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50th anniversary conference: four “Js” to use EU funds in a more efficient way

The EIB conference held in Bratislava on 15-16 October was the highlight of the Bank's 50th anniversary events, providing an insight into the new generation of European regional policy instruments and a detailed state-of-the-art view of the possibilities offered by the JASPERS, JEREMIE, JESSICA and JASMINE initiatives (4Js).



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As part of the continuing efforts to make cohesion policy more effective, in recent years the EIB and the European Commission have joined forces to provide a series of instruments designed both to support project preparation and to increase the use of financial engineering tools in the context of cohesion policy: JASPERS, JEREMIE, JESSICA and JASMINE. The so-called "4Js" provide technical assistance (JASPERS); finance for SMEs (JEREMIE); support for sustainable urban development (JESSICA); and backing for microcredit (JASMINE) (see box below).

These initiatives are now more important than ever. While the financial crisis negatively influences developments in the European economy, EU cohesion policy funds represent a safe and stable source of investment. In this context, the 4Js constitute tools facilitating grant money utilisation and, in the case of JEREMIE and JESSICA, give scarce resources the opportunity to provide longer beneficial effects through investment in revolving funds.

Public authorities have been progressively confronted with growing investment needs while the resources available become more and more scarce. This makes clear the need to use available funding in an effective way and at the same time find complementary sources of investment.

For the period 2007 to 2013, some EUR 350bn have been slated for EU cohesion policy, representing nearly 36% of the Union's total budget. This puts the allocation for this finance stream ahead of the common agricultural policy for the first time.

"Cohesion policy needs to evolve from the traditional grant-only financing model to introduce innovative mechanisms which increase the effectiveness of the funding", said EU Commissioner Danuta Hübner, responsible for Regional Policy, in her opening speech. "Financial engineering is about making scarce funds go further," she added, "and renewable funds are a more sustainable type of funding for the long term which is preferable to one-off grant funding. This new evolution in cohesion policy fits well into the broader trend – or even paradigm – for public finance, namely to raise the quality of public spending".

EIB Vice-President Mr Kollatz-Ahnen noted that "the experience in a number of countries is that there are serious gaps in administrative and management capacity in project preparation and that this is the key barrier to the effective implementation of the available regional assistance programmes. JASPERS is our answer to this problem".

Organised in cooperation with the European Commission, the EIB's Bratislava Conference represented a valuable platform for some 400 participants coming from public administrations, private business and the banking community in various countries, for an exchange of information on the current status of the initiatives in the different EU Member States and regions. It also provided an opportunity to introduce the opportunities offered by the recently launched new micro-credit "J" initiative, JASMINE (see EIB Information 132, pp. 2-3). The ten workshops proved to be very well attended and appreciated by the participants.

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JASPERS at cruising speed

As of November 2008, this initiative boasts a portfolio of some 333 active projects throughout the twelve beneficiary countries, including some 60 projects already completed. The majority of these projects are in the transport and environment sectors. JASPERS is currently implemented by a team of 56 experts from the Commission, EIB, EBRD and KfW based at the EIB in Luxembourg and in three regional offices located in Bucharest, Vienna and Warsaw. JASPERS operates on the basis of action plans designed annually for each country in cooperation with the beneficiary state concerned and the European Commission.

The JASPERS workshops at the Bratislava Conference mainly focused on transport projects and included a close-up examination of project preparation guidelines in Poland; a presentation of the Sofia and Krakow experiences in urban transport; and a general overview of JASPERS' role in urban transport. At this latter workshop, Patrick Walsh, Director of JASPERS, drew attention to the synergies flowing from the combined project preparation and implementation experience and practical expertise available from the partners working in JASPERS and to the excellent cooperation built up with the authorities and beneficiaries in the EU-12 new Member States, thus enabling the transfer of know-how and practical assistance.

Another JASPERS workshop focused on environment and energy projects. In particular,

energy efficiency refurbishment for public buildings in Poland was analysed in detail. The water sector portfolio approach in Slovenia and Hungary was also presented, with special attention paid to sanitation projects.

In her contribution at the end of the conference Mrs Grammatiki Tsingou, Director General of the EIB's Projects Directorate, underlined the substantial EIB commitment and responsibility for the management of JASPERS. This makes it possible to share, for everyone's benefit, with the relevant EU Fund beneficiary countries, and its partners in JASPERS, the EIB's long-term expertise in project preparation, implementation and financing.

JESSICA delivering tangible results

During the conference, EIB Vice-President Kollatz-Ahnen signed a Memorandum of Understanding with Mr Leszek Wojtasiak, Deputy Marshall of the Wielkopolska Region, for the provision of holding Fund services by the Bank to the regional self-government of the Wielkopolska Region.

Wielkopolska is the first region in Central Europe to have signed such a MoU facilitating deployment of the JESSICA instrument. Early in October, the EIB and the regional government (Xunta) of Galicia concluded a similar agreement (see article on p. 5).

The way ahead for JESSICA was illustrated by Brian Field, planning and development specialist in the EIB's JESSICA task force. He

noted that progress had initially been relatively slow, but that there had recently been a marked acceleration as understanding had improved. The initiative is flexible and can be interpreted differently in different constituencies. A clarification of legal matters is required (Member States have different legal structures within which JESSICA will be deployed), and the perceived flexibility of regulations needs to be tested in practice. It is therefore important to clarify uncertainties and simplify procedures to help embed JESSICA in the Member States, and to assist the Member States in identifying/developing urban development funds in the various countries.

JEREMIE: start of implementation by EIF

During the Plenary Session held on the morning of 16 October, EIF Chief Executive Richard Pelly stressed that in the JEREMIE framework, "the EIF has the ideal skill-set to meet the objectives of the individual holding funds – an integrated range of risk finance solutions, rigorous processes and an independent status with AAA rating to improve SME access to debt and equity instruments and develop entrepreneurship through financial engineering."

Highlights of the "JEREMIE Status Quo" workshop included a general introduction of JEREMIE and its key role in the context of the cohesion policy; the outline of JEREMIE's main features and the current status of the evaluation and implementation phases; and the experience of the Slovak Republic



with respect to JEREMIE implementation in the context of its EU Structural Funds 2007-2013 allocation.

In the second JEREMIE workshop, the JEREMIE tool box of revolving financial debt and equity instruments was presented. This tool box can be implemented in the context of a JEREMIE holding fund, subject to market weaknesses evidenced during the JEREMIE evaluation phase. Afterwards, the Romanian Ministry of Economy and Finance described JEREMIE implementation in the country.

“In addition to two JEREMIE workshops”, the EIF offered a workshop on the recently launched “European Microcredit Initiative”. The fourth “J”, JASMINE, is a pilot initiative developed by the European Commission, the EIB and the EIF in September 2008. Marc Schublín, Director of the JEREMIE programme, outlined how the EIF intends to implement this new initiative at this stage, while the President of the European Microfinance Network, Maria Nowak, presented her views on potential targets and beneficiaries of the new micro-credit initiative.

PPPs in the spotlight

The contribution of public-private partnerships (PPPs) to economic and social infrastructure investment in the EU was analysed in detail in a separate workshop by Thomas Barrett, the EIB’s Director of the Action for Growth Instruments Department.

