

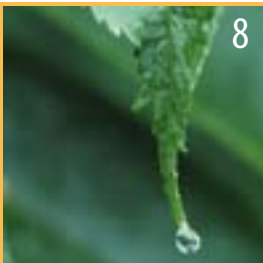


The 5th meeting of FEMIP's Ministerial Committee



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EIB promoting a better environment



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JASPERS and JEREMIE initiatives



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2005 EIB Forum

Reinventing Europe

Innovation key to a thriving economy



From left to right:
G. Verheugen,
W. Roth,
M. Pekkarinen,
J. Dryden.

The future of the Lisbon Strategy was the topic of discussion at the 2005 European Investment Bank Annual Forum 'Lisbon Strategy – Closing Europe's Innovation Gap' on 27-28 October. The conference was held in Helsinki, Finland, the country named by the World Economic Forum as the best performing in terms of global competitiveness in 2004. ⇒



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⇒ In the face of disappointing mid-term results and mounting criticism of the EU's bid to promote Europe as "the most dynamic knowledge-based economy in the world by the end of the decade", **EIB President Philippe Maystadt** welcomed the conference's 400 participants, encouraging open dialogue and reaffirming the EIB Group's commitment to providing sustained support for the strategy.

Opening the floor for discussion, the President stressed that finance alone was not enough to provide for Europe's future competitiveness, growth and jobs: "Additional resources for research & development and innovation are certainly needed but complementary measures are also needed. Without this, additional resources alone may fail to have a tangible impact on economic growth."

The EIB's role in the Lisbon Strategy, focuses on four core areas: the financing of research and development; human capital; information and communications technologies; and the promotion of SMEs through venture capital.

At the end of September 2005, loans advanced under the EIB's Innovation 2010 Initiative (i2i) had reached EUR 31 billion, while the Bank's subsidiary, the European Investment Fund, provided EUR 2.3 billion in venture capital. The Bank's overall objective is to mobilise up to EUR 50 billion to foster innovation over the current decade, translating research into leading European products in the marketplace.

The globalisation challenge

One of the key challenges for Europe was outlined by the Forum's keynote speaker, **Günter Verheugen, EU Commissioner for Enterprise and Industry**. Countering the prowess of the market leaders, the United States and Japan, is no longer the only stumbling block for the EU. Countries that once specialised in labour-intensive industries are now accumulating both capital and knowledge, and are eager to gain a foothold in the West.

With large emerging economies such as China and India rapidly increasing their share of global economic activity the EU must react quickly to counter the recent trend of dwindling growth. "Currently the EU25 accounts for just over 20% of global input. China and India combined account for 19%.



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By 2015, forecasts are that China alone will account for 19%, India 8%, while the EU25 will represent 17%.”

The Commissioner suggested a series of positive actions to tackle the problems raised by the increasingly competitive global marketplace, with the common theme of synergy and shared knowledge – across borders, industries and the public and private sectors.

Researching for growth

Raising Europe’s capacity to grow must come as a direct result of knowledge, research and innovation in all Member States. This vision was supported by other key speakers, Janez Potočnik, EU Commissioner for Science and Research, and Paavo Lipponen, Speaker of the Finnish Parliament who identified “knowledge, communications and information as the basis of our (Finland’s) welfare society”.

With the EU investing around one third less in research than the US and only 5 researchers per 1000 in the working population, productivity and performance are severely handicapped. Member States who are lagging behind must learn valuable lessons from countries such as Finland, where links between science, industry and technology are actively fostered. In this context, EIB projects financing integrated information and communications systems were praised.

Tero Ojanperä, Senior Vice-President and Chief Strategy Officer of Nokia Corporation, noted that Europe had access to all possible technologies, yet was not making full use of them. “The challenge is how really to accelerate the use of information and communications technologies, including in the public sector.” Only by encouraging the EU’s policy-makers to invest in knowledge management and entrepreneurship, can the Member States move closer to the goal of growth through research.

Raising European appeal

A further conclusion of the conference was the need to make Europe a more attractive place to invest and work. Philippe Pouletty of the French Innovation Council cited the



From left to right:
R. V. Rajakumar,
T. Ojanperä,
I. Pilip,
C. Ian Ragan.



From left to right:
C. Martínez,
Y. Potočnik,
P. de Fontaine Vive.



From left to right:
S. Niinistö,
T. Hackett,
A. Kaikkonen.



From left to right:
S. Niinistö,
P. Maystadt,
E. Heinäluoma.

European Institute of Technology in Paris as an example where national government had implemented reform in tertiary education in order to take on top American universities. He called for the same kind of tax incentives for researchers as are granted to diplomats in order to recruit the world's best talent for European universities and research centres.

Mr Ojanperä of Nokia added that money was not the only factor; researchers were also concerned with practical issues like children's schooling and health, areas in which greater flexibility is needed.

Prof. Carlo Rizzuto, President of Sincrotrone Trieste in Area Science Park, Italy, insisted upon the development of European research infrastructure with the provision of world-class facilities to attract first-rate researchers and counter Europe's brain drain.

The EIB is currently working to facilitate such advances, having provided loans in recent years to state-of-the-art research projects and science parks, as well as funding the enhancement and technological upgrade of university facilities in close cooperation with local authorities to the tune of almost EUR 8 billion since 2000.

The Bank also supports the implementation of recent Commission initiatives to promote a suitable regulatory environment

for access to resources. Good governance and security remain at the top of the European agenda.

Jobless growth?

A recurring issue throughout the course of the conference, debated by industrialists and policy-makers alike, was the rate of job creation in Europe. As Jean Pisani-Ferry, director of the think-tank BRUEGEL and Professor of Economics at the University Paris Dauphine, pointed out, the Lisbon Strategy facilitated a shift in attitude towards employment figures. The focus is no longer on unemployment rates which can be artificially reduced, but on positive employment rates and job creation.

Despite this, employment rates in the EU have remained stagnant, in part due to an aging population. It was argued that whilst research and development was an ideal solution for competitiveness, it can also lead to a reduction of employment the labour force in developed and technologically sophisticated countries. In a bid to build an informed and flexible workforce, access to employment for all age groups was imperative, as was investment in lifelong learning.

Spotting a white elephant

The Forum's final session addressed one of the key problems widely attributed to the

struggling Lisbon agenda – has Europe taken on too much too quickly? Whilst there can be little doubt that innovation and R&D hold the key to competitiveness in Europe, financing institutions such as the EIB must harness their ample experience in fields such as Public-Private Partnerships (PPPs) and support for the further development of R&D and innovation to ensure funding reaches those projects that will have a productive impact in the marketplace.

An example of R&D funding under the EU Research Framework programmes 5 and 6 being put to good use was given by Auvo Kaikkonen, CEO, Inion, Finland. Dr Kaikkonen's plastic polymers are used as a successful alternative to metal for fixing bones. As a result of this R&D venture, Inion is now listed on the London Stock Exchange.

Francis Carpenter, CEO of the European Investment Fund highlighted the essential nature of early-stage funding to ensure that research has the necessary muscle to pass from the laboratory to the shop floor. Almost 40% of the EIF portfolio is directed towards early-stage funding, providing a stark contrast to Europe's average 12%.

The road ahead

Tom Hackett, the EIB's Director General for Lending in Europe, presented the Bank's efforts in support of the Lisbon Strategy and confirmed that the EIB is well on track and living up to its commitment, both financially and strategically.

The Forum was closed by the Finnish Minister of Finance, Eero Heinäluoma, who encouraged Europe to pull in the same direction and take inspiration from the successful Finnish model for innovation. "In a transparent economy, a country with high wages can only survive through expertise, research and high productivity. Nations must commit to the Lisbon strategy."

For further information on the Forum and access to speaker presentations, please visit www.eib.org/forum.

*by Úna Clifford
Communication and
Information Department
and Susanna Bell in Helsinki*



The next EIB Forum will be held in Athens in autumn 2006

FEMIP

presented its first annual report to the 5th meeting of FEMIP's Ministerial Committee in Rabat-Skhirat, Morocco, on 20 June 2005



by Helen Kavvadia
Communication and
Information Department

Intensified dialogue with the partner countries; additional resources, particularly for private initiatives; promotion of greater coordination with the community of financing institutions.

