



EIB inaugurates East building p.5 • 2008 EIB Conference on Economics and Finance p.7 • New Chief Executive and Deputy Chief Executive at the EIF p.10 • Five EIB projects awarded Euromoney "Deal of the Year 2007" p.13 • Five European public finance institutions launch Post-2012 Carbon Credit Fund p.16 • FEMIP: 2007 overview private sector is the watchword p.19 • Tunis FEMIP conference Microfinance and development in the Mediterranean p.21 • The ACP-EU Water Facility: EIB and Commission support Millennium Development Goals in the ACP p.29

# INFO

131

The information magazine of the **European Investment Bank Group** • 2 – 2008 • ISSN 0250-3891



## EIB Group broadens its support for **small businesses**

The EIB Group is set to develop new instruments in areas such as mezzanine finance, guarantees and microcredit with a view to simplifying conditions and responding to SMEs' needs at different stages of growth.

After a major consultation exercise with its banking partners, public authorities and SMEs themselves, the EIB Group is updating its SME support to make it as accessible as possible, and to ensure that the benefits of its financing are passed on tangibly to the final borrower.



## CORPORATE ISSUES

EIB Group broadens its support for small businesses	1
EIB inaugurates East building	5
2008 EIB Conference on Economics and Finance: Infrastructure investment, growth and cohesion	7
New Chief Executive and Deputy Chief Executive at the EIF	10
Five EIB projects awarded Euromoney "Deals of the Year 2007"	13
JASPERS Task Force becomes a department within the EIB	15
Five European public finance institutions launch Post-2012 Carbon Credit Fund	16
Financing research, development and innovation a key to the future	18

## WITHIN EU

EIB finances record high-voltage submarine cable: SA.PE.I.	12
--	----

## FINANCE

EIB continues to develop capital markets in EU partner countries	17
--	----

## OUTSIDE EU

FEMIP: 2007 overview Private sector is the watchword	19
Tunis FEMIP conference Microfinance and development in the Mediterranean	21
FEMIP participates in 2nd Euro-Mediterranean Private Equity and SME Financing Forum	23
Helping to protect the Mediterranean Sea from pollution	24
Interact – building on a history of cooperation	27
The ACP-EU Water Facility: EIB and Commission support Millennium Development Goals in the ACP	29
EIB partners Bancomext to finance environmental projects in Mexico	30

## INTERNAL ISSUES

EIB Senior Management Cadre Appointments	31
New EIB publications	32

EIB Information is published periodically by the Communication Department of the European Investment Bank.

Editor in charge: Daniela Sacchi-Cremmer.

Layout: EIB graphics workshop, Sabine Tissot.

Photos: EIB photographic library, Jean-Paul Kieffer.

Material which appears in EIB Information may be freely reproduced; an acknowledgement and clipping of any article published would be appreciated.

⇒ "It is clear that the market alone is unable to provide sufficient and appropriately priced finance for SMEs, in particular high-growth, innovative businesses," said EIB President Philippe Maystadt. "The EIB Group will seek to address gaps in the market by broadening the scope of its financing."

A month before the presentation of the European Small Business initiative of the European Commission, at the 2008 meeting of the Board of Governors Mr Maystadt also announced that the Bank will broaden its support for SMEs beyond the traditional focus on fixed assets to finance "intangible" aspects of a firm's growth, such as research and development, building up distribution networks or ensuring that business continues after the current owners retire.

The underlying aim of these measures is to provide better funding for SMEs by broadening the range of existing products while adapting them to local characteristics and the needs of companies. To qualify as an SME, a company must be independent and have fewer than 250 employees.

In 2007, more than 160 000 SMEs benefited from EIB Group support. The EIB made some EUR 5bn in credit lines available to SMEs, while the EIF provided EUR 1.4bn in guarantees and EUR 521m in venture capital funds.

The EIB's long-established Global Loans – lines of credit provided to banks that pass the funding on to individual businesses – will be modernised to lighten formalities for both the banks and the SME borrowers. In exchange, the EIB will demand from banks that they make it known to their clients that they are benefiting from an EIB loan, and that they pass the advantages gained from the EIB on to their clients (longer duration of loans, more flexible disbursement schedule, etc).

At the same time, the EIB and the EIF have committed to enhancing their cooperation in mezzanine funding and microcredit. The idea is to target firms that have the most difficulties raising funds.

At the 2008 meeting of the Board of Governors, Mr Maystadt also announced that the Bank will broaden its support for SMEs



## SMEs need better access to credit

The need for enhanced support for SMEs was voiced by many participants in the meeting of the Board of Governors, in particular Yvette Cooper, Chief Secretary to the British Treasury. "During the international credit squeeze, many of the UK's and Europe's small businesses may be having difficulties in accessing the credit that is vital to their survival," said Ms Cooper. "We invite the EIB to shoulder more of its partner commercial banks' risks for lending to small businesses, in order to help them bear the brunt of the global credit crunch".

"It is important to identify bottlenecks that impede access to markets for SMEs", added Fernando Teixeira dos Santos, Minister of Finance of Portugal and EIB Governor.

The SME sector accounts for 99% of all European enterprises, providing over 100 million jobs as well as being a key generator of innovation and entrepreneurial skills. As the EU's policy-driven lending institution, the EIB is dovetailing its improvements with the new Small Business Act for Europe announced by the European Commission on 2 July, which includes a chapter on how to improve SMEs' access to finance.

## Structured Finance Facility replenished

The central role of the Structured Finance Facility (SFF) in the financing of risk was acknowledged by the EIB's Governors, who approved an increase of EUR 1.5bn in the level of the SFF Reserve. This additional allocation is necessary to meet the Bank's capital needs to support its SFF activity through 2009 and 2010. The replenishment of the SFF Reserve leaves a balance of EUR 1bn available for future allocations under the EUR 3.75bn SFF.

The SFF was established in 2001 to generate significant value added by the provision of additional support to priority projects through instruments with a risk profile that is higher than the standard normally assumed by the Bank.

For each operation, capital is booked against the Fund allocated to the SFF ("SFF Re-

## SME consultation

The EIB Group's SME consultation ran from June 2007 to January 2008 in all EU Member States. It is the first time the Bank has engaged in such a wide consultation process on its support for SMEs, a key objective of its mandate, and how it should shape this support in the future. Approaches were made to more than 100 respondents, ranging from banks and banking associations to SME associations, government bodies and the European Commission. Three quarters of those approached took part in the consultation, and the lively response underlines that SME finance remains a key topic in Europe.



serve”), for which an initial envelope of EUR 750m was approved by the Board of Governors in 2001 and fully allocated between 2001 and 2006.

In 2006, the Board of Governors decided to consider incremental increases when required of the SFF Reserve up to a maximum ceiling of EUR 3 750m until 2013, to support own resource operations in countries in which the Bank is authorised to operate. An immediate additional capital appropriation of EUR 500m was approved in 2006, bringing the total funded amount of the SFF Reserve to its present level of EUR 1 250m.

The strategic objectives established by the Bank include the building of a significant and sustainable SFF programme, transforming these activities into a “mainstream” element of the Bank’s lending, with a focus on the high priority sectors of TENs, i2i, energy and cooperation in partner countries. The SFF may nevertheless also be used for other priority objectives where appropriate, such as SMEs.

The EIB’s increased focus on the SFF, supported by the relevant organisational restructuring in its operational directorates, has already translated into accelerated growth in signatures under the facility and the generation of a substantial project pipeline, in particular during 2007.

### Joint EIB-EU initiatives are successful

Governors voiced their satisfaction with the results of the ongoing joint EIB-EU initiatives. “The RSFF had an excellent start and the LGTT shows very promising prospects”, underlined European Economic and Monetary Affairs Commissioner Joaquín Almunia.

In June 2007 the EIB and the Commission joined forces to set up the Risk Sharing Finance Facility (RSFF). The RSFF is an innovative scheme to improve access to debt financing for private companies or public institutions promoting activities in the field of Research, Technological Development Demonstration and Innovation investment. It is built on the principle of credit risk-sharing between the European Community and the EIB and therefore extends the ability of the

Bank to provide loans or guarantees with a low and sub-investment grade risk profile, involving financial risks above those normally accepted by investors.

In January 2008 the EIB and the Commission also signed a cooperation agreement establishing the Loan Guarantee Instrument for trans-European transport network projects (LGTT). This instrument is expected to facilitate greater participation of the private sector in the financing of transport infrastructure of European significance, especially for investments in TENs projects where there is a high level of revenue risk in the early operational period of a project. The capital contribution of EUR 1bn (EUR 500m each from the Commission and the EIB) is intended to support up to EUR 20bn of total capital investment.

