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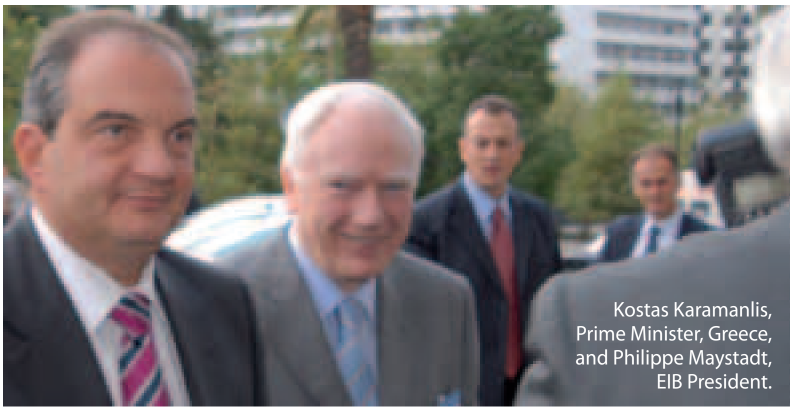
2006 EIB Forum

Renewed impetus in the quest for EU integration in South-East Europe

The 2006 EIB Forum, held in Athens on 19-20 October, not only brought together an impressive array of speakers and delegates, but also provided an important platform for discussion on the development of the EU – South-East Europe – a region on the move. This most pertinent of themes comes at a time when the EU prepares to welcome two new members, Bulgaria and Romania, at the turn of 2007, and when accession talks with both Croatia and Turkey continue to gather momentum.



Kostas Karamanlis, Prime Minister, Greece, and Philippe Maystadt, EIB President.

Embracing the new wave of EU accession and the extension into South-East Europe, the Athens Forum provided strong support and encouragement to all who make EU membership their future objective.

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"We are observing an historical evolution in South-East Europe. The enormous changes at the end of the 20th Century and the reform dynamics of the EU have opened up new perspectives for the development of the region."

Greek Prime Minister Kostas Karamanlis, the keynote speaker at the Athens Forum, offered a clear message to the participants from all over the region and further afield.

"It is indeed clear that support to the developing countries of our region contributes, not only to the upgrading of infrastructure and the reinforcement of economic stability, but also to the cementing of democracy, stability and peace," underlined Mr Karamanlis.

EU membership is a key contributor to the objectives of democracy and peace, growth and prosperity. Furthermore, he welcomed the role of the EIB in facilitating the integration of new EU States.

Common projects in the areas of energy, environment, the development of SMEs and large-scale infrastructure were cited as the key to procuring advances in today's fast moving world.

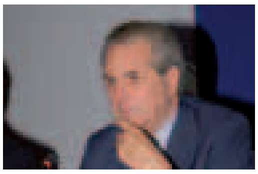
"Within the framework of the EU, we must develop joint action concerning our relations with our neighbours. We must support their efforts for reform [...] and encourage them to benefit from the help offered to them by the financial institutions of the Union, such as the EIB."

An agenda for growth

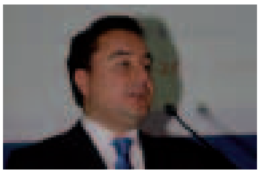
The agenda for the Forum was set by Philippe Maystadt, who warmly welcomed the conference's 600-strong audience. It encompassed the wider issues of integration, the progress achieved in South-Eastern Europe (SEE) through the EU's policies and financial support, the preparations for Turkey's and Croatia's accession, the work in the Western Balkans and the role of Greece - the region's oldest Member State - in the development and stabilisation process.

Kostas Karamanlis, Prime Minister, Greece

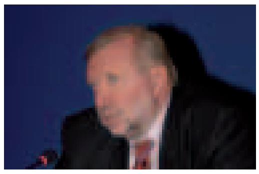
Session I: Perspectives for the region – a view from politics


Gerlando Genuardi,
EIB Vice-President

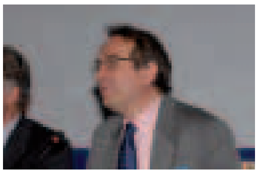

Olli Rehn,
EU Commissioner for Enlargement


Ali Babacan,
Minister of State in charge of Treasury,
Chief Negotiator of Turkey for EU Affairs


Ambassador Charalambos Rocanas,
Secretary General of the Ministry of
Foreign Affairs, Greece


Dimitrij Rupel,
Minister for Foreign Affairs, Slovenia

Session II: Perspectives for the region – a view of the analysts


Quentin Peel,
International Affairs Editor,
Financial Times

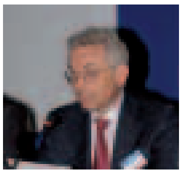

Gerald Knaus,
President of European Stability Initiative
Brussels


Loukas Tsoukalis,
President of the Hellenic Foundation for
European and Foreign Policy

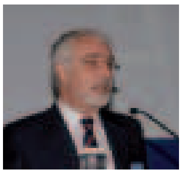

Laza Kekic,
Director, Economist Intelligence Unit


Panayiotis C. Ioakimidis,
Professor of Political Science at the
University of Law, Economics and Politics,
Athens

Session III: Regional integration

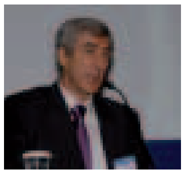

Torsten Gersfelt,
EIB Vice-President


Prof. Apostolas Goulas,
Chairman of the Board,
Egnatia Odos, Greece


Miroljub Labus,
Former Deputy Prime
Minister, Serbia


Michalis Sarris,
Minister of Finance, Cyprus

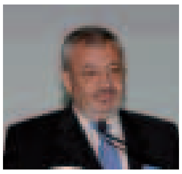

Galina Tosheva,
Deputy Minister of Economy
and Energy, Bulgaria

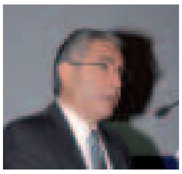

Mustafa Alper,
Secretary General, Yased
- International Investors
Association Turkey

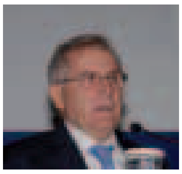

Anastassios Kallitsantsis,
Member of the Board of
Directors of the Federation of
Greek Industries

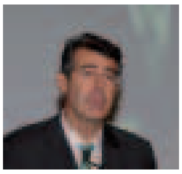
Session IV: Investing in the region

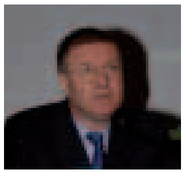

Ivan Pilip,
EIB Vice-President


Sebastian Vladescu,
Minister of Public Finance,
Romania


Ionnis Pehlivanidis,
Vice-Chairman and Deputy
CEO, National Bank of Greece


Giorgio Tellini,
Chief Executive Officer, SACE
Spa, Italy


Fernando Becker,
Corporate Resources Director,
Iberdrola, Spain


Thomas Hackett,
Director General for Lending
Operations in Europe, EIB


Francis A. W. Carpenter,
CEO, European Investment
Fund (EIF)

A panel of academics and political experts commented on the EU's enlargement agenda and analysed the underlying factors driving further economic and political reforms as well as those inhibiting them.

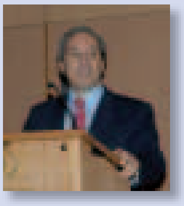
To date, the EIB has been the most significant source of financial support for the European regions and EU partner countries, providing both investment and technical know-how to drive advances in those areas most in need of development. The work of the Bank in the regions is to be expanded in the lead-up to the 50-year anniversary of the EU institutions with the introduction of three new initiatives - JASPERS, JEREMIE and JESSICA (see article on page 8).

In collaboration with the European Commission and other European administrative and financing bodies, the three Js, which have been established by the EIB to provide an opportunity for regional growth, have the potential to be instrumental in the future of the region.

The actions necessary to carry forward economic development in South-Eastern Europe, Mr Maystadt explained, are the expansion of transport networks including maritime infrastructure, the development of energy networks and improvements in regional exchanges: "This opens up the possibility of creating a regional free-trade area in the Western Balkans in order to enlarge the market and make the SEE Region more attractive for private investment, notably foreign direct investment."