These were the most significant results of the 5th meeting of the Ministerial Committee of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). Held in Rabat-Skhirat, Morocco, on 20 June 2005, this meeting provided an opportunity to take stock of FEMIP's development and discuss the recommendations made by the Committee of Experts, which met in Amsterdam in October 2004 and Luxembourg in March 2005.

The meeting in Skhirat, bringing together the Finance Ministers of the EU Member States and the partner countries in the Mediterranean, provided the ideal forum for reviewing

achievements since the Barcelona Declaration. Preceding the celebration of the tenth anniversary of the Barcelona Declaration and falling in the "Year of the Mediterranean", this FEMIP meeting was combined with the first meeting of EU and Mediterranean Finance Ministers, focusing on the economic progress achieved during the ten years of the Barcelona Process as well as the challenges still ahead.

To help in assessing accomplishments since FEMIP's launch in October 2002, a first annual report on its activities was presented to the Ministers. The document focused on 2004, a year that was particularly represent-



ative of the way in which FEMIP has worked to translate the strengthened economic and financial partnership with the Mediterranean region into action and outcomes. Three tangible results in particular stand out:

First: intensified dialogue with the partner countries. FEMIP's Committee of Experts has held two meetings during which several major development issues were pragmatically discussed. FEMIP was also represented at the Euro-Mediterranean Conference of Industry Ministers and the inaugural session of the Euro-Mediterranean parliamentary assembly.

In keeping with operational priorities, special attention was also given to relations with the private sector, notably via theme-based conferences generally organised in conjunction with professional associations, e.g. in Casablanca in January 2004 on the theme of developing entrepreneurship, and in Madrid in December 2004 on FEMIP's role in promoting investment in the Mediterranean. Conferences of this type enable the FEMIP teams to provide better information to the professional sectors on the range of support that is available to them.

FEMIP is thus tuned in to all partner countries, both European and Mediterranean, and, at its level and within its remit, endeavours to provide a forum for debate.

Second: additional resources, particularly for private initiatives. In 2004, FEMIP increased its level of activity to EUR 2.2bn, an unprecedented volume for the EIB in more than 30 years' presence in the region. Over one third of this amount went to private sector enterprises and most of the other financing was aimed at creating a more supportive environment for the development of private initiatives.

The first Euro-Mediterranean Investment Capital forum, held in May 2005 in Lyon, confirmed that FEMIP's role in the field of equity finance, whether directly or via investment funds, is much appreciated.

FEMIP has also worked, in recent months, to set up new financing instruments in order to better meet the demand expressed by partner countries. Funded by contributions totalling over EUR 30m from sixteen

Member States and the Commission, the FEMIP Trust Fund is now fully operational. Four technical assistance operations and a number of studies have already been approved.

The first operations under the Special FEMIP Envelope were approved by the EIB's Board of Directors last July, reflecting FEMIP's additional capacity to cover the market segment of high risk profile ventures.

Lastly, the third result and cause for satisfaction for the partnership: **promotion of greater coordination with the community of financing institutions.** In recent months, FEMIP has taken the initiative of reactivating and formalising a number of cooperation agreements. The Memorandum of Understanding signed in May 2004 with the European Commission and the World Bank has already deepened cooperation, as regards both consultation on country strategy papers and sectoral approach. □

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is helping the European Union's ten Mediterranean Partner Countries to meet the challenges of economic and social modernisation and enhanced regional integration in preparation for the establishment of a Euro-Mediterranean free trade area by 2010.



EIB opens two new offices in the Mediterranean region

The EIB has opened – first in Tunis in December 2004, then in Rabat in June 2005 – two FEMIP representative offices for the Maghreb countries. This will bring the Bank closer to local operators in the pursuit of FEMIP's objectives, in particular the development of operations in support of the private sector.

When FEMIP was launched in 2002 to address the need for an enhanced presence on the ground in the beneficiary countries, it was decided to open representative offices in order to strengthen, at local and regional level, the dialogue with the public authorities and private sector so as to meet the expectations of the sectors targeted by FEMIP, especially the private sector. Accordingly, a first regional office for the Mashreq countries was opened in Cairo in October 2003.

The task of FEMIP's representative offices is to ensure coordination with the local authorities, banking sector, lenders and private firms in order to facilitate the identification and appraisal of new projects and provide better support for private sector investment. This closeness to local players will make it easier to pinpoint and mount operations under the Special FEMIP Envelope (SFE), which enables the EIB to take increased risk in financing the private sector. The offices are also responsible for helping to set up technical assistance and trust fund operations and monitoring the smooth implementation of projects.

FEMIP's Tunis office was inaugurated on 9 December 2004 jointly by Mr Mohamed Nouri Jouini, Minister of Development and International Cooperation of the Tunisian Republic, and Mr Philippe de Fontaine Vive, EIB Vice-President with responsibility for FEMIP. The office is headed by Mr Diederick Zambon and located in the banking district of Tunis.

The Bank's Rabat office was inaugurated on 17 June 2005 jointly by Mr Fathallah Oualalou, Minister of Finance and Privatisation, and Messrs Philippe Maystadt and Philippe de Fontaine Vive, President and Vice-President of the EIB. Located in the new Hay Riad business district in Rabat near the European Union delegation, the office is headed by Mr René Perez.



FEMIP's Tunis office was inaugurated on 9 December 2004 jointly by Mr Mohamed Nouri Jouini and Mr Philippe de Fontaine Vive.

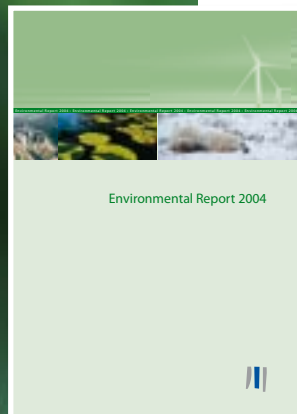
The Bank's Rabat office was inaugurated on 17 June 2005 jointly by Mr Fathallah Oualalou and Messrs Philippe Maystadt and Philippe de Fontaine Vive.



EIB promoting a better environment



Highlights from the Bank's Environmental Report 2004



The Bank recently released its Environmental Report for 2004. This is the third report of its kind. It describes the latest measures taken by the EIB to protect and improve the environment and enhance the quality of life, thereby supporting the European Union's policy of promoting sustainable development. The EIB has set itself the goal of devoting 30-35% of all its individual loans in the enlarged Union to projects safeguarding and enhancing the environment.

Of a total EUR 43.2bn in individual loans within the EU, 35% or EUR 10.4bn targeted projects fulfilling one or a number of the EU's environmental objectives.

In addition, there are projects with environmental components that are not picked up by these figures.

*by Roland Randefelt
Environment Unit*

Environmental protection and improvement continues to be one of the main operational priorities of the EIB. The Bank seeks to support the environmental policies of the European Union both through its lending activities and by carefully assessing the environmental impact of all projects financed.

The environmental objectives included in the Bank's Corporate Operational Plan for 2005-2007 are:

- To maintain environmental lending at 25-35% of the EIB's overall lending in the EU, Acceding and Accession Countries;
- To gradually increase the share of renewable energy in total new electricity generation capacity financed by the Bank in the EU up to 50% by 2010, including an increased share of non-wind power;
- To increase the focus on upstream environmental technologies and research and development.

The trend in environmental lending has not changed greatly since the previous reporting period. The majority of environmental lending in support of the EU's Sixth Environment Action Programme has focused on:

- Tackling climate change (energy efficiency and renewable energy);
- Protecting nature/biodiversity and natural resources (flood relief and natural disaster prevention and alleviation);
- Environment and health (reduction of industrial pollution, water supply and wastewater treatment);
- Sustainable use of natural resources and waste management;
- Improving the quality of life in the urban environment (urban renewal and sustainable urban transport).