Between 1990 and 2006, over 1000 projects were financed under PPP structures in the EU, for a total capital value of almost EUR 200bn. Projects currently in the pipeline amount to EUR 75bn.

Given the availability until 2013 of EUR 350bn of grant funding in Central and Eastern European countries, securing PPP investment represents a challenge. Nevertheless, the financial and project management disciplines, along with the expertise, that can result from the involvement of private sector finance means that PPPs could play a key role in achieving the potential for unprecedented investment in transport, energy and telecommunications.

The **JASPERS** (Joint Assistance to Support Projects in European Regions) programme is a technical assistance partnership between the European Commission’s Regional Policy DG, the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) and the Kreditanstalt für Wiederaufbau (KfW). The aim of JASPERS is to offer a service to the Member States, targeting regions covered by the new Convergence Objective for the period 2007-2013. This service helps the authorities in the preparation of major projects for submission to the Commission. JASPERS provides comprehensive assistance for all stages of the project cycle from the initial identification of a project through to the Commission decision to grant assistance. In this way, it helps to improve the quantity, quality and rapidity of projects coming forward for approval.

JEREMIE (Joint European Resources for Small and Medium-sized Enterprises), launched in September 2005, promotes increased access to finance for the development of small and medium-sized enterprises in the regions of the EU, providing Member States and regions with a tailor-made set of financial tools, formulated to be optimally applied in each setting, in order to match supply and demand for SME finance at national or regional level. The initiative allows for prudent initial funding contributions by national and regional authorities with the opportunity to increase the funding allocation at a later date. Adapting financial tools during the cycle of implementation is also foreseen, allowing responsiveness to market conditions.

JESSICA (Joint European Support for Sustainable Investment in City Areas), developed by the European Commission and the European Investment Bank, in collaboration with the Council of Europe Development Bank (CEB), offers the managing authorities (MAs) of Structural Funds programmes the possibility of taking advantage of outside expertise and having greater access to loan capital for the purpose of promoting urban development. Where an MA wishes to use JESSICA, it contributes resources from the programme, while the EIB, the other financial institutions involved and investors contribute additional loan or equity capital as appropriate. Programme contributions to urban development funds are revolving and help to enhance the sustainability of the investment effort.

JASMINE (Joint Action to Support Microfinance Institutions in Europe) is a pilot initiative which has been developed by the European Commission (EC), the EIB and the EIF. With a total budget of EUR 50m, JASMINE is financed by the EIB and potential partner banks, with additional financial support from the EC, and managed by the EIF, which will provide micro-finance institutions (MFIs) with sources of funding such as loans or equity, as well as technical assistance. JASMINE is designed to help European MFIs to improve the quality of their operations, to expand and to become sustainable, by channelling various forms of technical and financial support to selected MFIs, thus promoting best practices in the field of micro-credit lending.

During this workshop, the opportunities offered by the Loan Guarantee for Ten Transport¹ (LGTT, see EIB Information 130, pp. 3-5) and the European PPP Centre of Expertise² (EPEC) were also explained (see EIB Information 132, p. 11). ■



¹ LGTT is an innovative financial instrument set up and developed jointly by the European Commission and the EIB, which aims to facilitate greater participation by the private sector in the financing of Trans-European Transport Network infrastructure ("TEN-T").

² EPEC is a collaborative venture between the EIB and the European Commission. Membership is open to PPP task forces in the Member States.



Galicia (Spain) and Portugal sign JESSICA agreement

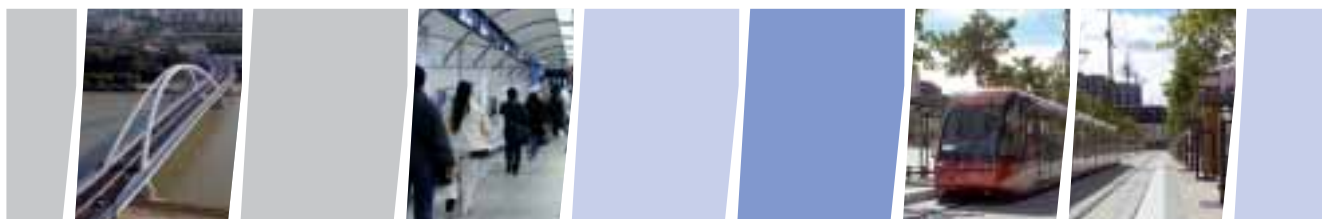
On 3 October 2008, the EIB and the regional government (Xunta) of Galicia concluded an agreement establishing the terms of cooperation for implementing the JESSICA programme in Galicia.

At the signing ceremony in Santiago de Compostela with the Xunta's Finance Minister, José Ramón Fernández Antonio, EIB Vice-President Carlos da Silva Costa stressed the Bank's excellent relations with the Xunta, saying that "Galicia will be the first Spanish region to benefit from this new programme of investment directly aimed at improving the living conditions of the inhabitants of our cities".

On 14 November, Mr da Silva Costa and Mr Francisco Nunes Correia, the Portuguese Minister for Environment, Spatial Planning and Regional Development, signed an agreement in Lisbon to also strengthen cooperation on financing sustainable urban development.

"This agreement shows our determination to proceed quickly and join forces with EU Member States as well as local authorities for a friendlier and more sustainable city environment in Europe", underlined Mr da Silva Costa. "As a Portuguese national myself, I am most happy that Portugal is the first Member State to team up with our JESSICA initiative for sustainable investment in city areas".

by Daniela Feltes, EIF, Dusan Ondrejicka and Daniela Sacchi-Cremmer, EIB Communication Department



JEREMIE

goes regional in France

Languedoc-Roussillon to be the first EU region to become involved with the EIF in a JEREMIE operation.

On 22 October 2008, the EIF and Languedoc-Roussillon signed an agreement in Montpellier to set up a EUR 30m JEREMIE Holding Fund. This Fund is designed to boost the competitiveness of the region by enhancing SME financing and also incentivising financial intermediaries to continue granting funding to enterprises during the current economic downturn and credit crunch.

The Languedoc-Roussillon Managing Authority has decided to dedicate a large part of the JEREMIE funding to support for innovation. This will benefit the large number of SMEs – micro-enterprises (fewer than 10 employees), start-ups or high-growth businesses – in the region. The Fund will therefore play an essential role in boosting innovation as well as triggering entrepreneurship and job creation and will leverage the activity of local specialised risk capital and equity providers and credit institutions.

The Fund will receive matching contributions (50%) from ERDF structural funds and the Region. The EIF will manage the JEREMIE Fund and establish a local representation, and investment decisions will be taken following recommendations from the JEREMIE steering committee, comprising representatives of the Region and the Managing Authority.

The business model is based on a tripartite dialogue, building on the market expertise

and “neutrality” of the EIF for investment decisions, and with the State and the Region acting as “custodians” of the Region’s SME policy objectives.

Partner financial intermediaries will be selected following publication of open calls for an expression of interest in early 2009. Potential financial intermediaries are venture capital funds, microcredit providers and banks, for instance, all of which will finance regional-based SMEs through equity or loans. The JEREMIE “window” will be open until 2014 but because of its revolving nature could be extended beyond the current structural fund budgetary period.