The Athens Forum also discussed how governments, banks and private promoters can best plan and prioritise their investments, the ways to approach possible sources of finance to support infrastructure investments, as well as the ways to improve and

EIB Annual Forum Dinner



Guests at the EIB Annual Forum dinner were greeted by the Minister of Economy and Finance for Greece, Georgios Alogoskoufis, who voiced confidence for the future of the world economy and the place of the expanding EU within it. Mr Alogoskoufis presented the momentum of the EU in South-Eastern Europe as catalytic for economic and political stability. The EIB was called upon to engage its resources effectively for the good of the region and to expand its activities in terms of sectors and geographical reach. The Minister welcomed the decision to hold the Forum in Athens, stating that it acted as a bridge for the spread of information in the region. The expansion into SEE provides both opportunities and responsibilities in relation to Greece's neighbours. "Our future depends on their development. This is a promising region. We must help to stage the next economic miracle."

facilitate access to capital for private corporates and SMEs.

Reward for progress

The first session of the Forum turned to the politicians for an informed national and pan-European perspective on the integration of the region into the Union.

EU Commissioner for Enlargement Olli Rehn gave voice to the significance of the EIB within the family of EU institutions. "The European Investment Bank is a key partner of the European Commission in the region. We are working together to move South-Eastern Europe forward towards growth, dynamism, and a future-oriented perspective. I want to see people in this region talking more about their common European future and less about the divisions of the past."

To ensure the substantial financial support needed to advance the SEE region, the Commission proposed the creation of a single Instrument for Pre-Accession Assistance - to be known as "IPA" - which will bring together all the existing financial instruments of the EU.

The position of the Commission was clearly indicated: those countries who meet the rigorous conditions for accession will be rewarded accordingly with the steps towards membership. Nonetheless, Commissioner Rehn made it clear that before any further enlargements could take place President Barroso envisaged a streamlined decision on the institutional foundation of the EU. This opinion was shared by all the speakers on the panel.

Time and effort

Ali Babacan, the Minister of State in charge of the Treasury, Chief Negotiator of Turkey for EU Affairs, concluded that domestic reform could only bear fruit in countries which were focused not only on the changing of mindsets, but, more importantly, on implementation. Minister Babacan labelled his own country as a gateway to the Middle East and South-East Europe, and as an example for South-East Europe in terms of the substantial reform which it has undergone in its bid to join the EU. He stressed the importance of international efforts, free trade agreements and civil dialogue for paving the long road to accession.

Ambassador Mr Rocanas, Secretary General of the Ministry of Foreign Affairs, Greece, placed the focus firmly on public opinion in the fight against enlargement fatigue which has followed the rejection of the EU Constitution in France and the Netherlands. Mr Rocanas called for time and effort, assuring the participants that the stalling of the ratification of the Constitution may in fact offer "opportunity and optimism". The passage of time may be enough to bring an end to scepticism, digestion of past enlargement within the EU and transformation in SEE.

A further challenge was identified by Dimitrij Rupel, Minister for Foreign Affairs in Slovenia, a country which neighbours the region and has first-hand experience of accession. Acknowledging the advances in the region of late, the Minister suggested that its future development was a test case for the EU's credibility as a foreign policy actor in matters of politics and security. However, his message was positive: a spirit of cooperation can enable integration. Throwing aside the oft-quoted fears of absorption capacity, Mr Rupel confirmed that, in the case of his own country, "rapprochement" towards EU membership was central to reform. By facilitating the preparation of the SEE region, the EU would in turn increase its capacity to absorb new members.

Towards an EU which delivers

The second session of the Forum, chaired by Quentin Peel, International Affairs Editor of the Financial Times, produced some of the most insightful discussion of the conference. The panel of analysts included Loukas Tsoukalis, President of the Hellenic Foundation for European and Foreign Policies and Special Adviser to EC President, José Manuel Barroso; Laza Kekic, Director of the Economist Intelligence Unit; Panayiotis Ioakimidis, Professor of Political Science at the University of Law, Economics and Politics of Athens ; and Gerald Knaus, President of the European Stability Initiative.

Enlargement has been the most successful foreign policy tool for the EU to date, both in terms of peace and prosperity. The analysts were firmly in agreement that it therefore makes sense to use this tool to modernise and integrate SEE. However, it is clear that enlargement itself brings with it new challenges for the EU. Reform in SEE must continue but must become more sophisticated, concentrating on those areas such as trade links, regulations and the construction of infrastructure, which have a positive effect on business. Equally, the analysts stressed the importance of continued progress after accession, which should be seen as a further step on the road to reform.

A complex debate on the question of enlargement fatigue ensued. Gerald Knaus, put the emphasis on the elite of the Western Balkans, stressing the importance of exploding the myth of popular fatigue. Quoting the case of Bulgaria, he asserted that countries could make giant leaps towards accession, if given both concrete dates for enlargement talks and tangible aid. It was furthermore agreed that only through solid actions to provide these countries with a credible, albeit temporary, intermediary status to EU membership could popular scepticism towards the EU agenda in the region be dispelled.

Infrastructure, infrastructure, infrastructure

Day two of the Forum tackled the complex conundrum of regional integration. Again, the message was put forward in a strong and unequivocal manner. Panellists such as Miroljub Labus, former Deputy Prime Minister of Serbia, Michalis Sarris, the Cypriot Minister of Finance, and Mustafa Alper, Secretary General of the International Investors Association of Turkey (YASED) defined regional integration as the fruit of economic integration. Free trade agreements and foreign direct investment were thought to provide an impetus for sustainable economic advances and political and institutional stability.

Likewise, the keyword on the lips of all participants was infrastructure. The Deputy Minister of Economy and Energy in Bulgaria, Galina Tosheva, made reference to the Memorandum of Understanding recently signed with the EIB committing an annual support framework of EUR 500-700 million from 2007-2013 for transport and basic infrastructure (see article on page 14). During the course of the Forum, a similar MoU was signed with officials from Romania, a step which underlines the support of the Bank to Romania's future in the EU.

In the era of the EU Green Paper and the Kyoto agreement, energy was a talking point, both from the point of view of trans-border access and the diversification of sources. The Trans-European Networks, supported by the EIB, constructing invaluable cross-border transport and energy links, met with unanimous approval. The success of the Egnatia road project was quoted as a case in point. The Egnatia motorway project is a 670 km long road, linking the port of Igoumenitsa, Greece with the Turkish border. The EIB has been instrumental in the financing of this TEN priority project which is scheduled for completion by the end of 2008. In short, this session insisted upon the development of common trade, investment, administrative and infrastructure agreements in the region in order to drive reform.

Ripe for private sector involvement?

The final session of the 2006 EIB Forum took an in-depth look at the opportunities for investing in the promising SEE region. The case for investment in the region was presented by the three major players in the field - the governments, represented by Sebastian Vladescu, Minister of Finance of Romania; the private sector including Fernando Becker, Corporate Resources Director of Iberdrola, Spain; and the financing institutions, amongst them private banks - Ioannis Pehlivanidis, Deputy CEO of the National Bank of Greece - and the public institutions - notably Francis Carpenter, CEO of the European Investment Fund and the EIB's Director General for lending operations in the EU, Thomas Hackett.

All on the panel shed favourable light on the improving state of health of the economies of the countries of SEE. In part this was attributed to the opening of the banking sector in the area in the 1990s and changes in regulation which encouraged a boom in Foreign Direct Investment (FDI). Gaining competitive advantage through the involvement of the private sector in the region was seminal. The panellists heralded recent privatisation of the transport and telecoms sectors as crucial, whilst their liberalisation facilitates the development of the sectors in general.