The target for renewable energy was adapted over the course of 2004. The earlier target was "to double the share of renewable energy projects in overall EIB energy sector financing between 2002-2007 (from 7 to 15%)". The target was made even more

ambitious when the Bank pledged, at the International Conference on Renewable Energy in Bonn in June 2004, to increase its lending for renewable energy from 15% of new electricity generation capacity at present to 50% by 2010. This is in line with the EU's target of increasing renewable energy's share of electricity generation in the EU-25 to 22% by the end of the decade. In the period 2000-04, EIB lending for renewable energy projects relative to total electricity generation lending in the EU amounted to 32%; the figure was 36% in 2004.

In the field of climate change the Bank made progress in the following areas:

- The first potential projects have been identified for the EUR 500m Climate Change Financing Facility. This aims to support investments in emission reduction projects undertaken by European businesses participating in the EU Emissions Trading Scheme. An EUR 100m sub-window of the facility is allocated to projects inside and outside the EU, using two of the flexible mechanisms under the Kyoto Protocol: Joint Implementation (JI) and the Clean Development Mechanism (CDM). The JI mechanism is applicable in countries with a reduction obligation under the Kyoto Protocol when the country in question is supporting a project that limits greenhouse gas emissions in another country which also has a reduction obligation. The CDM mechanism is applicable when a country with a reduction obligation under the Kyoto Protocol supports a project

that limits greenhouse gas emissions in a country which does not have a reduction obligation.

- The first potential projects have been identified for the EUR 5m Climate Change Technical Assistance Facility. This provides advance funding for activities associated with the development of project-based carbon assets (credits) under the JI and CDM mechanisms.
- The EIB has also made progress in developing carbon funds. In December 2004, a Memorandum of Understanding was signed between the EIB and the International Bank for Reconstruction and Development (IBRD) to develop the World Bank-EIB Carbon Fund for Europe (CFE). Discussions were also held on developing carbon funds with other institutions, especially the European Bank for Reconstruction and Development (EBRD).

In the future the Bank plans to report more widely on sustainability issues. The new Sustainability Report will incorporate most issues that are now in the Environmental Report and will initiate a wider commitment to measuring the Bank's environmental 'footprint'. This will include the elaboration of methods and procedures for monitoring and improving its own practices in the pursuit of more sustainable economic, environmental and social conduct – in terms of both its internal practices and its support for sound investment opportunities. □





*by Daniela Sacchi-Cremmer
Communication and
Information Department*

EIB Group, EBRD and Commission launch JASPERS and JEREMIE initiatives

To help beneficiary countries to absorb the Structural and Cohesion Funds and to invest them in good projects; and to increase access to finance in the regions to encourage more business start-ups and new ventures.

These are the main objectives of the JASPERS and JEREMIE initiatives, jointly launched by the EIB Group, the European Commission and the European Bank for Reconstruction and Development (EBRD) at a Ministerial Meeting in Brussels during the European Week of Regions and Cities (10-13 October 2005).

Under the title "Working Together for Regional Growth and Jobs", some 2 500 regional policy stakeholders from EU, national and regional levels, gathered in Brussels to participate in 70 workshops, seminars and plenary sessions.

JASPERS (Joint Assistance to Support Projects in the European Regions), a team of some 50 dedicated experts in technical, economic and financial analysis established within the EIB, will help the Member States to design and prepare large projects supported by EU Structural Funds and the Cohesion Fund. Many of these experts will be posted in the field to provide technical assistance to the Member States and regions, in particular in the cohesion countries¹, for preparing good investment projects.

All Member States covered by the new Convergence Objective are eligible for assist-

ance from JASPERS². However, given the potentially large number of major projects to be prepared, JASPERS must be selective and it is inevitable that resources will be concentrated where needs are greatest. They will mainly target "large projects" supported by the Cohesion Fund and the European Regional Development Fund, defined as costing more than EUR 25m for environmental projects and more than EUR 50m in transport and other fields. Other projects supported by the Cohesion Fund and the ERDF may also be included.

Key areas for JASPERS technical assistance will be trans-European networks, the transport sector outside of TENs, including rail, river and sea transport, inter-modal transport systems and their interoperability, management of road and air traffic, and clean urban and public transport. The environment also features high on JASPERS' agenda, including energy efficiency and renewable energy.

JASPERS will start at the upstream stage by being involved in the programming exercise already taking place in 2006 to prepare for the 2007-2013 programming period. At the project level it will cover the stages of project preparation from initial identification up to the point when the Commission decides to grant assistance to the project. The phases of the project cycle after the approval of grant aid (e.g. monitoring, audit, payments, closure and evaluation) will be followed up exclusively by the Member State and the Commission.

JASPERS is expected to begin operations in 2006. It will partly be based at the EIB's headquarters in Luxembourg and partly in regional offices in the Member States to best accommodate local needs, incorporate local expertise and make optimum use of knowledge transfer.

Hence, JASPERS experts will work in close cooperation with the national and region-

al authorities responsible for the structural funds operational programmes. They will also work in close cooperation with partner international finance institutions (IFIs). The EBRD will be a full member of the team together with the EIB and contribute directly to JASPERS. Other interested institutions will also be consulted and welcomed in wider-ranging cooperation.

The project preparation work of the JASPERS unit will be entirely separated from the lending activity of the EIB and the EBRD. If a beneficiary makes use of JASPERS there is

JASPERS (Joint Assistance to Support Projects in the European Regions)

JEREMIE (Joint European Resources for Micro-to-Medium Enterprises)

no obligation to borrow from an IFI, nor for an IFI to grant a loan. On the other hand, if a beneficiary is assisted by JASPERS with preparing a project, it may thereafter decide to borrow from the EIB or the EBRD to finance a part not covered by the grant.

The JEREMIE (Joint European Resources for Micro-to-Medium Enterprises) initiative has been launched to enhance SME access to finance in eligible regions. It is a process whereby the Member States and regions will have the possibility of outsourcing to the European Investment Fund (EIF) the management of the Structural Funds (ERDF) for financial engineering/SME finance programmes. Instead of using grants as such, it will be possible to transform part of the grants into financial products. This will then be rolled over instead of simply "granted" once.

These products will include equity, venture capital, guarantees, loans and technical assistance and they will allow a multiplier effect on the budget. For each euro of budget, the sum of financing products available could range from 2 to 10 euros. The targeted SMEs will range from life

sciences start-ups to medium-sized enterprises operating in more traditional sectors of the economy.

Through this partnership, regions will be able to benefit from the EIF's experience in all areas of investment concerned, but also from its large network of international, national and local financial institutions dealing with SME finance, as well as the ability of the EIB Group (with other IFIs) to leverage additional funding.

The EIF will work with the full back-up of the EIB and its lending capacity, but also as a federator of all other sources of finance from other international, national or local financial institutions, investment funds, micro-credit agencies, etc., public and private.

The EIF, along with national and local authorities, will design each local scheme "à la carte" taking into account and adapting to local conditions. A financing agreement will thus be signed in each case, so that structural fund grants will be channelled through the EIF, "converted" into financial instruments and made available to financial intermediaries that will in turn provide additional funding to SMEs. This tool-kit approach will optimise the use of structural funds to the benefit of the whole chain: regions, financial sector and SMEs.

JASPERS and JEREMIE will help the EU budget to leverage more resources from the EIB Group and use the resources resulting from this leverage to focus on the Lisbon agenda for growth and jobs.

Cohesion policies are expected to have a major effect on the economies of the Member States in the next programming period (2007-2013). In the least prosperous Member States, transfers from EU funds may approach 4% of national GDP. For the new Member States alone, the EU Commission's estimates suggest gains of approximately 10% in GDP by 2013. In terms of employment, it is estimated that approximately 2.5 million additional jobs could be created.

Both initiatives will be presented to the Member States, regions and experts from financial institutions during a conference in Brussels on 24 November 2005. ■

¹ Since 1 May 2004, the cohesion countries are Greece, Portugal, Spain, Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. The EIB has been active in the new Member States since the early 1990s.

² The ten Member States that joined in 2004, plus Greece, Portugal and Spain, plus Bulgaria and Romania.

