

The Times They Are A-changin’

Corporate Strategies for IFIs

*Presentation to meeting of Experts on “Financing for Innovative Development”
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Outline

- (1) The key role of public banks
- (2) Changing environment in which *BEI* operates
- (3) Adjusting to a new environment
- (4) The Mission of the EIB|BEI
- (5) The Strategy and Priority objectives of the EIB|BEI
- (6) EIB|BEI approach to Value-Added
- (7) EIB|BEI Corporate Responsibility
- (8) Transparency

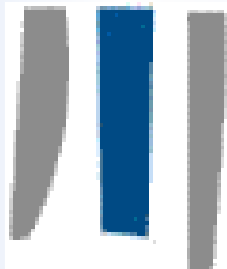


The key role of public banks

.....is to address market failures in a market economy.....

- **Therefore, public banks must:**
 - **remain modern and proactive in a changing environment**
 - **make a difference in today's market economy**





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The changing *BEI* environment

*B*anking & finance

- General observations
 - Free capital movement within EU (not so in 1950-80s)
 - From 'bank-based' to 'market-based' finance
 - From traditional banks ...
 - ... to banks specialising on what they do best
 - EMU
 - Retreat of state as owner of banks



The EU and surrounding countries

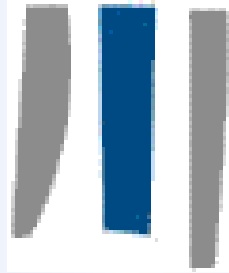


The changing *BEI* environment

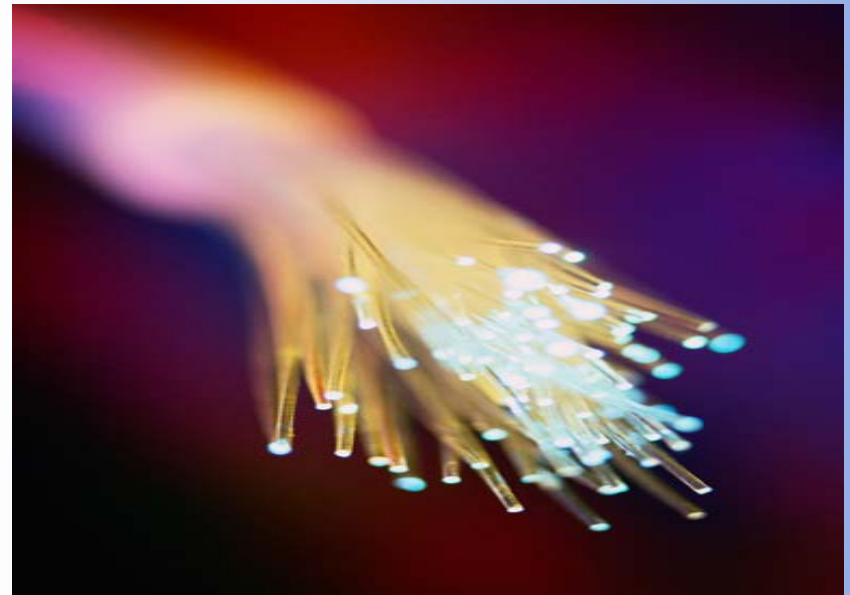
*E*uropean dimension of change

- From EU-6 to EU-27
- Shareholders' demands and expectations
 - EIB to make up for
 - national budget constraints (Stability & Growth Pact)
 - EU budget constraints (2007-13 Financial Perspective)
- Co-operation with other EU institutions
- Synergies with the EBRD and other IFIs





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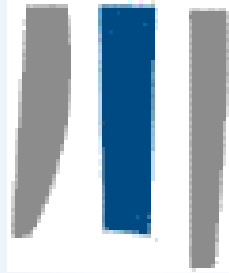
The changing *BEI* environment

*I*nvestment & growth

- **Developing economies need:**
 - **Loans for infrastructure*plus*.....**
 - **Risk capital for knowledge-creation**

.....in order to foster true convergence





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The changing environment

... further challenges in market economies.....

- ◆ **C**ompetition – including from China, India, Russia
- ◆ **A**uthority – laws, WTO, insurance
- ◆ **S**ocial – demographics, employment
- ◆ **E**cology – pollution, health, climate

.... can be more acute in developing regions...



Adjusting to the new environment

...needs a serious approach to market-failure and other challenges in market economies....

Past Strategy

Claim: that markets fail to provide enough and right type of finance was sufficient to justify public bank activity

Future Strategy

Demonstration of Value Added: public banks can correct market failure by offering finance where it makes a difference

.....Plus.....

