF venture capital (and guarantees) could be best deployed. Accordingly, in 2000, the Bank launched the "[Innovation 2010 Initiative](#)". To some extent, i2i built upon the experience gained within the "Amsterdam Special Action Programme" (ASAP), which ran from 1997-2000 and introduced or reinforced lending for education, health and R&D, as well as investment in venture capital. Progress under i2i was subsequently the subject of reporting to the Boards, to ECOFIN as well as to various EU Councils; furthermore, it became a lending priority within the EIB's business planning, as enshrined notably in its Corporate Operational Plans. Implementation of i2i was also the basis for reinforcing co-operation with parts of the Commission,

notably DG Research, Information Society (INFSO), Education and Culture (EAC), Employment and Social Affairs (EMPL), Enterprise (ENTRE) and more recently RTD in the context of the RSFF initiative.

In 2003, in the light of the positive experience under i2i, the long-term nature of the Lisbon and Barcelona objectives and the specific requests from ECOFIN and the EU Council (Brussels, March 2003), the Bank decided to extend and strengthen its efforts in innovation finance under its new "[Innovation 2010 Initiative](#)" (retaining the i2i acronym). The new i2i, with a first phase running to 2006, was approved by the Board of Governors (April 2003).

As indicated above, the EU subsequently defined the European Action for Growth. The Bank participated intensively in the working out of this Action Plan and has been called upon to become a major player in its implementation. As preparations for it advanced at ECOFIN level, the innovation theme grew in importance. Ultimately, the Bank's action under i2i, as from 2004 onwards, which incorporates Education & Training and Information and Communication Technology (ICT) – the key enablers of innovation, is now a key contribution under the European Action for Growth.

### **3.3. KEY i2i OBJECTIVES**

The Innovation 2010 Initiative is designed to encompass all the phases in a continuous process transforming increases in human knowledge into innovation, and subsequently into total factor productivity and competitiveness gains; the latter being a precondition for sustaining and improving economic growth, income and employment. While underlining that such operations can be extended to any sector of the economy, since no sector is exempt from the imperative to innovate, three core areas are expected to make up most operations under the new i2i, based on the Bank's i2i experience so far and on policy dialogue with the Commission:

- Research & development and innovative downstream investment (products, processes and services), notably in the private sector;
- Creation and dissemination of Information Communication Technology (hardware, and content and applications);
- Education & training.

Each of these areas is discussed in some more details in the following chapters 4 to 6.

## 4. i2i: RESEARCH & DEVELOPMENT

### 4.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

The Treaty basis for the Community's current research and technological development policy is provided in Title XVIII – “Research and technological development” of the [Treaty establishing the European Community](#) in Articles 163 to 173. Under Article 163, it is stated *“the Community shall have the objective of strengthening the scientific and technological bases of Community industry and encouraging it to become more competitive at international level.... for this purpose the Community shall, throughout the Community, encourage undertakings, including small and medium-sized undertakings, research centres and universities in their research and technological development activities of high quality....”*.

Article 164 continues that: *“In pursuing these objectives, the Community shall carry out the following activities, complementing the activities carried out in the Member States:*

- *implementation of research, technological development and demonstration programmes, by promoting cooperation with and between undertakings, research centres and universities;*
- *promotion of cooperation in the field of Community research, technological development and demonstration with third countries and international organizations;*
- *dissemination and optimization of the results of activities in Community research, technological development and demonstration;*
- *stimulation of the training and mobility of researchers in the Community.”*

#### *Policy context*

After various initiatives and papers from the EC concerning research and innovation (e.g. COM (95) 688 Final – “Green Paper on Innovation”, in 1995), the Commission's notice of January 2000, called [“Towards a European research area”](#)) was a clear catalyst for EU policy actions in the field of Research and Technological Development. It set the basis for the decision [at the Lisbon European Council](#), in March 2000, for the EU to become by 2010 *“the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion”*. The Lisbon European Council endorsed, as a central element of the strategy to achieve this goal, the project of creating a European Research Area. At the [Barcelona European Council](#) in March 2002, Heads of State and Government agreed that investment in European Research and Development (R&D) must be increased with the aim of approaching 3 % of GDP by 2010 (up from 1.9 % in 2000), calling for an increase of the level of business funding, which should rise from its current level of 56 % to two-thirds of total R&D investment, a proportion already achieved in the US, Japan and in some European countries. In September 2002, the European Commission adopted a first Communication “More research for Europe - Towards 3 % of GDP” ([COM \(2002\) 499](#)), to consult Member States, industry and other stakeholders on the ways and means to achieve the objective set at the Barcelona European Council.

In March 2003, the [Brussels European Council](#) invited Member States *“to take concrete action, on the basis of the Commission's forthcoming R&D Action Plan, to promote increased business investment in R&D and innovation, moving towards the Barcelona objective of approaching 3% of GDP”*. Its recommendations were based on the Commission's Report “Choosing to Grow: Knowledge, innovation and jobs in a cohesive society”; ([COM \(2003\) 5 final](#)). In April 2003, the Commission issued a second Communication focusing on the [“3 % objective”](#) ([COM \(2003\) 226 final](#)) *“Investing in Research: an action plan for Europe”* which calls for concrete actions aimed at reaching the objective set at the Barcelona European Council. Two years later, the Commission's Joint Action plan, “More Research and Innovation - Investing for Growth and Employment” ([COM \(2005\) 488 final](#)), updated the actions that had been launched with the 3% Action Plan for research and the innovation policy and, to give more substance to the previous action plans, formulates **four objectives**, for which 19 actions are proposed (cf. the Commission Staff Working Document ([SEC \(2005\) 1253](#)):

- Upgrade research and innovation in policy agendas
- Mobilise EU funds and instruments to support research and innovation
- Improve the environment for business to do research and innovate
- Enhance national policies through trans-national cooperation

Following the **Hampton Court Summit** in October 2005, where the Council stressed that research and innovation are key for Europe to address the challenges of globalisation, the Commission asked a group of four high-level experts, chaired by former Prime Minister of Finland Esko Aho, to make recommendation to improve Europe's research and innovation performance. The group issued its report in January 2006, proposing a strategy focusing on (i) the creation of innovation friendly markets, (ii) strengthening R&D resources, (iii) increasing structural mobility and (iv) a culture which celebrates innovation. These recommendations were integrated in communication from the Commission "Putting Knowledge into practice: a broad-based innovation strategy for the EU" ([COM \(2006\) 502 final](#)). On 18<sup>th</sup> December 2006, the Council adopted the Seventh Framework Programme of the European Community (EC) for research and technological development for the period 2007 to 2013. The 7<sup>th</sup> Framework Programme has been structured around four themes: (i) Cooperation; (ii) Ideas; (iii) People; and (iv) Capacities ([Decision No 1982/2006/EC, OJ L.412/1](#)).

## 4.2. BANK'S POLICIES AND ACTIONS

In 1995, in order to strengthen competitiveness within the EU, the Board of Directors endorsed an extension of the operations eligible for Bank's funding to ex ante Research and Development investment.

The above-cited official documents offer a palette of policy orientations, objectives and actions. These can be regrouped, in line with the themes of the 7<sup>th</sup> Framework Programme, into specific actions to guide the Bank's operations under the "[Innovation 2010 Initiative](#)" approved by the Board of Governors as an ongoing Bank contribution to the Lisbon Process:

- **Cooperation:** *Community Research Infrastructures, Research and Technology Platforms and Joint Technology Initiatives, Community Research Programmes (FP-7) or European Initiatives (INNOVA or Eco-Innovativeness, GMES):* Collaborative actions initiated at European and Community level aiming to build a European Research Area – a research and innovation equivalent of the "common market" for goods and services – regrouping all Community supports for the better coordination of research activities and convergence of research and innovation policies, at national and EU levels.
- **People:** *(Facilitating) European Human Resources in Science and Technology:* Increased investment in research, the creation of centres of excellence and the reinforcement of links between academia and the private sector necessary to reach the "3%" target set for 2010 will raise the demand to about 1.2 million additional and adequately skilled researchers, on top of the expected replacement of the ageing research workforce. Under this objective fall investments aimed at strengthening, quantitatively and qualitatively, the human potential in research and technology in Europe, as well as encouraging mobility.
- **Capacity:** *Strengthening Regional and Local Endowment for R&D and Innovation:* regions are encouraged to develop their own research and innovation capacities. Especially, Convergence regions, Accession and Candidate Countries have specific needs, for example regarding infrastructures.
- **IDEAS:** *Furthering Private and Public Sector Investments in R&D and Innovation:* As private expenditure on R&D will account for two-thirds of the investments to reach the 3% goal by 2010, emphasis will be placed on private and competitive research. However, the public sector has an important role to play in encouraging and attracting private investment.

### **4.3. ELIGIBILITY GUIDELINES**

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The table in section 4.4 follows the provisions set down in EU documents, offering a range of policy orientations, objectives and actions, as detailed in section 4.1, and in line with Bank's policy as presented in section 4.2. This includes projects falling into the following main policy areas:

- Cooperation: Developing Community Research Networks, Platforms, Organization and Programmes.
- People: Facilitating European Human Resources in Science and Technology.
- Capacity: Strengthening Regional and Local Endowment for R&D and Innovation.
- Ideas: Furthering Private and Public Sector Investments in R&D and Innovation.

#### 4.4. SYNOPTIC TABLE: i2i – Research & Development

SPECIFIC CRITERIA	REFERENCES	CATEGORIES OF INVESTMENT/INDICATORS
<b>Cooperation: Developing Community Research Networks, Platforms, Organisations and programmes</b>	<ul style="list-style-type: none"> <li>• COM (2000) 6 Final – <a href="#">“Towards a European Research Area”</a></li> <li>• COM (2001) 94 Final – <a href="#">“Parliament/Council decision concerning the multi-annual framework programme 2002-2006”</a>.</li> <li>• COM (2001) 346 Final – <a href="#">“The international dimension of the European Research Area”</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• European R&amp;D Infrastructures (ISFRA), e.g. ICT-networks (Géant, GRID), free electron lasers, neutron sources and oceanographic vessels.</li> <li>• Financing the different Research and Technology Framework Programme-projects and Joint Technology Initiatives within thematic areas.</li> <li>• Technology platforms and Initiatives.</li> <li>• R&amp;D and innovation across EU Policy; space, transport, marine technology, health, environment.</li> </ul>
<b>People: Facilitating European Human Resources in Science and Technology (HRST)</b>	<ul style="list-style-type: none"> <li>• COM (2001) 549 Final – <a href="#">“The regional dimension of the European Research Area”</a>.</li> <li>• COM (2002) 499 Final – <a href="#">“More research for Europe: Towards 3% of GDP”</a>.</li> <li>• COM (2002) 565 Final- <a href="#">“The European Research Area: providing new momentum”</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• Measures that involve policies to further employment skills, encourage transnational mobility and career opportunities in Science and Technology Areas, such as harmonisation/recognition of academic and training qualifications.</li> <li>• Development of poles, knowledge networks of centres of excellence in R&amp;D, like in new materials, health care.</li> </ul>
<b>Capacity: Strengthening Regional and Local Endowment for R&amp;D and Innovation</b>	<ul style="list-style-type: none"> <li>• COM (2003) 226 Final – <a href="#">“Investing in research: an action plan for Europe”</a>.</li> <li>• <a href="#">European Council decision n°2002/834/EC, adopting a specific programme for research technical development and demonstration.</a></li> </ul>	<ul style="list-style-type: none"> <li>• Science and Technology Parks, incubator centres and technopoles and research driven clusters (incl. Regions of Knowledge).</li> <li>• Public and private R&amp;D-centres.</li> <li>• Furthering/diffusion/adoption of R&amp;D and innovation in regional industrial clusters.</li> </ul>
<b>Ideas: Furthering Private Sector Investments in R&amp;D and Innovation</b>	<ul style="list-style-type: none"> <li>• COM (2005) 488 final - <a href="#">“More Research and Innovation - Investing for Growth and Employment”</a>.</li> <li>• COM (2006) 502 final - <a href="#">“Putting Knowledge into practice: a broad-based innovation strategy for the EU”</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• Private sector R&amp;D and innovation (product/process/service, IPR and technology licensing, emphasis on SMEs); (including product and process prototypes, pilot plants and first stage industrial and commercial applications).</li> <li>• R&amp;D co-operation between European industrial firms.</li> <li>• Public R&amp;D; public/university-industry partnerships.</li> </ul>

## 5. i2i: INFORMATION AND COMMUNICATION TECHNOLOGY

### 5.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

Under Title XV – “Trans-European networks” of the [Treaty establishing the European Community](#), Article 154 para. 1 makes reference to telecommunications as being part of trans-European networks (TENs). Other implicit references for support of electronic communications networks may be found in relation to R&D (Title XVIII – “Research and technological development” of the Treaty), since these networks play a central role in fostering the scientific and technological base by contributing to the creation and dissemination of knowledge. Finally, competitive electronic communications networks are a key building block in the completion of the Internal Market (Title III – “Free movement of persons, services and capital” of the Treaty).