Support for SMEs added to the EIB's key priorities

by Daniela Sacchi-Cremmer
Communication and
Information Department



Since 7 June 2005, the date of the latest meeting of the EIB's Board of Governors, support for SMEs, in line with the particularities of the market in each country, has been added to the Bank's operational priorities¹.

The inclusion of this priority will lead the EIB Group to step up its operations in favour of SMEs, and especially the cooperation between the EIB and European Investment Fund (EIF).

By working together more closely, the EIB and EIF will be able to identify more precisely the most suitable product to improve SMEs' access to financing, taking account of

¹ In recent years, the EIB has based its activities on five main pillars: economic and social cohesion in the enlarged EU; implementation of the "Innovation 2010 Initiative"; development of trans-European networks and their access systems; support for Community development aid and cooperation policies in the partner countries; and protection and improvement of the environment.

the variety of national and regional circumstances as well as the specific features of financial counterparties, thereby maximising the value added of the EIB Group's support for SMEs. This new operational configuration will also help to clarify the respective roles of the EIB and EIF and develop joint EIB-EIF products by tapping into the Bank's vast network of relations with European financial intermediaries and the Fund's technical know-how and specific operational experience in the SME sector.

SMEs already occupied an important position among the Bank's other initiatives and priorities, notably economic and social cohesion, i2i and protecting and improving the environment.

The EIB Group's support for SMEs: some figures

Since 1968, the EIB has supported SMEs via its global loans.

These are lines of credit granted to intermediaries – banks or other financial institutions – which use them to support projects of limited scale implemented by SMEs or local authorities.

Between 2000 and 2004, nearly half (EUR 26.7bn) of the EUR 57.6bn in global loans signed with some 200 partner banks benefited SME investment projects.

EIF also supports SMEs either by providing them with equity through venture capital financing or by securing the SME loan portfolios of financial institutions or public guarantee entities.

Over the past five years, EIF's activities in support of SMEs have translated into EUR 2.3bn in equity participations in 109 operations and EUR 6.5bn in the form of SME credit guarantees, granted to around 100 banks or specialist institutions.

Supporting firms as they grow: a new instrument for mid-cap companies

In October 2003, the EIB adopted the Commission's definition of SMEs as having fewer than 250 employees, rather than up to 500 as previously. Reducing this threshold had the effect of widening the bracket of intermediate-sized companies by adding those with a workforce of between 250 and 500. As a result, such firms had greater difficulty obtaining global loan financing.

In order to provide financial support tailored to these companies, in 2004 the EIB launched a new product - grouped loans - targeting firms that had grown bigger than an SME. An upper limit of 3 000 em-

ployees was set for these so-called mid-cap companies.

This new instrument consists of a line of credit granted to a financial intermediary for financing projects costing less than EUR 50m with loans generally not exceeding half that cost (i.e. EUR 25m). The procedures in place for approving projects financed by grouped loans are streamlined and therefore faster and better suited to the size of the projects than those applying to operations financed by individual loans.

As with global loans, the Bank's customary eligibility criteria apply to projects financed under grouped loans (in particular, economic and social cohesion, i2i and environmental protection).

Since the instrument was adopted, six such lines of credit amounting to EUR 630m have been approved by the EIB, in France, Germany, Austria, Portugal, Poland and Italy. (figures to be revised before publication in mid-November). ■



UK education projects

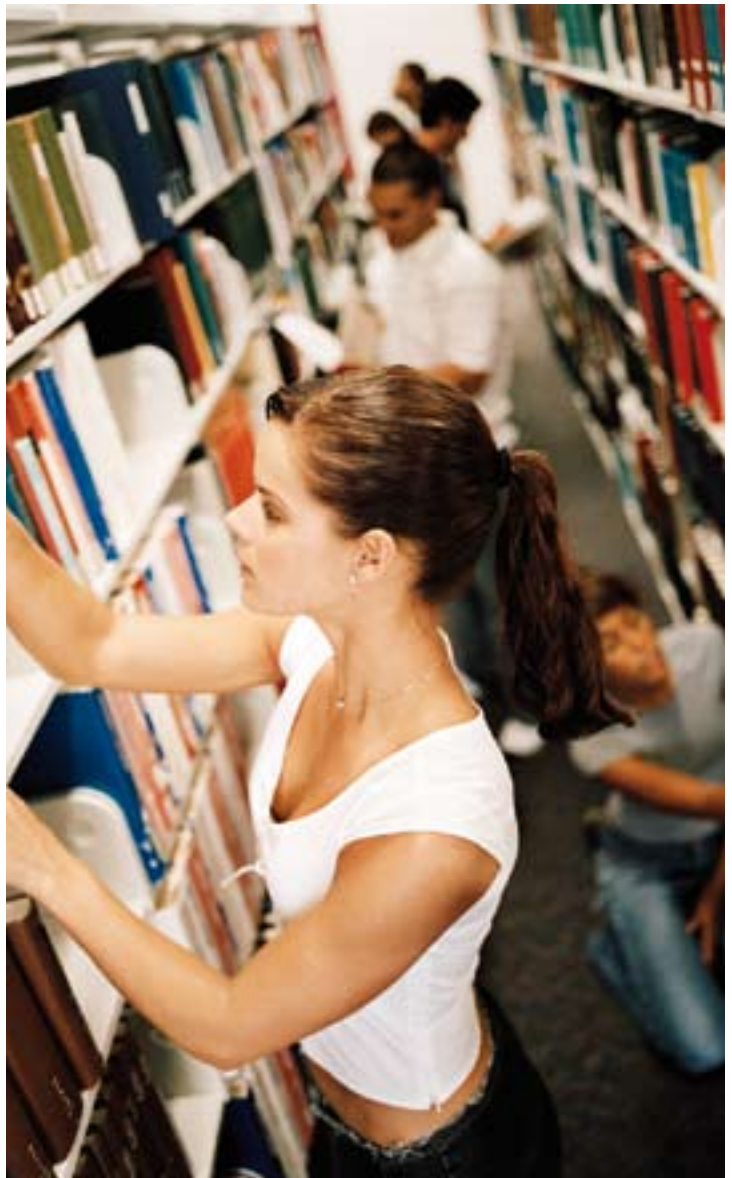
Providing finance for investment in health and education has been a feature of the EIB's activity since 1997, when the Amsterdam Council asked the Bank to widen the scope of its lending to include human capital.

The United Kingdom is one of the countries that have attracted most of the Bank's financing in this sector. Since education projects have been eligible for EIB financing in 1997, the EIB has signed projects for a total of EUR 830.40m in the UK.

The Bank contributed to ten of these projects in a private-public partnership-financing scheme. Five of them were financed using the Structured Finance Facility¹.

Recently, the Bank supported two key PPP education projects in Objective 1 and 2 areas in Scotland, which address local needs of educational improvement and contribute at the same time to human capital formation and economic development in a disadvantaged region.

¹ In order to match the types of funding to the requirements of projects with a high-risk profile and to pursue its equity financing and guarantee operations in favour of large-scale infrastructure schemes, the EIB established a Structured Finance Facility (SFF) in 2001. The Bank can provide a broad mix of financial products under this heading: senior loans and guarantees incorporating pre-completion and early operational risk; subordinated loans and guarantees ranking ahead of shareholder subordinated debt; mezzanine finance, including high-yield debt for industrial companies in transition from SME scale or in the course of restructuring; project-related derivatives.



*by Daniela Sacchi-Cremmer
Communication and
Information Department*

In June 2005, the EIB signed a loan of around EUR 100m (GBP 70m) with Transform Schools (North Lanarkshire) Ltd, a special purpose company (SPC) sponsored by Balfour Beatty and Innisfree. This Education 2010 PPP Project will provide for the construction and maintenance of 3 secondary schools and 18 primary schools located throughout the towns and environs of North Lanarkshire, an area of relatively high unemployment levels and low educational attainment caused by underlying economic difficulties. The new schools will deliver a range of services, offering life-long learning opportunities and sporting facilities for local communities as well as extending the use of school premises beyond traditional classroom time. Once the new facilities are completed, the consortium will be responsible for maintaining the buildings and providing other, non-educational services (e.g. grounds maintenance and security) to the Council for the remainder of the 32-year concession period.