The EIB and the Commission also co-operate in the JASPERS (see article on page 15), JESSICA and JEREMIE programmes, and are preferred partners in providing

financing in support of EU policy objectives. The EIB has been lending outside the EU since 1963 with the support of an EU guarantee, complementing the Commission’s political and financial initiatives for non-EU countries.

On 27 May, a few days before the Board of Governors’ meeting, the EIB and the Commission signed a Memorandum of Understanding aimed at furthering the coordination of EU external lending policies.

“This increased collaboration with the EIB will improve our ability to finance projects outside the EU in a range of areas from energy, environment and infrastructure as well as in the private sector to the benefit of the populations concerned. It will facilitate coordination, coherence and synergies between EU assistance instruments and EIB financing, thus increasing the efficiency and visibility of EU action towards third countries,” said Joaquín Almunia, European Economic and Monetary Affairs Commissioner.

by Daniela Sacchi-Cremmer  
Communication Department

### 2008 Board of Governors meeting



# EIB inaugurates East building



On 2 June 2008 the EIB inaugurated its East building on a site next to its existing headquarters on the Kirchberg plateau in Luxembourg. Both restrained and innovative, and designed entirely with environmental considerations in mind, this new building substantially increases the work space of the Bank, enabling it to accommodate the whole of its staff on a single campus.



**T**he EIB's new East building is located at 98 boulevard Konrad Adenauer. Backing on to the "Bons Malades" valley, it forms a continuum with the Bank's existing headquarters in the "North European District" of Kirchberg in Luxembourg. With its 72 500 m<sup>2</sup> of work space, it can house up to 750 staff.



Environmental and energy concerns were key to the design of the East building by the architect Christoph Ingenhoven (Düsseldorf) and its construction by CFE-Vinci (Brussels, Paris).

The glass shell enveloping the whole building makes maximum use of natural light. Winter gardens and atria provide thermal insulation and natural ventilation, keeping energy consumption and emissions to a minimum. The building complies with the most stringent environmental standards, even exceeding legal requirements. It is



the first building in continental Europe and one of the first in the world to be awarded the UK's BREEAM Bespoke "high environmental quality" certification with the rating "very good".

In this way the building reflects the priorities of the EIB, which earmarks a substantial part of its lending for projects aimed at improving or protecting the environment and especially provides backing for projects that help to combat global warming.

The opening ceremony was graced by the presence of H.R.H the Grand Duke of Luxembourg, along with the Governors of the EIB, the EU's Finance Ministers. Speakers included Jean-Claude Juncker, Prime Minister and Finance Minister of the Grand Duchy of Luxembourg, José Manuel Barroso, President of the European Commission, and Andrej Bajuk, Slovenia's Finance Minister and current President of the Economic and Financial Affairs Council, who together described the EIB's ever-growing role in the process

of European integration, highlighting the importance of its action to promote European projects and congratulating it on this architectural achievement.

In his address, President Philippe Maystadt enumerated the milestones in the EIB's history since its creation in 1958. He looked back on its establishment in the Place de Metz in Luxembourg in 1968, then the move in 1980 to its current headquarters in Kirchberg in a "modern" and "solidly constructed" building. Mr Maystadt stressed the importance of "transparency" and "respect for the environment".

His Royal Highness the Grand Duke of Luxembourg and P. Maystadt President of the EIB.



His Royal Highness the Grand Duke of Luxembourg, C. Ingenhoven, architect and P. Maystadt President of the EIB.



The EIB's activities have grown substantially during its fifty years of existence. At the end of 2007, the EIB Group (EIB and European Investment Fund, EIF, also Luxembourg-based) employed 1 590 permanent staff members to handle the ever-increasing demand for funding in the 27 EU Member States and 173 partner countries. The EIB's existing building, where the Bank took up residency in 1980, was designed to accommodate a maximum of 800 people. The building was extended in the early 1990s to make room for 300 additional staff members, but the EIB has continued to grow in line with an expanding EU, thus needing more working space.

In 2002 the EIB launched an international anonymous competition for architects/designers. The competition was won by German architects, Ingenhoven Architekten from Düsseldorf in association with: Werner Sobek Ingenieure, Stuttgart for the structure; DS-Plan, Stuttgart for the facade plans and the building's physical aspects; and HL Technik/IC-Consult/Pbe-Beljuli Planungsgesellschaft mbH/S+E Consult for the technical engineering.

The new East building provides an interesting dynamic contrast to the existing Lasdun-designed buildings and other adjacent buildings. It illustrates the developing nature of the EIB by its modern high technological and transparent exterior, which is matched by an efficient and imaginative interior to high standards.

**by Daniela Sacchi-Cremmer**  
Communication Department

# 2008 EIB Conference on Economics and Finance:

## Infrastructure investment, growth and cohesion

The 2008 EIB Conference on Economics and Finance, held on 12 June, was part of the Bank's 50th anniversary celebrations, so it was only natural that the conference addressed issues at the heart of the Bank's mandate. Thus its title: "Infrastructure investment, growth and regional cohesion". The conference brought together researchers and practitioners from numerous countries and institutions to shed light on a topic at the heart of the EIB's mission. To this end, it covered topics relating to the role of infrastructure in supporting growth, regional cohesion and real convergence in Europe.



**T**he conference was opened by **Philippe Maystadt**, President of the EIB. In his opening remarks, the President pointed out that among the European Union's public policy objectives, economic integration, convergence and regional cohesion have featured most prominently over the years in the EIB's operations. He also emphasised that the links between infrastructure, growth and regional cohesion are complex and only imperfectly understood. Its support for European integration and regional cohesion in the past five decades has put the EIB in a unique position to reflect on the economic issues involved in disentangling that nexus – an undertaking that the conference sought to support.

The first presentation focused on government investment in Europe. **Timo Vällilä** of the EIB's Economic and Financial Studies division first clarified the concept of government investment, emphasising that it should not be confused with infrastructure investment. Government investment excludes investment by commercially run entities, such as utilities or railway companies, even when they are state-owned. He then discussed the composition of government investment in Europe, concluding that infrastructure accounts for about one-third of overall government investment in the EU on average and hospitals and schools for another 20%. The other half is roughly equally split between public goods, such

as defence and environment, and redistribution, including recreational facilities. Differences between countries in these shares reflect different institutional arrangements for providing public services, especially as regards the roles and responsibilities of the government and corporate sectors. The differences also reflect diversity in systems of fiscal federalism, with investment priorities varying between different levels of government.

Turning to the economic impact of public capital, **Jakob de Haan** of the University of Groningen presented some new evidence of the impact of public capital on output (GDP) in 21 OECD countries covering the



period 1960-2001 and, notably, of how that impact has changed over time. He found that in some countries public capital has a positive long-run impact on GDP while in others the long-run impact is zero or even negative. The latter is especially true in countries where the public capital stock is volatile and large in relation to the private capital stock. As regards changes over time, the GDP impact of public capital has tended to decrease in the past decades, but there have been differences between countries. An interesting observation in this respect is that countries with a decreasing GDP impact tended to reduce their public investment during the 1990s, and vice versa.

**Armin Riess** of the EIB's Economic and Financial Studies division considered the financing of government infrastructure investment in his contribution. He discussed alternative ways of defining and measuring the marginal economic cost of public funds, and he also reviewed empirical cost estimates, including for EU countries.

Moreover, he illustrated how the economic cost of public funds should be accounted for in cost-benefit analyses of government expenditure, notably on public infrastructure, and how the cost-benefit assessment changes if user fees contribute to the financing of infrastructure services. Importantly, the presentation also clarified why the economic cost of public funds must not be confused with the social discount rate, the social opportunity cost or the interest rate on government debt. In this context, consideration was also given to how government borrowing – that is, taxing later in lieu of taxing now – affects the cost-benefit assessment.

The second session of the conference focused on how infrastructure affects economic geography, that is, the location decisions of firms and workers. **Gianmarco Ottaviano** of the University of Bologna provided an overview of the topic in the light of both theoretical and empirical findings. He emphasised two main lessons. First, infrastructural improvements affect the geographical distribution of economic activities. Second, even when localised, infrastructure investment generates externalities that may diffuse quite far across the economy. These two lessons have two far-reaching policy implications. First, effective infrastructure projects require knowledge of their impacts on the spatial distribution of economic activities. These impacts depend crucially on the details of the projects and the specific sources of agglomeration economies they affect. Second, regions need to coordinate not only in terms of inter-regional infrastructure projects but also in terms of intra-regional ones if they want to avoid beggar-thy-neighbour and self-defeating outcomes.

**Andreas Stephan**, from Jönköping International Business School, presented the results of a study on the determinants and productivity effects of regional transport infrastructure investment in France, Germany, Italy and Spain. To analyse the determinants of public infrastructure investment, he considered two broad sets of factors: first, the normative principles efficiency, equity and redistribution; and second, political factors such as electoral competition and electoral rents. The evidence suggests that road infrastructure positively contributes to regional

production. As to the determinants, efficiency and redistribution are consistently found to matter while equity considerations appear to be less important. However, there are remarkable differences across countries regarding the political determinants. Which political factors matter for infrastructure investment is related to the different political systems of the various countries.