#### *Policy context*

Commission funding of TEN telecommunications has been relatively limited and not centred on network infrastructures. Instead, it has rather focused on services of trans-European relevance. Recently, however, ample financial provisions for broadband infrastructure – in particular access networks – have been made available within the Structural Funds. These are matched by funding for similar objectives in most Member Countries. In addition, several Information and Communication Technologies (ICT)-based proposals have been identified in the Quick Start Projects (Broadband/Digital Divide, Mobile communications and technologies, ICT-based research network infrastructure, GMES, nanoelectronics).

It should be noted that the scope of the definition of the telecommunication sector has changed with the new regulatory package of the EU, which entered into force in April 2002 and has applied since July 2003. It has been widened to include electronic communications, abandoning a technological platform centred approach and taking into account the convergence of technologies in the telecommunications, broadcasting and information technology sectors. This new regulatory framework represents a milestone in harmonising and updating the regulatory requirements for the sector within the EU to establish, wherever possible, the principle of competition in the sector. A consultation process for the review of this regulatory framework has been started in 2006 and legislative proposals are expected in the course of 2007.

The basis for a Community Policy related to ICT draws, in fact, from the Lisbon strategy to make the European Union the most competitive and dynamic knowledge-based economy with improved employment and social cohesion by 2010. The [Feira Council](#) in 2000 endorsed the first [eEurope Action Plan](#). In following up on the Lisbon strategy, the [Barcelona Council](#) in 2002 called on the Commission to draw up further action plans focusing on “*the widespread availability and use of broadband networks throughout the Union by 2005 and the development of Internet protocol IPv6 .... and the security of networks and information, eGovernment, eLearning, eHealth and eBusiness*”. The resulting [eEurope 2005 Action Plan](#) – endorsed by the [Seville Council](#) (June 2002) – constitutes a basis for current EIB intervention.

Action is needed to stimulate services and infrastructure to create the dynamic where the demand and supply sides are mutually reinforcing. eEurope 2005 applies a number of measures to address both sides of the equation simultaneously. On the demand side, actions on eGovernment, eHealth, eLearning and eBusiness are designed to foster the development of new services. In addition to providing both better and cheaper services to citizens, public authorities can, in that way, use their purchasing power to boost aggregate demand and provide a crucial pull for new networks. On the supply side, actions on broadband and security should advance the rollout of infrastructure. Furthermore, measures are put in place for a general raising of basic ICT skills at all levels of the educational system, and further through the working life of individuals (Life-Long Learning), in order to take full advantage of ICT developments.

However, the Lisbon strategy is not just about productivity and growth, but also about employment and social cohesion. eEurope 2005 puts users at the centre. It will improve participation, open up opportunities for everyone and enhance skills. eEurope contains measures regarding e-inclusion in all action lines. Making sure that services, especially online public services, are available over different terminals, such as TV sets or mobile phones, is crucial to ensuring the inclusion of all citizens.

To re-launch the Lisbon agenda, the European Commission proposed a new **strategic framework**, "[i2010 – European Information Society 2010](#)", in June 2005 laying out broad policy orientations. It promotes an open and competitive digital economy and emphasizes ICT as a driver of inclusion and quality of life. A key element of the renewed Lisbon partnership for growth and jobs, i2010 will build towards an **integrated approach to information society and audio-visual media policies in the EU**.

**i2010 has three priorities:**

- 1) to create a [Single European Information Space](#), which promotes an open and competitive internal market for information society and media services.
- 2) to strengthen investment in [innovation and research in ICT](#).
- 3) [to foster inclusion, better public services and quality of life](#) through the use of ICT.

ICT is a key feature of the European R&D efforts in the [7th Framework Programme](#). In the work program **three ICT challenges** have been identified and should be addressed in particular with the help of the European Technology Platforms in ICT:

- The converged communication and service Infrastructure that will gradually replace the current Internet, mobile, fixed and audiovisual networks.
- The engineering of more robust, context-aware and easy-to-use ICT systems that self improve and self-adapt within their respective environments.
- The increasingly smaller, cheaper, more reliable and low consumption electronic components and systems that constitute the basis for innovation in all major products and service.

The European Parliament and the Council adopted MEDIA 2007 in November 2006, a new programme to support the European audiovisual sector. The budget will be €755 million over seven years (2007-13). Like its forerunners, MEDIA 2007 will focus on **preproduction and post-production** activities (distribution and promotion). However, in contrast to MEDIA II (1996-2000) and MEDIA Plus/MEDIA Training (2001-2006), EU funding will be channeled through a **single programme**.

## **5.2. BANK'S POLICIES AND ACTIONS**

The knowledge-based economy relies heavily on the existence of modern electronic communications networks to enable and support innovation and its diffusion.

At the launching of i2i, the Bank identified three pillars on which to base its intervention in favour of the diffusion of broadband technologies: competition, innovation and non-exclusion. Under these principles the Bank will not, a priori, discriminate against any technological platform as long as it is technically and economically viable. Emphasis will be placed on the rollout of fixed and mobile broadband networks and access technologies (e.g. xDSL, FTTH, WLL, UMTS) as well as R&D; digital terrestrial television (DTTV) platforms; investment in interactive on-line services (eCommerce, eHealth, eGovernment); development of intelligent transport management systems (e.g. Galileo) and deployment of European standards for transport (ERTMS, ETCS, LCTC, GSM-Rail) or emergency (TETRA) networks. To emphasize the social impact of new technologies, the EIB will pay particular attention to i2i projects located in assisted areas.

The eEurope 2005 Action Plan highlighted the role Structural Funds can play in bringing broadband to disadvantaged regions. Structural Funds can be used to increase broadband coverage in under-served areas on the basis of guidelines published by the Commission in July 2003 to minimize competition distortions and safeguard a technology-neutral approach.

[i2010](#) framed the broadband territorial digital divide into the wider framework of e-Inclusion.

The Bank supports all types of investments in broadband infrastructure, in particular with a view of achieving platform competition. However, most broadband investment is undertaken by incumbent fixed line operators with "significant market power" (SMP). In order to ensure that the EIB support to SMP operators does not run counter against the principle of open market, the Bank signed a Memorandum of Understanding (MoU) with DG INFSO in May 2003. The MoU outlines the procedures of evaluating projects and their compliance with the new regulatory framework for electronic communications and services. In particular, projects promoted by companies with market

dominance status should be carefully assessed with respect to their impact on conditions of competition, availability of services and overall regulatory compliance.

### **5.3. ELIGIBILITY GUIDELINES**

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The table in section 5.4 follows the provisions set down in EU documents, offering a range of policy orientations, objectives and actions, as detailed in section 5.1, and in line with Bank's policy as presented in section 5.2. This includes projects falling into the following main policy areas:

- Promoting Universal Access to Electronic Communication Services.
- Encouraging the Diffusion of Broadband Infrastructure.
- Developing eActivities (eBusiness, eGovernment, eHealth, eLearning).
- Supporting Audiovisual Content and Services.
- Upstream Enabling Technologies for ICT.

Frequently, projects falling into these categories are also eligible under i2i – “Research and development” (see chapter 4).

#### 5.4. SYNOPTIC TABLE: i2i – Information and Communication Technology

SPECIFIC CRITERIA	REFERENCES	CATEGORIES OF INVESTMENT/INDICATORS
<p><b>Promoting Universal Access to Electronic Communications Services</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">New Electronic Communications Regulatory Framework</a></li> <li>• COM (2006) 163 “<a href="#">Communication on Report regarding the outcome of the Review of the Scope of Universal Service in accordance with Article 15(2) of Directive 2002/22/EC 7 April 2006</a>”</li> <li>• COM (2005) 229 “<a href="#">i2010 A European Information Society for Growth and Employment</a>” (policy framework for the information society and media)</li> <li>• COM (2007) 146 “<a href="#">i2010 – Annual information Society Report 2007</a>”</li> <li>• COM (2004) 61 Final “<a href="#">Connecting Europe at high speed: recent developments in the sector of electronic communications</a>”</li> <li>• COM (2003) 65 Final – “<a href="#">Electronic communications: the road to the knowledge economy</a>”</li> <li>• COM (2003) 541 Final – “<a href="#">Communication on the transition from analogue to digital broadcasting</a>”</li> <li>• COM (2001) 770 Final – “<a href="#">ICT in Development. The role of ICT in EC development policy</a>”</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure investments for competitive supply of electronic communication services (i.e. telecoms and broadcasting) on wired and/or wireless technological platforms</li> <li>• Investment promoting competition on network/among networks, i.e. facilities for unbundling of local loop, new types of infrastructure</li> <li>• Analogue/digital switchover</li> <li>• Specialised networks (Galileo, GMES, TETRA, GSM-R)</li> <li>• Investments for interoperability</li> </ul>
<p><b>Encouraging the Diffusion of Broadband Infrastructure</b></p>	<ul style="list-style-type: none"> <li>• COM (2006) 129 final “<a href="#">Bridging the Broadband Gap</a>”</li> <li>• COM (2005) 229 and COM (2007) 146, op. cit.</li> <li>• COM (2004) 369 final “<a href="#">Commission Communication on Connecting Europe at high speed: National Broadband Strategies</a>”.</li> <li>• COM (2001) 141 Final - “<a href="#">The Introduction of Third Generation Mobile Communications in the European Union: State of Play and the Way forward</a>”</li> </ul>	<p>All type of broadband infrastructure (xDSL, fibre, cable, 3G and higher, WiFi, powerline, satellite, DTTV...) for electronic communication services, Quick start programme (e.g. Broadband)</p>
<p><b>Developing eActivities, e.g. eTEN (services, content, applications) &amp; eBusiness</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">Treaty establishing the European Community</a>, Art 154, par 1</li> <li>• COM (2005) 229 and COM (2007) 146, op. cit.</li> <li>• <a href="#">eTen</a></li> <li>• COM (2001) 711 Final – “<a href="#">Impact of the e-Economy on European enterprises</a>”</li> <li>• ICT Policy Support Programme of the CIP : <a href="#">Decision N° 1639/2006/EC establishing a Competitiveness and Innovation Framework Programme (2007 to 2013)</a></li> </ul>	<p>New services and activities indicated in eEurope: eBusiness, eGovernment, eLearning, eHealth (including related hardware, software, content development, innovative use, as well as associated delivery services)</p>