In September 2005, the Bank signed a loan of around EUR 58.5m (GBP 40m) with ABC Schools Limited, the special purpose company appointed by Argyll and Bute Council to design, finance, build and operate 10 new schools in Argyll and Bute, in the west of Scotland. Certain schools within the project will offer facilities for adult and continuing education and a number will make provision for pupils with complex and multiple special educational needs. The project also includes a range of facilities management services, including building and grounds maintenance, cleaning, energy and waste management, and infrastructure for ICT and telecommunications.

The structure of this project is particularly innovative as ABC Schools is a non-profit distributing organisation. Any distributable profits made by the SPC will be passed to a charity established to support educational objectives in the region.

The Bank's participation in these projects significantly improves the terms and conditions on which the respective borrowers can finance the investment. This will result in a lower cost of funding and, ultimately, a lower cost to the public sector – the final beneficiary of the North Lanarkshire and Argyll and Bute projects. ■





ERP-EIF Dachfonds Mandate – Successful Ramp-up

The “ERP-EIF Dachfonds” is an investment mandate that the EIF is managing on behalf of the German Federal Ministry of Economics and Labour (BMWA) and the European Recovery Programme (ERP)¹. Structured as a fund of funds and with a total size of EUR 500m – BMWA has committed EUR 250m from ERP resources matched by an EIF co-investment – the ERP-EIF Dachfonds invests in venture capital funds focusing on innovative German-based high-tech early to mid stage companies (see EIB Info 2-2004).

by the ERP-EIF team

Structured as a commercially managed instrument, the ERP-EIF Dachfonds is a genuine example of a Member State and a European institution joining forces with a view to achieving common objectives by supporting young innovation and technology-oriented SMEs.

The EIF was awarded the management of the ERP-EIF Dachfonds, its first external mandate, in late 2003.

Since the Dachfonds’ official launch in February 2004, a dedicated team of EIF staff has begun managing the mandate

¹ European Recovery Programme (ERP) The ERP Special Fund was set up under the Marshall Plan. It has been managed independently by the German authorities since 1949 and administered as a special fund since 1950. It takes the form of a revolving fund whose value must be maintained and is employed as a flexible instrument of structural policy.

and reviewing investment opportunities. The team is specialised in the German VC market and is entirely responsible for implementing the Dachfonds' investment approach. In the first 18 months of operation, the team received over 100 fund proposals and completed about 60 first screenings of proposals of which over 30 have been followed up actively. This selection process led to 12 due diligences and nine investment proposals.

These nine proposals represent in total an investment volume of EUR 280m for the Dachfonds and have all been approved by BMWA.

Even more remarkably, out of the nine approved fund investments, four will be managed by first-time teams, and with NGN BioMed Opportunity I one first-time fund had its final closing and started investing.

Four funds totalling EUR 130m in investment from the Dachfonds have already been completed and signed. A further two signatures are imminent. The four signed funds which are actively investing are:

- Wellington Partners III Technology Fund L.P.
- TVM Life Science Ventures VI GmbH & Co. KG

- NGN BioMed Opportunity I GmbH & Co. Beteiligungs KG

- BayTech Venture Capital II GmbH & Co. KG

In all cases the Dachfonds played an important role through its professional pre-investment involvement and cornerstone investment. This proved crucial in the fundraising process, given the difficult market environment.

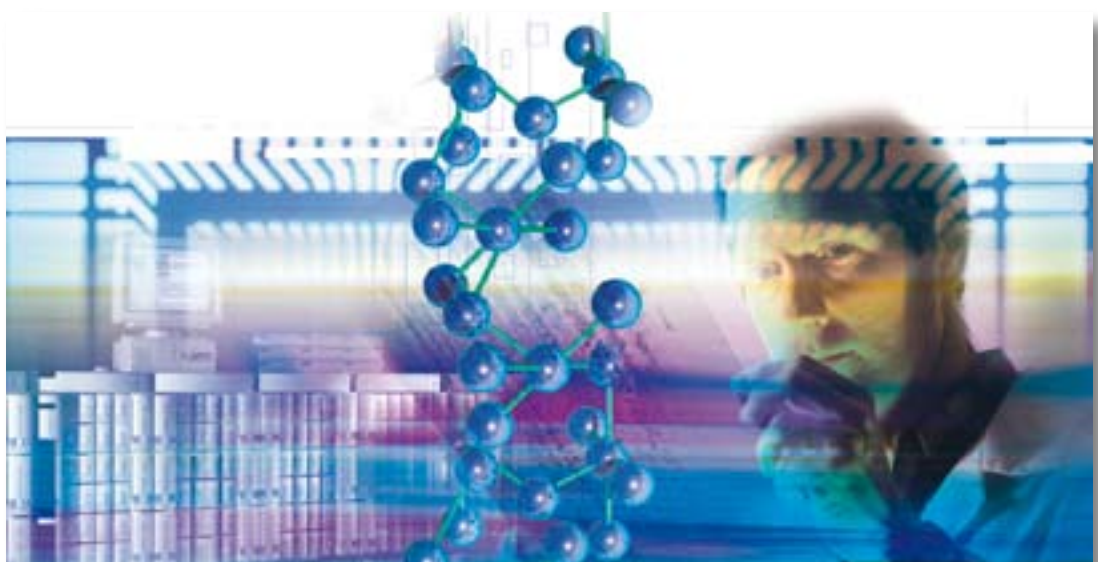
The EUR 130m Dachfonds investment has so far leveraged EUR 492m of investment by other – predominantly private – investors in these funds. This figure is expected to increase significantly by the time the funds hold their final closings.

Particularly worth mentioning is the case of Wellington Partners Ventures III. The EIF has a long-standing relationship with the management company, Wellington Partners. In 1997 the team structured Wellington Partners as a partnership and raised Wellington Partners Ventures I, for which the EIF used European Commission (ETF Start-up Facility) resources to make a cornerstone investment in this promising team. Wellington Partners is a specialised ICT and Life Science early-stage investment company currently managing three funds. The management team comprises 21 investment professionals in-

cluding seven partners with VC selection, investment, management and exit experience in the targeted sectors.

Examples of the management team's high-quality deal-flow are evident from the 40 investments made by Wellington Partners to date. The companies are characterised by strong intellectual property rights on commercially viable products in sectors such as wireless infrastructure, anti-cancer immunotherapeutics and nanostructuring technologies. Since its inception, Wellington Partners has sold 23 companies at a profit, 19 via trade sales and four in initial public offerings.

The EIF will participate in a number of other funds in the near future as there is a full pipeline of interesting proposals under review for 2005. With this encouraging start, the Dachfonds is poised to have a sizeable impact on the German high-tech industry. The facility has become a reference model: in the interim report to the European Council on "A European Initiative for Growth" (COM(2003) 579 final), the European Commission invited the EIF to come up with proposals for a new range of innovative schemes supporting public and private venture capital investments, on the model of the ERP-EIF Dachfonds structure completed in Germany. □



EIF to participate in Commission's Sixth Framework Programme for Research and Innovation

*by Melisa Kozak and Sally Schreurs
European Investment Fund*

In March 2004, EIF started a Technology Transfer Accelerator (TTA) study, which aimed to assess the feasibility and operational modalities of new types of investment vehicles focused on technology transfer. Carried out for and financed by Directorate General Research of the European Commission, the final report has been completed and will be published shortly.

In the meantime, seeking to capitalise on the results of the study, EIF is participating in two consortia, the first focusing on biotechnology and the second on information and communication technology (ICT), both selected by DG Research of the European Commission for Sixth Framework Programme funding (2002-2006).