The role of infrastructure endowment and investment in the genesis of regional growth in the European Union was addressed by **Andrés Rodríguez-Pose** of the London School of Economics and **Riccardo Crescenzi** of the European University Institute in Florence. They had undertaken a study of the economic effects of the existence and extension of transport networks in light of their interactions with the process of innovation and local socio-economic conditions. Notably, their analysis explicitly accounted for spatial interactions between different regions in the form of spillovers and network externalities. The results presented highlighted the impact of infrastructural endowment on regional economic performance, but also the weak contribution of additional investment. Regions having good transport infrastructure endowment and being well connected to regions with similar good endowments tend to grow faster. However, investment in infrastructure within a region or in neighbouring regions seems to leave especially peripheral regions more vulnerable to competition. Furthermore, the positive impact of infrastructural endowment on growth tends to wane quickly and is weaker than that of, for example, the level of human capital.

The afternoon session of the conference addressed the role of infrastructure in real convergence in Europe, considering also the specifics of cross-border infrastructure. **Gerd Schwartz** of the International Monetary Fund (IMF) emphasised that most new EU Member States need further fiscal adjustment to support economic growth and macroeconomic stability. In this context, achieving income convergence with other EU members depends more on maintaining productivity growth, attracting foreign savings and improving investment efficiency than on increasing government spending (including on infrastructure). Additional institutional fiscal reforms, aimed at improv-

ing expenditure efficiency and facilitating private-sector investment, will be needed to support these objectives. However, further fiscal adjustment and reforms do not necessarily need to depress public investment. New financing options for public investment – including from various EU funds and through public-private partnerships – can ease existing fiscal and macroeconomic constraints, but also present both new opportunities and challenges that need to be handled carefully.

**Somik Lall** of the World Bank considered the role of transport infrastructure in transition from plan to market; specifically, he examined the economic implications of infrastructure investment policies that try to improve economic conditions in Russia's peripheral regions. Based on an empirical study, he suggested that new firms are locating in regions which have high market potential. Among the geographic determinants of growth, market size and proximity to Moscow and regional infrastructure were identified as important drivers of productivity for new firms and those owned by private entrepreneurs. A move from plan to

market is being accompanied by a spatial transformation. Indeed, it seems that the benefits of infrastructure improvements are much higher in Russia's leading regions. Thus, investment that diverts resources from these regions towards peripheral regions runs the risk of slowing down national economic growth.

In the last presentation of the day, **Diego Puga** of the Madrid Institute of Advanced Studies dealt with the effects of cross-border transport infrastructure in the presence of agglomeration economies. Cross-border infrastructure is more likely to increase than to decrease inequalities between and within regions, and has not helped regional convergence in Europe. Under-investment due to spillovers, coordination failures and the inadequacy of networks designed for national markets provide a role for supranational institutions. Hub-and-spoke networks tend to increase urban primacy while cross-border transport connections tend to reduce it. Improvements in transport and communications allow firms to separate innovation, management and production, increasing efficiency and urban interdependence.

Taken together, these presentations and the lively discussion that they inspired went some way towards articulating and clarifying the role of infrastructure investment in supporting economic growth, including through its impact on regional development. In so doing, the 2008 EIB Conference served the interests not only of the Bank, but also of many policymakers and other stakeholders.

The speakers have prepared written versions of their presentations, which are compiled into the 13th volume of the EIB Papers, to be published soon.

by Hubert Strauss and Timo Vällilä, Economic and Financial Studies



# New Chief Executive and Deputy Chief Executive at the **EIF**

Following the retirement of Francis Carpenter after a career spanning some 30 years at the service of the EIB Group, including six years at the helm of the European Investment Fund (EIF), the EIF Board appointed a new Chief Executive (CE) and Deputy Chief Executive (DCE) on 7 April 2008.

This change of management and the ever-evolving environment in which the EIF operates are prompting a strategic review of the opportunities and challenges facing the Fund.

The new combination of the CE and DCE roles is aimed at ensuring the necessary corporate governance and delivering shareholder value. They reflect the EIF's dual mission: on the one hand it supports the core EU policy objectives relating to small and medium-sized enterprises (SMEs); on the other, it acts commercially under market conditions, with a statutory obligation to achieve appropriate returns for its shareholders.

This new two-person top management team structure breaks the EIF's traditional mould. This change stems from the need to mitigate operational risk, better balance priorities, provide checks and balances, and enhance accountability and transparency as the Fund expands.

Separating the roles also allows the CE and DCE to focus on different, equally vital aspects of the organisation. As the busi-

ness grows, the CE will focus on strategy and business development, while the DCE will take responsibility for finance, risk and compliance.

Both Richard Pelly and Jean-Marie Magnette are seasoned executives. Together they bring a wealth of financial, institutional and operational experience. Richard Pelly combines considerable commercial banking and management experience, having spent over 30 years in the financial sector, in senior management roles with several leading banks. Jean-Marie Magnette brings extensive operational and institutional expertise, acquired through various roles within the European Commission, where he acquired special insights into policy and decision-drivers at a European level.

Together, they offer a strong and well balanced vision for the EIF going forward.

The two new managers started by launching a 100-day plan to emphasise their first focus of attention taking the business through to the summer and incorporating the move of the EIF to a brand new building to be shared with the EIB.

The 100-day plan consists of five main axes and establishes specific milestones:

**Build relationships and manage stakeholders** - with a view to developing and strengthening the relationship between the EIF and its major counterparts: the EIB, the European Commission and shareholder/partner banks and funds.

**Develop and communicate strategy** - to position the EIF for continued and enhanced success, Richard Pelly and Jean-Marie Magnette have created a strategic planning process involving all the senior leadership of the business establishing future goals and objectives for the EIF. This plan will also encourage teams at management and staff levels to strengthen the exploitation of potential synergies and to work around common values in an efficient and effective manner.

**Structure for success** - the first priority being to fully clarify the roles and responsibilities of the CE and the DCE. A system of risk and management committees and working groups both within the EIF and with the EIB has been elaborated, with a

view to encouraging regular reporting on performance and adequate monitoring of project deliverables. Work is now under way on an organisational structure which will better reflect individual responsibilities and objectives.

**Manage projects and processes** - change management will be enhanced through building dedicated project teams, identifying key improvements and agreeing on key strategic projects. This will encourage staff participation at all levels and ensure that projects are carried out as smoothly and effectively as possible.

#### **Communicate leadership style and values**

- by mobilising the stakeholders and the staff around a common vision, developing regular discussion forums, introducing an EIF newsletter and involving staff in the planning of projects and processes. This will also entail agreeing on a corporate social responsibility vision.

#### **EIB Group broadens its support for SMEs**

In the context of the Small Business Act currently being developed by the European Commission, the EIB Group is looking

at ways to achieve better consistency in its positioning in the SME sector by developing a common approach to the market demonstrating an integrated product offering including risk-sharing guarantees and mezzanine finance. ■

**by Delphine Munro,  
Head of Marketing  
Communications, EIF**



#### **Richard Pelly**

Chief Executive since April 2008. Extensive 30-year career in commercial banking. COO of BZW France with Barclays Bank, Chairman and CEO of Budapest Bank and then CEO of UK Business Finance with GE Commercial Finance. In 2005, Managing Director of Structured Asset Finance at Lloyds TSB Bank, London. He holds an MBA from INSEAD (France).



#### **Jean-Marie Magnette**

Deputy Chief Executive since April 2008. Extensive career at the European Commission and worked closely with the EIF for a number of years. He was at first responsible for supervising the management of SME financial instruments and then responsible for supervising the liaison with the EIB Group and for developing new financial instruments. From 2006, Alternate Director representing the Commission on the EIF's Board of Directors. Jean-Marie Magnette is Adjunct Professor of Finance at the Sacred Heart University Luxembourg. He holds an engineering degree from the Catholic University of Louvain (Belgium) and an MBA from the University of Chicago (USA).

# EIB finances record high-voltage submarine cable: **SA.PE.I.**

On 5 May, the Bank signed an agreement with Terna (Rete Elettrica Nazionale S.p.A.) for a EUR 300m loan to build the new direct-current 500 kV high-voltage submarine cable (SA.PE.I.) between the Italian peninsula and Sardinia. The finance contract was signed in Rome by EIB Vice-President Dario Scannapieco and Terna CEO Flavio Cattaneo.