Adapting to the financial needs of local SMEs

Languedoc-Roussillon’s 150 000 companies are mostly small and medium-sized or even micro businesses. Prior to the establishment of the JEREMIE Holding Fund, the EIF conducted a gap analysis to better

assess their financing needs. The resulting findings emphasised in particular the lack of the equity that is needed for the creation of new enterprises and development of existing ones.

The initiative will therefore aim to offer local SMEs a wide range of financial instruments through JEREMIE partner financial institutions, such as:

- microcredit, for micro loans of under EUR 25 000;
- “Relais Croissance”, equity or quasi-equity for high-growth SMEs;
- “Prêts d’honneur”, interest-free loans for SMEs, including for the financing of innovation;

and a number of other instruments that will provide funding to start-ups and increase the available resources in the “seed” and “pre-seed” technological or innovative segments. ■



During the event, Marc Schublin, Head of JEREMIE at the EIF, was appointed an Honorary Citizen of the Languedoc-Roussillon Region by Mr Georges Frêche, President of the Region.



What is JEREMIE?

The JEREMIE initiative (Joint European Resources for Micro-to-Medium Enterprises) was developed by the European Commission and the EIF under the European Union 2007-2013 structural funds allocation for EU Member States and regions.

JEREMIE offers national and regional Managing Authorities the opportunity to use part of their EU structural funds to finance small and medium-sized enterprises by means of equity, loans or guarantees, through a revolving holding fund, acting as an umbrella fund or fund of funds.

JEREMIE provides the opportunity to use financial engineering instead of grants for SMEs. A number of financial instruments targeting various economic sectors and leveraging additional financial resources by partnering with local financial institutions can hence be managed under the same revolving JEREMIE Holding Fund.

EIF Communications team

WITHIN EU

First “EIB loan for SMEs” in partnership with BNP Paribas

Addressing her ECOFIN counterparts meeting in Nice on 12 and 13 September, Christine Lagarde, French Minister of the Economy, Finance and Employment, requested that EUR 30bn of European Investment Bank funding be raised, of which EUR 15bn in 2008 and 2009, to support investment by European SMEs.

Less than three weeks after that decision, BNP Paribas and the European Investment Bank signed the first financing agreement amounting to EUR 300m and BNP Paribas granted the first “EIB loan for SMEs” under this credit line.

The loan was signed on 8 October at the offices of Laboratoires Prodene Klint, an innovative SME customer of BNP Paribas and the first European enterprise to receive an



“EIB loan for SMEs”. Simpler and more flexible, this new lending arrangement will enable European banks to finance all types of investment or expenditure required to grow European businesses with fewer than 250 employees, whether in the form of tangible or intangible investment or working capital.

Ms Lagarde, EIB Vice-President Philippe de Fontaine Vive and Jean-Laurent Bonnafé, Chief Operating Officer of BNP Paribas, took this opportunity to visit Laboratoires Prodene Klint.

With the EUR 180 000 loan it received from BNP Paribas, the Marne la Vallée-based company will purchase equipment to develop a skin disinfectant for use in both medical (to prevent nosocomial diseases) and industrial environments. Laboratoires Prodene Klint has a staff of 230. ■

by Marianne Roda
Communication Department

EIB ready to increase its support for **SMEs** in Austria and Central Europe

At the invitation of the Austrian Government, the Bank organised on 6 and 7 November in Vienna a series of awareness-raising events in support of the roll-out of the new "EIB Loan for SMEs". These events included high-level discussions and technical meetings at working level with the Austrian partner banks.

President Maystadt and Vice-President Kollatz-Ahnen met the Austrian Vice-Chancellor Mag. Wilhelm Molterer, government officials and the top management of virtually all Austrian financial institutions operating as "system" banks in Austria and the wider region of Central Europe. The current situation in the financial sector and the possible counter-measures to soften the impact of the banking crisis on the "real" economy were at the heart of these discussions.

During a press conference, Vice-Chancellor Molterer reiterated his view that the EIB Group's entire armoury of financial tools need to be combined with budgetary means and the government's available promotional instruments to prevent SMEs and mid-cap enterprises falling short of the necessary liquidity. In his response, Mr Maystadt underlined the important role of "corporate Austria" in the economic performance of the country, reassuring enterprises of the continued supply of financial resources. The Bank aims to double the volume of SME loans in the year ahead.

The Austrian Government regards the Bank's initiative in favour of SMEs as a good fit with the state-sponsored EUR 1bn support pack-



age announced at the beginning of November. According to the request by the Finance Ministry, the Bank's interventions benefiting SMEs will primarily focus on research and development as well as energy saving and efficiency measures.

In his meeting with the President and the Vice-President, Vice-Chancellor Mag. Molterer called on the Bank to align and coordinate its actions closely with the state's own efforts in support of SMEs.

The structure of the Austrian economy requires as much support for SMEs as for mid-



caps, which represent the drivers of the economic success of the past decade. The Vice-Chancellor reiterated Austria's interest in energy saving and efficiency measures financed by the Bank through combined schemes, such as energy contracting, that would also trigger an immediate positive economic effect on SMEs. The Austrian economic package is being put in place alongside the implementation of the support measures of EUR 100bn for the financial industry to enable equity injections in the financial sector, to provide for state guarantees in support of interbank dealings and to underpin the national deposit insurance system.

Since the country's accession to the European Union in 1996, Austrian banks have

traditionally been amongst the EIB's most active partners in marketing Lines of Credit to SMEs. Not surprisingly, the invitation to the EIB's existing partner banks as well as to possible new intermediaries to join a roundtable discussion met with a strong response.

Several of the financial institutions represented at this roundtable had already actively contributed to the extensive and broadly based questionnaire exercise in mid-2007, through which the Bank sought the European financial sector's views on the modernisation of the Lines of Credit product.

VP Kollatz-Ahnen underlined the importance of simplified rules, streamlined procedures and broadened applicability of the

product, which can finance up to 100% of the projects of SMEs.

The new EIB loans for SMEs can also contribute to financing SMEs' working capital requirements associated with new investments, patents, licences, etc.

Through these measures, in a period in which most Member States have little room for manoeuvre and the banking sector is faced with a major financial crisis, the EIB can provide flexible and effective additional support, safeguarding the necessary liquidity in the system. ■

by Emanuel Maravic, Director of EIB Vienna Office



Public consultation on review of EIB's Environmental and Social Statement

The EIB is currently reviewing its Environmental and Social Statement and, as part of this process, conducting a public consultation. The consultative process was launched on 25 March and includes an online web consultation and, in parallel, public and stakeholder meetings. A Review Panel in the Bank is considering the stakeholder contributions and examining the extent to which they can be taken into account.



by Matilde del Valle
Communication Department

First round

A first round of consultation of 45 working days, including public and stakeholder meetings, started on 25 March and was planned to end on 28 May. However, at the request of a number of NGOs the first round was extended until 20 June 2008. This extension was in accordance with the Bank's flexible approach towards consultation in terms of timetable and procedures, allowing it to take into consideration stakeholder requests and suggestions, thereby improving the process.

A first public consultation meeting was organised in Brussels on 14 May 2008 and a number of other meetings with stakeholder groups took place with representatives of EU institutions and international financing institutions, amongst others. At the request of some NGOs based in Central and Eastern Europe, a second public meeting was held in Warsaw on 12 June 2008, enabling interested stakeholders from the region to actively participate in the process.