<b>Supporting Audiovisual Content and Services</b>	<ul style="list-style-type: none"> <li>• <a href="#">Treaty establishing the European Community</a>, Art 151, par 2</li> <li>• <a href="#">Media 2007</a></li> <li>• COM (2003) 191 Final – “<a href="#">MEDIA Plus</a>” and COM (2003) 188 final – “<a href="#">MEDIA-Training</a>”</li> </ul>	<ul style="list-style-type: none"> <li>• Investment in innovation and content production in the audiovisual sector</li> <li>• Cooperation across Member States</li> </ul>
<b>Upstream Enabling Technologies for ICT</b>	<ul style="list-style-type: none"> <li>• COM (2005) 229 final- “<a href="#">i2010 A European Information Society for Growth and Employment</a>”</li> <li>• COM (2004) 61 Final, op. cit.</li> <li>• COM (2003) 65 Final – “<a href="#">Electronic communications: the road to the knowledge economy</a>”</li> <li>• COM (2003) 690 Final – “<a href="#">A European Initiative for Growth</a>”</li> <li>• ICT thematic priority and e-Infrastructures of FP7: Decision N° 1982/2006/EC <a href="#">concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013)</a>.</li> </ul>	<ul style="list-style-type: none"> <li>• Nano- and opto-electronics</li> <li>• R&amp;D and production facilities for ICT equipment</li> </ul>

## 6. i2i: EDUCATION AND TRAINING

### 6.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

The basis for EU action in education and training was established by the Treaty of Maastricht and was subsequently enlarged by the Amsterdam Treaty. Under Title XI – “Social policy, education, vocational training and youth” of the [Treaty establishing the European Community](#), Article 149 states that “*The Community shall contribute to the development of quality education by encouraging co-operation between Member States ... while fully respecting the responsibility of the Member States for the content of teaching and the organisation of education systems and their cultural and linguistic diversity*” and, if necessary, by supporting and supplementing their actions. The main objectives are to develop the European dimension in education, encourage mobility, promote co-operation between education establishments, facilitate exchanges of students and teachers, and encourage the development of distance education. Article 150 of the Treaty specifies that the Community shall implement a vocational training policy to support and supplement the actions of Member States.

#### *Policy context*

Although Member States retain responsibility for the content of teaching and the organisation of the education system, extensive Community co-operation on educational issues has gradually been built up. After various Communications and initiatives from the EC stressing the crucial role of education and training, the Lisbon Council in March 2000 reiterated the importance of education and training to the future of the EU. This sets out a new strategic objective for the Union “*to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion*”. It stressed that this would require a “*challenging programme for the modernisation of social welfare and education systems*”. At the Stockholm Summit, in March 2001, the “[Report on the concrete future objectives of education systems](#)” was adopted (COM (2001) 59 final). This is the first document to set out a coherent approach to national education policies in the context of the EU, defining three priority action areas and 13 associated indicators:

- improving the quality and effectiveness of education and training systems;
- facilitating access to education and training and making lifelong learning accessible to all;
- opening up education and training systems to the wider world.

In order to further the action areas and associated indicators, a “[Detailed work programme on the future objectives of education and training systems](#)” (OJEC C58 of 05/03/2002 and OJEC C142 of 14/06/2002) was adopted by the Council in Barcelona in March 2002. The “[Education & Training 2010](#)” work programme adopted in 2003 (COM (2003) 685 Final) is to be implemented progressively, using the “open method of co-ordination” between Member States. While respecting the principle of subsidiarity envisaged in the Treaties, the method allows for co-operation among Member States with a view to achieving convergence of national policies and the attainment of agreed objectives by 2010.

The Lisbon, Barcelona and Stockholm Council resolutions form part of a process integrating all actions involving education and training covering the various types and levels (formal, non-formal and informal) aimed at making lifelong learning a reality for all. The [eLearning Action Plan](#) adopted at the Feira Council in 2000 provides another important platform for European co-operation, leading in 2003 to the adoption of the [eLearning Programme](#) implemented between 2004 and 2006 ([Decision n°2318/2003/EC of the European Parliament and the Council of 5 December 2003 adopting a multi-annual programme \(2004 to 2006\) for the effective integration of information and communication technologies \(ICT\) in education and training systems in Europe \(eLearning Programme\)](#)). Since then, a further range of initiatives has been launched with the aim of promoting EU education infrastructure as a prerequisite for job creation and growth (see [COM \(2003\) 273 Final](#) - “Education & Training 2010” and [COM \(2003\) 685 Final](#) – “Draft joint interim report on the implementation of the detailed work programme on the follow-up of the objectives of education and training systems in Europe”).

## 6.2. BANK'S POLICIES AND ACTIONS

The Bank has been active in the education sector since 1981, at first on a minor scale limited to vocational education. The Treaty of Amsterdam and the Bank's Amsterdam Special Action Programme ([ASAP](#)) substantially widened the EIB's mandate. The Council Resolution, approved at the Amsterdam Summit in June 1997, urged the EIB, *inter alia*, "to examine its scope of intervention in areas of education, health, urban environment and environmental protection". In responding to this Resolution, in July 1997, the EIB Board of Directors approved the Amsterdam Special Action Programme ([ASAP](#)), which was designed to bolster growth and employment in Europe by increasing investment in education and health. The EIB's mandate in the two sectors has since been reinforced, notably as a consequence of decisions taken by its Board of Governors in 1999, which defined education and health conceptually as "[human capital](#)", and further Council Resolutions adopted at summits in Lisbon (2000), Stockholm (2001) and Barcelona (2002). The EIB's actions in support of human capital are consistent with both Community priorities and Member States' policies.

In parallel with the gradual broadening and deepening of EU priority actions in education and training, the Bank's mandate has also evolved. The Council Resolution on the Lisbon Strategy, the [Education & Training 2010](#) programme and the [Innovation 2010 Initiative](#) effectively made lending for education and training, under a broader remit for human capital investment, a fully integrated element in the mainstream of the Corporate Operational Plans (COP) for 1999-2000, 2000-2002 and 2003-2005. The theatre of operations has also widened, from originally comprising only education investments in the EU-15 countries, to include eligible projects in the Acceding Countries, Candidate Countries including Turkey, the Western Balkans, and the FEMIP countries. Today, in the light of evolving EU priorities and actions taken with respect to education in "new neighbouring states", and with regard to EU policies vis-à-vis countries in the Middle East, the Caucasus and Africa, consideration is given, on a selective basis, to EIB financing for projects in an even larger set of countries.

The portfolio has also grown in terms of type of investment. Because the Bank's remit is to support the Member States' and the Union's action areas of making lifelong learning accessible to all, improving the quality and effectiveness of education and training systems, and opening up education and training to the wider world, the Bank can, in principle, support viable investments in all sectors and sub-sectors along the value added chain of the lifelong learning system. This ranges from pre-school education, compulsory schooling and upper secondary education, to tertiary education, teacher training, adult education, vocational training, on-the-job training and distance learning with new technologies – in brief, education and training in all their diverse forms, and for all ages.

## 6.3. ELIGIBILITY GUIDELINES

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The table in section 6.4 follows the provisions set down in EU documents, offering a range of policy orientations, objectives and actions, as detailed in section 6.1, and in line with Bank's policy as presented in section 6.2. This includes projects falling into the following main policy areas:

- Improving the Quality and Effectiveness of Education and Training Systems
- Facilitating the Access of All to Education and Training Systems
- Opening up Education and Training Systems to the Wider World.

#### 6.4. SYNOPTIC TABLE: i2i – Education and Training

<b>SPECIFIC CRITERIA</b>	<b>REFERENCES</b>	<b>CATEGORIES OF INVESTMENT/INDICATORS</b>
<b>Improving the Quality and Effectiveness of Education and Training Systems</b>	<a href="#">COM (2001) 59 Final</a> – “Report on the Concrete Future Objectives of Education and Training Systems”	<ul style="list-style-type: none"> <li>• Improving education and training for teachers and trainers</li> <li>• Developing skills for the knowledge society</li> <li>• Making the best use of resources</li> <li>• Ensuring access to ICT for everyone</li> <li>• Increasing recruitment to scientific and technical studies</li> </ul>
<b>Facilitating the Access of All to Education and Training Systems</b>	Idem	<ul style="list-style-type: none"> <li>• Promoting open learning environments</li> <li>• Making learning more attractive, demand-side measures</li> <li>• Supporting active citizenship, equal opportunities and social cohesion</li> </ul>
<b>Opening up Education and Training Systems to the Wider World</b>	Idem	<ul style="list-style-type: none"> <li>• Strengthening European co-operation</li> <li>• Strengthening the links with working life, academic research, and society at large</li> <li>• Developing the spirit of enterprise</li> <li>• Improving foreign language learning</li> <li>• Increasing mobility and exchange</li> </ul>

## 7. TRANSPORT - TENS

Contribution to Common Transport Policy and Community objectives in the transport sector is the basis for EIB involvement in the financing of transport projects. This covers two main areas: the development of the Trans-European Networks (TENS) and the fulfilment of other policy objectives. A recent addition to EU transport policy is the extension of the major trans-European transport axes to the neighbouring countries in the context of the EU neighbourhood policy.

The legal basis for TENS is the [Treaty establishing the European Community](#). Under the terms of Title XV – “Trans-European networks” of this Treaty (Articles 154, 155 and 156), the European Union must aim to promote the development of trans-European networks as a key element for the creation of the Internal Market and the reinforcement of Economic and Social Cohesion. In Article 154, the Treaty states “... *the Community shall contribute to the establishment and development of trans-European networks in areas of transport, telecommunication and energy infrastructures. Within the framework of a system of open and competitive markets, action by the Community shall aim at promoting interconnection and interoperability of national networks as well as access to such networks*”. To achieve these objectives, Article 155 identifies different lines of actions: (i) establishment of guidelines leading to the identification of projects of common interest; (ii) implementation of measures ensuring the interoperability of networks (technical standardisation) and (iii) support to projects of common interest supported by Member States and identified in the framework of the guidelines. Coordination between Member States and with third countries to promote projects of mutual interest and to ensure the interoperability of networks is also addressed in the Article 155 of the Treaty. The case for telecommunication networks is dealt with in chapter 5, the case of energy networks in chapter 11. This chapter focuses on transport.

### 7.1. TREATY BASIS AND POLICY CONTEXT

#### 7.1.1. Trans European Networks - Transport

##### ***Treaty basis***

The basis for the common transport policy was introduced with the Treaty of Rome. Community transport policy is covered by Title V - “Transport” (Articles 70 to 80) of the [Treaty establishing the European Community](#) which states that: “*the Council shall, ..., lay down: a) common rules applicable to international transport to or from the territory of a Member State or passing across the territory of one or more Member States; b) the conditions under which non-resident carriers may operate transport services within a Member State; c) measures to improve transport safety; d) any other appropriate provisions*”.

It was, however, not before 1985, when the Court of Justice ruled that the Council had failed to act, that the Member States had to accept that the Community could legislate in the transport area. The Treaty of Maastricht reinforced the political, institutional and budgetary foundations for the common transport policy and furthermore introduced the legal basis for the development of trans-European networks.

The Trans-European Transport Network (TEN-T) is covered in the [Treaty on the European Union](#), under the terms of Title XV - “Trans-European networks” of the Treaty (Articles 154, 155 and 156).

##### ***Policy context***

The European Parliament and Council adopted in 1996 [Community guidelines](#) for the development of TEN-T. These guidelines cover roads, railways, inland waterways, airports, seaports, inland ports and traffic management systems which serve the entire EU, carry the bulk of the long distance traffic and bring the geographical and economic areas of the Union closer together. The guidelines provide a general reference framework for the implementation of the network and identification of projects of common interest. The maps in Annex I of Decision 1692/96/EC illustrate the outline of the TEN-T as planned for 2010.