**T**he SA.PE.I., the acronym for the new connection (SARDINIA Italian PENinsula), presents a number of record figures: a 420 km cable with a total capacity of 1 000 MW placed on the sea floor at a depth of 1 600 metres – the world's deepest placement of a submarine cable (the previous record of 1 000 metres being the Italy-Greece link, also undertaken by Terna and partly financed by the EIB).

With its 420 km of cable, the SA.PE.I. is the longest electricity line ever built in Italy and the second longest submarine connection in the world, shorter only than the interconnection between the Netherlands and Norway, also partly financed by the Bank.

The general timeframe for the works is completion of the first cable with the system functioning at half power (500 MW) by the middle of 2009, and completion of the second cable by the end of 2010. So far, 300 km of cable have been produced for the

first segment, while the remaining 120 km are being built.

The new interconnection will ensure a strong increase in the reliability of Sardinia's electricity system and the possibility of exporting to the mainland excess electricity generated by thermal power plants and wind farms, the latter of which are developing significantly. The SA.PE.I. will also provide Sardinia's electricity operators with the opportunity to participate in electricity market transactions with fewer exchange obligations, while also guaranteeing greater flexibility and security of the system.

The project, which is one of the EU's priority energy projects of common interest (trans-European networks), meets two basic Community and EIB energy policy objectives: ensuring both the efficient use of an important source of renewable energy and the security of supply.

The new interconnection will replace the direct-current power line between Sardinia, Corsica and Italy (SA.CO.I.), which, after 40 years of service, is approaching the end of its technical life. In order to minimise the impact on marine flora, cable trenching will be forbidden in certain areas. To protect sea fauna detailed requirements have been imposed to minimise low frequency noise during cable-laying. ■

by Sara Confortola,  
Adriatic Sea Department

# Five EIB projects awarded Euromoney “Deals of the Year 2007”

Euromoney Project Finance magazine has awarded five ‘Deals of the Year 2007’ to European Investment Bank (EIB) supported projects. The prizes recognise innovation and excellence in project financing and were awarded at a dinner ceremony in London on 6 March.

For the second year running, Euromoney honoured EIB financing activities both inside and outside the European Union. The successful projects came from a range of infrastructure and industry sectors, which include energy, transport, water and mining.

- **Bujagali Hydroelectric Project**

African Power Deal of the Year

- **Ambatovy Nickel Mine**

African Mining Deal of the Year

- **Hadera Desalination Plant**

EMEA Desalination Deal of the Year

- **Millau Viaduct**

European Transport (Refinancing) Deal of the Year

- **Ostregion/A5**

European Transport (Roads) Deal of the Year

The EIB worked to ease the power shortages that are having a significant negative impact on the Ugandan economy by providing a USD 136m loan to the Government of Uganda. The Bujagali hydroelectric project involves the construction of a dam and hydroelectric power station on the Nile River. The project will largely replace polluting and expensive thermal power generation, and will double electricity generation in Uganda. The EIB participated in the project as part of an international financing consortium that includes the World Bank Group, the African Development Bank and European bilateral agencies.

Madagascar’s economic development was supported by a USD 300m EIB loan for the Ambatovy nickel-cobalt mine, east of the country’s capital Antananarivo. The project is noteworthy for its positive impact on national export revenues and job creation, and the extensive use of local entrepreneurs as service providers to the mine. The EIB’s loan also provides for health and safety programmes, and the project promoters have worked closely with civil society organisa-





tions to guarantee appropriate measures to protect the environment. The Ambatovy project is promoted by a Canadian sponsor and debt financing is provided by a consortium consisting of the EIB, the African Development Bank and Export Finance Agencies from Canada, Japan and Korea.

Both the quantity and quality of the drinking water in Israel will benefit from the EIB's EUR 120m loan for a new desalination plant in Hadera, north of Tel Aviv. The freshwater plant will have a positive impact on health and the environment in this Mediterranean country, where the EIB is active under FEMIP, the Facility for Euro-Mediterranean Investment and Partnership. The water project is Israel's first example of a partnership between the public and private sectors supported by an international financial institution, the EIB, and a consortium of international banks led by French bank Calyon and Portugal's Banco Espirito Santo.

Travellers along the major European transport corridor between Paris and Barcelona benefit from the EIB's EUR 143m loan for the long-term maintenance of the Millau Viaduct. In 2002, an initial EUR 50m EIB loan supported the construction of the 2.5km-long bridge to relieve a traffic bottleneck on the A75 between Clermont Ferrand and Béziers at Millau. The 2007 loan will ensure that the bridge is properly maintained after the initial years of operation and supports the European objective to improve the movement of people and goods within the Union.

Another EIB-financed project on a European transport route won the European Transport (Road) Deal of the Year. The EIB provided funding to cut congestion times around Vienna and to improve transport links with the Czech Republic. This landmark project between the Austrian public road authority and the private sector is the first exam-

ple of a major public-private partnership in the country. The EUR 350m EIB loan to the winning consortium was provided alongside an international capital market bond placement led by Deutsche Bank and guaranteed by AMBAC.

These Euromoney Project Finance awards for EIB-financed projects are the latest in a series of nominations in recent years. Notable awards for projects outside Europe include the pioneering Moma Titanium project in Mozambique, the Sasol Mozambique-South Africa gas pipeline, and the Equinox Lumwana Copper project in Zambia. Notable awards inside Europe include the Rotherham Schools PPP project in the UK and the Andasol renewable energy project in Spain. ■

by Úna Clifford  
Communication Department

# JASPERS Task Force

## becomes a department within the EIB



P. Walsh  
and A. Auria

by Daniela Sacchi-Cremmer  
Communication Department

JASPERS (Joint Assistance to Support Projects in European Regions) is a major joint policy initiative of the EIB, the European Commission (Regional Policy Directorate-General - DG Regio) and the European Bank for Reconstruction and Development (EBRD), with KfW from Germany also set to join JASPERS soon as an Associate Partner.

JASPERS helps beneficiary countries (principally the new Member States who have joined the EU since 2004) prepare major infrastructure projects which can be supported by the EU Structural and Cohesion Funds over the budgetary planning period 2007-2013. Assistance, which is offered free of charge, may be given to prepare individual projects or horizontal studies that cover more than one project or more than one country.

Conceived initially in 2005 as a task force, JASPERS has been operating within a provisional structure made up of a core EIB team, which has expanded quickly to now number about 60 staff in all (some 40 of whom are funded by the EU budget), including a number of EBRD staff. It benefits from significant input from staff located in three Regional Offices (Warsaw, Vienna and Bucharest).

In order to ensure consistency in the advice delivered across beneficiary countries, as of 1 March 2008 JASPERS has been integrated within the EIB's Projects Directorate as a Department, with a matrix structure that reflects the key factors for JASPERS success: sector expertise and proximity to beneficiaries. Sector specialists form five sector teams (Water and Wastewater; Solid Waste and Energy; Urban Development; Roads; and Ports, Airports and Railways).

JASPERS will continue to be headed by Mr Patrick Walsh and Mr Agustin Auria, who have been appointed Head and Deputy Head of the Department respectively. ■

# Five European public finance institutions launch Post-2012 Carbon Credit Fund

The EUR 125m Post-2012 Carbon Credit Fund established by five leading European public financing institutions – the European Investment Bank (EIB, the initiator and principal investor with EUR 50m), Caisse des Dépôts (EUR 25m), Instituto de Crédito Oficial-ICO (EUR 10m), KfW Bankengruppe (EUR 25m) and the Nordic Investment Bank-NIB (EUR 15m) – is beginning its activities following the appointment of a consortium consisting of Conning Asset Management (Europe) Limited and First Climate as fund manager.



## Purpose of the Fund

This innovative Fund is the first of its kind and will exclusively purchase and trade carbon credits generated in the post-Kyoto period, potentially up to 2022. By assuming the inherent regulatory risk, the Fund will give a clear signal to the market of the EIB's and its partners' confidence in the development of a post-Kyoto regime while directly supporting environmental projects.

The Kyoto Protocol is set to expire in 2012. Uncertainty over the form of any post-Kyoto carbon credit trading regime is currently making it difficult for environmentally worthwhile projects to monetise fully the economic benefits of the emission reductions (ER) they may make after 2012. The

Fund will acquire the post-2012 carbon credit streams of projects already approved, or to be approved, by the UNFCCC's Clean Development (CDM) or Joint Implementation (JI) Mechanisms.

"The EU is at the forefront of international efforts to combat climate change", said EIB President Philippe Maystadt. "As the EU's financing arm, our role is to support these efforts by promoting environmental lending and developing carbon markets. This Fund, combined with other EIB carbon and climate change initiatives, positions the Bank as a significant contributor to global climate change efforts", he added.