The EIB received 25 written contributions, amounting to 260 consolidated comments, from external stakeholders, which were evaluated by the Bank's Review Panel. All written public comments and proposals (subject to the originator's consent) were posted for information on the EIB's website, together with a detailed table of the Bank's reasoned comments with respect to their individual elements. The panel's evaluations were introduced in a re-edited ver-

sion of the Environmental and Social Statement, which was subject to a second round of consultation.

Second round

The second round of 20 working days started on 2 October 2008. Given the importance of the Environmental and Social Statement and taking into account stakeholder suggestions, the EIB decided to extend the second round from 30 October to 17 November 2008. During this round, a third public consultation meeting was held in Brussels on 27 October 2008. At the meeting, the changes introduced to the statement after the first round of public consultation were summarised. The revised and restructured document is clearer (e.g. on accountability and monitoring), stronger (e.g. commitments regarding 'no go' areas), and more detailed regarding specific issues of concern (e.g. new text on human rights, conflict sensitivity and free, prior and informed consent). Comments on this new document and recommendations on how it could be further improved were raised, and a constructive discussion followed. Those attending the meeting were encouraged to submit their points in writing so that they could be considered in detail by the Bank's Review Panel.

Next steps

The Review Panel will again assess the proposals and comments from the second round of consultation and will revise the

statement taking stakeholder contributions into account. Then, a third draft of the statement will be presented to the Management Committee by the end of the year, together with a draft Consultation Report. After approval by the Management Committee, these will be published, for information, on the EIB's website at the beginning of January 2009, three weeks in advance of consideration by the Board of Directors.

All written stakeholder comments and proposals will also be posted on the EIB's website, unless the originator objects. They will also be made available to the Board members.

At the beginning of the year, an announcement/article on the public consultation process was published in EIB Information 130. ■



The bank of the European Union

The EIB, 1958-2008

To mark the 50th anniversary of its foundation, the EIB has commissioned an academic history of the Bank, written under the supervision of an international group of seven renowned professors.

The work is shaped by the successive enlargements of the European Union but also by the changing face of the economic and political environment. It seeks to explore how the EIB has defined its path through the upheavals of half a century, all the while remaining true to its original purpose.

You can find a comprehensive summary, detailed table of contents and instructions on how to acquire this elegant 386-page book, which is available in English, French and German, at www.eib.org/50years_book. ■



EIB supports the revitalisation of the Medinas

The “Medinas 2030” Conference, which was held in Venice on 30 October on the occasion of the Architecture Biennale, brought together experts from different fields associated with historic urban centres (town planning, architecture, economics, sociology, politics and finance) to examine the challenges facing ancient cities in North Africa and, in particular, come up with ideas and define concrete initiatives to regenerate medinas to make them attractive, dynamic and prosperous by 2030.



This Conference, coordinated by Mr Marcello Balbo, a professor at Venice University’s architecture school, was the first visible major event under the “Medinas 2030” initiative, which was launched by the EIB with the backing of the FEMIP Trust Fund, to act as a catalyst for joint action by the Mediterranean partners, those involved with the cultural and historical heritage and international financial institutions.

Since politicians and town planners have become interested in this issue, the rehabilitation of historic cities in southern Mediterranean countries has given rise to a large number of studies, projects and plans. However, this new awareness of the challenge of preserving the medinas has until now often had mixed results. Some districts have been restored, if only to satisfy a globalised tourism industry in search of authenticity but, for the most part, the historic centres

of these cities are still inhabited by poor people, still lack infrastructure and facilities and continue to deteriorate. In view of these modest results, “Medinas 2030” plans to take a longer-term perspective of the rehabilitation of historic cities by incorporating it into the process of economic, social and spatial changes that the southern Mediterranean countries are set to undergo over the next few years.

Under its long-term relationship with them, FEMIP promotes the economic and social development of the Mediterranean partner countries and encourages the modernisation and opening-up of their economies by supporting the private sector and creating an investment-friendly environment. The cities are the main centres for production, investment and consumption and are thus the wellspring of innovation, competitiveness and, more generally, sociocultural achievement. On that basis the EIB sup-

ports cities, particularly in the following sectors: the environment (the whole FEMIP region), exclusive lane public transport (Tunisia and Syria), urban development (Tunisia, Morocco and Jordan) and the generation of local expertise in the preparation of projects (Syria).

The EIB is much in demand for financing urban development projects, particularly in the transport, environmental and social housing sectors. However, it considers that the massive investment required to create new districts must not obscure the need to invest sufficiently in the preservation, restoration and restructuring of old or historic town centres. The Bank is aware that it must strike a balance between its support for new urban districts and its operations in these old town centres.

To maintain this balance, in southern and eastern Mediterranean partner countries

the EIB is supporting a process of reflection and analysis on issues concerning economic and social development, town planning and housing, preservation of the heritage and social and cultural memory affecting the districts with special heritage value known collectively as “medinas”. Technical assistance has been provided in Morocco for some years now in order to establish, with local partners, the criteria for providing finance for old town centres and to analyse their investment options in line with balanced development for the city in question.

This is a complex procedure, which must combine very different fields of expertise, focusing as much on town planning and architecture, public finances and administrative management, sociology and statistics as on the structuring of projects and financial engineering (especially in the case of public-private partnerships). This means pooling the resources and experience of all the players with a view to concerted action and involving public decision-makers and private investors. Experience is, moreover, important in some fields. This subject has been on the agenda of UNESCO and the World Bank for a few decades but the profound changes in the region have led to it being passed over in favour of others that are considered to be more pressing. It is time to give it fresh impetus if this urban heritage, which gives historic town centres in the Mediterranean region their character and appeal, is not to disappear for good.

From the Venice Conference Mr de Fontaine Vive, EIB Vice-President in charge of FEMIP, drew the following conclusions, which are tantamount to recommendations that will guide the “Medinas 2030” initiative:

- the rehabilitation must target a mixture of different urban functions and make it possible to help the local population or offer them appropriate conditions for relocation;
- the rehabilitation process must be based on close consultation with those affected, using, for instance, appropriate tools for participation;
- pilot schemes can provide a particularly useful frame of reference for instilling confidence among those affected;
- to ensure adequate funding, it is essential that the private sector be involved in an appropriate manner;
- a crucial aspect of the successful rehabilitation of the medinas is that experience be shared among Mediterranean cities. Best practice and pilot schemes will enable national and local capacity to be strengthened;
- international institutions and local organisations should be more involved in the rehabilitation of the medinas by providing the funding and technical assistance needed to develop integrated rehabilitation programmes;

FEMIP will gladly take on board anything that will contribute to the success of the “Medinas 2030” initiative, which will be subject to annual review. ■

by Mateo Turró, Convergence and Environment Department, Urban Division



EIB increases its support for major infrastructure works in Italy



by Daniela Sacchi-Cremmer
Communication Department

On 8 October EIB President Philippe Maystadt and EIB Vice-President Dario Scannapieco signed a framework agreement with the Italian Minister of Infrastructure and Transport, Altiero Matteoli, for the financing of works provided for under the Italian Government's Ten-Year Strategic Infrastructure Plan during the period 2008-2012. This is the second such framework agreement entered into by the EIB after the agreement signed with the Spanish Minister of Transport and Public Works in 2002, which was renewed in 2006.