The task of the first consortium, entitled "Access to Finance in the Biotechnology Sector" (AFIBIO), has an overall objective to analyse the biotechnology and healthcare sectors' needs in terms of funding and R&D commercialisation. The other members of the consortium are the European Business Angels Network (BE); TechnologiePark Heidelberg GmbH (DE); Institute of Baltic Studies (EE); Nantes Atlanpole (FR); Science Park Raf Spa (management company of the San Raffaele Biomedical Science Park) (IT); Cardiff University (UK); and Deloitte & Touche LLP Life Sciences Practice (UK). They will cooperate to develop an efficient network of key actors, and develop tools and guidance material for both entrepreneurs and inves-

tors. Goals also include the identification of sources of finance along the development chain, notably to improve support at the pre-seed and early development stages, and the elaboration of a rating system for seed/early stage investors whereby entrepreneurs rate their experience with various sources of finance for the benefit of other entrepreneurs.

The second consortium is to oversee a pilot scheme, the so-called "European Coaching Innovation Standard" (EUCIST), wherein the financing solutions aimed at university spin-offs in the ICT area can be tested and refined. The other members of the consortium are the Chambers of Commerce of Nice-Côte d'Azur and Marseille (FR); UTC Compiègne, Centre de transfert université-entreprises (FR); City Council of Newcastle (UK); euConnect Ltd (communications firm specialised in disseminating European Science & Technology projects) (UK); University of Cambridge Entrepreneurship Centre (UK). EIF's particular task is to design financial products, which can finance the commercialisation of R&D. EIF will concentrate on a cross section of qualified ICT spin-offs, most of them coming from other members of the consortium, to help them build a financing approach that suits their specific needs as well as to assist them in addressing the relevant potential partners active in seed stage financing (business angel groups, selected industrial partners, etc.).




Other specific actions include the development of business building tools such as financial modelling, strategic marketing and business planning, as well as the provision of individual support (e.g. mentoring) and small team coaching. EUCIST aims to build a network of incubators and an associated accreditation system to benchmark incubators and candidate enterprises. It will also organise the International Venture Capital Summit to bring together entrepreneurs and investors.

These objectives were first developed under EUCIST's predecessor, the "European Extended Enterprise for Innovation" (TEEE-Inn) project. TEEE-Inn was a network of five partner research areas – Cambridge, Marseille, Nice, Newcastle and Turin – which focused its activity in practical terms on risk management for start-ups and on small-team coaching. A key objective was to help start-ups to identify potential markets (client-based communities), useful partnerships (technological or competitive communities) and appropriate funding mechanisms (financial communities). As such, the inclusion of EIF in the TEEE-Inn successor scheme can be considered a significant step towards reaching this objective.

In sponsoring such programmes, the European Commission's main objective is to develop an end-to-end approach in its support for SMEs by taking a project through conception, development, marketing and financing. The goal would be to thus increase the number of entrepreneurs successfully developing their innovations and bridge the gap between start-ups and early stage ventures and venture capitalists and other investors.

For EIF, participation in both AFIBIO and EUCIST is a unique opportunity to implement an innovative tool-set which is designed specifically to address the seed-stage financing needs of SMEs. Moreover, following the submission of the TTA study, renewed backing on the part of DG Research reaffirms EIF as a reference institution with the know-how and ability to devise and apply creative solutions for the development of European research and innovation.

For more information on the above consortia, please contact tta@eif.org 



by Sunita Nilles-Lukkhoo
and Matthias Zöllner

Small businesses and post- Tsunami reconstruction in Indonesia

Following the devastating earthquake and tsunami of 26 December 2004¹, the EIB's President, Philippe Maystadt, promised that the EIB would contribute to the significant financial aid package announced by the European Commission's President Barroso at the Jakarta Summit on 6 January 2005.



The Bank took immediate action, and identification missions were organised together with the European Commission. The EIB focused its contribution on Indonesia, Sri Lanka and the Maldives, the three most affected countries. Projects were appraised in line with the EIB's usual criteria, in particular regarding financial and economic sustainability, compliance with environmental and social standards, and transparency.

Businesses affected by the tsunami

The first concrete result of this effort is a EUR 50m global loan to Rabobank International Indonesia (RII) in support of small and medium-scale investment in Indonesia. Access to the funds under this global loan has been specifically opened to businesses which suffered from the tsunami.

Indonesia was the most affected country, due to its proximity to the quake's epicentre. Casualties and damage were concentrated in the provinces of Aceh and parts of North Sumatra. North-west Aceh was first hit by the earthquake before the tidal wave swept up to 6 km inland. Entire villages and towns, coastal roads, bridges and telecom lines as well as education and health facilities were destroyed. Ecosystems and part of the agricultural land were also affected.

The magnitude of the natural disaster and the subsequent combined reconstruction effort of the Indonesian government and the international community had a pacifying effect on the Free Aceh Movement, which eventually led to the signature of a Peace Agreement in August 2005.

Following the first phase of emergency aid, the EIB global loan is being made available to affected final beneficiaries in Aceh and North Sumatra, who can receive loans of up to 30 years (with a maximum seven-year grace period) to reconstruct or rehabilitate businesses affected by the tsunami disaster. In keeping with EIB funding criteria for reconstruction and restoration projects following natural disasters, projects under this category can receive finance of up to 100% of the total cost of the investment.

Regular tranche

Under the regular tranche of the global loan RII will lend for investment to subsidiaries or joint ventures involving European companies, or to other companies investing in line with the mutual interest criterion and supporting goals such as the transfer of technology and know-how. The sectors mainly targeted are: industry including agro-industry; telecommunications, media and IT; infrastructure, energy, and mining. For this purpose, loans may be extended for up to ten years, with a possible grace period of up to three years. Loans will be

limited to a maximum of 50% of the total cost of the investment.

RII is 99% owned by the Rabobank Group, the second largest banking group in the Netherlands. It has already benefited from, and has fully utilised, an EIB global loan to support investment by small and medium-sized businesses in Indonesia.

More loans to follow

Other lending facilities are currently under consideration for Sri Lanka and the Maldives. In Sri Lanka, the EIB loan will involve a large number of local banks in order to achieve complete coverage of the areas affected by the tidal wave, whereas the planned facility for the Maldives will focus on the tourism sector. However, in order for the EIB to be able to advance its loans to the Maldives, authorisation must be given by the European Council after consultation of the European Parliament. The existing Asia and Latin America (ALA) lending mandate² covers Indonesia and Sri Lanka (amongst other countries) but does not include the Maldives. □



Before



and After
the Tsunami

¹ The most affected countries were Indonesia, Sri Lanka, India, Thailand and the Maldives. There was also minor damage in Malaysia, Bangladesh, Myanmar and Somalia. India and Thailand have declared that they can cope with the reconstruction without dedicated external aid.

² In ALA countries, the EIB can lend up to EUR 2.48 billion during 2000-2006 to support capital investment projects implemented by subsidiaries of EU companies or joint ventures between EU and ALA firms, or investment that results in environmental improvements or fosters regional integration.



by Campbell Thomson
Evaluation Unit

Private-Public Partnerships:

Prerequisites for Prime Performance

The growth of PPPs may be seen as being part of a wider change in the role of the State from a direct provider of services to that of a facilitator and regulator. There is clear EU support for the use of private funding for public infrastructure, and for the EIB to play a major role in that process.

Earlier this year, the EIB published the findings of an ex post evaluation of its funding of PPP projects ¹.

¹ See www.eib.org/projects/evaluation - ex post evaluation reports

These vary from country to country and sector to sector, but they normally involve the private sector building, operating and maintaining a well-defined piece of public infrastructure for a set period, with a sharing of risks between the public and private sectors.

The evaluation examined ten projects in depth, as well as considering PPPs included in other evaluations.

The approach was different to other evaluations carried out by Operations Evaluation: as well as evaluating the project's impact, the structures and risk-sharing mechanisms

involved in PPPs were put at the heart of the evaluation.

The impact of PPPs on project implementation

The Bank is one of the largest lenders to PPPs in the EU and has funded projects in Belgium, Denmark, Germany, Spain, France, Greece, Ireland, Italy, the Netherlands, Austria, Poland, Portugal and the UK. It has also supported projects in partner countries, e.g. China and South Africa. All projects were fully in line with EU policy, national policy, and the Bank's own internal policies. A ➔

particular challenge for the Bank – and any other international finance institution supporting PPPs – is to deal with two clients. On one side, there is the private sector provider – normally the Bank’s borrower; on the other, there is the promoter, a public sector institution. This gives the Bank two roles: lender to the private sector provider, and mentor to the public sector promoter, which may have much less experience in PPPs than the Bank. There is a danger of a confusion of objectives and loyalties in this type of situation but the Bank, or to be more accurate the staff involved, handled the transition well.