Protection and improvement of the environment, including tackling climate change,

are key priorities for the EU and thus for the EIB. As part of its strategy to support the EU's Kyoto commitments, the EIB has been working closely with national and international financing institutions to establish market mechanisms that will encourage the production and trading of the project-based carbon credits provided for by Kyoto. ■

by Juan Manuel  
Sterlin Balenciaga  
Communication Department

# EIB continues to develop capital markets in EU partner countries

In the first quarter of 2008 the EIB launched its first international bond issue denominated in PHP (Philippine pesos) and the first denominated in ZMK (Zambian kwacha). Both transactions represent a continuation of the EIB's policy of exploring funding possibilities in relevant local currencies with a view to supporting the development of local currency markets and potential future lending in local currencies.



**T**he PHP bond is the first to be issued in this format by a AAA international issuer. It was for an amount of PHP 2 000m (around EUR 33m) and carried an annual coupon of 4.15%. The bond is synthetic, with settlements and payments in USD, and matures in 2013. The transaction was lead-managed by HSBC.

The issue in Zambian kwacha was the first in the international market. It was for an amount of ZMK 125bn (around EUR 23m) and carried an annual coupon of 12.25%. This bond is also synthetic, with settlements and payments in USD, and matures in 2010.

The transaction was jointly lead-managed by Barclays Capital and WestLB.

The EIB is a long-standing lender in Asia and has been financing major projects in the Philippines since 1994. EIB loans in the Philippines amount to EUR 413m for projects covering sectors such as energy, industry, transport, communications and SMEs.

The EIB's issuance activities in African countries complement its lending activities in the region, where the Bank has been a development partner for some decades. Current cooperation is based on the Cotonou

Partnership Agreement of 2000. Under this mandate, the EIB has so far signed loans for a total of EUR 204m in Zambia for projects covering a wide range of sectors, notably the mining industry, and for small and medium-sized enterprises (SMEs).

The Bank has issued in six other African currencies over the past two and a half years. ■

# Financing research, development and innovation **a key to the future**

by Olivia Saunders  
Communication Department

**T**he EIB's strong track record in financing large infrastructure projects such as ports, railways and roads is already well established and well known. Its role in financing research development and innovation (RDI) in the infrastructure field has now become equally important over the last decade in response to the rapid growth of RDI financing needs. RDI has been identified as one of the principal factors necessary to improve competitiveness and ensure long-term economic growth and employment. Europe has set itself the goal of becoming the most competitive and dynamic knowledge-based economy in the world. The gradual shift towards a knowledge-based economy in many countries requires increased investment, including in education and RDI. Alongside traditional financing instruments, therefore, the EIB and the European Commission have set up the Risk Sharing Finance Facility (RSFF) an additional, innovative debt-based finance instrument focusing on the financing of RDI and technology transfer projects.

However, as instruments to finance RDI are only now becoming well known, the EIB is organising seminars throughout the EU-27 focusing on the means to finance the key

challenges faced by corporates, banks, investment institutions, public institutions and universities involved in the financing of RDI, technology transfer and venture capital projects. These half-day seminars can be combined with a more general seminar on the EIB's operations throughout the EU-27 and are organised in close cooperation with the national and regional authorities, industry associations and national financing institutions.

The format of the seminars on RDI financing encourages interactive and open discussions and experience-sharing on the financing of RDI. Bilateral meetings with the EIB are also arranged around these seminars where proposals can be discussed on a confidential basis.

The EIB is scheduling RSFF seminars on RDI financing in all Member States. To date, 20 seminars have taken place of which the most recent were in Berlin, Brussels, Copenhagen, Dublin, Lisbon, Ljubljana, Rome, Stockholm and Vilnius. Further RDI seminars are currently being scheduled in 2008 for Athens, Helsinki, Milan, Riga, Tallinn and Warsaw. ■



# FEMIP:

## 2007 overview

### Private sector is the watchword

The latest edition of the FEMIP<sup>1</sup> Annual Report, which came out in June, describes the EIB's operations on the southern and eastern rims of the Mediterranean in 2007. Of financing worth EUR 1.4bn in the Mediterranean partner countries, 68% went to private companies – a record figure in line with the priorities of the reinforced FEMIP laid down by the European Council in November 2006.

#### SMEs at the heart of FEMIP's strategy

Nearly half of the finance provided in 2007 (i.e. EUR 675m) was channelled to SMEs in the form of credit lines granted to local commercial banks or private equity. This reflects FEMIP's strong commitment to small businesses, which form a key sector in the Mediterranean economies. In order to provide employment opportunities for new market entrants, the region needs to create 30 to 40 million jobs by 2020 – a task that will largely fall to SMEs and micro-enterprises, which account for two thirds of local employment.

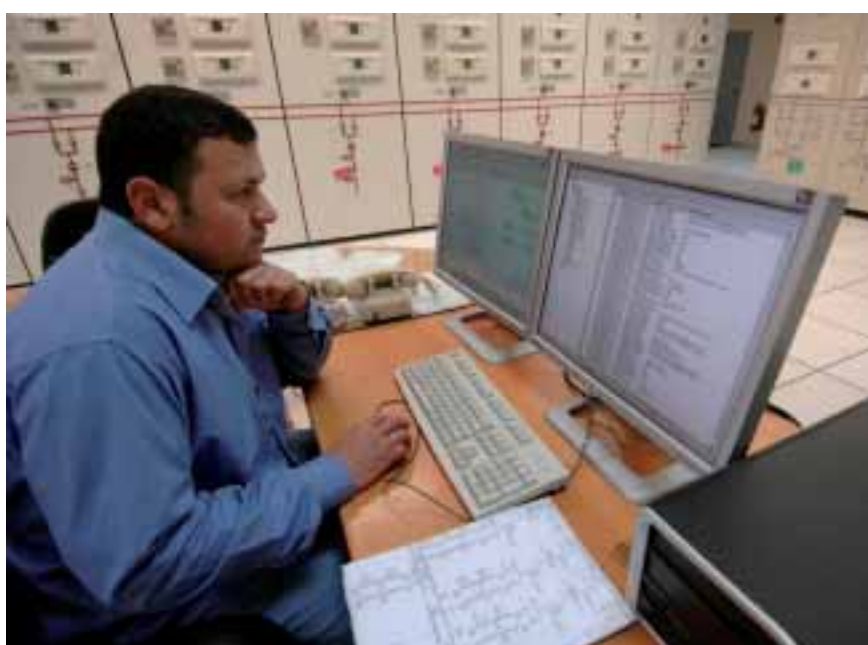
#### Innovation and risk-taking

As for quality, 2007 was a year of "firsts". For the first time, FEMIP helped to arrange two

<sup>1</sup> The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) brings together all the EIB's operational instruments in the Mediterranean partner countries (Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia). The 2007 FEMIP Annual Report can be viewed on the EIB's website: <http://www.eib.org/infocentre/publications/index.htm>



by Joyce Liyan  
European Neighbour and Partner Countries Department



public-private partnerships (PPPs) in the region – in the environment and transport sectors. Indeed, alongside supporting the private sector, improving the investment climate is one of FEMIP's two main operational priorities. Energy, transport and the environment thus absorbed EUR 765m in 2007.

At the same time, FEMIP set up and promoted the first investment fund focusing on start-ups and run by a private sector team in Tunisia. It also raised the risk profile of its operations by financing three projects from the Special FEMIP Envelope, a dedicated instrument for operations that are not covered by third-party guarantees. And it continued to invest in and support microfinance by granting a local currency loan to the NGO Enda Inter Arabe.

Whether large-scale infrastructure schemes or smaller operations in support of SMEs, FEMIP projects continued to attract technical assistance financed from the EU budget. With a total of EUR 17.5m, 2007 saw the highest volume of technical assistance contracts ever financed in the Mediterranean partner countries.

### A proactive policy of dialogue

At the institutional level, FEMIP strengthened its policy of involving all economic players in the debate on social and economic reforms. The three-tier structure of the FEMIP partnership (Ministerial Council, Advisory Committee, conferences) was thus reaffirmed. And this was the framework in which the drafting of FEMIP's three-year action plan was launched in 2008. After examination by the Advisory Committee, this document will be submitted to the Finance Ministers of the Euro-Mediterranean countries at FEMIP's 8th Ministerial Council meeting to be held in Luxembourg next October.

The ongoing debates within the different FEMIP bodies have been broadly informed by studies carried out under the Trust Fund set up in 2004. Financed by voluntary contributions from the Member States and the European Commission, this fund enables FEMIP to gain a better understanding of the economic and financial challenges facing the region and therefore tailor its oper-

ational policies more closely to the partner countries' needs. Studies in 2007 looked at ways to combat global warming, improve the mobility of people and goods and develop tourism. The latter was also the subject of a FEMIP conference that brought together over 200 tourism professionals in Berlin in March 2008 (see EIB Info 130).