Under the terms of the agreement, the EIB and the Ministry will step up their collaboration with a view to identifying projects (with amendments and additions) covered by the Ten-Year Plan that are eligible for financing by the Bank. They will also jointly define the appropriate financing structures and share the skills acquired by the Bank in its European operations, in the areas of structured and project finance, e.g. on issues such as competitive and negotiated procedures for the awarding of concessions under public-private partnership arrangements.

The volume of finance that the EIB will be able to provide in support of economically sound and sustainable infrastructure projects will be some EUR 15bn. Between 2003 and 2007, EIB financing in support of infrastructure projects in Italy totalled around EUR 10bn.

"Signing this agreement strengthens and formalises the EIB's commitment to supporting the Italian Government's Ten-Year Plan, facilitating and expanding the options for financing strategic infrastructure, in particular priority infrastructure associated with the completion of the Italian sections of the European transport network", remarked EIB President Philippe Maystadt at the signing ceremony.

In the past, the Bank has financed important components of this Plan, including the high-

speed rail network, the Rome Underground, airport infrastructure in Rome, Venice, Bologna and Milan and platforms for intermodal transport in Sicily and Piedmont.

EIB financing may be direct, in the form of investments promoted and taken on by the Ministry, or via State administrations and public enterprises, Regions, regional public bodies and concession-holders. The Ministry in Piazzale Porta Pia will organise meetings with these counterparties to inform them of the potential availability of finance from the EIB under the terms of this Agreement. The loans may be intermediated by first-class banks or take the form of structured and project finance or other forms of financial engineering. In cooperation with the EIB, and in order to identify potential synergies and forms of co-financing, the Ministry will examine the opportunities available through European Union programmes. ■

International policy conference on student loans at the EIB

Four years after the EIB financed its first ever student lending scheme (IntesaBridge in Italy), the Human Capital Division of the EIB's Projects Directorate is organising a conference on 22-23 January 2009 to highlight the latest developments and prospects for student loans. This conference will bring together more than a dozen distinguished guest speakers, who will share with us their insight into the world of financing tertiary education to promote quality and access. The conference aims to bring the topic of student loans to the forefront of the policy arena in the EU, initiate discussion in other countries (e.g. Mediterranean partner countries, the Balkans, etc.) and foster opportunities for discussion and dialogue among administrations and/or banks thinking about introducing such schemes.



The conference is targeted at senior tertiary education policymakers, financial institutions and the wider education community concerned with the funding of tertiary education in general, and student loans in particular. Participants will include representatives from: the European Commission; student loan agencies; Ministries of Higher Education and Finance and other agencies; European financial intermediaries; student institutions; the OECD, World Bank and UNESCO; and researchers from tertiary education institutions.

The conference will comprise five sessions: 1) student loans as a key piece of a higher education financing model; 2) practical ex-

periences: lessons learned from case studies in the EU; 3) roundtable on critical success factors for student loans – guests from student loan agencies, Ministries of Higher Education and banks; 4) advancing student mobility through new financing solutions; 5) roundtable to brainstorm possibilities for collaboration at an EU level to facilitate access to loan facilities for students wishing to undertake part of their studies in another country, including the viability of a pan-European scheme to enhance mobility at EU level.

President Maystadt will open the conference and Vice-President da Silva Costa will deliver the concluding remarks. On the evening

before the conference, the Projects Directorate will be holding a Welcome Dinner for the guest speakers, including a key-note speech by Vice-President Srejber.

You can learn more about the conference at www/eib.org/events or by contacting Luisa Ferreira (l.ferreira@eib.org). ■

by M. Luisa Ferreira
Economic Adviser, Human
Capital Division, Projects
Directorate

Research, Development and Innovation Roadshow

As Vice-President in charge of the European Investment Bank's lending strategy in Estonia, Finland, Latvia, Lithuania and Sweden, Eva Srejber took up a challenge earlier this year: to organise a seminar on financing research, development and innovation (RDI) in each of these countries. These events were also good opportunities to look at the "EIB at 50" and how the Bank has fared in the region since Sweden and Finland joined the European Union in 1995 and the Baltic States in 2004. The roadshow started on 11 April in Sweden and ended in Tallinn on 14 November. To give it the proper Baltic Sea dimension, these seminars were complemented by a similar one in Copenhagen in May and a broader conference in Warsaw on 6 November, which attracted a record audience of close to 200 people.

by Olivia Saunders
Communication Department

The purpose of this roadshow was to increase awareness and propose concrete solutions for those wishing to develop and support projects related to research, development, innovation, education, technology transfer and venture capital. In Warsaw there was an additional focus on renewable energy and climate change. RDI has indeed been identified as one of the key factors for improving competitiveness and the shift towards a knowledge-based economy, which has become a priority for the EU. The main tools proposed by the EIB were the Risk Sharing Finance Facility (RSFF) and the European Investment Fund's venture capital and technology transfer activities.

These events increased awareness about the EIB and provided an opportunity to present the EU's Baltic Sea Strategy which will be launched next year.



On average, each seminar attracted approximately 50 participants from corporates, banks, public agencies and other stakeholders having a significant involvement in RDI. This relatively small number suited the purpose of the seminars well, as they aimed not to simply present another EU facility but rather to engage in a genuine dialogue with the local stakeholders on the needs for financing and the available offer in the respective markets.

The seminars were adapted to suit the local market and were thus co-hosted by a local partner, usually the Ministry of Finance or the Industry Association. The Research Directorate of the European Commission and the European Investment Fund were present as the EIB's partners. High-level external speakers such as the Ministers of Finance or corporate representatives having had experience with EIB financing were usually invited to give an outside view on the experience and needs inherent to each country to allow the widest possible exchange of views and information. Now that the roadshow, and 2008, are coming to an end, the EIB would like to thank all its partners for their cooperation in enabling the challenge to be so successfully completed.

A EUR 54m loan to the Getinge Medical Technology project in Sweden (of which a large part is developing a novel anaesthesia system and improved ventilation systems in operating theatres) and a Haldor Topsøe RDI project in Denmark have been signed this year. New major RSFF projects are already in the pipeline with stand-alone joint ventures. The EIB also intends to reach out to smaller companies through risk-sharing bank facilities with Nordic, Polish and Baltic banks. These are currently under discussion. ■

What is RSFF?

The Risk Sharing Finance Facility is an instrument designed by the EIB and the European Commission to offer low and sub-investment grade financing for companies of any size and ownership implementing RDI investments in five main sectors: engineering/automotive, energy, information and communication, life sciences and RDI infrastructures.

This instrument has the capacity to mobilise up to an estimated EUR 10bn in loans to share the risk of investing in the Knowledge Economy. The EIB will support up to half of an RDI project's cost either directly or via an intermediary such as a bank or special purpose investment vehicle, in the form of guarantees or loans. EIB direct loans can range from EUR 7.5m to EUR 200m.

The EIB has lent some EUR 66bn for RDI, education and information and communication technology projects since EU leaders agreed in 2000 to target R&D spending of 3% of gross domestic product by 2010.