In May 2001 the TEN-T Guidelines were amended by [Decision n°1346/2001/EC](#) as regards seaports, inland ports and inter-modal terminals. With this amendment, the multimodal dimension of the

network was emphasised, as some categories of seaports and specific inland ports were defined as part of the network.

A more fundamental revision of the TEN-T Guidelines based on work by a High Level Group headed by ex-Commissioner Van Miert was proposed by the Commission on 1 October 2003, to take account of enlargement and expected changes in traffic flows. New outline plans for 2020 were drawn up for an enlarged Union and a proposal was made to expand the list of priority projects. The new guidelines were adopted in the Decision No 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending Decision No 1692/96/EC on Community guidelines for the development of the trans-European transport network. In this context, the Commission has adopted 30 Priority Projects covering the EU 27.

Decision N° 884/2204/EC shows the TEN-T in the EU15. The TEN-T maps for the ten countries that joined the Union in May 2004 have been published in the Official Journal of the European Union (OJEU) of 23.9.2003. The TEN-T maps for Bulgaria and Romania have been published in the Official Journal of the European Union (OJEU) of 20.12.2006. All these maps are available on [Trans-European Networks](#) en.htm.

### **7.1.2. Extension of the major Trans-European Transport Network to the neighbouring countries**

Transport has played a role in the shaping of the EU neighbourhood policy since its beginning. Important documents are the Communication on “Wider Europe – Neighbourhood: A new framework for relations with our Eastern and Southern Neighbours” COM(2003)104 final (11.03.2003) followed by a Communication on “Paving the way for a new neighbourhood instrument” COM(2003)393 final (1.7.2003). More specifically related to transport are the Communication from the Commission to the Council and the European Parliament on the “Development of a Euro-Mediterranean transport network” COM(2003) 376 final (24.6.2003) and the signature of a “Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network” on 11/06/2004.

The recommendations formulated in a report from the High Level Group chaired by the former Transport Commissioner Loyola de Palacio on “Extension of the major trans-European transport axes to the neighbouring countries and regions” of November 2005 have been developed into the Communication from the Commission to the Council and the European Parliament on the “Extension of the major trans-European transport axes to the neighbouring countries - Guidelines for transport in Europe and neighbouring regions” COM(2007) 32 final (31.01.2007) and include maps of five transit axis (consisting of several branches each) connecting the EU and its neighbours.

### **7.1.3. Other common transport policy objectives**

#### *Policy context*

The Community Transport legislative acquis covers a large number of regulations, directives and decisions in the different transport sectors. The acquis covers areas such as internal market, competition and state aid provisions, technical standards and issues related to operators including educational and safety requirements. In addition, a number of policy documents also provide guidance to the Bank’s activities in individual transport sectors. Furthermore, Community transport policy covers horizontal issues, such as pricing in transport and co-operation with third countries. Two White Papers of particular interest to the Bank’s activities cover the whole transport sector and give overall policy indications.

The Commission’s first White Paper on the future development of the common transport policy was published in December 1992. The guiding principle of the document was the opening-up of the transport market. Over the last ten years this objective has been generally achieved, except in the rail passenger sector.

[A second White Paper was published by the Commission in 2001.](#) The main policy line proposed by the Commission and endorsed by the Council and the Parliament is the need to promote environmentally friendly transport modes. The Commission has proposed a large number of measures to develop a transport system capable of shifting the balance between modes of transport, revitalising the railways, promoting maritime transport and inland waterways and managing the

growth in air transport. In this way, the White Paper fits in with the sustainable development strategy adopted by the European Council in Gothenburg in June 2001 in which it was concluded that: *“A sustainable transport policy should tackle rising volumes of traffic and levels of congestion, noise and pollution and encourage the use of environment-friendly modes of transport as well as the full internalisation of social and environmental costs. Action is needed to bring about a significant decoupling of transport growth and GDP growth, in particular by a shift from road to rail, water and public passenger transport. ...”*.

The importance of transport, and transport infrastructure investments including the contribution of the European Investment Bank (EIB), is highlighted in the “Communication from the Commission to the Council and the European Parliament on the “Common Actions for Growth and Employment: The Community Lisbon Programme”, COM(2005) 330 final, 20.07.2005, reminding Member States that they must deliver on their commitments to start work on 45 “quick start” cross-border projects for transport and energy.

After a consultation process, the Commission published “Keep Europe moving - Sustainable mobility for our continent. Mid-term review of the European Commission’s 2001 Transport White Paper”, COM(2006) 314 final (22.06.2006) which includes some interesting new conclusions and changes in policy emphasis.

Firstly, the review highlights the need for optimising the performance and efficiency of all transport modes, individually and in combination (co-modality). Modal shift is still sought where appropriate (e.g. long distance, congested corridors, urban areas) but moreover each transport mode must be optimised. This broadens the policy objective to include focusing on efficiency of each mode (in particular ports and inter-modal centres), the Motorways of the Sea concept, inland waterways as well as road transport.

A second fundamental policy shift is that the review puts more emphasis on the need to disconnect mobility from its negative side effects, rather than on the existing goal of decoupling of transport growth and economic growth. Mobility is recognized as being necessary for economic development.

There is also a strong focus on the support to innovation: Intelligent transport systems and Infrastructure charging using new technologies (the EU-sponsored Galileo satellite navigation system is mentioned as an important tool to promote new technologies), and the European Rail Traffic Management System (ERTMS) where the Commission strongly emphasises the need for ERTMS in order to make the European railway sector more competitive.

According to the actions proposed in the Mid-Term Review to foster the efficiency and the sustainability of the transport sector, the European Commission has adopted during the second half of 2007 the following documents :

- The Green Paper on urban transport “Towards a new culture of urban mobility”, COM (2007) 551, adopted on 25.09.2007;
- The “Freight Transport Logistics Action Plan”, COM (2007) 607, adopted on 18.10.2007
- The Communication from the Commission “Towards a rail network giving priority to freight”, COM (2007) 608, adopted on 18.10.2007
- The “Communication on a European Ports policy”, COM (2007) 616, adopted on 18.10.2007.

## **7.2. BANK’S POLICIES AND ACTIONS**

The Bank policy in the Transport sector has been recently presented to the Board of directors in the following document: “Revisiting EIB approach in the Transport Sector – Global Warming and Transport: a renewed EIB Transport Lending Policy” 27 September 2007 (CA/Doc 07/376), and cover Trans European Networks for Transport as well as other common transport policy objectives.

### **7.2.1. Trans European Networks –Transport and Major Transport Axes in Neighbouring Countries**

The transport sector is traditionally one of the most important sectors for the Bank, which is a major financier of TEN projects.

The development of TENs is one important component of the European Growth Initiative on the renewed Lisbon strategy for growth and jobs. The Bank is actively responding to this challenge and accordingly includes the development of TENs as one of its priority objectives in its [COP \(2007-2009\)](#). New elements in the COP relevant to transport are a progressive increase in risk-taking activity and the use of new financial instruments; further cooperation with the European Commission (JASPERS ; RSFF<sup>4</sup> and LGTT<sup>5</sup> as new financial instruments) and enhanced monitoring. The Directorate-General for Energy and Transport of the European Commission and the EIB have signed a Memorandum of Understanding establishing a framework for cooperation on policy and investment on transport and energy, notably in the development of Trans-European Networks.

In accordance with the Communication from the Commission to the Council and the European Parliament on the “Extension of the major trans-European transport axes to the neighbouring countries - Guidelines for transport in Europe and neighbouring regions” COM(2007) 32 final (31.01.2007), a category of investment “major transport axes in neighbouring countries” covering projects located on five transit axis (consisting of several branches each) connecting the EU and its neighbours has been introduced. Furthermore, a more detailed extension of the TEN network has been identified in a number of neighbouring countries such as the Western Balkan countries.

### **7.2.2. Other common transport policy objectives**

The other transport policy objectives to which the Bank gives its support are: European integration and development of the internal market; promotion of sustainable transport (in line with environmental objectives) and innovative transport solutions; improvement of international links between the EU and third countries; and of transport systems outside the Union in areas covered by specific EIB lending mandates. For the two last-mentioned policy objectives, the Bank is actively co-operating with a number of international organizations and International Financial Institutions (IFIs) in the transport area (in particular with the ECMT, UN-ECE, World Bank, IDB, EBRD). Examples of this co-operation are: the planning and prioritisation of projects in the context of the Wider Europe; the Balkans (Core transport infrastructure network and the TIRS and REBIS studies); and the Mediterranean (Euro-Med/FEMIP).

## **7.3. ELIGIBILITY GUIDELINES**

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The table in Section 7.4 follows the provisions set down in EU documents offering a range of policy orientations, objectives and actions, as detailed in section 7.1, and in line with Bank’s policy as presented in section 7.2. This includes projects falling into the following main policy areas:

- Trans-European Network projects and Major Transport Axes in neighbouring Countries;
- Other projects of Community interest:
  - Sustainable transport;  
These investment projects are eligible under Chapter 10 “Sustainable Communities” (see table in section 10.4),
  - European integration and development of the internal market;
  - Improvement of international links between the EU and third countries.

---

<sup>4</sup> Risk Sharing Financing Facility

<sup>5</sup> Loan Garanty Instrument for TEN-T projects

#### 7.4. SYNOPTIC TABLE: Transport – TENs

SPECIFIC CRITERIA	REFERENCES	CATEGORIES OF INVESTMENT/INDICATORS
<p><b>Developing Trans-European Transport Networks and Major Transport Axes in Neighbouring Countries</b></p>	<ul style="list-style-type: none"> <li>• Community Guidelines for the development of the TEN-T including annex III on 14 priority projects (Essen list). <a href="#">Decision No 1692/96/EC</a></li> <li>• Amendment of the TEN-T Guidelines as regards seaports, inland ports and intermodal terminals as well as project No 8 in Annex III. <a href="#">Decision No 1346/2001/EC</a></li> <li>• <a href="#">Commission's proposal for TEN in acceding countries Act concerning the Conditions of Accession" of 23 Sept 2003</a></li> <li>• Decision no 884/2004/EC of the European Parliament and of the Council of 29 April 2004 amending Decision no 1692/96/EC on Community guidelines for the development of the trans-European transport network. This includes a list of 30 Priority Projects and their priority sections.</li> <li>• Commission proposal for TEN in acceding countries. Act concerning the conditions of Accession of Bulgaria and Romania of 20.12.2006</li> <li>• Memorandum of Understanding on the development of the South East Europe Core Regional Transport Network of 11.06.2004 signed by Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Serbia and Montenegro, Kosovo/UNMIK (UNSCR 1244) and the European Commission.</li> <li>• "Extension of the major trans-European transport axes to the neighbouring countries - Guidelines for transport in Europe and neighbouring regions" COM(2007) 32 final (31.01.2007)</li> </ul>	<ul style="list-style-type: none"> <li>• Priority projects (identified in Annex III of Decision No 884/2004/EC amending the TENs guidelines (Council Decision 1692/96 EC).</li> <li>• Other TEN-T projects. These comprise transport infrastructure, transport management systems (in particular, ERTMS/ ETCS for railway infrastructure and retrofitting of rolling stock with ETCS equipment) and specialised combined transport equipment. Road, inland waterways and rail infrastructure projects should be identifiable in the relevant TENs maps. Part of the TEN-T definition are in addition the direct access links from ports and airports of common interest to the nearest road and rail TEN-T. Ports and airport projects of common interest are defined by maps and/or additional specifications within the TENs guidelines.</li> <li>• Projects located on core transport networks in neighbouring countries where such network has been identified and agreed (eg in the Western Balkans countries)</li> <li>• Projects located on the five trans-national axes (consisting of several branches each) connecting the EU and its neighbours</li> </ul>