Whether the Ministerial Council or the Advisory Committee, the FEMIP bodies make a major contribution to the in-depth dialogue between the peoples of Europe and the Mediterranean on the main economic and financial issues. ■



# Tunis FEMIP conference

## Microfinance and development in the Mediterranean

Despite the growing success of microfinance, the extent of its impact on poverty reduction is still subject to discussion. The EIB therefore sought to stimulate a debate on this issue at the 4th FEMIP conference, which took place on 5 May in Tunis. More than 420 participants from the public and private sectors, but also from different associations, took part in the event.<sup>2</sup>



P. de Fontaine Vive, EIB Vice-President,  
M. Kechiche, Minister of Finance of Tunisia,  
E. Ben Hamida, Chairperson of Sanabel's Board of Directors

by Joyce Liyan  
European Neighbour and Partner Countries Department

Under the title "Microfinance in the Mediterranean: what impact?", the FEMIP conference was held in partnership with Sanabel, the Arab countries' network of microfinance institutions. As well as the question of its impact, the conference aimed to examine the factors enabling microfinance to flourish in the region.

This initiative was launched in response to the request of the Euro-Mediterranean Finance Ministers at their meeting in Cyprus in May 2007 to devote one of the two 2008 FEMIP conferences to microfinance. Accordingly, and based on the approach already adopted by FEMIP for migrant remittances and tourism, a study was carried out<sup>3</sup>. This was financed by the FEMIP Trust Fund and served as a starting point for discussions.

### A means of combating poverty?

With the food crisis getting worse and the world threatened with an upsurge in poverty, the impact of microfinance on economic and social development is a vital question. As highlighted by the FEMIP study, however, the research carried out in different parts of the world attests to the benefits of microfinance and confirms that access to financial services enables the most improv-

erished people to raise their standard of living and improve the welfare of their communities. This was also the message of both practitioners on the ground and researchers attending the Tunis conference.

The conference participants discussed the reasons why the Mediterranean is lagging so far behind in the development of this activity compared with other parts of the world such as Asia and Latin America. There are an estimated 2 million active customers in the Mediterranean region, but there are 150 million worldwide. Nevertheless, as made clear by the increase in the number of borrowers (over 43% per year between 2004 and 2006 in the region, compared to 20% worldwide), there is considerable potential for microfinance in the Mediterranean.

<sup>2</sup> For further information on the conference, log on to the Bank's website: <http://www.eib.org/projects/events/4th-femip-conference-tunis.htm>

<sup>3</sup> The "Review of the economic and social impact of microfinance, with analysis of options for the Mediterranean region" can also be viewed on the Bank's website.

## A FEMIP priority

FEMIP is one of the three main providers of microfinance in the Mediterranean region. Between 2003 and 2007, the Bank granted over EUR 23m to microfinance associations in Morocco and Tunisia.

FEMIP's strategy is to concentrate on small-scale operations with very high value added aimed at creating new microfinance institutions or helping existing ones to integrate into the local financial market.

To do so, FEMIP has a wide range of instruments at its disposal: plain vanilla, subordinated and local currency-type loans, and equity finance. These operations are financed with EU budgetary funds and are often backed up by technical assistance to enhance the quality of the projects financed.

Operations in Algeria, Egypt, Jordan and Syria are currently being considered.

## The way ahead

A number of ways of fostering this growth were identified, such as diversifying the services offered by microfinance institutions to include – in addition to plain vanilla micro-credit – savings, insurance and fund transfer products. Given that this would mean converting associations into banks, several speakers stressed the need to modify national legal and regulatory frameworks to allow microfinance institutions to take deposits.

The participants also focused on the key role that finance providers, commercial banks and investment funds are destined to play in the restructuring and development of microfinance institutions. Migrant remittances, which could also make a more active contribution to the growth of microfinance, were also discussed.

## Leveraging development with microfinance

A working document based on these discussions will be submitted to the European and Mediterranean Finance Ministers when they meet in Luxembourg in October 2008. The ministers will decide how to follow up the Tunis conference and what projects the Bank should put together with the various instruments at its disposal, including the FEMIP Trust

Fund, with the aim of turning microfinance into a lever for development in the Mediterranean region.

One clear lesson learned is that there is widespread interest in microfinance in

the region. The Tunis conference therefore both highlighted and reinforced the growing awareness in the Mediterranean countries of the key importance of microfinance and its impact in terms of fostering growth and social cohesion. ■



FEMIP Conference on Microfinance - Opening session

# FEMIP



## participates in 2nd Euro-Mediterranean Private Equity and SME Financing Forum

Private equity plays a key role in boosting economic growth in the Mediterranean partner countries. As the preferred tool for fostering local private sector development and business partnerships, it acts as an accelerator for technology transfer, the improvement of corporate management and ultimately job creation.



As a leading finance provider in the nine Mediterranean partner countries<sup>4</sup>, FEMIP has from the outset invested in promoting exchanges of experience between private equity players in the Mediterranean region. Indeed, setting up robust management teams entails a sustained effort to spread best practice and know-how throughout the Mediterranean, especially in a climate of rapid growth in the number of funds operating in the partner countries<sup>5</sup>.

It was therefore quite natural for the EIB to support the creation of the Euromed Capital Forum Association<sup>6</sup>, which since 2004 has brought together private equity practitioners in the Mediterranean drawn from professional associations, investor groups and international institutions.

Following the success of the 1st Forum held in Lyon in May 2005, FEMIP fielded a strong presence at the 2nd Forum, which took place in Tunis from 24 to 26 April. A delegation of

operational staff was led by EIB Vice-President Philippe de Fontaine Vive, who closed the first day's proceedings.

The 650 or so participants, including around 100 speakers, discovered a private equity situation in the Mediterranean that was encouraging but still fragile.

- Despite the rapid growth in fund-raising, there is still a dearth of equity resources in the Mediterranean. The gap between North and South in this regard is particularly illuminated by the lack of appetite of institutional investors for this asset class in the partner countries;
- Apart from in Egypt, the presence of Gulf investors in dedicated SME funds is insignificant. As well as an investment culture biased towards revenue-generating sectors (property, tourism), this situation reveals an exaggerated perception of the risk attaching to the productive sector in the partner countries;

- The role of local public sector investors and development finance institutions, whether bilateral or multilateral, therefore remains paramount. Their ability to act as a catalyst

At the end of 2007, FEMIP's portfolio of risk capital operations amounted to nearly EUR 400m spread between 30 investment funds (two thirds of which it had helped to set up), 24 direct operations and 501 co-investments with local intermediaries. This activity comprises a variety of qualitative aspects such as financial innovation (funds targeting mezzanine or infrastructure finance in Morocco, seed investment in Lebanon, firms listed on the alternative market of the Tunis Stock Exchange), regional integration (63% of operations involved regional-scale funds) and geographical coverage.

for other investors through their signalling effect was underlined by numerous speakers, who referred in particular to the EIB and FEMIP. ■

by Henry Marty-Gauquié  
Representative  
of the EIB Group in Paris

<sup>4</sup> Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia.

<sup>5</sup> The number increased from 14 in 2000 to 31 in 2004 and 45 at end-2006.

<sup>6</sup> Go to <http://www.euromed-capital.com>

# Helping to protect the **Mediterranean Sea from pollution**

The decline of the Mediterranean threatens the health of the 143 million people living along its shores and jeopardises the long-term development of key economic sectors such as fishing and tourism. A study, undertaken as part of the Commission's Horizon 2020 initiative to tackle the major sources of Mediterranean pollution by the year 2020, recognises the need for a programme to help the countries of the southern and eastern Mediterranean reduce the pollution they release into the sea.

The European Commission and the European Investment Bank recently presented the results of a study on potential investments addressing pollution hotspots in southern and eastern Mediterranean countries.

The proposed Mediterranean Hot Spot Investment Programme (MeHSIP) and the Horizon 2020 initiative are part of the European Union's cooperation with the southern and eastern Mediterranean countries involved in the Barcelona Process and covered by the EU's Neighbourhood Policy.

"It is imperative that the European Union should work with its Mediterranean neighbours to safeguard the environment of one of the world's major seas", said European Environment Commissioner Stavros Dimas. "We must all cooperate to provide the appropriate resources to counter the degradation of the Mediterranean."

"The Hot Spot Investment Programme is an important starting point for a joint effort by international and bilateral financ-

ing institutions to implement the pollution reduction component of the Horizon 2020 initiative", European Investment Bank Vice-President Philippe de Fontaine Vive added. "To this end, FEMIP is ready to take action in order to support Mediterranean partner countries with the necessary financial investments."

## **A worsening Mediterranean environment**

The Mediterranean region is home to more than 400 million people spread across 22 countries, of which 143 million live on the coast, and about another 175 million visit the area each year. The well-being of all these people depends on the health of the environment of the Mediterranean Sea.