The central role of the EIB in the economic development of the region did not go unnoticed. The Romanian Minister praised the increased number of projects where the cooperation of specialised institutions such as the Bank was invaluable. EIB Group representatives also made a strong case for driving ahead with activities in the region through cooperation efforts with the community of EU institutions. Mr Carpenter presented a series of important joint initiatives with the European Commission, amongst them the Competitiveness and Innovation Framework Programme, the financial instruments of which will be under the control of the EIF when it comes into force in January 2007. Notably, he also introduced the audience to the JEREMIE initiative, transforming

Signatures

During the Annual Forum the EIB signed a number of loans in favour of the development of the South-Eastern European region. Amongst the six operations finalised in Athens were two credit lines in favour of SMEs, one of the 5 priority objectives of the EIB within the EU. The Romanian bank Bancpost benefited from a loan of EUR 20m; and Geniki Bank in Greece, EUR 40m. A further credit line, of EUR 50m was accorded to EFG Bank, also in Greece, to be used specifically for infrastructure projects. The EIB also authorised two loans for the expansion and rehabilitation of the metro systems in Bucharest, Romania (EUR 63m) and Athens, Greece (EUR 100m), as well as EUR 70m for upgrading the wastewater systems in Limasol, Cyprus. One of the priorities of the EIB is investment in Human Capital, specifically health and education. This is a growth sector for the Bank and, as such, the signature of EUR 200m for a series of education projects in Greece bears great significance in terms of the Bank's work in the SEE region.

Romanian MoU

Taking advantage of the presence of the Romanian Minister of Finance, Sebastian Vladescu, who spoke at the 2006 EIB annual Forum in Athens on 19-20 October, the EIB, represented by President Philippe Maystadt, signed a Memorandum of Understanding setting out a framework for future support to the country's investment programme. While financing will be based on specific project proposals, the agreement indicates that such financing may be in the order of EUR 1bn per year and can be adjusted in line with evolving needs.

The overall cooperation between the Republic of Romania and the EIB will focus on the following development objectives:

- *Set up dedicated co-financing facilities and new mechanisms for investments that come under the EU Cohesion and Structural funds facilities;*
- *Cooperate closely in the implementation of projects financed by the Bank using the technical and sectoral experience of the Bank also for the effective absorption of EU grants. This includes offering a dedicated pool of expertise for the preparation of selected Cohesion and Structural Funds projects through the JASPERS National Action Plan initiative;*
- *Improve the sources of funding for SMEs through the JEREMIE programme with the participation of the EIF, the Bank's subsidiary specialising in venture capital and guarantees;*
- *Support sustainable investments in city areas through the specifically designed JESSICA programme;*
- *Assist the government and private partners in the structuring and implementation of PPP projects.*

The Bank will soon open a local office in Bucharest, which will house representatives from the EIB and the JASPERS initiative. Similar offices are planned for Vienna and Warsaw.

parts of ERDF grants into financial products. When presented at the Week of the Regions in Brussels in early October, this initiative for regional growth, alongside its sister initiatives JASPERS and JESSICA, met with much interest from representatives of the regions, (see article on page 8).

Thomas Hackett laid out a comprehensive plan for prospective EIB activity to meet the challenges of further enlargement into Croatia, Turkey and, potentially, the Western Balkans. The expanding activity of the Bank in the region was presented as complementary to EU grants bridging the financing gap for essential construction of infrastructure as well as development of SMEs.

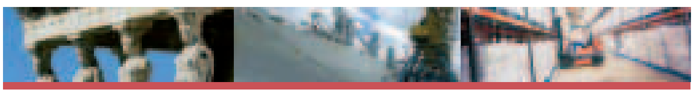
The final word

The Greek Minister of Finance Mr Alogoskoufis closed the Athens Forum, offering to share the lessons learned from the Greek experience to pave his neighbours' way to accession. Summarising the view of all participants, Mr Alogoskoufis praised the efforts of the EIB in its activities and encouraged the Bank to move yet deeper into the region:

"The EIB is not a development bank like the World Bank, nor is it a transition bank such as the EBRD. The EIB is a bank for integration which is our common goal within the EU and the world economy in general." ☐

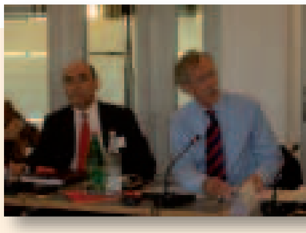
The Greek Minister of Finance Mr Alogoskoufis closed the Athens Forum, offering to share the lessons learned from the Greek experience to pave his neighbours' way to accession.

by Úna Clifford
Communication and Information Department



EIB meets with civil society organisations



As part of its dialogue with civil society organisations (CSOs), the Bank held a workshop for CSOs in Berlin on 26 October 2006. Representatives from international non-governmental organisations (NGOs) and organisations from Germany and the North-East of Europe participated.

The workshop was part of a series of regionally organised meetings with NGOs and other CSOs, which have taken place – about twice-yearly – since 2001. The agendas for the workshops are drawn up in collaboration with interested CSOs. The one for the Berlin workshop comprised three sessions: Tackling Corporate Responsibility; Environment and Climate Change; and Energy and Climate Change.

The workshop was chaired by EIB Vice-President Simon Brooks. Dietrich Jahn, Head of the Financial Aspects of European Policies Directorate at the German Ministry of Finance, gave the opening address on behalf of the EIB's Director for Germany, Karsten Pillath. For each of the three sessions, EIB and CSO speakers kicked off discussions. CSO speakers represented: "Transparency International" and "Campagna per la Riforma della Banca Mondiale" on Corporate Responsibility; WWF (Berlin Office) on Environment and Climate Change; and CEE Bankwatch Network on Energy and Climate Change.

During the discussions, the CSOs placed particular emphasis on the implementation of the EIB's environmental policy, as well as on public consultation on an integrated EIB environmental and social policy. Simon Brooks confirmed that the Bank intends to organise a public consultation on its environmental and social policy, most likely starting in late 2007. CSO delegates also showed a particular interest in the Bank's Development Impact Assessment Framework[1] (DIAF) and requested the Bank to extend its application to regions other than the African, Caribbean and Pacific (ACP) area.

In his "wrapping-up", EIB Vice-President Simon Brooks expressed his interest in continuing discussions with CSOs. He highlighted the balancing of considerations and the need for both the Bank and CSOs to strengthen this balance. He asked them to keep up the pressure on the EIB. "We might not always agree on everything, but the EIB has benefited from the challenges that the CSOs have put to us; the challenges have helped us to do our job better", he said. □

by Matilde Del Valle, Civil Society Unit
Communication and Information Department

[1] Used by the EIB to assess the development impact of projects, this tool is currently in a pilot phase and is only applied in the ACP countries.

The EIB meets the regions in Brussels

Over the past four years the European Investment Bank has been present at the Regional Open Days – the major event of the European Week of Regions and Cities, which is organised by the Committee of the Regions. More than 130 regions, divided into fourteen groups from twenty Member States, two candidate countries and two non-EU states participated in this year's event.

The EIB's active presence at the Open Days is important in light of the Bank's commitment to provide three quarters of its lending in the EU in the assisted regions. Moreover, participation this year had particular significance. In 2006 the EIB Group has, together with the Commission and other international financial institutions, been instrumental in developing three major initiatives (Jaspers, Jeremie and Jessica), which will have as their focus assisting EU Member States to use funds granted by the European Union in a more effective and efficient manner over the period 2007-2013, in line with EU regional cohesion/convergence priorities.

In the coming seven-year financial period starting on 1 January 2007, over EUR 300bn will be allocated to EU convergence and regional competitiveness policy objectives. For the first time, the EU's budget for regional development (approximately 36% of total EU expenditure) will exceed finance for the common agricultural policy. As the projects supported by EU grants are also to be co-financed from other sources, it is estimated that the total amount of investment in the regions covered by the top priority convergence objectives for aid provided under the EU funds will amount to some EUR 500bn. The Open Days have been developed as a very useful platform for informing representatives of Europe's regional authorities how to exploit this opportunity successfully.