<b>SPECIFIC CRITERIA</b>	<b>REFERENCES</b>	<b>CATEGORIES OF INVESTMENT/INDICATOTS</b>
<p><b>Supporting other transport projects of common interest</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">COM (2001) 370 Final – “Commission’s White paper: European transport policy for 2010 “time to decide”</a>”</li> <li>• “Keep Europe moving - Sustainable mobility for our continent. Mid-term review of the European Commission’s 2001 Transport White Paper”, COM(2006) 314 final (22.06.2006)</li> <li>• Common Actions for Growth and Employment: The Community Lisbon Programme”, COM(2005) 330 final, 20.07.2005</li> <li>• <a href="#">COM (2003) 376 Final –“Commission’s proposal for the Euro-med transport network”</a></li> </ul>	<ul style="list-style-type: none"> <li>• European integration and development of the internal market and improvement of international links between the EU and third countries (e.g. vessels, aircraft).</li> </ul>

## 8. SMEs: SMALL AND MEDIUM SIZED ENTERPRISES

### 8.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

In general, eligibility criteria are rooted in the Treaty and based on the location and nature of the underlying investment. The SME eligibility is the only one which is based on the nature of the ultimate borrower (Final Beneficiary). SME investments have this overarching eligibility through their alignment with a number of articles of the Treaty, e.g. 158 - Economic and Social Cohesion (§1.1), and 163 - i2i: R&D (§3.1), and the Lisbon Process: Innovation 2010 Initiative (§2.1).

#### *Policy Context*

The EU policy of preferential support for SMEs, expressed in the “European Charter for Small Enterprises”<sup>6</sup>, was approved by the European Council, Feira, on 20 June 2000. The policy is based on three characteristics of European SMEs:

- Economic importance - SMEs, as a class, are responsible for more private sector EU employment than any other category of employer. This is true for all EU member states, although the proportions may vary.
- New, innovative SMEs have a higher rate of job creation than larger, established businesses.
- It is more difficult for SMEs to access financial sector funding than other classes of private sector business.

The first two of these provide the rationale for supporting SMEs; the third provides both a justification and an orientation for the support given to SMEs. According to the European Commission: “Europe’s small and medium-sized enterprises are the motor of the European economy and the main drivers for achieving sustainable growth and more and better jobs”<sup>7</sup>. The European Commission has funded a variety of SME initiatives: subsidies for job creation, the SME facility in the new member states, guarantee schemes through the European Investment Facility (EIF), etc. The Commission’s DG Enterprise website provides more information on specific aspects, e.g. [www.ec.europa.eu/enterprise/smes/download/sp\\_2007\\_en.pdf](http://www.ec.europa.eu/enterprise/smes/download/sp_2007_en.pdf). The Commission is also keen that all EU policies which support SMEs are properly and effectively co-ordinated at the EU level, and aligned with national efforts.

The Commission’s latest approach provides a single coherent framework in the Communication “Promoting Growth and Employment”<sup>8</sup>, based on specific actions in four main areas:

- i. Promoting entrepreneurship and skills, (successful transfer of businesses, promotion of entrepreneurship skills and adaptation of the labour force);
- ii. Improving SMEs’ access to markets (public procurement and standardisation);
- iii. Cutting red tape (integration of the “think small principle” in all EU policies and simplification of rules and legislation);
- iv. Improving SMEs’ growth potential, (strengthening innovation and research capacity and financial support);
- v. Strengthening dialogue and consultation with SME stakeholders.

The mid-term review of the modern SME policy in 2007 confirms the orientation taken so far and indicates the need to substantially step up policies to support SMEs at EU and national level.

---

<sup>6</sup> [ec.europa.eu/enterprise/enterprise\\_policy/charter/docs/charter\\_en.pdf](http://ec.europa.eu/enterprise/enterprise_policy/charter/docs/charter_en.pdf)

<sup>7</sup> [ec.europa.eu/enterprise/entrepreneurship/sme\\_policy.htm](http://ec.europa.eu/enterprise/entrepreneurship/sme_policy.htm)

<sup>8</sup> European Commission (2005), “Implementing the Community Lisbon Programme Modern SME policy for growth and employment”, COM (2005) 551 final, Brussels.

## 8.2. BANK'S POLICIES AND ACTIONS

In 1968 the EIB started financing small industrial initiatives by creating open lines of credit with Financial Intermediaries (CA/67/68 of 30.06.68). In 1973, support of SMEs was included under article 130c – for projects of common interest. This provided a generic eligibility for SME financing in assisted areas. However, there was no specific definition of SME during this early period. After long discussions, the criteria for “independent SMEs” were defined as: a) not having more than 500 employees and b) not more than 1/3 of its capital controlled by a large corporate. This definition appeared the first time officially in the GL guidelines (“dispositions applicable aux prêt globaux”) in 1978, and was also the one used by the OECD. The same guidelines required the Intermediary to inform the Final Beneficiary about the origin of the funding. Under NIC II (ref. OJ L 78 of 15.3.82 and OJ L 116 of 30.4.82), SME financing for activities in the productive sector also became eligible outside assisted areas, as well as for commerce, public buildings and housing, and tourism. NIC III (ref. OJ L 112 of 28.4.83) gave priority to investments fostering international competitiveness and innovation. This led to a re-focusing of the EIB’s GL lending priority to financing SMEs outside assisted areas, but at the same time tourism and hotels were excluded. In 1988 the EIB’s annual report included SME financing as an objective for the first time.

In 1997, with the Amsterdam summit, health, education and commercial services (including retail trade and services to private households, but excluding real-estate development and developers) became eligible. In 2000 (ref. note CA 00/355), new eligibility criteria for environmental projects were introduced, while within the Bank’s i2i initiative the financing R&D, as well as of audiovisual and printing media, was endorsed as being eligible.

In June 2005, the EIB Board of Governors endorsed the financing of SMEs by making it a specific COP lending objective. The emphasis is to be on the development of new credit and guarantee based instruments that compensate for market failures. This is to be coupled with a controlled increase in the risk profile of operations.

In addition to purely EIB initiatives, the EIF and the Jeremie initiative are promoting the development of financial engineering models for SMEs (e.g. provision of venture capital, guarantees to financial intermediaries) see also [www.eif.org/jeremie/](http://www.eif.org/jeremie/).

## 8.3. ELIGIBILITY GUIDELINES

Providing their activities are in compliance with EU policies and standards, as well as EIB criteria and guidelines, all SMEs are eligible for EIB funding. The Bank’s definition of SMEs is the same as that of the Commission, and is shown in the following table. This includes three sub-categories: Micro, Small and Medium-sized enterprises, but all categories are equally eligible.

### Definition of SMEs

Category	Number of staff	Annual turnover	Annual Balance Sheet	Degree of autonomy
		Upper ceiling EUR	Upper ceiling EUR	
Micro	< 10	2 million	2 million	< 25% of capital and voting rights controlled directly or indirectly by a party which is not an SMEs
Small	< 50	10 million	10 million	
Medium-sized	< 250	50 million	43 million	

Source: European Commission (2003), “Commission Recommendation of 6.5.2003 concerning the definition of micro, small and medium-sized enterprises”, Brussels.

The Number of Staff is defined as being the average number of full-time equivalent positions in the year prior to the investment proposal. In principle the EIB uses just the headcount as definition criteria for SMEs. Only if the investment of the SME also benefits from EU, National or Federal co-funding all three criteria have to be fulfilled simultaneously.

## 9. NATURAL ENVIRONMENT

The “Natural Environment” and the “Sustainable Communities” (see next chapter) eligibility criteria are complementary parts of an overall “**Environmental Protection and Sustainable Communities**” heading.

### 9.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

The basis for Community policy in the general field of the environment is provided by respectively Article 2 and Article 3, under Title I – “Common provision”: “*The Community shall have as its task ... to promote throughout the Community ... sustainable and non-inflationary growth, a high level of protection and improvement of the quality of the environment ...*” and “*... the activities of the Community shall include ... a policy in the sphere of the environment ...*” and Title XIX - “Environment” (Articles 174 to 176) of the [Treaty establishing the European Community](#).

Article 174.1 in particular states:

*“Community policy on the environment shall contribute to the pursuit of the following objectives:*

- *preserving, protecting and improving the quality of the environment;*
- *protecting human health;*
- *prudent and rational utilisation of natural resources;*
- *promoting measures at international level to deal with regional or worldwide environmental problems.”*

#### *Policy context*

Environmental action by the Community started in about 1972 and developed within the context of successive 5-year action programmes. These action programmes were based on a thematic approach. During this period the Community adopted some 200 pieces of legislation, especially concerned with limiting emissions as well as establishing ambient quality standards, notably in the areas of waste management, water pollution and air pollution.

Important subsequent developments at Community level have taken place since, in particular:

- Enshrinement in the Treaty of Amsterdam of the principle of sustainable development as one of the “tasks” of the Community (above);
- Adoption of the principle of integration, whereby “environmental protection requirements must be integrated into the definition and implementation of (virtually all) the Community policies and activities (Article 6 of the Treaty under Part one – “Principles”);
- The definition of a long term European strategy for sustainable development both for the EU as well as in a global context (2001 and 2002);
- The Sixth Environment Action Programme (6th EAP), which was adopted by the European Parliament and Council in 2002 and runs until 2012 has four main areas for decisive action:
  - tackling climate change;
  - protecting nature and biodiversity;
  - promoting sustainable use of natural resources and managing waste;
  - addressing the links between environment and health.

In addition to the four priority areas, the 6th EAP requires the European Commission to prepare Thematic Strategies covering seven areas:

1. [Air Pollution](#) (adopted 21/09/2005)
2. [Prevention and Recycling of Waste](#) (adopted 21/12/2005)
3. [Protection and Conservation of the Marine Environment](#) (adopted 24/10/2005)
4. [Soil Protection](#) (adopted 22/09/2006)
5. [Sustainable Use of Pesticides](#) (adopted 12/07/2006)
6. [Sustainable Use of Natural Resources](#) (adopted 21/12/2005)
7. [Urban Environment](#) (adopted 11/01/2006)

The Thematic Strategies represent the next generation of environment policy. As their name suggests, they work with themes rather than with specific pollutants or economic activities as has been the case in the past. They take a longer-term perspective in setting clear environmental objectives to around 2020 and will thus provide a stable policy framework. Finally, they focus on identifying the most appropriate instruments to deliver European policy goals in the least burdensome and most cost effective way possible.

The four key areas of the Action Programme translate into the three different eligibility criteria that the EIB uses for its lending in support of the natural environment:

1. Tackling Climate Change
2. Improving Environment and Health
3. Natural Resources Management, including Biodiversity and Waste

The Thematic Strategy of Urban Environment is addressed into the related Eligibility chapter (see chapter 10). The remaining Thematic Strategies are integrated into criteria 1-3.

Two other topics of special relevance are enlargement and international co-operation. Initially through the Environment for Europe process (initiated at the Dobris Ministerial Conference 1991) and more recently through various Accession and Association Agreements, the EU has increasingly sought to resolve environmental issues through a common integrated approach across the European continent as a whole. In the same way, environmental policy is a worldwide concern for the Community; this is reflected in various EU co-operation programmes and in turn the related mandates of the Bank. The Community is a party to more than 30 international conventions and agreements on the environment, of regional as well as global scope, with the Aarhus Convention, the Convention on Biological Diversity and the Kyoto Protocol as examples.