EIB opens offices in Ankara and Istanbul

The Bank has opened representative offices in Ankara (23 October) and Istanbul (24 October) to improve its responsiveness to public and private financing needs and reinforce cooperation with local institutions and partners. Alain Terrillon heads the Istanbul office, which became fully operational in November, and also the Ankara office for the time being.



“Our offices will allow us to be closer to the market, to better understand the needs of project promoters and to further tailor our financial products to local requirements”, said President Maystadt at the inauguration of the Istanbul office. “We need to get to know better the key players in these markets, and our local presence will enable us to reinforce our ties and work even more closely together in the future.”

On the same occasion, Mr Maystadt described the background to the EIB's operations and the outlook for its activities in Turkey.

In December 2004, the European Council decided that Turkey fulfilled the Copenhagen political criteria, thus opening the

way for accession negotiations and clearly putting Turkey on the map as an EU Candidate Country. This decision set in motion a historical process which is continuing to unfold in Turkey's progression to the European Union. Secondly, Turkey has changed dramatically in the last few years: the country has modernised its financial and banking sector after the 2001 crisis; it has embarked upon a rigorous programme of institutional and social reforms bringing it more closely into line with the EU; and it has invested massively in its human capital, reinforced its enterprise culture and attracted substantial flows of foreign investment. All of this has resulted in strong economic growth of over 5% annually over the last five years, driven by increasing productivity in the private sector.

Due to the accession process, the EIB has been able to widen significantly the financial instruments it can use for its activities in Turkey. The Bank is no longer working exclusively under an umbrella arrangement as part of the EU budget, but now has a variety of instruments to finance projects in Turkey on its own initiative and at its own risk.

During its 40 years of lending operations in Turkey, the Bank has financed public and private sector projects, comprising infrastructure investments in transport, energy and the environment. Investments in efficient infrastructure, from large-scale trans-European transport corridors to the improvement of local infrastructure by municipalities, are essential to underpin Turkey's significant economic growth and will contribute to forging closer trading links with EU members and global markets. The EIB has a long-standing and fruitful relationship regarding infrastructure development in the country, in terms of the key national priority schemes such as the Bosphorus Bridge, the Bosphorus Tunnel and the Istanbul-Ankara Railway.

EIB financing has also supported corporate investment in the manufacturing, utility and services industries, assistance



for small and medium-sized companies through local financial institutions, as well as investment in education and the promotion of a knowledge-based economy. In the corporate sphere, the Bank's main activity has been, in conjunction with the national and international banking sector including other IFIs, to meet the funding requirements of companies that are investing in Turkey, mostly in cooperation with domestic industrial partners.

The Bank has formed partnerships with national and foreign industrial investors and is supporting a vibrant SME sector in Turkey through cooperation with an extended network of local banks. It is also progressively expanding into other priority areas which

are essential for Turkey's future prosperity, such as sustainable, competitive and secure energy and research, development and innovation.

In 2008, EIB investments in Turkey reached some EUR 2.8bn, making the country the largest recipient of EIB funding outside the EU.

"We can look back with satisfaction to a relationship that has grown over more than 40 years", concluded Mr Maystadt. "I am confident that we can continue and further deepen that relationship over the coming years and decades, and that our offices here will make a contribution to that process". ■

by Hellen Meijer
Communication Department

EIB cooperates with other IFIs to support development of Georgia

The EIB has recently reconfirmed its intention to support, in close cooperation with the European Commission and other international financial institutions, investments to promote economic and social progress in Georgia, in the framework of the Georgia Donors' conference.



The Bank is ready to participate in co-financing the country's significant investment needs in order to both repair the damage directly caused by the recent military operations and stimulate economic activities in the short and longer terms by developing sound infrastructure. These needs were identified in the course of the Joint Needs Assessment (JNA) in September 2008, in which the EIB actively participated.

The Bank has decided to allocate more than EUR 200m for loans to infrastructure projects identified by the JNA for 2009 and 2010. In particular, the EIB is considering financing projects relating to the genera-

tion or transportation of energy, i.e. high-voltage transmission lines (EUR 56m) and hydro-power plants (EUR 90m). In addition, the EIB is looking at providing loans for the rehabilitation of railways (EUR 65m) and reconstruction of the runway at Tbilisi airport (EUR 11m).

The EIB expects to co-finance these investments in equal amounts with the European Bank for Reconstruction and Development (EBRD). Both banks will seek grant support from the European Commission (e.g. under the Neighbourhood Investment Fund, NIF) and other sources as and when appropriate to accompany their loans and to further soften their loan terms.

As a result of this cooperation a High-Voltage Lines project is currently being prepared. In this case, the financing plan includes a EUR 8m grant from the EU NIF for technical assistance which has already been approved, loans of EUR 56m each from the EBRD and the EIB, and a EUR 100m loan from KfW Bankengruppe. ■

**by Dušan Ondrejčka,
Communication Department**

FEMIP Seminar on Human Capital

How to provide more jobs for young graduates in the Mediterranean region?



A FEMIP seminar on “Matching skills and market needs: the human capital challenge in the Mediterranean region” was held on the EIB’s premises on 18-19 November 2008. This event brought together some 70 participants from various backgrounds, including officials from European and Mediterranean Ministries of Education and Labour, representatives from multilateral organisations, the private sector and the media, and academics.³

A key issue for the region’s future

The seminar was held in the framework of the FEMIP Internship Programme, which is financed by the FEMIP Trust Fund. It was organised into three sessions looking at the types of jobs and economic models that need to be promoted, the ways to better match educational curricula with labour market requirements and the means to increase job opportunities and improve the labour market.

Most of the participants highlighted the enormous challenge facing the Mediterranean partner countries. Young people under the age of 25 make up nearly two thirds of the population. This represents a huge asset as long as they can be provided with jobs. However, the Mediterranean countries have

high unemployment rates, especially among young graduates, and will have to create some 20 to 60 million jobs by 2020 just to keep those rates at their current levels.

Human capital, a priority for the Union for the Mediterranean

Since the first ministerial meeting on Higher Education and Scientific Research held in Cairo in June 2007 and the Paris Summit for the Mediterranean held in July 2008, the human capital issue has moved to the heart of the political agenda. In the Paris Summit Declaration, it was identified as one of the EU’s priority fields of action in the Mediterranean. The Foreign Ministers meeting in Marseille then the Industry Ministers meeting in Nice in early November set out a raft of initiatives aimed at bolstering higher education, fostering a culture of entrepreneurship and promoting vocational training. The Employment Ministers meeting in Marrakesh on 9 and 10 November reiterated this commitment.

³ More information about the seminar is available on the EIB’s website: www.eib.org/events



How to move forward?

Between 2002 and 2007, FEMIP provided some EUR 70m for education and training-related projects. It can now consider stepping up its support for education and vocational training while exploiting the experience gained by the Bank in the EU. FEMIP could especially finance the construction of vocational training centres, with the help of technical assistance financed by the EU budget if necessary. It could also increase its investment in innovative sectors by targeting to a greater extent equity funds that specialise in financing start-ups. It could likewise play a substantial role in bringing the various stakeholders into the human capital debate. Through its network of contacts with business people and chambers of commerce, FEMIP could act as a bridge between policymakers and business on the human capital issue. Lastly, FEMIP could

further stimulate demand for labour by supporting small businesses, especially job-creating family firms. This issue will be addressed in particular at the forthcoming FEMIP conference on SMEs to be held in Rabat next March. ■

by Joyce Liyan
European Neighbour
and Partner Countries
Department



Building the Union for the Mediterranean: **what role for FEMIP?**

The Paris Summit for the Mediterranean held on 13 July 2008 renewed the momentum of the Barcelona Process and marked an important step forwards for Euro-Mediterranean relations. In this framework, a series of ministerial meetings were held with the objective of further defining the organisation, governance and financing architecture of the Union for the Mediterranean. As the leading investor in the region, FEMIP actively participated in these meetings and has been confirmed as the main coordinator of three key initiatives identified at the Paris Summit.