The Open Days 2006 were launched with a panel discussion at the Royal Museum of Art and History in Brussels on 9 October. This opening session "How to Better Organise PPPs" addressed the issue of regional development through the implementation of the re-launched Lisbon Strategy, including increased involvement of PPP financing. The event was accompanied by a lively discussion in which European Commission President José Manuel Barroso, Regional Policy Commissioner Danuta Hübner, EIB Vice-President Ivan Pilip, Committee of the Regions President Michel Delebarre, Finnish Minister for Regional and Municipal Affairs Hannes Manninen, Secretary-General of the Union of Industrial and Employers' Confederations of Europe (UNICE) Philippe De Buck and the former EU Competition Commissioner Mario Monti took part. Mr Pilip stressed in his intervention that despite all the positive aspects, PPPs cannot be seen as a panacea and that this innovative financing must be applied carefully, assessing each suitable project individually.

Presentations of the aforementioned three "J" initiatives (Jaspers, Jeremie and Jessica) were amongst the most popular workshops on the second day of the Open Days. In the **Jaspers** (Joint Assistance to Support Projects in European Regions) session, Mr Patrick Walsh (Head of Jaspers, EIB), together with Mr Brendan Smyth (Commission's Regional Policy DG) and Mr Gerald Muscat (EBRD) provided information about the modus operandi of this new joint initiative. Jaspers focuses on the provision of technical assistance to design and develop investment projects with a view to increasing their chances of being rapidly approved for EU grant financing. Representatives of various authorities from Central Europe were informed on the sorts of investment that will be assisted by Jaspers, which aims to be fully operational in 2007, not only from its headquarters in Luxembourg but also from regional offices being established in Vienna (covering projects in the neighbouring new Member States), Warsaw (with responsibilities involving Poland and the Baltic States) and Bucharest (providing assistance to Romania and Bulgaria). For the time being, Action Plans for 2006 have been signed with the national authorities of the individual Member States (ten new Member States plus Bulgaria and Romania, which will join the EU on 1 January 2007), covering 93 projects, mostly in the transport and energy/environment infrastructure sectors, and amounting to some EUR 20bn.

Mr Marc Schublin (European Investment Fund) and Mr George Kolivas (Commission's Regional Policy DG) presented **Jeremie** (Joint European Resources for Micro to Medium Enterprises) to those Open Days participants interested in support for the SME sector. Those present received information about the current state of development of this EIB-Commission initiative. Jeremie's objective is to increase the availability of capital in Europe for micro, small and medium enterprises. Once operational, it will enable the Member States and regions to use part of their Structural Funds to obtain a set of financial instruments that are specifically designed to support this important sector of the national economies.

The possibilities for financing projects in urban areas were described in the presentation on **Jessica** (Joint European Support for Sustainable Investment in City Areas). This initiative is the result of cooperation between the EIB, the European Commission and the Council of Europe Development Bank (CEB). Jessica will enable the national Structural Funds Managing Authorities to use Structural Fund allocations for additional loan resources for public-private partnerships and other urban development projects in the EU regions. In addition, it will utilise the financial and managerial expertise of specialist institutions such as the EIB, the CEB and other international financial institutions.

EIB staff members shared their professional experience and expertise in financing the implementation of the European cohesion policy in cooperation with the Commission and international financing institutions during a workshop involving Tom Barrett, Kim Kreilgaard and Tilman Seibert. Furthermore, Krzysztof Szyszko told the workshop about the possibilities of EIB financing of municipal projects and combining EIB loans with EU grants to help cities and local authorities achieve sustainable urban development and increase the quality of life for their citizens.

For the second year running, the EIB also had a stand at the Open Days, which was a useful source of further information for the regions. □

by Patrick Walsh, Head of Jaspers and Dušan Ondrejička, Communication and Information Department

One year after the launch of JEREMIE: the road ahead

by Daniela Feltes
Junior Project Manager
JEREMIE Team

JEREMIE ("Joint European Resources for Micro to Medium Enterprises") is an initiative of the European Commission (Directorate-General for Regional Policy) with the EIF and EIB to promote SME access to finance and financial engineering products in the EU Member States and regions.

The aim of JEREMIE is to enhance access to finance and innovation in the context of the 2007-2013 Cohesion Policy. The results of the European Regional Development Fund (ERDF) funding for financial engineering in the previous programming period (2001-2006) were poor in terms of amounts committed and mainly based on a grant approach. For the European Commission, this approach is not strictly in line with the aims of the Lisbon Strategy.

Under this initiative, launched in October 2005, national and regional authorities can opt to deploy resources from the ERDF in the form of market-driven financial instruments with a revolving character, such as equity or venture capital investments, loans and guarantees, instead of grants. JEREMIE, which is about to enter its implementation phase, will operate as a "toolbox" to establish these financial instruments to benefit SMEs using ERDF funds that are held and managed by a Holding Fund Manager on behalf of the national and regional authorities. Slovakia and Greece have already entered into preliminary management agreements with the EIF. The EIF's map of JEREMIE operations will be drawn more clearly during the first quarter of 2007, when the Member States really have to decide on the allocation of their Structural Funds as they finalise their Operational Programmes.

2007: From preparation to implementation

During the JEREMIE Preparation Phase 2006-2007, EIF is mandated by DG Regio to undertake evaluations of the gaps between supply and demand for financial engineering products in all EU Member States and Accession Countries, and to propose action to be taken to reduce financial gaps and market failures. DG REGIO and the national/regional authorities will use EIF evaluations to identify financial engineering needs and finalise their respective national Operational Programmes for the utilisation of the EU Structural Funds 2007-2013.

From January 2007 onwards, JEREMIE will progressively enter its Implementation Phase. First, the national/regional Managing Authority will have to decide if it will adopt the JEREMIE system for the implementation of its financial engineering actions and how much of the ERDF funds it will allocate to its JEREMIE Holding Fund. Then it has to select the JEREMIE Holding Fund Manager through a public tendering procedure. This procedure can be avoided by awarding the Holding Fund Mandate directly to EIF. A national institution can only become a Holding Fund Manager without a tendering procedure if a national law provides for this derogation from the public procurement procedure. Especially in cases where EIF will be the Holding Fund Manager, possible funding of the requested national public contribution to the Structural Funds allocation through the EIB might be possible. This national contribution varies between 15% and 50%, depending on the regional development level.

The Holding Fund Manager will "manage" the funds made available by the ERDF on behalf of the Member State or region. It will prepare and recommend operations, organise the monitoring, etc. The flexibility of the JEREMIE instruments is optimal, as the Holding Fund Manager will be able to implement different financial products varying from equity and quasi-equity to venture capital, loans or guarantees and micro finance for the benefit of SMEs in the regions. It will be possible to re-allocate the resources to one or another financial instrument, depending on the actual demand. Invested JEREMIE resources that are repaid become available for reinvestment in favour of SMEs on a "rollover" basis.

By their nature, the financial instruments are expected to create a leverage effect on the managed funds. On top of their direct contribution, the funding of SMEs with these instruments will reinforce the capacity of SMEs to raise additional financing. Furthermore, the professional management of JEREMIE funds should provide incentives for the European financial sector, banks and investors to co-invest or lend to Holding Funds or to financial intermediaries supported by JEREMIE. This is particularly true for the EIB, for instance where JEREMIE funding, as a "risk reserve", could take the junior risk in guarantee transactions. ☐

Interview with Marc Schublin, Head of EIF JEREMIE Team

How does JEREMIE represent a step forward from the current system of implementing financial engineering measures via the EU Structural Funds?

Firstly, the specific nature of these financial measures is clearly spelt out in the new EU Structural Funds Regulation of July 2006. Their implementation constitutes a departure from the general rules, which were established with budgetary grants in mind. JEREMIE receives special treatment, in the same way as JESSICA, since it involves revolving financial products. Secondly, the EIB Group also receives special treatment, since using the EIF or EIB as manager itself constitutes a departure from the provisions of the Public Procurement Directive. To be clear, a national authority managing ERDF funds can directly employ EIF to manage its SME actions without a tendering procedure. This is a very important step forward. The European Commission proposed this because financial engineering has produced disappointing results in the past; and with clear prospects of an eventual reduction in the budgetary funds devoted to regional policy after 2013, it was time to abandon the sunk costs investment approach.