The Mediterranean environment is one of the richest and at the same time one of the most vulnerable in the world as its marine and coastal areas are exposed to a combination of pressures, 80% of which come from land-based pollution.



## The Horizon 2020 initiative

Horizon 2020 is a central part of the European Union's policy for tackling environmental problems in the Mediterranean. The initiative aims to address many of the inadequacies of past efforts to protect the Mediterranean by financing projects to reduce the most significant sources of pollution, support the creation or reinforcement of national environmental authorities, promote research on Mediterranean environmental issues and develop indicators to monitor the success of the initiative.

The EIB will now finalise a list of projects under the Mediterranean Hotspot Investment Programme based on the 44 projects already identified in seven Mediterranean countries. Among the criteria for determining the potential investment in projects are the projects' importance for the country or the Mediterranean region, the extent to which they reduce pollution, the sustainability of the operations, the loan repayment capacity of the projects' promoters and the amounts required from donors.

The MeHSIP will also contribute to closer collaboration between the European Investment Bank and other donors and initiatives in the region designed to make the environment an integral part of various sector policies in the Mediterranean.

For more information:

The Mediterranean Hot Spot Investment Programme (MeHSIP): [http://www.eib.org/attachments/country/femp\\_horizon\\_2020\\_en.pdf](http://www.eib.org/attachments/country/femp_horizon_2020_en.pdf)

The Commission's Horizon 2020 webpage: [http://ec.europa.eu/environment/enlarg/med/horizon\\_2020\\_en.htm](http://ec.europa.eu/environment/enlarg/med/horizon_2020_en.htm)

More than half of urban areas in the Mediterranean with a population over 100 000 do not have wastewater treatment plants and 60% of the wastewater produced in these areas is discharged directly into the sea. More than 80% of landfill sites in southern and eastern Mediterranean countries are not monitored. The marine environment of the Mediterranean is especially exposed to agricultural waste, airborne particles and river run-off, which carries pathogens, heavy metals, organic pollutants, oils and radioactive substances into the sea.

Rapid urbanisation, coupled with increasing and unsustainable development of tourism on the Mediterranean coast, has contributed to significant environmental and health problems. Pollution from industry, shipping and households, the loss of open areas, and the destruction of coastal ecosystems for construction projects are also taking their toll.

## The Mediterranean Hot Spot Investment Programme

In November 2006 a timetable of action for the Horizon 2020 Initiative was launched by the Euro-Med Environment Ministers. One of the measures called on the European Investment Bank and World Bank to work with donor countries to identify projects that will have the greatest impact on Mediterranean pollution levels – both upstream and downstream pollution – across the Mediterranean region.

The identification of priority hotspot investments was conducted by the European Investment Bank (EIB) in cooperation with the United Nations Environment Programme's Mediterranean Action Plan (MAP). The activities of the MeHSIP will focus primarily on providing support for the Horizon 2020 initiative and partner countries in implementing priority pollution reduction investment projects.

by Marianne Roda  
Communication Department



## Round table on global warming Monaco, April 2008

On 25 April 2008, a round table conference on the effects of global warming at the poles and in the Mediterranean was held at the Oceanographic Museum of the Principality of Monaco. The EIB was represented by its Vice-President, Philippe de Fontaine Vive.

This event provided the Bank with the opportunity to highlight the fact that while as an “inland sea” the Mediterranean has been a trading hub since ancient times and plays a major economic role in terms of shipping, energy supplies and tourism, it is also one of the world’s most vulnerable natural heritage sites.

Apart from the accountability that can be expected from a public institution, addressing environmental concerns is also part of the EIB’s responsibility as a financial institution. That is why, in addition to paying close attention to the environmental impact of the projects that it finances, both within and outside Europe, the EIB is participating in two wide-ranging debates on the environmental dimension in the Euro-Mediterranean area: (i) promoting an initiative to clean up the Mediterranean Sea (see article on the Horizon 2020 Programme); and (ii) identifying the additional environmental challenges that the region will have to contend with in the medium and long terms in the light of climate change and the impact of human activities.

This second debate is being led by the Blue Plan, a component of the United Nations Environment Programme. It will serve to identify the main global and sectoral climate change impacts for countries on the southern and eastern rims of the Mediterranean. While these changing economies are already faced with the major challenges of restructuring their productive fabric, integrating at regional level and alleviating social tensions, energy poses the biggest problem. Addressing it will be costly in the short term but the cost of inaction could be even greater in the medium term.

Over and above the problem of climate change and its impact on flora and agriculture, new ways of managing water and energy resources must be found. This means undertaking large-scale investment to improve energy efficiency, promote renewable energy and make better use of water, including water produced by desalination. And it means rethinking tourism policy, even though the Mediterranean partner countries recorded average annual growth of 12% between 2001 and 2006, twice the worldwide figure, and tourism represents a huge source of employment for these countries. This was also a key issue at the FEMIP conference held in Berlin in March (see EIB Info 130).

The findings of this important debate will be made public in July.

by Alain Nadeau  
European Neighbour and Partner Countries Department



# Interact – building on a history of cooperation

On 9 May, the EIB hosted the annual chief executives meeting of Interact – a forum for the exchange of ideas between the EIB, the Agence française de développement (AFD), Kreditanstalt für Wiederaufbau (KfW), the Black Sea Trade and Development Bank (BSTDB) and 17 European Development Finance Institutions (EDFIs), which provide long-term funding for private sector enterprises in developing and reforming economies.

by Úna Clifford  
Communication Department



Inter-Institutional Events Interact; AFD - KfW - EIB

**T**he EIB's 50th annual Board of Governors meeting on 3 June called for close cooperation between the EIB and other financial institutions active in similar fields. Interact was established in 1973 and is proof that dialogue and cooperation with other public financial institutions has long been an EIB objective.

Harmonising and coordinating development finance lies at the heart of two initiatives in which the Bank has been involved: the EU-Africa Infrastructure Trust Fund and the European Financing Partners. EIB President Philippe Maystadt opened Interact's 25th chief executives meeting by praising the collaboration between the EDFIs in sup-

port of African countries, and called for further efforts in this direction.

The EU-Africa Infrastructure Trust Fund was established in April 2007 to provide financial support to energy, transport, water and information technology projects of regional interest in sub-Saharan Africa. The EIB man-



ages the Trust Fund which brings together the funding capacity of the European Commission and 11 EU Member States.

The European Financing Partners (EFP) is an initiative funded by the Cotonou Investment Facility (through the EIB) and 11 EDFI members to finance private sector projects in Africa, the Caribbean and the Pacific. EFP finances up to 75% of a project proposed by an EDFI shareholder to a maximum of EUR 25m. The remaining 25% is financed by the EDFI member that presents the proposal. Interact members gave their consensus in the meeting that EFP is a successful model for cooperation between the development institutions, and one which could be applied elsewhere.

Interact has also inspired smaller working groups who meet to discuss collaboration possibilities. The day before Interact's annual meeting, the EIB, AFD and KfW held their regular tripartite meeting at which institutional and operational cooperation is discussed.

The 8 May meeting examined the potential for raising the joint profile on infrastructure in Africa and noted the success of the EU-Africa Infrastructure Trust Fund model. Other topics on the table were the agenda of the French EU Presidency, the 2008 European Development Days, which will be held in Strasbourg this November, and the food situation in developing countries. ■



The EU-Africa Infrastructure Trust Fund was established in April 2007.



# The ACP-EU Water Facility:

## EIB and Commission support Millennium Development Goals in the ACP



Access to safe drinking water and sanitation facilities is an important prerequisite for improved health and for success in the fight against poverty. Yet across the world, around 1.1 billion people still lack access to a safe and sustainable water supply and 2.6 billion to adequate sanitation. Without increased efforts to address this problem, millions of people will continue to be locked in a cycle of poverty and disease. In adopting the Millennium Development Goals (MDGs) at the Johannesburg World Summit on Sustainable Development (WSSD) in 2000, the countries of the world pledged inter alia to reduce by half the proportion of people without access to safe drinking water and basic sanitation by 2015.

The MDGs form a key component of the EU's development policy in the Africa, Caribbean, and Pacific (ACP) region. To support this policy, in 2004 the European Commission (EC) launched the ACP-EU Water Facility with the aim of contributing towards the achievement of the MDG targets on water and sanitation in the ACP region. A total of EUR 500m was made available as grants to water and sanitation projects, of which EUR 420m was allocated on a competitive call for proposals basis. Out of 1 300 pro-

posals received, only 175 were approved by the EC.