Corporate Social Responsibility

Transparency



The Mission of the EIB|BEI

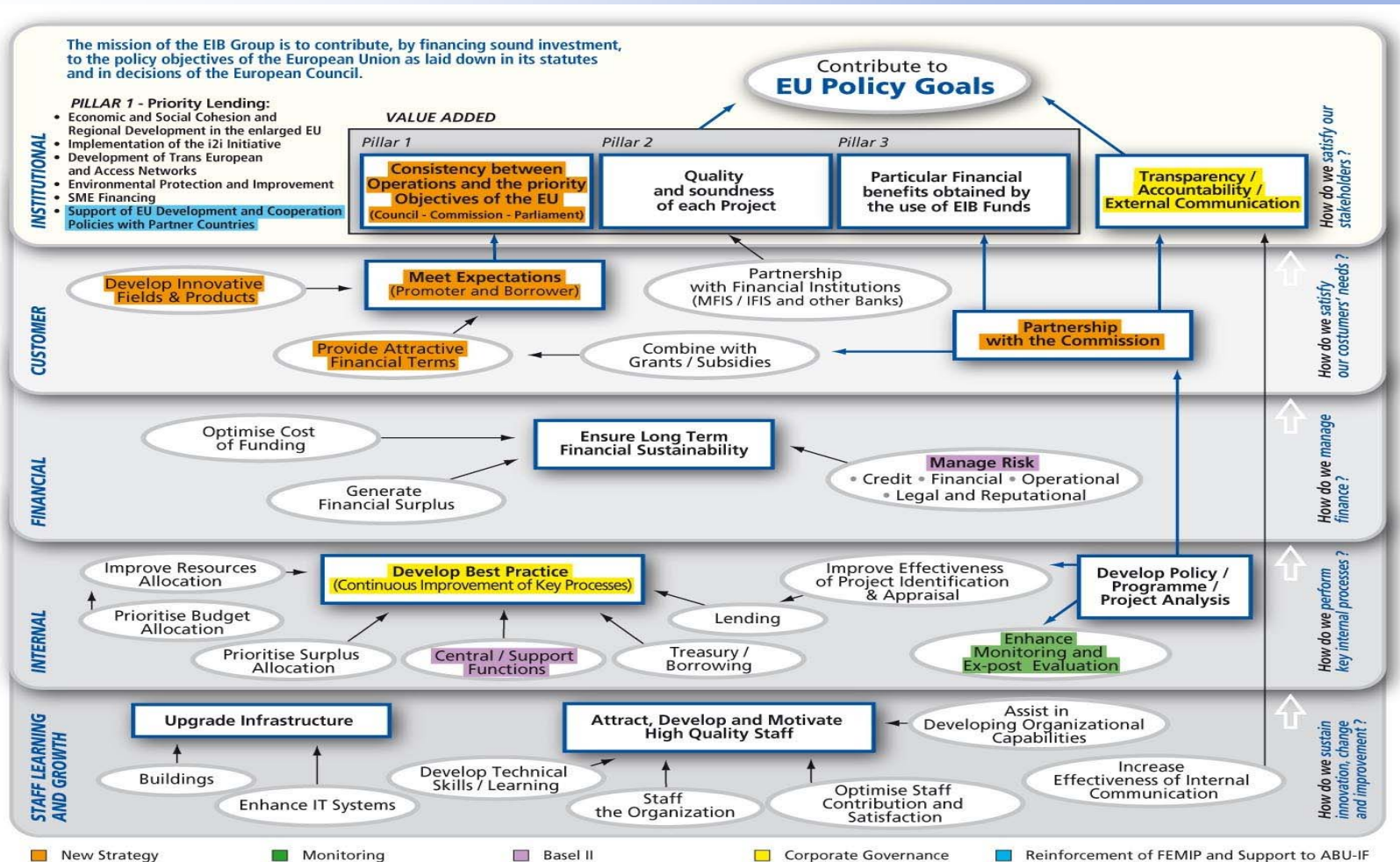
.....The mission of the EIB Group is to contribute, by financing sound investment, to the policy objectives of the European Union.....

Article 18 of EIB Statute:

“...the Bank shall grant loans ..., to the extent that funds are not available from other sources on reasonable terms.”



The EIB|BEI Strategy Map



Priority Objectives of the EIB|BEI

- ◆ EU policy lending
 - ◆ Inside the EU
 - ◆ Outside the EU
- ◆ Value-added
- ◆ Risk-taking
- ◆ Communication
- ◆ EIB Group Co-operation
- ◆ EC Co-operation
- ◆ New financial instruments
- ◆ Monitoring

Plus.....Financial sustainability



EIB|BEI priority lending objectives in the EU

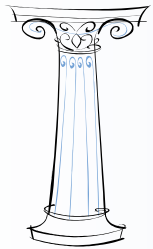
- ◆ Convergence
- ◆ Innovation 2010 Initiative (i2i)
- ◆ Transport and Energy Networks (TENs)
- ◆ Environment
- ◆ SMEs
- ◆ Energy



Scope of the EIB|BEI external mandates

Lending Objectives	Neighbourhood and Partnership countries		ALA		South Africa	ACP/OCT
	Eastern Neighbours & Russia	Mediterranean Countries	Asia (exc. Central Asia) & Latin America	Central Asia		
Private Sector Development	Russia	X			X	X
Infrastructure Development	X	X			X	X
Energy Security of Supply	X	X	X	X	X	X
Environmental Protection and Improvement	X	X	X		X	X
Support of EU presence (FDI, transfer of technology and know-how)			X			

EIB|BEI approach to Value-Added



Pillar 1. The consistency between each operation and the priority objectives of the EU



Pillar 2. The quality and soundness of the project



Pillar 3. The particular financial benefits obtained by the use of EIB funds

+ New in 2007:

The Development Impact Assessment Framework



EIB|BEI Corporate Responsibility



**Sustainable development &
Corporate Responsibility**

...derived through

Ethics

Governance

Environment and social footprint

Socially responsible...

investments, borrowings and treasury

Transparency



Transparency

- ◆ **Current reporting styles**
 - **Shareholder focus**
 - **Standardised information**
 - **Bank controlled**
 - **Financial statements**
 - **Essentially static system**
 - **Preparer-led regulations**



Improving transparency

◆ 21st century reporting requirements

- Stakeholder focus
- Customised information
- Information from a variety of sources
- Broader range of performance measures
- Continuous changing models
- Satisfying market-place demands

.....dialogue.....!



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