Is public support for SME actions really necessary under cohesion policy?

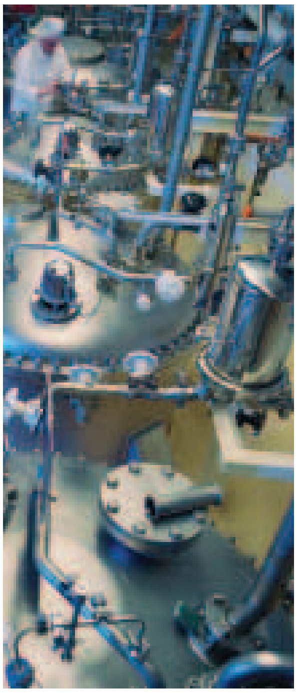
More than ever. There are very wide disparities in access to finance, substantial needs that are totally unmet, even in the EU Member States that are thought to be the most advanced. The ERDF wishes to cover more SME and innovation risk, and more effectively; this is completely within our role.

What sort of amounts are involved?

For the EU Structural Funds, more than EUR 300bn over the period 2007-2013. The European Commission recommends that around 5% be allocated to financial engineering and SMEs. This is a considerable leap from 1% over the period 2001-2006 – only a small part of which, incidentally, was used.

What is the purpose of the evaluation that the EIF is currently undertaking?

It will form the basis for future action. We have to identify market gaps and put forward recommendations. This is a highly important exercise because our analysis will help to determine the EU Member States' financing priorities, which will appear in the Operational Programmes submitted to the European Commission, and because it will serve to justify the use of public funds with respect to the Community Regulations on State Aid. Such a Europe-wide evaluation of this type of needs is unprecedented. It is a highly difficult but at the same time fascinating exercise, which is enabling us to form a snapshot of the existing financing systems and identify the EU Member States' strategic priorities for the next seven years.



And what are those priorities?

In a nutshell: in the "old Union", technology transfer and micro credit; in the new Member States, venture capital and the financing of innovation.

Beyond the evaluation, what will be the EIF's role? Can we really expect it to be a Holding Fund Manager for the EU Member States?

EU Member States have to first voluntarily accept the JEREMIE system and give up the old system, based on direct management, with a project-by-project approach. In other words, they first have to agree to delegate the management of their financial resources to a Holding Fund Manager. Once this rationale has been accepted, it will be time to sell the EIF's services.

What do they consist of?

The know-how of an institution that operates throughout Europe in the field of guarantees, securitisation and venture capital; the close and direct links with the EIB and the European Commission, monitoring tools tailored to financial engineering; and experience with Community control procedures. These arguments will influence the EU Member States and regions concerned in their choice. Slovakia and Greece have already entered into preliminary management agreements with the EIF. The EIF's map of JEREMIE operations will be drawn more clearly during the first quarter of 2007 when the Member States really have to decide on the allocation of their Structural Funds as they finalise their Operational Programmes. The system is scheduled to become operational from September 2007 onwards. That is to say, the first JEREMIE Holding Funds financed by the ERDF and national contributions will become operational.

Will such involvement, sometimes at regional level, represent a sea change in the EIF's activity?

Yes, this is a new stage in the history of the EIF, which is still a young and reactive institution in full expansion. JEREMIE will not replace other EIF products – guarantees and investment in venture capital funds. There will undoubtedly be a lot of complementarity. JEREMIE will basically make it possible to develop a market whose participants will eventually become eligible for the Fund's more traditional products.

What about complementarities with the EIB?

There will be a lot of complementarities in terms of co-financing. The risk coverage represented by JEREMIE will be highly useful for developing the structured instruments that the EIB increasingly wishes to deploy at a regional level.

How is this an innovative initiative for the EIB Group?

JEREMIE is a profoundly innovative initiative because – like the other "Js" (JASPERS and JESSICA) – it takes the EIB Group from providing financial products to providing a service. We do not have extra resources to invest or sell, other than the prospect of co-financing with EIF or EIB, which is very difficult to quantify. We must persuade the sovereign states to entrust us with the management of their national budgetary resources in return for our expertise and value added. This is unprecedented in the history of the EIB Group. This initiative is fully in line with the "policy-driven public bank" approach of close involvement in the EU's policies. Cohesion is a very important Community policy. JEREMIE encompasses regional development, SMEs, innovation: it is at the heart of the EIB Group's new strategy.

Mr Da Silva Costa and Dr Kollatz-Ahnen

New members of EIB's Management Committee

Carlos Da Silva Costa and Matthias Kollatz-Ahnen have joined the Management Committee of the European Investment Bank as Vice-Presidents. Mr Da Silva Costa was nominated by both the Portuguese and Spanish Governments to succeed Isabel Martín Castellá. Dr Kollatz-Ahnen was nominated by the German Government to succeed Wolfgang Roth.

The two new Vice-Presidents become part of a team of nine. The President and eight Vice-Presidents are appointed by the EIB's Board of Governors, the 25 Ministers of Finance of the EU Member States.

Mr Da Silva Costa, former Member of the Board of Caixa Geral de Depósitos, began his career teaching economics at the Faculdade de Economia do Porto and was Head of the Macro-economic Research Department on the Portuguese Economy of Banco Português do Atlântico from 1982 till end-1985. From the beginning of 1986 through to end-1992 he was Head of the Economic and Financial Counsellors team in the Portuguese Permanent Representation to the EC with responsibility for economic and financial issues. In this capacity he was a member of the Portuguese delegation for Economic and Monetary Union and head of the front-line technical team responsible for negotiating the first and second "Delors Packages". He also led the Portuguese delegation in the founding meetings of the EBRD. From 1993 to 1999 he was the Chef de Cabinet of the Commissioner with responsibility for ACP countries. He was also a member, in a personal capacity, of the "High Council for the Reform of the Portuguese Financial System", a non-executive member of the Board of Directors of Portugal's National Statistical Institute and a member of the Board of EBA (Euro Banking Association). From 2000 to 2004 he was general manager of Millennium bcp, the largest Portuguese private bank, in charge of the international and institutional custody departments.

From 2004 onwards he held positions in different banking groups (Member of the Board and Executive Director of Caixa Geral de Depósitos, the largest Portuguese bank and financial conglomerate, Chairman of the Board of Caixa Geral de Aposentações, President of Macau's Banco Nacional Ultramarino and President of Spain's Banco Caixa Geral). Since 2005 he has also been Vice-President of the European Manufuture Group, a European civic movement which studies and gives advice on the future of manufacturing in Europe. From 1986 to 2000 he was professor of post-graduate European Studies at the Catholic University of Porto. He is currently visiting full professor at the Universidade de Aveiro, in the Economics, Management and Engineering Department.

Mr Da Silva Costa holds a Degree in Economics from the Faculty of Economics of the University of Porto. He pursued post-graduate studies at the Sorbonne University in Paris and at INSEAD.

Dr Matthias Kollatz-Ahnen, former Director of the Hessen Investment Bank (IBH) and member of the Management Board of the Hessen Trust Agency (LTH), began his career in 1988 as a consultant, and later Director, of the Bonn-based Scientific Forum for Social Democracy. In 1991 he became head of the Minister's office at the Hessen Ministry of Rural Development, Housing, Agriculture, Forestry and Conservation. In 1995 he was named Deputy Head of the Department for Building, Town Planning and Housing in the Hessen Ministry of Economic Affairs, Transport and Rural Development. In 1996 he joined Helaba (Hessen/Thuringia Landesbank) as departmental manager in LTH, the regional promotional institution of Hessen/Thuringia, and head of regulatory issues and data processing. Three years later he was appointed joint divisional manager of LTH, and in March 2000 he joined the Management Board of IBH, where he was responsible for the lending department and structured the implementation of the operational programmes of the European Community funds. In June 2000 he was appointed a Director of Helaba, coordinating Helaba's development lending in Thuringia, and an alternate Director of the Thuringia Construction Bank (TAB). In 2004 he was also appointed a member of the Supervisory Board of the TAB investment management subsidiary.