## 9.2. BANK'S POLICIES AND ACTIONS

The environmental reporting forms a part of the [EIB Corporate Responsibility Report](#), which thus provides an overview of the EIB activity in the field of environment. In 1984 the Board of Governors set environmental protection and improvement as a central EIB objective. This was established as one of the Bank's lending priorities in the 2000 COP and its status has been maintained and ever since the regularly updated COP has included targets for environmental lending.

Over recent years the Board of Directors has adopted a number of environmental documents of relevance for its action, including:

- EIB Environmental Statement;
- European Principles for the Environment;
- EIB and Sustainable Development;
- EIB and Climate Change, including a series of papers also related to the energy policy of the Bank

Co-operation with the Commission, especially [DG Environment](#) (ENV), has been reinforced. In particular, an inter-institutional agreement was established between the EIB and DG ENV in April 2002. Regular meetings now take place both at the highest level as well as between members of

staff of the two institutions. Relations concerned with environmental matters have also been developed with other institutions, e.g. MFIs and environmental NGOs.

The establishment of strengthened internal organisational arrangements and improved working practices has accompanied these recent developments. The internal environmental practices and procedures of the Bank are under continuous review and amendment (see Environmental and Social Practices Handbook, September 2007).

More recently the Bank has started to review its lending policy in the water sector, with the aim also of being perceived as Europe's "Bank for water". EIB already supports both public and private investments in- and outside the EU, covering all aspects of the water cycle from water abstraction and supply to wastewater collection, treatment and disposal or re-use, from flood prevention and post-flood reconstruction to erosion control and coastal protection, from small and large hydropower schemes to irrigation. Water management in its multiple facets is integrated in the wider context of natural resources management and thus part of environmental sustainability, which is among the key criteria for Bank support.

The Bank is also increasing its role in the solid waste sector. This is driven principally by EU Directives on landfills and packaging, themselves under review, and the urgent need to assist in particular New Member States and Partner countries to reach EU standards.

### **9.3. ELIGIBILITY GUIDELINES**

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The table in section 9.4 follows the provisions set down in EU documents, offering a range of policy orientations, objectives and actions, as detailed in section 9.1, and in line with Bank's policy as presented in section 9.2. This includes projects falling into the following main policy areas

- **Tackling Climate Change**
- **Improving Environment and Health**
- **Natural Resources Management, including biodiversity and waste**

Energy Efficiency and Renewable Energy also deserve special attention (indeed, the Bank's COP includes a specific target for Renewable Energy). Whilst these categories of investments are included under the specific criterion of climate change, they clearly serve other EU priorities in the context of sustainable development (e.g. security of supply, rural development, employment, competitiveness and growth, etc), and will notably be found under the Energy eligibility criterion (see chapter 11).

The typology of environmental projects is equally suitable for applying to regions outside the EU.

## 9.4. SYNOPTIC TABLE: Natural Environment

SPECIFIC CRITERIA	REFERENCES	CATEGORIES OF INVESTMENT/INDICATORS
<p><b>Tackling Climate Change</b></p> <p>To stabilise the atmospheric concentrations of greenhouse gases (GHG) at a level that will not cause unnatural variations of the earth's climate by reducing GHG emissions and by increasing the share of renewable energy</p>	<ul style="list-style-type: none"> <li>• <a href="#">European Climate Change Programme (ECCP)</a></li> <li>• <a href="#">2003/87/EC – Directive on EU Emissions Trading Scheme</a></li> <li>• <a href="#">WSSD Plan of Implementation</a> (par. 19 and others)</li> <li>• <a href="#">The Johannesburg Renewable Energy Coalition (the declaration on the way forward for renewable energy launched by the EU and joined by 88 countries as of June 2004)</a></li> </ul>	<ul style="list-style-type: none"> <li>• Energy efficiency (including fuel switching, CHP, district heating &amp; plant modernization, building improvements)</li> <li>• Renewable energy (wind, solar, biomass, biofuels, etc.)</li> <li>• Measures to reduce GHG other than CO2 (including methane capture from landfills and plant modernization)</li> <li>• Biological sequestration (including afforestation and reforestation) and carbon storage</li> <li>• Significant reduction (over 20%) of GHG emissions from <u>transport</u> (i.e. infrastructure as well as rolling stock), including in particular: rail transport, urban transport and maritime transport projects, according to EU Commission understanding and support of these projects.</li> </ul>
<p><b>Improving Environment and Health</b></p> <p>To achieve a quality of the environment where the levels of man-made contaminants do not give rise to significant impacts on or risks to human health</p>	<ul style="list-style-type: none"> <li>• <a href="#">96/91/EC - IPPC Directive</a>, guidelines on Best Available Technology</li> <li>• <a href="#">EU's REACH Regulation</a></li> <li>• <a href="#">2000/60/EC - Water Framework Directive</a></li> <li>• <a href="#">National Emission Ceilings Directive, 2001/81/EC</a> (OJL309/22 of 27.11.2001)</li> <li>• <a href="#">EU's Thematic Strategy on Air Pollution</a></li> <li>• <a href="#">2002/49/EC - Noise Directive</a></li> <li>• <a href="#">EU's Environment and Health Strategy</a></li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of industrial pollution (including a reduction in air, noise &amp; water pollution &amp; production of hazardous chemicals)</li> <li>• Reduction of pollution from transport (measures resulting in a significant reduction in air, noise and water pollution)</li> <li>• Drinking water supply/waste water collection, treatment and re-use</li> </ul>
<p><b>Natural Resources Management, including biodiversity and waste</b></p> <p>To protect and restore the functioning of natural systems and halt the loss of biodiversity; to protect natural resources from erosion &amp; pollution.</p> <p>To decouple resource use from economic growth, through improved resource efficiency and waste prevention</p>	<ul style="list-style-type: none"> <li>• <a href="#">Natura 2000; Birds and 92/43/EC - Habitats Directive</a></li> <li>• <a href="#">EU's Thematic Strategy on Soil Protection</a></li> <li>• <a href="#">EU's Thematic Strategy on the Protection and Conservation of Marine Environment</a></li> <li>• <a href="#">91/156/EC - Waste Framework Directive</a></li> <li>• <a href="#">COM (2003) 302 Final – “Integrated Product Policy”</a></li> <li>• <a href="#">EU's Thematic Strategy on Sustainable Use of Resources</a></li> <li>• <a href="#">EU's Thematic Strategy on Prevention and Recycling of Waste</a></li> <li>• <a href="#">EU's Environmental Technologies Action Plan</a></li> </ul>	<ul style="list-style-type: none"> <li>• Protection / improvement of areas of nature conservation (including the Natura 2000 network)</li> <li>• Protection &amp; management of natural resources (including land, river basins and the marine environment); sustainable forestry</li> <li>• Natural disaster prevention and alleviation (including flood prevention and defence &amp; investment following natural disasters and accidents, e.g. oil spills or forest fires)</li> <li>• Rehabilitation of contaminated land</li> <li>• Measures to improve eco-efficiency (including the efficient use of resources &amp; the sustainable consumption of renewable &amp; non-renewable resources); environmental technologies</li> <li>• Waste management (including waste reduction, re-use, recovery &amp; disposal)</li> </ul>

## 10. SUSTAINABLE COMMUNITIES

The “Natural Environment” (see previous chapter) and the “Sustainable Communities” eligibility criteria are complementary parts of an overall “**Environmental Protection and Sustainable Communities**” heading.

This section addresses the improvements in the quality of life, urban development and the promotion of sustainable communities.

The “Sustainable Communities” eligibility criterion includes:

- Projects contributing to urban renewal and regeneration, including social housing aimed at improving social cohesion within sustainable development efforts of cities and communities,
- Projects contributing to sustainable transport, notably urban and other transport with coordinated links to the city region transport networks.
- Health and healthcare projects, including projects resulting from demographic challenges faced by the EU population.

### 10.1. TREATY BASIS AND POLICY CONTEXT

#### ***Treaty basis***

##### **Urban renewal and regeneration**

The treaty basis for the Urban renewal and regeneration are similar to the ones for the Natural Environment, examined under chapter 9, section 9.1.

##### **Sustainable transport**

The treaty basis for sustainable transport have been reviewed under Chapter 7 on TEN/Transport, section 7.1.

##### **Health**

The Community’s competence in health is, narrowly interpreted, based on Article 3 of the [Treaty establishing the European Community](#), which states “...*The activities of the Community shall include... a contribution to the attainment of a high level of health protection...*”. More specifically, Article 152 under the Title XII - “Public Health” of this Treaty states:

*“1. A high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities. Community action, which shall complement national policies, shall be directed towards improving public health, preventing human illness and diseases, and obviating sources of danger to human health.*

*2. The Community shall encourage cooperation between the Member States in the areas referred to in this Article and, if necessary, lend support to their action. Member States shall, in liaison with the Commission, coordinate among themselves their policies and programmes in the areas referred to in paragraph 1. The Commission may, in close contact with the Member States, take any useful initiative to promote such coordination.*

*3. The Community and the Member States shall foster cooperation with third countries and the competent international organisations in the sphere of public health ...*

*5. Community action in the field of public health shall fully respect the responsibilities of the Member States for the organisation and delivery of health services and medical care...”.*

## ***Policy context***

### **Urban renewal and regeneration**

In May 2007 the Informal Meeting of the Ministers dealing with urban matters approved the Leipzig Charter, which sets the framework for the future EU Urban Policy, based on integral urban planning and aiming at the creation of sustainable communities. The Ministers recognised the important role that the EIB already plays in support of this policy and encouraged EIB to place special emphasis when financing sustainable urban development programmes and projects in EU cities on: a) developing innovative financial products; b) getting involved more strongly in deprived urban neighbourhoods; c) providing technical and project-oriented assistance; and d) increasing marketing and promotion of its services.

The Sixth Environment Action Programme (6<sup>th</sup> EAP), which was adopted by the European Parliament and Council in 2002 and runs until 2012 requires the European Commission to prepare Thematic Strategies covering seven areas including Urban Environment (adopted 11/01/2006).

### **Sustainable transport**

The overall policy context for sustainable transport, at EU level, has been reviewed under the TENs/Transport heading, section 7.1.

Urban transport policy is getting an increasing attention from the EU. Efficient and effective urban transport can significantly contribute to achieving objectives in a wide range of policy domains for which the EU has an established competence. In particular, urban mobility accounts for 40% of all CO<sub>2</sub> emissions of road transport and up to 70% of other pollutants from transport. The success of policies that have been agreed at EU level, for example on the efficiency of the EU transport system, energy dependency, climate change, or socio-economic objectives, partly depends on actions taken by the EU and national, regional and local authorities regarding urban transport.

Several EU policies have addressed urban transport issues. The European Commission has adopted on 25/09/2007 a Green Paper on Urban Transport : "Towards a new culture for urban mobility", COM (2007) 551 which highlights the Community dimension of such sector, adding value to action already taken at local level ([http://ec.europa.eu/transport/clean/index\\_en.htm](http://ec.europa.eu/transport/clean/index_en.htm)). A subsequent Action Plan will be presented during 2008.

### **Health**

Human health and healthcare services are significantly affected by policy and other developments in the Community. Partly in recognition of this, Community competence has evolved. The Lisbon Summit in 2000 contributed to the policy context in which the EIB operates. More specifically, social protection systems need to be reformed so as to allow EU Member States to continue to provide high-quality health service to its citizens; and the [eEurope 2005](#) Action Plan will generate public benefits through the provision of services and applications, including eHealth.