**All project applications either supported or submitted by the EIB as lead donor have been accepted. The EC grants allocated to these projects amount to EUR 109m (25% of the total grant amount available under the Water Facility) and leveraged a further EUR 130m in soft loans from the EIB, as well as EUR 87m in loans and grants from other donors.**

The water and sanitation projects (in Ethiopia, Mozambique, Madagascar, Benin, Lesotho, Malawi and Senegal) have been designed in close cooperation with the national and local authorities so as to address the main water sector issues and encourage replication. The projects are typical of the new EIB approach to the ACP water and sanitation sector: while building on the Bank's traditional strengths of co-financing investments that are technically, economically and environmentally sound, they also incorporate a number of innovative aspects, including the objective of universal coverage, and focus on social inclusion, support for partnerships with non-governmental organisations and the local private sector in the delivery of services, and the strengthening of the operational capacity and commercial performance of water service providers. An important element of these projects is to use the blending of grants and loans to support pro-poor aspects of water and sanitation projects such as affordability and the expansion of coverage to previously unserved peri-urban and slum areas. The projects co-funded by the ACP-EU Water Facility and the EIB will provide first-time access to safe water services to nearly 3 mil-



lion people living in urban, peri-urban and slum areas in the above countries.

**In order to continue building a project pipeline, the EIB has set up a Water Project Preparation Facility with co-financing from the ACP-EU Water Facility.**

The EIB's experience of successfully helping final beneficiaries to prepare applications for the ACP-EU Water Facility call for proposals has also shown that well prepared, financially sustainable projects can attract funding and increase the leveraging effect. Some donors decided to commit more grant funding during the project preparation when it became evident that the project was well conceived and sustainable and would require more financial support to extend the services to a wider population, namely the unserved. In reality, however there are few water and sanitation projects

in the ACP region that are viable in financial, technical and institutional terms. There is a significant need to support upstream project preparation activities, including institutional and policy development, so as to create bankable projects that can attract financing. To address this challenge, the EIB has launched a EUR 3m ACP Water Project Preparation Facility co-funded by the ACP-EU Water Facility, to fund technical assistance for the preparation of sound water and sanitation projects over a three-year period (2008-10). The Facility will support the development of an appropriate pipeline of bankable projects and seek to promote co-financing opportunities between the EIB and other co-financiers, such as local governments, the European Commission and multilateral and bilateral donors.

The collaboration between the EIB and EC in the EU Water Facility can be seen as an

excellent example of European institutions working closely together to promote the EU development policy goal of increasing access to a safe water supply and sanitation in Africa, the Caribbean and Pacific region, so helping to improve health outcomes and reduce poverty. ■

**by Christoph Gleitsmann  
and Niraj Shah  
Water and Environmental  
Protection Division,  
Projects Directorate**

## EIB partners Bancomext to finance environmental projects in Mexico

The European Investment Bank (EIB) has provided a EUR 50m credit line to Banco Nacional de Comercio Exterior (Bancomext) to finance small and medium-sized environmental projects implemented by private and public sector operators in Mexico.



This is the first intermediated EIB loan in Mexico and the first operation with the Mexican public development bank Bancomext. Its purpose is to part-finance small to medium-sized projects implemented by the private and public sectors aimed at environmental protection and improvement and sustainable development.

The eligibility criteria for these projects include tackling climate change, protecting nature, biodiversity and natural resources, improving the environment and health, promoting the sustainable use of natural resources, including waste management, and enhancing the urban environment. All projects under this scheme will have to comply with the EIB's environmental guidelines and all local environmental requirements. Project promoters interested in benefiting from this credit line are advised to apply directly to Bancomext through the contacts available on the EIB website: [www.eib.org/attachments/lending/inter\\_ala.pdf](http://www.eib.org/attachments/lending/inter_ala.pdf)

In line with the European Council Decision of 19 December 2006 governing the Bank's operations in partner countries, the project focuses on environmental sustainability, in particular climate change mitigation. The loan is consistent with EU climate change policy and strategy, which calls for the identification of new tools to strengthen developing country participation in global efforts to address climate change. Additionally, in line with the objectives set for EIB financing in Asian and Latin American countries, the credit line will also be open to part-finance projects promoted by private sector entities implementing projects presenting an EU interest. Projects will be deemed eligible when they are implemented by subsidiaries of EU companies, are joint ventures involving EU companies and private Mexican entities, or feature a high level of technology or know-how transfer from the EU. ■

by **Juan Manuel Sterlin Balenciaga**  
Communication Department

# EIB Senior Management Cadre Appointments



**Barbara BALKE** has been appointed Deputy Director of Human Resources.

Ms Balke joined the Bank in 1999 in the Legal Affairs Directorate, where she worked first in the Institutional Policy Division and then in the Legal Support for Lending Operations Department.

In 2006 she was appointed Head of the Central Europe, Poland, Russia and Eastern Neighbours Division in the Lending Operations in Europe Department.

Prior to joining the Bank, Ms Balke worked for an international law firm in Germany and Brussels.

Ms Balke is a qualified German lawyer. She holds a Doctorate in law as well as a Master's degree in European Law. ■



### European Investment Bank

100, boulevard Konrad Adenauer  
L-2950 Luxembourg  
☎ (+352) 43 79 1 – ☎ (+352) 43 77 04  
[www.eib.org](http://www.eib.org) – ✉ [info@eib.org](mailto:info@eib.org)

### External Offices

#### Austria

☎ (+43-1) 505 36 76 – ☎ (+43-1) 505 36 74

#### Belgium

☎ (+32-2) 235 00 70 – ☎ (+32-2) 230 58 27

#### Finland

☎ (+358) 106 18 08 30 – ☎ (+358) 92 78 52 29

#### France

☎ (+33-1) 55 04 74 55 – ☎ (+33-1) 42 61 63 02

#### Germany

☎ (+49-30) 59 00 47 90 – ☎ (+49-30) 59 00 47 99

#### Greece

☎ (+30) 210 68 24 517 – ☎ (+30) 210 68 24 520

#### Italy

☎ (+39) 06 47 19 1 – ☎ (+39) 06 42 87 34 38

#### Poland

☎ (+48-22) 310 05 00 – ☎ (+48-22) 310 05 01

#### Portugal

☎ (+351) 213 42 89 89 – ☎ (+351) 213 47 04 87

#### Romania

☎ (+40-21) 208 64 00 – ☎ (+40-21) 317 90 90

#### Spain

☎ (+34) 914 31 13 40 – ☎ (+34) 914 31 13 83

#### United Kingdom

☎ (+44) 20 73 75 96 60 – ☎ (+44) 20 73 75 96 99

#### Caribbean

☎ (+596) 596 74 73 10 – ☎ (+596) 596 56 18 33

#### Egypt

☎ (+20-2) 33 36 65 83 – ☎ (+20-2) 33 36 65 84

#### Kenya

☎ (+254-20) 273 52 60 – ☎ (+254-20) 271 32 78

#### Morocco

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

#### Pacific

☎ (+61-2) 82 11 05 36 – ☎ (+61-2) 82 11 05 38

#### Senegal

☎ (+221) 338 89 43 00 – ☎ (+221) 338 42 97 12

#### South Africa

☎ (+27-12) 425 04 60 – ☎ (+27-12) 425 04 70

#### Tunisia

☎ (+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](http://www.eif.org) – ✉ [info@eif.org](mailto:info@eif.org)

Please consult the Bank's website for the updated list  
of existing offices and their contact details.

QH-AA-08-131-EN-C

©EIB - 06/2008 - EN

## Dates for the Diary...

- **September 2008** – 2nd Public Consultation Round on EIB's Environmental and Social Statement, including one or more public meetings.
- **October 2008** – Autumn Workshop for CSOs on Transport infrastructure, Bucarest (date to be confirmed)
- **Spring 2009** – EIB Forum in Barcelona.

Details and registration at [www.eib.org/events](http://www.eib.org/events)

## New EIB publications

### April 2008

- Horizon 2020 - Elaboration of a Mediterranean Hot Spot Investment Programme (MeHSIP)
- FEMIP for the Mediterranean: 2007 results
- FEMIP for the Mediterranean: Microfinance Matters

### May 2008

- A review of the economic and social impact of microfinance
- What is the EIB Group? (update)
- Financing Europe's Future (update)
- The European Investment Bank's operations in Latin America
- Post-2012 Carbon Credit Fund

### June 2008

- EIB Group Annual Report: Activity and Corporate Responsibility Report, Statistical Report, Financial Report.
- Audit Committee Annual Report for the year 2007
- SME Consultation: 2007/2008: Findings and Conclusions
- European Investment Bank financing in Asia and Latin America
- European Investment Bank in Turkey

### July 2007

- EIB Papers 2008

Brochures are available in various languages according to audience and business requirements. They can be downloaded free of charge at [www.eib.org/publications](http://www.eib.org/publications).

### Change in telephone numbers from 1 January 2008!

As from 1 January 2008, the direct telephone numbers in our offices in Luxembourg have been changed to nine digits.

Please call our central switchboard on (+352) 43 79 -1 to reach the person you wish to contact.