Dr Kollatz-Ahnen graduated in Physical Engineering at the Technical University of Darmstadt. He also holds a degree in Economics and a Doctorate in Engineering from the Technical University of Berlin. □

EIB and Bulgaria sign cooperation agreement

A few days after the Commission gave the green light for accession on 1 January 2007, the EIB sealed a Memorandum of Understanding with Bulgaria. The agreement, signed by EIB President Philippe Maystadt and Bulgarian Minister of Finance Plamen Oresharski on 5 October 2006, sets out a framework for EIB support worth EUR 500-700m per year over the period 2007-2013 for Bulgaria's infrastructure investment plans.

by Daniela Sacchi-Cremmer
Communication and Information Department

The Bank's activities in Bulgaria will aim at:

- Improving and upgrading the country's basic infrastructure in the transport and environment sectors in combination with EU grants and other sources;

- Promoting and strengthening economic growth and development in combination with EU grants and government and private funds;

- Cooperating closely in the implementation of projects financed by the Bank; providing technical support and expertise for selected EU Cohesion and Structural Fund projects defined in the JASPERS National Action Plan;

- Assisting the government in the implementation of a national PPP programme.

The EIB's lending operations now cover all of the country's key economic sectors, ranging from basic infrastructure to manufacturing and services, including support for small and medium-sized enterprises (SMEs) and municipalities via local financial institutions.

Over EUR 180m in global loans has been provided over the years to support small businesses in Bulgaria through eight local banks. Global loans are credit lines to financial intermediaries – EIB partner banks that on-lend EIB funds under their own management, at their own risk and on their own conditions, but pass on the benefits from the EIB's favourable lending terms. This type of lending is used by the EIB to finance small and medium-sized projects involving a total investment of less than EUR 25m.

The EIB recently enhanced its support to Bulgarian SMEs through a EUR 30m global loan to DSK Bank. This facility will be used to give more access to finance for small and medium-sized companies as well as municipal infrastructure projects in Bulgaria.

The EIB loan will enable DSK Bank to on-lend up to EUR 20m to SME clients on the back of the EIB's favourable terms. Another EUR 10m portion of the loan will support infrastructure finance particularly in the municipal sector. This amount will be complemented by a EUR 1.25m grant from the European Commission under the EU Municipal Finance Facility. DSK Bank is the third banking partner in Bulgaria to participate in the facility, which supports the development of Bulgarian municipalities via EU grants.

In the margins of the EIB Forum in Athens on 19/20 October 2006, Romania, represented by its Minister of Finance Sebastian Vladescu, and the European Investment Bank, represented by its President Philippe Maystadt, signed a similar Memorandum of Understanding, setting out a framework for the EIB's support to the country's investment programme over the next few years. While financing will be based on specific project proposals, the agreement indicates that it could be in the order of EUR 1bn per year and be adjusted in line with needs (also see p.6). □

The EIB and the knowledge triangle

by Cees Post
Communication and Information Department

The fundamentals of the European Union economy are undergoing rapid and radical change. The manufacturing base continues to shrink, while future growth will rely increasingly on knowledge-intensive industries and services. As a result, more and more jobs will require higher levels of competence. This will come about principally via education and by developing knowledge via research. European universities are the pinnacle of the education system and key players in Research & Development. They therefore have a key role to play in the Lisbon Strategy to create a competitive knowledge-based EU economy.

To attain the objectives set at Lisbon, Europe must strengthen the three sides of the knowledge triangle: education, research and innovation. Universities are essential in all three. Investing in the modernisation and quality of universities is a direct investment in the future of Europe and Europeans. These days, in terms of percentage of GDP spent on research and on higher education, EU countries invest considerably less than countries such as the United States. As a result, recent surveys emphasising university research have found that apart from a handful in the United Kingdom, European universities account for relatively few of the world's top-ranking institutions. The rapid growth of Asian universities, both public and private, is now also challenging Europe. A competitive European economy needs competitive universities, and bridging the funding gap is a crucial element in implementing the Lisbon Strategy. This is where the European Investment Bank comes in.

Since the EIB set up the Innovation 2010 Initiative in 2000 to underpin the Lisbon Strategy with its loans, it has lent more than EUR 40.5 billion for investment in Research, Development and Innovation, Education and Training, and Information and Communication Networks in the European Union. The portion of this funding that has gone to education and training in the same period has totalled close to EUR 11 billion. A significant part of this kind of financing is directed at investment in higher education.

Three Member States, three angles

Investment decisions in this sector are not taken in Brussels or Luxembourg, but by the universities themselves or by the competent public science and education authorities at the national and regional level. Furthermore, the mix of public and private funding and the demand for EIB finance differ among Member States, given the great diversity of cultures, economies and university traditions.

In Germany for example, EIB finance for universities has accelerated in 2006. The Universities of Mainz, Kaiserslautern, Tübingen and Freiburg, all top German research universities, have benefited from a total of nearly EUR 900 million to invest in mostly basic research and modern research facilities. At all four universities, the EIB funds go towards financing both tangible and intangible investments. At Freiburg University, which has borrowed EUR 260 million from the EIB, the intangible investment concerns the part of scientific staff costs which is dedicated to leading-edge research activities. The tangible investment provides for modernised research facilities, such as for the Centre of Biochemistry and Molecular Cell Research, the Centre for the Analysis of Bio-systems, and the modernisation of the university library.

In Italy, EIB support for investment at universities has significantly increased in recent years, with some EUR 300 million in loans signed in 2005-2006. For instance, the University of Venice is investing in new and modernised teaching and research facilities with the help of an EIB loan of EUR 50 million signed in 2006. Venice University is well-known in certain humanities subjects, both in terms of teaching reputation and quality of research. The departments of economics, foreign languages, literature, and philosophy are considered top departments in Italy. Incidentally, the project will also contribute to the preservation of the world heritage of the City of Venice as a number of historic buildings and areas will be renovated and refurbished. In earlier years, the Universities of Bologna and Trento (the latter through an innovative bond issue of which EUR 20 million was subscribed by the EIB) as well as the Politecnicos of Milano and Torino have turned to the EIB for financial support for investment that benefited the universities and helped the implementation of the Lisbon Agenda.

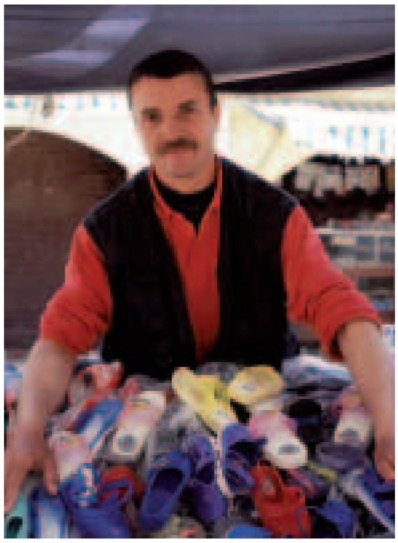
In Poland, the EIB lent EUR 500 million through the Ministry of Finance to finance part of the 2006 budgetary outlays for capital investment in science and technology infrastructure and equipment, recurrent wage costs of scientists employed by the Polish Academy of Sciences and State research institutes, accredited public universities, university colleges of technology, and equivalent institutions, as well as research grants for scientists. Contrary to the general pattern in the EU-25, the government remains the main investor in research and development in Poland, Research & Development expenditure of the business sector having declined in recent years as a proportion of total R&D expenditure. Foreign firms have located manufacturing plants in Poland, but their R&D has tended to remain with parent companies abroad. The EIB loan is intended to assist the country in reversing the negative trend in annual R&D expenditure by stabilising and gradually increasing public R&D investment in an attempt to leverage private sector funding by improving the general science infrastructure.