Equally, following the Göteborg Summit in 2001, the Commission made clear that the issues of quality, accessibility and financial viability are critical to "*the future of health care and care for the elderly*" in EU/Accession countries ([COM \(2001\), 723 Final - "The future of health care and care for the elderly: guaranteeing accessibility, quality and financial viability"](#)). In 2003, the European Council reaffirmed its commitment to combating HIV/AIDS, TB and malaria.

Furthermore, the Commission's programme of Community action in the field of public health is based on three general objectives ([European Decision n°1786/2002/EC of the European Parliament and of the Council of 23 September 2002 adopting a programme of Community action in the field of public health \(2003-2008\)](#) and [COM \(2000\) 285 Final – "Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the health strategy of the European Community"](#)):

- Health information;
- Rapid reaction to health threats;
- Health promotion through addressing health determinants.

## 10.2. BANK'S POLICIES AND ACTIONS

### Urban renewal and regeneration

The Bank has always supported urban actions devoted to the improvement of the environment. Since the Amsterdam Council Resolution (1997) it has also financed social housing in the context of urban renewal and development. The basic criterion applied to urban investments, notably in infrastructure and social housing, is that they must be part of an integrated urban plan. This approach is in line with the principles of Sustainable Communities approved by the EU Urban Ministers in 2005 in Bristol (Bristol Accord) and in 2007 in Leipzig (Leipzig Charter), which has moreover called for special attention to be paid to "deprived neighbourhoods within the context of the city as a whole". In this context it also states "in order to achieve the objectives of social cohesion and integration in cities and urban areas, well-conceived social housing policies can be effective tools". The approach is also contained in the MoU signed with the Commission and the Council of Europe Development Bank that sets the framework for common urban intervention.

JESSICA, a new European Commission initiative supported by the EIB and the Council of Europe Development Bank, will support authorities in EU Member States to exploit financial engineering mechanisms in support of investment in sustainable urban development in the context of European cohesion policies. Both the Council and the European Parliament are supporting the role of the EIB in the JESSICA initiative, which will help the authorities in the MS to solve some urban renewal and development problems through financial and technical incentives.

### Sustainable transport

The Bank's positioning towards sustainable transport has been updated in the document "Revisiting EIB approach in the Transport Sector - **Global Warming and Transport: a renewed EIB Transport Lending Policy**" 27 September 2007 (CA Doc 07/376). In this context, the Bank gives its support to the promotion of sustainable transport.

### Health

The Bank's operations in the health sector were originally based on the Amsterdam Council Resolution (1997), which called upon EIB "to examine its scope of intervention in the areas of education, health, urban environment and environmental protection". The Bank's Amsterdam Special Action Programme ([ASAP](#), July 1997) placed EIB lending in the sector in the conceptual context of human capital, arguing that investment in healthcare to enhance the stock of health capital has a key role to play in enhancing individuals' life chances and productive potential.

Following the Cologne Summit of June 1999, a Board decision extended eligibility to the countries which were then candidates to join the European Union, and removed the temporary nature of the ASAP [human capital eligibility](#) across the board in health and education. Based on the acceleration of the pace of operations in that year, there was then a further extension of geographical eligibility to countries having a Partnership Agreement with the EU – in the Western Balkans, Mediterranean, ACP and South Africa.

Within the all-encompassing goal of contributing to health gain (i.e. human capital formation), the objective of the Bank's lending in health is to enable the provision of efficient, effective and affordable health care. In this context, the operational priorities to which lending in health should contribute are:

- Identifying the appropriate model of healthcare and the capital facilities consistent with it.
- Addressing the demographic and epidemiological challenges faced by the EU population.

### **10.3. ELIGIBILITY GUIDELINES**

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The Table in section 10.4 follows the provision set down in EU documents offering a range of policy orientations, objectives and actions, as detailed in section 10.1, and in line with Bank's policy as presented in section 10.2. This includes projects falling into the following main policy areas:

- **Urban renewal and regeneration**
- **Sustainable transport**
- **Health care.**

#### 10.4. SYNOPTIC TABLE: Sustainable Communities

SPECIFIC CRITERIA	REFERENCES	CATEGORIES OF INVESTMENT/INDICATORS
<p><b>Urban renewal and regeneration</b></p>	<ul style="list-style-type: none"> <li>• <a href="#">EU's Thematic Strategy on the Urban Environment</a></li> <li>• Leipzig Charter on Sustainable European Cities, 2007.</li> </ul>	<ul style="list-style-type: none"> <li>• Urban infrastructure, public spaces and commercial/cultural/administrative buildings abiding to the "Sustainable cities and communities" agenda.</li> <li>• Other urban renewal and regeneration projects.</li> <li>• Cultural heritage (including conservation and modernisation of listed buildings).</li> <li>• Social housing, within integrated urban and/or housing plans, and addressing renewal/regeneration and social cohesion issues</li> </ul>
<p><b>Sustainable transport</b></p>	<ul style="list-style-type: none"> <li>• COM (2001) 370 Final – "Commission's White paper: European transport policy for 2010 "time to decide".</li> <li>• "Keep Europe moving - Sustainable mobility for our continent. Mid-term review of the European Commission's 2001 Transport White Paper", COM(2006) 314 final (22.06.2006)</li> <li>• Directives on interoperability for railways (Directive 2001/16/EC and Council Directive 96/48/EC of 23 July 1996)</li> <li>• EC Green Paper on Urban Transport Towards a new culture for urban mobility COM (2007) 551 and subsequent Action Plan</li> <li>• <b>"Global Warming and Transport: a renewed EIB Transport Lending Policy"</b> 27 September 2007 (CA Doc 07/376)</li> <li>• COM (2007) 551 final : The Green paper on urban transport : "Towards a new culture of urban mobility"</li> <li>• COM (2007) 607 : the Freight Logistic Action Plan adopted on 18/10/2007</li> <li>• COM (2007) 608 : the Communication from the Commission on Rail Freight oriented network adopted on 18/10/2007</li> <li>• COM (2007) 616 : the Communication from the Commission on a European Ports Policy adopted on 18/10/2007.</li> </ul>	<ul style="list-style-type: none"> <li>• Public urban transport (e.g suburban rail, metro, tramway, bus, etc. including rolling stock, multi-modal interchanges, mass transport networks integration, green propulsion)</li> <li>• Measures to reduce the pressure of urban road congestion and pollution including traffic calming and pedestrian zones, by-passes, urban logistics, traffic management</li> <li>• Other sustainable transport (railways, ports, inland waterways and inter-modal terminals; rolling stock, maritime vessels and barges; transport safety investments as well as innovative transport systems and transport management systems).</li> </ul>

<p><b>Health care:</b> Identifying the appropriate model of care and the investments consistent with it, as well as addressing the <b>demographic challenges</b> faced by the EU population.</p>	<p>Treaty Articles 3 &amp; 152.</p> <p><a href="#">COM (2000) 285 Final - "Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions on the health strategy of the European Community"</a></p> <p><a href="#">COM (2001) 723 Final - "The future of health care and care for the elderly: guaranteeing accessibility, quality and financial viability"</a></p> <p>Leipzig Charter on Sustainable European Cities, 2007.</p>	<ul style="list-style-type: none"> <li>• Construction of new facilities to improve quality and efficiency of health services delivery; rehabilitation of existing capacity.</li> <li>• Improving and procurement of health information systems and medical equipment to provide high quality services.</li> <li>• Training and capacity building to develop the appropriate model of care and improve the use and allocation of resources.</li> <li>• Improving preventive services, public health, environmental health and health education; supporting different forms of non-acute care to complement hospital services</li> <li>• Social inclusion projects, including the adaptation/extension of special services and facilities for the elderly and for the disabled</li> </ul>
--	---	---

## 11. ENERGY

### 11.1. TREATY BASIS AND POLICY CONTEXT

#### *Treaty basis*

Although there is no Treaty basis defining a common energy policy, a set of Community objectives exist for energy policy, as well as specific Directives relevant to energy, such as those related to the security of energy supply (oil stocks) or the internal electricity and gas markets. In addition, the policy in the energy sector implemented in Europe functions in accordance with various International treaties or agreements, imposing specific obligations on the Member States.

As for the transport sector, the legal basis for TENs Energy is covered under Title XV – “Trans-European networks” of the [Treaty](#), in particular the first paragraph of Article 154 (see Section 7.1.), and by various guidelines.

The nuclear sector is dealt with by the specific EURATOM Treaty.

#### *Policy context*

Energy has been prominent on the EU policy agenda in recent years. It has become a key item in the work of the Commission and the Council, with continuity ensured between successive Presidencies. The Commission’s Green Paper “A European Strategy for Sustainable, Competitive and Secure Energy”<sup>9</sup> endorsed by the Council in March 2006 identifies the key objectives in energy field. Following this, the Commission released in January 2007 the communication “An energy policy for Europe”. Based on this communication, the European Council adopted in March 2007 a comprehensive energy Action plan for the period 2007-2009. Under this action plan the EU is committed to achieve at least a 20% reduction of greenhouse gas emission by 2020 compared to 1990. The European Council also endorsed a binding target of a 20% share of renewable energies in overall EU energy consumption by 2020, supplemented by a binding minimum target of 10% for the share of biofuels in the petrol and diesel consumption for transport. Furthermore, the European Council stresses the need to increase energy efficiency in the EU so as to achieve the objective of saving 20% of energy consumption compared to projections for 2020.

#### **Trans European Networks - Energy**

Community action for the development of energy networks concerns the main transport/transmission networks for electricity, natural gas and olefin gases, excluding distribution networks. The “Guidelines for trans-European energy networks”, last revised in September 2006 ([Decision No. 1364/2006/EC of the European Parliament and of the Council, 6 September 2006 laying down a series of guidelines for trans-European energy networks and repealing Decision No. 1229/2003/EC](#)) establish, in particular, the following scope and priorities:

- EC Energy-TENs Guidelines (Decision n°1364/2006/EC, Article 2) covering:
  - Electricity networks: high voltage lines; submarine links including protection; monitoring and control systems, provided that this infrastructure is used for interregional or international transmission or connection
  - Natural gas networks (including olefin gases networks): high pressure gas pipelines; underground storage facilities; reception, storage and re-gasification facilities for liquefied natural gas (LNG), including gas carriers; protection, monitoring and control systems.
- EC Energy-TENs Guidelines (Decision n°1364/2006/EC, Article 4) covering:

---

<sup>9</sup> EU Commission, Green Paper “A European Strategy for Sustainable, Competitive and Secure Energy” COM(2006) 105 final 8.3.2006

- Electricity sector: support of the operation of the internal energy market, integration and connection of renewable energy production, connection of isolated electricity networks; ensuring interoperability of electricity networks within the enlarged EU and with those of neighbour states (Mediterranean and Black sea basins)
- Natural gas sector: support of the operation of the internal energy market, diversification and security of EU gas supply, introduction of natural gas into new regions; connection of isolated gas networks; ensuring interoperability of EU gas networks with those of accessions countries, neighbour countries (Mediterranean, Black Sea and Caspian basins), and Middle east and the Gulf region.

The guidelines (Article 3) also re-state the objectives of the Energy-TENs policy; i.e. rational use of energy (including effective operation of the internal market and the development and connection of renewable energy resources); security of energy supplies (including third country relations through co-operation agreements and the Energy Charter framework); regional development and social and economic cohesion; contributing to sustainable development and protection of the environment

A project is identified as an Energy-TEN, according to the Guidelines, if it:

1. falls within the scope of Article 2 of the guidelines, and
2. corresponds with the objectives and priorities (Articles 3 & 4) of the Guidelines, and
3. displays potential economic viability.