The 8th FEMIP Ministerial Meeting: setting new challenges for the EIB

The Joint Euromed Ecofin and FEMIP Ministerial Meeting that took place in Luxembourg on 7 October 2008 was the first ministerial meeting held after the Paris Summit. Against the backdrop of the current financial crisis, the ministers discussed the challenges ahead and affirmed their determination to continue their work in favour of economic growth. They also made clear their commitment to implementing concrete regional

projects as identified by the Heads of State or Government on 13 July.

The ministers particularly emphasised the role played by FEMIP in three of the six key initiatives pinpointed in the Paris Summit Declaration: the cleaning-up of the Mediterranean, the motorways of the sea and the Mediterranean solar plan. They welcomed FEMIP's strategy for 2008-2010, enabling it to step up its efforts and stimulate investment to a greater extent. In addition, they asked FEMIP to further contribute to the development of skills and vocational training, which have a decisive impact on economic competitiveness and growth.

The Marseille Conference, a milestone for the Union for the Mediterranean

The "Barcelona Process: Union for the Mediterranean" ministerial conference held in Marseille on 3-4 November 2008 led to the adoption by the Euro-Mediterranean Ministers of Foreign Affairs of a declaration on governance, projects and regional political dialogue that clarified the architecture and governance of the now-called "Union for the Mediterranean".

The ministers also adopted the work programme for the year 2009 and invited FEMIP to step up its efforts in several areas, particularly the tourism sector. They also confirmed the organisation in 2009 of two FEMIP conferences on sustainable water financing and financial assistance to SMEs.

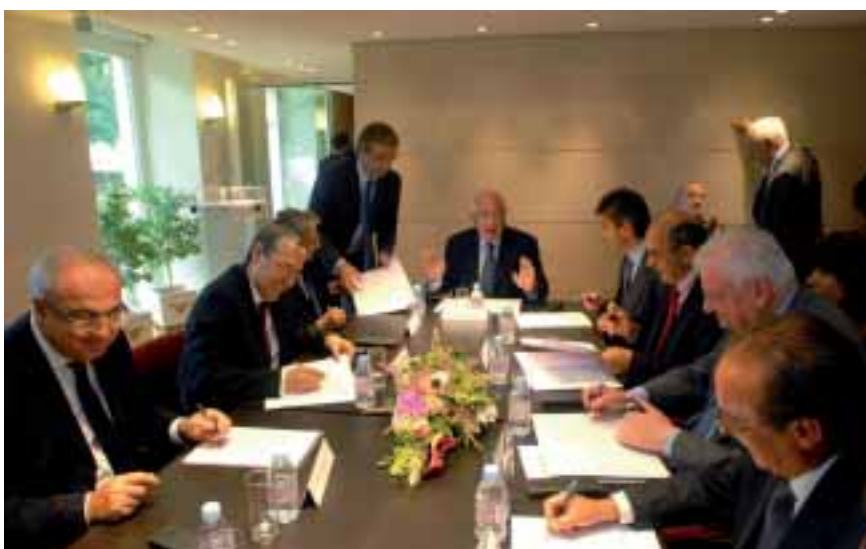
The Nice ministerial meeting: mobilising funds for concrete projects

The Marseille Conference was followed by the 7th Euro-Mediterranean Ministerial Conference of Industry that was held in Nice on 5-6 November 2008. On this occasion, the ministers approved the industrial cooperation work programme for 2009-2010, which aims at further supporting competitiveness, innovation and sustainable industrial development in the Mediterranean region.

In this framework, the Bank was asked to propose during the first half of 2009 an investment programme to develop solar energy in the Euro-Mediterranean region. In

addition, as a response to finding a solution on how to increase European investment in Mediterranean partner countries, the ministers agreed to create a working group including the private sector tasked with making successful projects widely known. Lastly, the EIB together with the French-Egyptian co-Presidencies put forward an initiative to convene a high level meeting of Arab, European and Mediterranean financial institutions in Cairo in January 2009 to discuss ways and means to ensure the availability of funds for industrial projects, especially the priority axes defined in the Paris Summit Declaration. ■

by Joyce Liyan
European Neighbour
and Partner Countries
Department



Focusing attention on Africa's infrastructure needs

While recent improvements in the telecommunications sector have contributed to Africa's growth, much more needs to be done in critical areas such as power and water.



On 1 October, EIB staff heard Vivien Foster and Cecilia Briceño-Garmendia of the World Bank present preliminary findings from the two-year-long Africa Infrastructure Country Diagnostics (AICD) study. This major, multi-donor funded study covers a representative group of 24 countries in sub-Saharan Africa (SSA), evaluates past interventions, analyses current needs and seeks to establish a comprehensive baseline for monitoring future investments and guiding donor activities. The AICD study covers the energy, transport, telecommunications and water sectors, and also draws on existing household and enterprise surveys.

The cost of catching up

While recent improvements in the telecommunications sector have contributed to Africa's growth, the AICD study concludes that much more needs to be done in critical areas such as power and water. Infrastructure investment needs are estimated at USD 75bn per annum (significantly higher than previously estimated), evenly split be-

tween capital and operating/maintenance expenditure. Whereas infrastructure funding is also higher than previously estimated, there is still an estimated funding gap of some USD 35bn per annum for the next ten years.

The power sector represents, by far, Africa's greatest challenge and biggest investment need. More than 30 countries are suffering chronic power shortages, and many have resorted to leasing emergency generation facilities whose high costs can reduce GDP growth rates by up to 2%. The need for additional generation capacity, transmission and utility reform is pressing. Yet, there is also a willingness to pay for better services; private sector investment now accounts for more than 6% of Southern Africa's installed capacity. The power sector is a focal area for the EIB in Africa, and one that also offers potential to develop cleaner and more efficient sources.

In transport, rural access remains a development priority but the main road networks also require rehabilitation and upgrad-

ing. Further sector reforms, including the strengthening of road funds and agencies, are needed to ensure adequate road maintenance and sustain assets. Promoting competition in overland freight transport would also expand services and reduce high costs. Maritime port development is another critical area for EIB involvement. Limited containerisation means that services provided by ports in sub-Saharan Africa are costly and inefficient, and goods volumes often exceed port capacity.

There is now a strong international consensus to support regional infrastructure projects in Africa, which can act as catalysts for economic integration, increased competition and market expansion, especially for land-locked countries. If governments are willing to work together across borders, the economies of scale can significantly reduce costs, particularly in the transport and energy sectors. The EU Africa Infrastructure Trust Fund, managed by the EIB, can play an important role in facilitating such regional projects by combining grant funding with loans from European financial institutions.