Academia as a sector in need of conversion

The European Investment Bank has financed these investments because excellent universities and the research and education that take place in them are instrumental in implementing the Lisbon Strategy. But in a sense, academic institutions are also the subject of the Lisbon Strategy. Looking at the academic institutions as a fundamental economic and social sector, competing internationally with institutions outside the EU for the best staff, the best students, and the best research contracts, the sector needs resources for redeployment and modernisation. The EU has supported the conversion process of sectors like the steel industry and agriculture; it is now facing the urgent need to modernise its "knowledge industry", including its universities. Under the Innovation 2010 Initiative, the European Investment Bank plays its part. ☐

Professor Roberto Carneiro (left), former Minister of Education in Portugal and currently professor at the Portuguese Catholic University, and EIB Vice-President Sauli Niinistö at the opening of the workshop "European Universities in Search of Excellence". The workshop, which was organised jointly by the EIB and the European Journal of Education, was held at the Bank's Luxembourg headquarters on 17 November 2006.

EIB and private equity in North Africa and the Middle East: challenges and opportunities



For the past 20 years, the EIB has undertaken private equity investments in the Mediterranean Partner Countries[1], acting on behalf of the European Union under specific mandates. Today it operates with 84 counterparts, including direct investees, fund managers and intermediaries in the Mediterranean Partner Countries.

In addition to its loans and technical assistance grants, FEMIP[2] encourages the development of the private sector by acquiring equity and quasi-equity stakes in private companies in order to help the Mediterranean Partner Countries (MPCs) speed up their economic and social modernisation. These FEMIP activities are financed from the European Community budget (EUR 200m over the period 2001-2006) and, to a lesser extent, by the FEMIP Trust Fund, which was set up in December 2004 (EUR 33.5m).

Private equity in the Mediterranean Partner Countries

The existing private equity portfolio in the Mediterranean Partner Countries totals EUR 380m in terms of signed commitments, including 22 direct investments, 23 investment funds and 669 co-investments with local financial institutions. This is quite a remarkable volume, considering the relatively small size of the private equity market in the area. EIB co-investments typically target smaller size private equity transactions, which would be too small for most funds or a direct investment. These investments are undertaken in cooperation with a local financial institution acting as intermediary. The EIB also cooperates with other financial institutions, including international and development finance institutions, at both policy and investment level.

Among the investees which have benefited from EIB private equity investments, there are cases of the development of successful new companies and financial institutions, profitable implementation of the business ideas of dynamic entrepreneurs, as well as successful restructurings of distressed companies suffering from shortages of finance or managerial skills. Fund managers supported by the Bank years ago have recently been able to raise their second generation of funds; companies and also microfinance institutions in which the EIB had invested could gain access to commercial banks' credit.

In many cases the presence of the EIB amongst the shareholders or financiers has also sent positive signals to other business partners of the investees or local authorities – which have further supported the business' promoters.

Despite some success stories, the private equity industry in the Mediterranean Partner Countries remains small, by an estimated factor of 5-10 compared to EU member countries. Recent evidence indicates a low interest in these markets (Middle East and North Africa), and a high risk perception from institutional investors outside the region.

This contrasts with the growth opportunities and unsatisfied demand in these countries, too high to be served only by the existing insiders, i.e. local private equity investors, international/development finance institutions and a few other international investors operating in this region.

Besides the relevant macroeconomic, legal and regulatory preconditions, several factors must be addressed in the private equity industry in order to remove observed constraints.

Lack of information on local markets

Outsiders' lack of information on the markets as a whole is surely one of the factors explaining current underinvestment in the area.

Information on markets is crucial for an investor's proper assessment of risks. The private equity professionals know that market figures are needed to benchmark performances. Unfortunately, such figures are hardly available for the markets of the Mediterranean Partner Countries. The local private equity industry should make a collective effort to address this gap. Outside the private equity industry, it is surprising to observe that a few countries in the region still lack a sovereign rating from the international rating agencies, even when they might display a score very close to investment grade. A parallel effort towards transparency is thus needed at a country level.

At the EIB, FEMIP operational staff are enhancing the quality of internal risk assessment techniques and of the information in databases, in order to achieve a more objective data-based assessment of the risks in private equity transactions. This ongoing effort – especially if coupled with similar efforts from the industry – will facilitate the investors' decision-making process and therefore the allocation of adequate investment resources to private equity activities in the region.

Valuation, reporting standards and governance

Besides macro-information, the proper assessment and disclosure of an investee's performance is crucial. In order to enable comparisons between countries and over time – a necessity for international investors – the valuation approach must be objective. Regrettably, local regulations for private equity funds and companies do not necessarily comply with best international practices.

The EIB is now consistently asking funds to adopt internationally accepted valuation and reporting guidelines. Intermediaries are encouraged to do likewise. Although this at times implies the duplication of efforts – as companies must at the same time continue to comply with the local legislation and regulations – it is an investment worth making, in the interest of general partners, limited partners and the whole industry. Where necessary and appropriate, the EIB provides technical assistance, funded by FEMIP Technical Assistance resources, through international experts assigned as needed to fund managers or agents.

Another important issue is governance. In order to receive due support from investors

[1] Non-EU Mediterranean countries, including: Morocco, Tunisia, Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Syria, Turkey and – in the past – Malta and Cyprus. For a detailed description of EIB activities in the Mediterranean Partner Countries, see: http://www.eib.org/publications/publication.asp?publ=257.

[2] The European Investment Bank's operations in the MPCs have been brought together under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) since October 2002. FEMIP aims to help the MPCs meet the challenges of economic and social modernisation and enhanced regional integration, particularly in the run-up to the creation of a customs union with the EU by 2010.

and governments, the industry needs to adopt and comply with appropriate business practices, responsibly addressing management, social and environmental issues faced by private equity managers, in their relationship with the larger environment in which they operate, including investors and co-investors.

The FEMIP team seeks to promote the adoption of appropriate business practices and a high degree of transparency, notably through the inclusion of ad hoc provisions in the legal documentation of the initiatives the Bank invests in. Good governance enhances the benefits of private equity for the community, improves the attitude and availability of public and private decision-makers, and offers valuable downside protection.

Quality of counterparts

Performance of individual investments is affected by the quality of the counterpart, as is often the case for the performance of successive funds promoted by the same management team. The EIB supports established and promising new counterparts, in particular new independent private equity teams, through investments and also provision – where appropriate – of technical support. It also pays growing attention to incentive structures in order to ensure the necessary alignment of interests between investor and agent, avoiding issues of moral hazard and adverse selection.

At a policy level, the EIB promotes periodic discussion fora with ministers and experts of the Mediterranean Partner Countries in order to address (and possibly contribute to removing) macro-constraints for the private sector and the private equity industry.

At investment level, the focus of the Bank's private equity activity is on identifying and seeking to address unsatisfied demand and also on developing national markets with a relatively less advanced private equity industry. In the medium term, such development can only be sustainable in the presence of adequate returns for investors and stakeholders.

Conclusions and outlook

The European Investment Bank, through FEMIP, has been a major actor in the development of the still very young private equity industry in the Mediterranean Partner Countries. A recent first review of FEMIP's portfolio of investment funds yielded encouraging conclusions. Generally, funds' investee companies grow faster than average local economies, create more jobs than average, provide better working conditions, are more innovative and show more transparent governance standards.

Despite recent positive signs of growth for the private equity industry in the Mediterranean Partner Countries, much remains to be done in order for this type of financing to fulfil its role in the whole financial intermediation chain in the same way that it does in Europe or the United States. Standards of governance and transparency need to be improved. Local legislation needs to be adapted to the requirements of the industry. More independent teams with the right skills and experience need to be active on the markets. Local entrepreneurs need to become more aware of the benefits of private equity for their business.

These developments will require time and effort, together with the constant support of the "patient money" provided by the EIB, as well as by a few other international financial institutions active in the Mediterranean Partner Countries. In this context, FEMIP will try to act as a catalyst for more money and visibility to be directed towards this asset class. ☐

by Daniela Sacchi-Cremmer, Communication and Information Department and Jean-Christophe Laloux, Head of the Special Operations Division

FEMIP risk capital investments in 2006 total EUR 50m so far.