The new guidelines define two additional regional priority axis for electricity networks (EL.8 Germany-Poland-Czech Republic-Slovakia-Hungary-Slovenia; EL.9 Mediterranean Member States-Mediterranean Electricity grid) and one additional priority axis for gas network (NG.6 Mediterranean Member States- East Mediterranean Gas Ring)

The new guidelines have also introduced the concept of TEN-e project of European Interest for those priority projects, which have a significant impact on cross-border transmission capacity (42 projects already declared). There are therefore now four priority level for TEN-e projects: Projects of European Interest, Priority Projects, Projects of Common interest and Other TEN-e projects.

## **11.2. BANK'S POLICIES AND ACTIONS**

### **Common energy policy objectives**

The EIB has a strong experience on energy projects. As a public policy-driven bank it has to make a contribution commensurate with this renewed priority. The Bank has been proactive in this area, in order to be ready to contribute to the EU energy objectives. This led to the presentation to the Board of an "EIB Energy Review" in January 2006 (document 06/23)<sup>10</sup> which defined orientations in energy matters.

On the basis both of EU decisions (adoption of the Green paper) and of work in the Bank that has taken place since the presentation of the Energy Review, the Board decided to integrate the energy objective into the COP 2007-2009.

The Bank's action in the energy sector are organised along the following five main areas:

- i. Renewable Energy;
- ii. Energy Efficiency;
- iii. Research, Development and Innovation;
- iv. Diversification and Security of Internal Supply;
- v. External Energy Security and Development (Neighbour and Partner Countries).

These areas correspond to the priorities stressed both at EU level and by international organisations and it is estimated that, given its experience and investment prospects, the Bank can make a significant value-added contribution in those areas. Following the adoption of an Action Plan for energy policy by the Council of 8/9 March 2007, the EIB Board adopted in May 2007 a series of measures to reinforce its contribution to the EU objectives. These measures were endorsed by the Board of Governors in June 2007, and concerned renewable energy, energy efficiency, approach to coal and lignite fuelled power stations and a facility to enhance EIB's lending capacity to finance

---

<sup>10</sup> An updated version of the paper has been put recently on the EIB web site.

energy sustainability and security of supply in Neighbourhood countries, ACP, South Africa and ALA (up to EUR 3 billion from own resources until end 2013).

### Renewable Energy (RE)

Proposed objectives:

- Achieve an overall amount of annual financing for RE in the EUR 600-800 million range (signatures) in 2007 for operations inside and outside the EU. This target was increased to EUR 800 million within the EU, following the adoption of additional measures by the Board of Governors. Maintain the relative target of 50% of lending to electricity generation projects going to RE technologies.
- Finance up to 75% of project costs for renewable energy projects.
- Develop financial instruments specifically for the renewable energy sector, including framework facilities for smaller-scale investments, and the increased use of SFF and RSFF transactions.
- Update and streamline the selection criteria used: on the one hand the economic benchmark for mature technologies will be modified to be compatible with the goals established for the EU for renewable penetration; and, on the other hand emerging technologies will be presented within a framework of RDI, comparable with other investments that support the Lisbon Strategy.

### Energy efficiency (EE)

Proposed objectives:

- Introduction of energy efficiency considerations in all projects financed by the Bank, with the aim of promoting the adoption of the most energy-efficient solutions. Realisation of the energy efficiency potential of selected projects will be supported through energy audits.
- Development of the financing of energy efficiency projects in general, - including, where appropriate, grouped investments in buildings and SMEs. For projects with a significant contribution to energy efficiency<sup>11</sup>, the Bank will propose increasing its customary financing up to 75% of project cost.
- Specific attention will be paid to providing financial support for CHP and district heating networks
- Synergies with JESSICA, JASPERS and JEREMIE will be exploited.

### Research, Development and Innovation in energy

Proposed objectives:

- The EIB is already focusing on renewable energy and energy efficiency in its RDI activities, and the RSFF instrument will be deployed in this area. The Bank follows closely the work with energy related European Technology Platforms (e.g. hydrogen and fuel cells, photovoltaics, thermal solar), in order to identify developments relevant for EIB activities.
- The Bank is ready to support RDI in carbon capture & storage (CCS) and to part finance the demonstration plants foreseen, and it is working closely with the Commission for the identification of large European research infrastructures in the energy sector. The ITER project for research in nuclear<sup>12</sup> fusion is part of this, and financing for RDI in nuclear safety and waste management is also envisaged.

### Security and diversification of internal supply

The Bank will support TENs energy projects, notably those of “European interest” or “priority”. Interconnectors will be financed, also with the aim of creating a more competitive internal energy market. LNG as well as oil and gas storage projects are given high priority.

The new EU commitment to reduce greenhouse gas emissions by at least 20 % in 2020 compared to 1990 requires the Bank to review its approach and be more selective when financing electricity generation based on fossil fuel, notably coal or lignite, while taking into consideration the security of energy supply. Screening criteria have been proposed for possible EIB financing of coal/lignite power stations in the EU.<sup>13</sup>

---

<sup>11</sup> Projects resulting in an increase in energy efficiency of at least 20%, in the light of the energy balance with and without the project being implemented

<sup>12</sup> See information note on the European Investment Bank's financing of nuclear energy, and the EU policy framework under which the Bank operates in this sector (<http://www.eib.org/about/publications/eib-and-financing-of-nuclear-energy.htm>)

<sup>13</sup> See “Clean Energy for Europe : a reinforced EIB contribution”, June 2007

Proposed objectives:

- To support the following projects in view of their contribution to a common objective of Diversification, Security and Competitive Internal Energy Market :
  - TEN-E projects
  - Electricity grids and connections
  - Pipelines, transport, stock and transformation facilities
  - LNG projects
  - Power stations contributing to diversification at European level. This can include gas plants, sustainable coal plants and nuclear plants
  - Strategic oil stocks
- To contribute to an overall EU approach and, where appropriate, facilitate the provision of expertise and technical assistance, in particular in cooperation with the Commission.

External energy security and economic development (Neighbour and Partner Countries)

Energy and climate change will feature prominently in EIB activities outside EU under the external mandates. In line with the EU priorities the Bank will assist other countries in improving their access to the internal EU energy market through the development of new EU energy import routes. However, operations outside EU under Article 18 of the EIB Statute will require unanimous approval by the Bank's shareholders.

In developing countries priority is given to support modern and efficient uses of energy and sustainable energy solutions. In order to increase its impact the Bank will put more emphasis on sector and country energy strategies, notably to support reforms of the energy sector, including tariff reforms.

A facility for energy sustainability and security of supply under Article 18 has been approved by the Governors. Under this facility the EIB would be authorised to lend up to EUR 3 billion from own resources in Neighbourhood Countries, ACP, South Africa and ALA until end 2013.

Proposed objectives

- Support the objective of creating a pan-European Energy Community with Neighbouring countries, including a better integration of neighbouring countries' energy markets, between themselves and with the EU, and develop new import routes. This objective is largely covered in the previous section under E-TENs.
- Support the EU objective of enhancing security of energy in the EU. This may include investments in energy grids or upstream oil and gas development related to EU supply. Financing of large projects in support of this objective, outside the mandates, could be carried out by developing specific Article 18 operations, when appropriate.
- Develop the pipeline of climate change projects in these countries, mainly EE and RE projects, using, when required, the TA facilities and carbon funds available.
- Improve access of the population of these countries to modern sources of energy, particularly the poorest segments of the population. This often includes institutional reforms in order to ensure that projects achieve acceptable results. These reforms normally involve the opening up of the energy sector to private players. The Bank cooperates with other IFIs in support of the necessary institutional reform.

### **11.3. ELIGIBILITY GUIDELINES**

The eligibility guidelines categorise the types of suitable projects to be financed by the EIB by specific policy objectives. The Table in section 11.4 follows the provisions set down in EU documents offering a range of policy orientations, objectives and actions, as detailed in section 11.1, and in line with Bank's policy as presented in section 11.2. The following five areas are the main priorities confirmed in the Bank's energy strategy, the first four concerning projects located in EU while the last one concerns projects located in Neighbouring and Partner countries.

- Renewable Energy (RE)
- Energy efficiency (EE)
- Research, Development and Innovation
- Diversification and Security of Internal Supply (including Trans-European Networks - Energy)
- External energy security and economic development (Neighbouring and Partner Countries).

#### 11.4. SYNOPTIC TABLE: Sustainable, competitive and secure Energy

SPECIFIC CRITERIA	REFERENCES	CATEGORIES OF INVESTMENT/INDICATORS
Renewable Energy (RE)	<ul style="list-style-type: none"> <li>• Action Plan for energy policy 2007-2009 adopted in the European Council of 8/9 March 2007</li> <li>• <a href="#">2001/77/EC – Directive on the promotion of the electricity produced from renewable energy source in the internal electricity market</a></li> <li>• <a href="#">2003/30/EC – Directive on the promotion of the use of biofuels and other renewable fuels for transport</a></li> </ul>	<ul style="list-style-type: none"> <li>• Production of energy (electricity, heat or fuel types) using <u>renewable energy sources</u> (e.g. wind, solar, hydro, geothermal heat, wave, biomass, biogas and landfill gas).</li> <li>• Production of renewable energy equipment or production of renewable energy sources (e.g. biomass).</li> <li>• R&amp;D activities related to renewable energy technology and applications.</li> </ul> <p>Waste-to-energy (when they are considered RE projects).</p>
Energy efficiency (EE)	<ul style="list-style-type: none"> <li>• <a href="#">2004/8/EC – Directive of the European Parliament and of the Council on 11 February 2004 on the promotion of cogeneration based on a useful heat demand in the internal energy market</a></li> <li>• <a href="#">2002/91/EC – Directive of the European Parliament and of the Council of 16 December 2002 on the energy performance of buildings</a></li> </ul>	<ul style="list-style-type: none"> <li>• Projects resulting in an increase in energy efficiency of at least 20%, in the light of the energy balance with and without the project being implemented.</li> <li>• Other projects providing significant improvements in energy efficiency.</li> </ul>
Research, Development and Innovation		<ul style="list-style-type: none"> <li>• All type of Research &amp; Development / Innovation projects, clearly and significantly related to one of the other specific energy objectives.</li> </ul>
Diversification and Security of Internal Supply (including Trans-European Networks - Energy)	<ul style="list-style-type: none"> <li>• <a href="#">Decision No. 1364/2006/EC of the European Parliament and of the Council, 6 September 2006 laying down a series of guidelines for trans-European energy networks and repealing Decision No. 1229/2003/EC</a></li> <li>• <a href="#">2003/55/EC – Directive concerning common rules for the internal market in gas</a></li> <li>• <a href="#">2003/54/EC – Directive concerning common rules for the internal market in electricity</a></li> </ul>	<ul style="list-style-type: none"> <li>• TEN-e projects <ul style="list-style-type: none"> <li>– Priority TEN-e of European Interest</li> <li>– Priority TEN-e of Common Interest</li> <li>– TEN-e of Common Interest</li> <li>– Others TEN-e</li> </ul> </li> <li>• Other energy grids and strategic oil storage</li> <li>• Power stations contributing to diversification at European level, including waste-to-energy projects, which are not RE</li> <li>• Other projects contributing significantly to increasing competition in the EU energy markets.</li> </ul>

<b>External energy security and economic development (Neighbouring and Partner Countries)</b>		<ul style="list-style-type: none"><li>• TEN-e projects and other investments contributing to creating a pan-European Energy Community with Neighbour and Partner countries.</li><li>• Projects enhancing security of energy in the EU, located in Neighbour and Partner countries.</li><li>• Projects contributing to fighting climate change, located in Neighbour and Partner countries.</li><li>• Access of population in Neighbour and Partner countries to modern sources of energy.</li></ul>
---	--	---