In each of the cases taken into consideration, the main reason for choosing the PPP route was to launch investment programmes that would not have been possible with the available public sector capital budget within a reasonable time. It was also clear that the real choice was not between a PPP and traditional public procurement, but rather, a choice between a PPP and either no project, or a delayed/smaller-scale project.

The finding that accelerating an investment programme was behind the projects evaluated does not mean that governments are just using PPPs to reduce government borrowing. The evaluation found that there was a genuine sharing of risks between the public and private sectors. The EIB’s ex ante analyses of these projects confirmed the economic benefits, and usually found ancillary environmental or social benefits.

It has been argued that PPPs foster innovation in design and operation of a project because while the public sector defines a specified output, it is normally the private sector provider who determines how it is delivered. However, the evaluation found only anecdotal evidence to support this thesis. It is also suggested that PPPs have the potential to bring private sector management and implementation skills to the public sector. Again, the evaluation found no evidence to support this and did find one case of technical skills being transferred from the public sector to the private sector. Finally, one could argue that lenders bring external discipline to the project. This argument was supported by the findings. In several of the projects evaluated, both the public and private sector partners

agreed that intervention by the lenders, including the EIB, in the PPP contract and subcontract negotiation processes produced a better deal.

EIB value added

A key EIB objective is that its operations provide value added. However, while issues of loan term and repayment profile were important, the most important reason for the EIB being brought into the projects was its lower ‘all-in’ cost of financing. However, once the EIB was involved, other types of value added from the Bank’s presence could also be identified, particularly in new PPP markets: the development of third-party funding, scale of involvement, the transfer of PPP experience from one country to another, the willingness to stay aboard for the long term, and political effects. Public sector promoters saw the exposure to the Bank’s skills and the opportunity to learn from the Bank’s experience as a valuable aspect of having the Bank involved in their projects. In at least two countries, it was clear that Bank staff, formally and informally, contributed significantly to building up PPP skills. Overall, although not a Bank policy objective, it was clear that the Bank has a positive impact on institutional development, particularly in countries at an early stage of PPP development.

Prerequisites for prime performance

There is no general formula for successful PPPs; but there are clear indications on how to avoid problems. One is that projects should have clear boundaries and a fixed definition/specification. The contractual complexities of most PPPs mean that change will be expensive; the PPP mechanism is therefore less appropriate for projects that cannot be clearly defined/specified from the outset. Another indication is that the underlying project must be economically and financially sustainable: the PPP mechanism will tend to magnify project deficiencies. Thirdly, competition must be maintained to minimise costs. A corollary is that competition can be used to minimise costs. Using the PPP mechanism can allow infrastructure to be tendered when the construction market is weak. Con-

versely, over-use of the PPP mechanism can create short-term increases in demand that absorb capacity and so drive up bid prices. Finally, for PPPs to provide value for money, the private sector providers need to carry risk - but it must be risks which it can quantify, mitigate and manage. Asking the private sector to carry risks it cannot control can lead to failure of the concessionaire. This can block projects and, depending on the nature of the local law and contract structure, can create a cost burden for the public sector.

In sum, PPPs are not a panacea for public expenditure. They create new problems for the public sector promoters, private sector providers and financing bodies to solve. However, in the right circumstances, they can make public infrastructure available earlier, more effectively, and more efficiently than traditional public procurement. The challenge is to match their use to the circumstances. □

First EIB loans for urban renewal projects in South Africa

*by Brian Field
Economist and Urban Specialist
Policy Support Department*



The growing importance of the Bank's lending to municipalities is in line with the emerging consensus of the European Union institutions on the need to pay more attention to the urban environment, and the consequences that localised deprivation and social exclusion may have on the quality of life and economic performance of urban areas. Against this backdrop, it is also recognised that the implementation of mutually reinforcing investment schemes in a city can redress urban problems and promote sustainable development more effectively than the individual components separately. In short, area-specific, comprehensive and integrated regeneration strategies are more effective than discrete policy initiatives.

In the past ten years, the EIB has lent some EUR 16bn to assist urban investment strategies, bringing together industrial and service projects fostering economic growth with environmental infrastructure schemes and energy facilities. This has also contributed to the diversification of local economies, orienting them towards high value-added activities. More recently, however, Bank lending has increasingly focused on supporting municipal budgets with framework loans that are directed at funding eligible components of a given city's capital programme, where the latter reflects a considered strategy for renewal and regeneration that is embodied in an approved and adopted plan for the locality.



Recently, the Bank has signed the first of such “framework facility” operations in South Africa, involving two of the country’s largest municipalities.

The projects in question concern the financing of the respective multi-sector investment programmes of the City of Tshwane Metropolitan Municipality and the eThekweni Municipality (formerly Pretoria and Durban), and cover capital expenditure for infrastructure, in particular water and electricity supply, roads, environment, urban renewal, health and education, for the medium-term (2005-2008) capital budgets.

Both municipalities have to address significant shortfalls in urban infrastructure and an inequitable distribution of urban services, the legacy in the main of the former apartheid era but exacerbated by the country’s institutional instability in the transition years following the advent of democracy. The projects, fully consistent with the objectives of the South Africa Mandate of the Bank, notably the equitable access to and sustainable provision of urban and social services, will contribute to the improvement of urban infrastructure and the social cohesion of the two cities.

The loan agreements (EUR 30m each), whilst benefiting entirely Tshwane and eThekweni, were signed with Infrastructure Finance Corporation (INCA), the South African municipal financing institution, acting as financial intermediary. INCA is an important partner for EIB financing in South Africa. Having intermediated three global loan facilities in the past, INCA is well equipped to pass on the advantage of the Bank’s long-term funding conditions to the final beneficiaries and thus, ultimately, to the municipal taxpayers.

The megalopolis around Johannesburg and Pretoria, with almost 9 million people, is the heart of the economic activity of the country, concentrating a third of its wealth creation. Despite its wealth, however, Tshwane remains a city of contrast and extreme poverty. The demographic and socio-economic structures of the municipality are still strongly marked by apartheid. Nearly 40% of the total population and two thirds of the black population are concentrated within the northern and north-western pe-



riphery settlements, where a third live in informal dwellings. This explains the claim that Tshwane is a “dual city” and why the socially-oriented urban strategy is focused on reducing the imbalance.

The eThekweni municipal area is located on South Africa’s eastern seaboard and centred on the former Durban metropolitan area. With a population of just over 3 million, comprising some 800 000 households, eThekweni’s problems, like Tshwane’s, mirror those of the country as a whole. Approximately 175 000 households are presently below the acceptable minimum levels of provision for housing, 46 000 for solid waste disposal, 144 600 for water and 212 000 for sanitation. Not surprisingly, investment needs outweigh the municipality’s financial capacity, so priorities have to be established; but this, in turn, requires appropriate planning. Hence the EIB’s com-

mitment to supporting those municipalities with comprehensive, integrated and robust planning strategies.

The Tshwane and eThekweni projects demonstrate how the EIB’s intervention adds value. Dovetailing with the United Nations’ Millennium Goals, both will contribute to the alleviation of poverty and promotion of social cohesion in two of South Africa’s largest municipalities, through the selective improvement of urban infrastructure, within the framework of considered and planned strategies for regeneration and sustainable community development within the respective constituencies. ■

EIB opens Representation for the Southern Africa and Indian Ocean region

by *David White*
Head representative for the EIB in Tshwane



The European Investment Bank's new Representation for the Southern Africa and Indian Ocean region, in Tshwane (Pretoria), South Africa, was opened by Dr Tomaz Salomão, Executive Secretary of SADC (Southern African Development Community) and Vice-President Torsten Gersfelt, responsible for the Bank's operations in Africa, the Caribbean and Pacific, on 24 October.