FEMIP invested EUR 10m in each of four regional multi-sector funds this year: in the Beirut-based Euromena fund; the Maghreb Private Equity Fund II, working from inside the region; the Euromed fund, which operates out of Italy; and the SGAM Al Kantara fund, the first such fund sponsored by the group Societé Générale.

FEMIP also invested EUR 8.5m in the Horus Food & Agribusiness Fund, specialised in the Egyptian agribusiness.

In addition, in Tunisia FEMIP invested EUR 1m in five SMEs and another EUR 1m in Enda, an independent micro-finance institution (complementing technical assistance also provided under FEMIP).

Appointments to Senior Cadre

Alfonso Querejeta has been appointed Secretary General, Director General of Human Resources and General Counsel with effect from 1 January 2007. He will succeed Eberhard Uhlmann, who will retire at the end of 2006.

Mr Querejeta, a Spanish national, began his career as a university professor in commercial law. He subsequently became Head of the Legal Department of Compañia Vascongada de Seguros y Reaseguros S.A. (Groupe Bâloise).

He joined the Legal Affairs Directorate of the EIB in 1986. Until 2000 he held various posts within this Directorate. From 2000 until 2003 he was Director of the Department for Lending Operations in Spain and Portugal. In 2003 he was appointed Director of the Department responsible for the Legal Aspects of Operations in and outside the Union, a post he held until 2005.

In 2005 he was named Director of Human Resources.

Mr Querejeta holds a Law Degree from the University of San Sebastián and a PhD in Law from the University of Bologna, Italy.

Rémy Jacob has been appointed Director General of the newly created Strategy and Corporate Centre Directorate, with effect from 1 January 2007. His responsibilities will encompass the EIB Group's general strategy, planning (preparation of the Bank's Corporate Operational Plan), budget, financial control and reporting, economic and financial studies, external communication and corporate social responsibility as well as buildings, facilities and logistics.

Mr Jacob, a French national, holds a degree in Economics and Management from the École Supérieure de Commerce, Dijon, France. He began his career in a private bank before joining the EIB's Finance Directorate in 1973. After working in various management positions, he became Head of the Budget Division in 1983. He then developed his career as Head of the Personnel Administration Division. In 1993 he was named Director of Information Technology. In 1997 he became Director of Corporate Affairs and in 2002 he was appointed Deputy Secretary General.

At the beginning of the nineties, he contributed to the setting-up of the London-based European Bank for Reconstruction and Development's administrative framework. In 2000, he played an important role in the reform of the European Investment Fund, the venture capital and SME guarantee arm of the EIB Group. He is now an alternate member of the EIF's Board of Directors.

In 2003 Mr Jacob launched the new building project at the EIB's headquarters. A member of the selection jury, he remains director of the New Building Task Force.

In 2005, he coordinated the approach towards the new EIB Group strategy.

Grammatiki Tsingou-Papadopetrou has been appointed Director General of the Projects Directorate (PJ), with effect from 1 January 2007. She will succeed Michel Deleau, who retires at the end of 2006.

Ms Tsingou, a Greek national, began her career in 1968 as a consultant for a private consultancy firm. In 1969 she joined the Greek Ministry of Public Works and worked on project development and implementation, water management policies and investment proposals for the Greek National Development Plan. In 1978 she was named Head of Division and in 1982 she became Director.

In late 1982 she moved to the Greek Permanent Representation to the EU in Brussels, where she covered issues of financial and technical cooperation with the ACP and Mediterranean countries, including the negotiation of the 3rd Lomé Convention, and held the chairmanship of various working groups during the first Greek Presidency of the EU.

Ms Tsingou joined the EIB in 1985, starting as a loan officer for the countries of Southern Africa. She moved to the coordination team of the External Lending Directorate in 1989 to represent the Bank in the negotiation of the 4th Lomé Convention and, later, to work with the Commission and the Council on the "Renovated" Mediterranean Policy and cooperation with the countries of Central and Eastern Europe. She returned to Lending Operations in 1993 to develop the Bank's activity in the Baltic States and in 1996 was appointed Head of Division for lending in Poland and the Baltic States, with additional responsibility for horizontal policy issues relating to enlargement. In 2001, she was promoted to Senior Cadre. She played a prominent role in the development of cooperation with Russia, and the first loans in St Petersburg, as well as in preparing for the Bank's activity in Ukraine.

During the period 2000-2003 – and in parallel with her main tasks – Ms Tsingou served as an alternate director for the EIB on the Board of Directors of the EBRD.

Since January 2004 she has been Director of the South-East Europe Department, which today covers the Bank's lending in Greece, Cyprus, Turkey, Bulgaria and Romania.

Ms Tsingou holds a Diploma in Civil Engineering from the Aristotle University of Thessaloniki and an MSc in Quantitative Economics from Bristol University.

2007 FEMIP Conference

"Financial transfers from migrants in the Euro-Mediterranean area: a lever for development?"

Paris, 22-23 March 2007

Following the first FEMIP Conference, which was held in Monaco in November 2006 and dealt with the subject of regional integration through transport systems, the EIB and the European Banking Federation (EBF) have joined forces to organise in Paris, on 22 and 23 March 2007, the second FEMIP Conference, which will focus on the issue of migrant workers' financial transfers in the Euro-Mediterranean area.

This event is characterised by the fact that it will involve the Euro-Mediterranean banking sector in the discussions on this subject, one on which so far little work has been done insofar as migrants' flows from Europe to the Mediterranean are concerned. The framework for the discussions will be provided by the study conducted by the FEMIP Trust Fund in March 2006, which highlighted two things: the extent of the total transfers (nearly EUR 8 billion is "officially" transferred every year - some EUR 15 billion if informal transfers are taken into account) and the high cost of the methods of transfer used, which penalises the people concerned.

Bringing together some 250 participants and 20 or so figures from the banking and financial sector, representatives of the supervisory authorities and experts, the 2007 FEMIP Conference aims to provide a forum for exchanging experiences and increasing awareness on the following topics:

- Gaining a better understanding of the economic impact of migration
- How to facilitate migrants' financial transfers
- The role that the banking sector can play
- Regulatory aspects and payment systems
- Levers for development: micro-finance, mortgage products and securitisation.

The detailed programme, the contributions from experts and the practical details will be posted on the Conference website at the beginning of February 2007 (www.eib.org/femip/conference). As for the 2006 FEMIP Conference, this website may be used by those who wish to register their interest or enrol.

[1] Published on the EIB website at: http://www.eib.org/publications/publication.asp?publ=244

info

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

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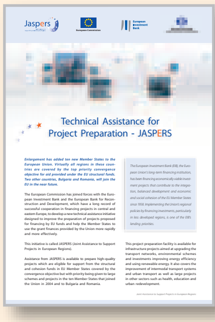
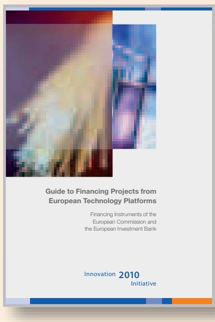
Dates for the Diary...

- **25/01/07** – Conference on Economics and Finance 2007 (Luxembourg)
- **08/02/07** – Annual Press Conference 2007 (Brussels)
- **22-23/03/07** – 2007 FEMIP Conference (Paris)

Details and registration at www.eib.org/events

New EIB publications





October 2006

- Evaluation of EIB Investments in Education and Training
- Evaluation of EIB financing through individual loans under the Lomé IV Convention
- The Social Assessment of Projects outside the European Union: the Approach of the European Investment Bank
- Evaluation of EIB financing through global loans under the Lomé IV Convention
- Feasibility study to develop new options for private sector investment financing in the Syrian Arab Republic
- Technical Assistance for Project Preparation – JASPERS
- EIB Guidelines on Fighting Corruption, Fraud, Money Laundering and the Financing of Terrorism
- Statement on Governance at the EIB
- EIB Energy Review

November 2006

- Financing provided by the European Investment Bank in Romania
- EIB financing in the Western Balkans
- Financing provided by the European Investment Bank in Croatia

Coming soon

- Guide to Financing Projects from European Technology Platforms
- EIB in the Water Sector: Supply and Sanitation Schemes

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