The present project pipeline is predominantly from the energy sector, an example being the Caprivi Inter-connector (see article page 26).

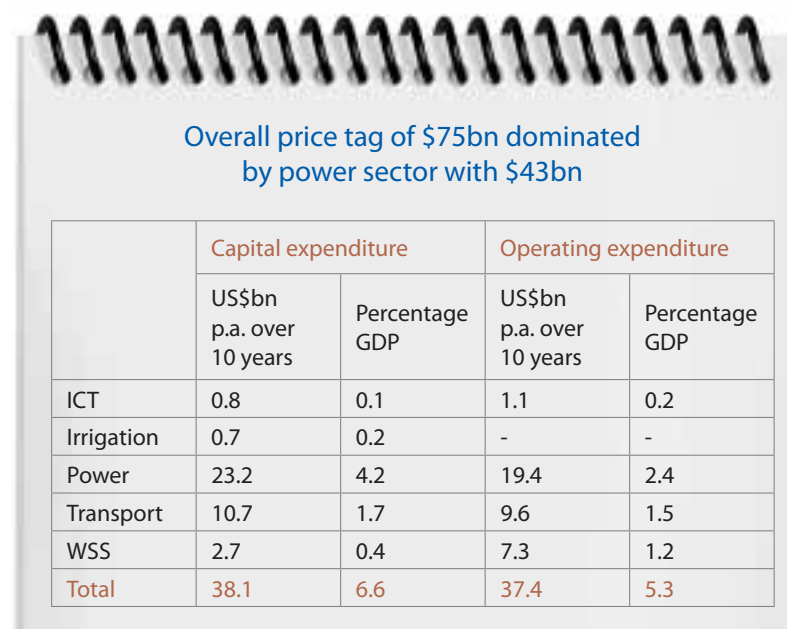
Money isn't everything – more efficiency is needed

Improved efficiency can play as big a part as increased investment in bridging Africa's infrastructure gap. The AICD study suggests that Africa's contribution to infrastructure (via government spending) may in fact be greater than previously estimated. Nevertheless, many countries experience flaws in public investment allocation, under-spending of capital budgets, high infrastructure unit costs and under-funding of maintenance. Addressing these deficiencies could more than halve the USD 35bn annual financing gap. More can be done by development partners to promote institutional reforms alongside investment, for example engaging with line ministries on budgeting, planning, tariff-setting, appraisal and procurement processes. A final point of interest is the wide variation in the cost of capital provided by external financiers and the importance of optimising these sources to ensure that borrowing/debt levels remain sustainable.

The findings from this study will inform EIB's business planning in Africa. The AICD website (www.infrastructureafrica.org) provides more information. An AICD summary report will be published in 2009, and referenced data will in due course be accessible through a web-based Geographical Information System. ■

by Alistair Wray,
Projects Directorate and
Robert Feige, Africa,
Caribbean and Pacific
Department

Investment needs as calculated by the AICD study:



AICD study coverage



The Caprivi Interconnector –

enabling regional power integration

Diversifying Namibia's imported power options and ensuring a reliable electricity supply for the country's 2 million inhabitants is the objective of the Caprivi Interconnector, which will link the Namibian, Zambian and Zimbabwean electricity networks. The EIB, Agence Française de Développement (AFD) and Kreditanstalt für Wiederaufbau (KfW) will each contribute EUR 35m in long-term ZAR-denominated loans to this project, which is expected to be completed in 2010.

The 970 km 350 kV transmission line will cost the promoter, NamPower, an estimated EUR 300m.

This Interconnector will enable NamPower to import power from neighbouring countries, many of which have strong hydropower capacity, thereby diversifying supply options. The new project will reduce Namibia's reliance on a single supplier, South Africa, from which it currently sources 50% of its power. Moreover, the existing Insukamini Matimba interconnection between Zimbabwe, Botswana and South Africa will benefit from peak period congestion relief thanks to the Caprivi link, which will provide an alternative means of transporting power from the Demo-

cratic Republic of Congo and Zambia to South Africa.

Strengthening the South African Power Pool

Interconnection of these electricity networks is one of the Southern African Development Community's main regional objectives and the project will help to strengthen and stabilise the South African Power Pool (SAPP). The purpose and function of SAPP is twofold. Firstly, SAPP coordinates the creation of an integrated, regional high-voltage transmission network to provide redundant capacity to offset local shortages. Secondly, in the long term, the existence of SAPP will result in the allocation of scarce resources

for investment in power generation to those countries with the most cost-effective resource potential.

A stable and functional SAPP would:

permit members to avoid building up peaking capacity for energy security. SAPP could handle this through trading, in the same way that excess wind power in Denmark is sold to Germany in windy periods. Peaking capacity is expensive and generally based on polluting diesel or heavy fuel oil;

enable efficient North-South energy trading within SAPP, permitting regional development through energy trading and exploiting comparative advantages;

give countries with hydropower potential in northern SAPP the incentive to start projects. Transmission and generation should occur in parallel; however, they are often locked in a "chicken and egg" situation. Subsidies can help kick-start this investment cycle.

EU-Africa Infrastructure Trust Fund: supporting Caprivi

On behalf of NamPower, the three international financial institutions have also jointly applied for an interest subsidy of EUR 15m

from the EU-Infrastructure Trust Fund, an EIB-managed body which uses grant finance to support infrastructure projects with a cross-border or regional impact.

The EIB, AFD and KfW support the need for an interest subsidy to ensure that Namibian consumers do not unfairly underwrite economic gains that will have huge economic benefits for the region as a whole. The Caprivi Interconnector will bring considerable cost savings over the life of the project. The stabilisation benefits could amount to EUR 10m a year in the region, through a reduction in power disruptions. Moreover, as the link provides a 3 000 km 400 kV short-cut, a further annual saving in the range of EUR 6.7m would occur thanks to a reduced transmission loss. The net present value of the economic benefits to SAPP and Namibia is in the region of EUR 170m.

Caprivi: a truly regional project

The Caprivi project is not only a regional project from a purely technical point of view but will generally help to facilitate regional energy trade and kick-start the development of additional hydropower in the SAPP, to the benefit of the whole region. ■



by Rasmus Lauridsen
 Directorate for Operations outside the European Union
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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..

- **22-23 January 2009** – International Policy Conference on Student Loans. Luxembourg
- **9 March 2009** – Annual News Conference. Brussels - Belgium
- **12-13 March 2009** – EIB Forum on Financing Mobility and Sustainable Cities. Barcelona - Spain

Details and registration at www.eib.org/events

New EIB publications

October 2008

- European Investment Bank in Turkey
- European Investment Bank in the Caribbean
- Technical Assistance for Project Preparation - JASPERS
- JEREMIE: A new way of using EU Structural Funds to promote SME access to finance via Holding Funds

November 2008

- European Investment Bank in the African, Caribbean and Pacific Countries (ACPs) and the Overseas Countries and Territories (OCTs)
- European Investment Bank activities in Microfinance in Africa, the Caribbean and the Pacific
- 50 years promoting European objectives - A solid partner of Greece for 45 years
- FEMIP for the Mediterranean - Financing Education and Training
- European Investment Bank lending in Greece
- Actividad del BEI en España 1986-2008

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

Change in telephone numbers on 1 January 2008!

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

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