The opening ceremony was attended by the diplomatic community of the EU Member States and SADC countries. It was followed by a reception for government officials, heads of institutions, and partners from the business community across the region. The South African Government was represented by Ambassador Modise, Chief of State Protocol, Department of Foreign Affairs. The ceremony consisted of the hoisting of the EU and EIB flags, and the planting of a palm tree in front of the Bank's office by Dr Salomão.

In his speech, VP Gersfelt spoke of the moral and economic imperatives of integrating Africa more fully into the EU and world economies and the challenges posed by inadequate infrastructure and underdevel-

oped domestic private and financial sectors. "While the EIB can help in these areas, finance alone is insufficient. The success of the EIB's work in the region will also be dependent on an improvement in the private sector's perception of risk, and on its ability to develop business and to achieve acceptable rates of return on investments. True economic growth, on a sustainable basis, will be achieved only if the thrust of policy and investment is consistently aimed at making markets more efficient and open to enterprise", he said.

"The EIB Tshwane Regional Representation is intended to reinforce substantially the Bank's presence in the Southern Africa and Indian Ocean region. It will concentrate on private sector development and the expansion of commercially run public enterprises, particularly those that should deliver the utilities and services required for private sector investment, in a cost-conscious, efficient manner, and with sound respect for the environmental and social impacts. This Representation will strengthen the links with government, institutions and the forces for investment in the region, raising the value added the Bank can offer", he continued.

In his address, Dr Salomão referred to the main challenge as being to create a better world for the poor of Africa and to improve conditions so that they can begin their own ascent up the ladder of economic development. "We take it that the decision to open a Representation of the EIB in the SADC region is a sign of the acceptance of this challenge", he said.

The Representation will be run by David White, previously Adviser to the Management on Africa operations and Deputy Head of Division for East and Central Africa; and the deputy is Lena Eriksson. ■



EIB opens up historical archives

In March 2005, the Management Committee approved a Historical Archives Policy, and a limited release of the EIB's historical archives within the framework of the new rules of access to documents.

In March 2005, the Management Committee approved a Historical Archives Policy and a limited release of the EIB's historical archives under the new rules governing access to documents.

The Bank's historical archives are those documents, typically more than 30 years old, which have been declassified by the Bank's archivists. Following Bank approval and subject to counterparty confidentiality being preserved and documents being withheld from release as appropriate, declassified documents will be transferred to the Historical Archives of the European Union in Florence, which is already home to the archives of the other European institutions.

The first collections to be transferred include Annual Reports (1958 – 2004), press releases (1958 – 2004), minutes of meetings of the Board of Directors (CA) (1958 – 1974) and documents related to projects financed in Member Countries (1958 – 1962) and outside the European Union (1963 – 1967). The richness of the Bank's historical archives collection, which are being made publicly available for the first time, will further enhance understanding of the role of the EIB as a European institution.

As the EIB approaches its 50th anniversary, its role in the development of the European Union has attracted the attention of many scholars and the Bank's archives have become the subject of several recent research enquiries. The Historical Archives of the European Union - housed at the European University Institute (EUI) - will provide scholars and the public alike with an ideal resource for researching the Bank's role in a wider European context. The Badia Fiesolana, which was made available to the European University Institute by the Italian Government in 1976, lies in the hills above Florence and was the site of the Bishop's Palace and Cathedral of Fiesole until 1027. Reconstructed during 1456-1466 by Cosimo the Elder, the present Renaissance building includes a library built up by Vespasiano da Bisticci, who worked for two years with 45 assistants on compiling a library of the most important texts in classical and Christian culture. The Bank's historical archives will find an ideal home in such surroundings.

The adoption of the Bank's Historical Archives Policy was announced to the Board of Directors in July 2005 and it will shortly appear as a Regulation in the Official Journal of the European Union.



The present initiative to transfer the EIB's historical records to Florence builds upon existing ties between the Bank and the University. In the past, the Bank has awarded scholarships for graduate students at the EUI in Florence. These Campilli-Formentini

Scholarships were established in honour of the EIB's first two Presidents. The Bank has also in the past co-sponsored a Chair of Mediterranean Studies at the EUI. In 1997, the EUI hosted the award ceremony for the EIB Prize. The EIB Prize was set up

in 1983 to mark the Bank's 25th anniversary and is awarded every two years to promote the study of investment and finance. Originally intended for doctoral theses in this field, it is now also awarded for outstanding essays.

*by Alan Murdock and Birgit Olsen
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EIB Senior Management Cadre appointments



Mr Marc Dufresne, head of the JU I (Community and Financial Affairs; Legal Support for Lending Operations outside Europe) Department of the SG-JU Directorate, has been awarded the title of Deputy General Counsel with effect from 1 July 2005.

Mr Dufresne, a graduate in Political Sciences (Grenoble Institute of Political Studies) and Advanced Public Law Studies from

the University of Grenoble, has held a State Doctorate in Public (International) Law since 1979. An assistant lecturer at the Grenoble Law Faculty (1970-1980), a lecturer and member of the juries of various university administrative training institutes, he was also a lecturer at the Royal Military Academy of Morocco and the Rabat Institute of Political Studies (1975-1977). In 1980, he joined the EIB's Legal Affairs (JU) Directorate (operations in France, Benelux, French-speaking ACP and Mediterranean countries, Spain and Portugal). In 1987, he was appointed Head of Division, in 1998 Co-Director of JU and since 2002 he has been Director of JU's Community and Financial Affairs Department.

Mr Gerhard Hütz has been appointed Director of the JU II Department (Legal Support for Lending Operations in Europe), SG-JU Directorate, with effect from 1 August 2005.

With a banking apprenticeship, a German degree in law and a PhD in US and German banking law, Mr Hütz joined the Bank's Legal Affairs Directorate in 1992. Since then, as Head of Division from 1999, he has worked on operations in Germany, Austria and Central and Eastern Europe, as well as (since 2001) in Russia. Prior to joining the EIB, he worked in the Legal Department of Deutsche Bank.



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☎ (+212) 37 56 54 60 – ☎ (+212) 37 56 53 93

Senegal

3, rue du Docteur Roux – BP 6935, Dakar-Plateau
☎ (+221) 889 43 00 – ☎ (+221) 842 97 12

South Africa

5, Greenpark Estates – 27 George Storrar Drive
Groenkloof – 0181 Tschane (Pretoria)
☎ (+27-12) 425 04 60 – ☎ (+27-12) 425 04 70

Tunisia

70, avenue Mohamed V – TN-1002 Tunis
☎ (+216) 71 28 02 22 – ☎ (+216) 71 28 09 98

European Investment Fund

43, avenue J.F. Kennedy – L-2968 Luxembourg
☎ (+352) 42 66 88-1 – ☎ (+352) 42 66 88-200

www.eif.org – ✉ info@eif.org

Please consult the Bank's website for any change in the list of existing offices and for details on offices which may have been opened following publication of this brochure.

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New EIB publications



June 2005

- EIB Group Annual Report 2004. Definition of an enhanced Bank strategy in the microfinance sector. Investment Facility
- Annual Report 2004. Audit Committee Annual Reports for the year 2004. Evaluation of Railway Projects in the European Union. FEMIP 2004 Annual Report. Towards a new strategy for the EIB Group. EIB financing with own resources through individual loans under Mediterranean mandates. The task of the EIB in the ACP countries and OCT.

July 2005

- EIB Papers Volume 10. n°1 & 2: Innovative financing of infrastructure – the role of public-private partnerships
- Financing Europe's Future
- Evaluation of SME Global Loans in the Enlarged Union.

September 2005

- Environmental Report 2004 (see p. 8).
- The EIB's role in financing sustainable urban transport projects.
- Economic Report on Partner Countries.
- Condensed consolidated and unconsolidated interim financial statements 2005.

Coming soon

- Innovation 2010 Initiative.
- Sustainable urban renewal
- Various brochures on FEMIP (environment, transport, energy, capital-investment, private sector, technical assistance)
- Financing social and economic cohesion

All brochures can be downloaded at www.eib.org/publications.