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BANCO EUROPEU DE INVESTIMENTO

EIB Financing for Trans-European Infrastructure Networks

The development of effective trans-European networks in the fields of transport, telecommunications and energy has always featured high amongst European Union priorities since,



The «Eurostar» trains will run between Paris-London-Brussels-Amsterdam and Cologne.

facilitating the free movement of people, goods and information, these networks contribute in a decisive way to the overall process of European integration. They also play an essential part in cementing the Single Market and in inter-linking the economies throughout Europe.

The European Investment Bank has been a regular provider of financing for infrastructure schemes of benefit to the European Union in particular, given that they help to build up an integrated

European network and to foster regional development, the principal Union objective served by the Bank. The EIB has lent its support to a growing variety of communications projects, ranging from traditional and high-speed railways (see box article p.3), roads, motorways and combined rail/road transport to shipping, airports, air traffic control and satellites. The EIB figures amongst the leading sources of banking finance for large infrastructure schemes in many EU countries, such as France, Spain, Italy and Portugal. Over

the period 1988-1993, EIB loans for infrastructure totalled ECU 25.7 billion (accounting for 30 per cent of all Bank lending), of which ECU 2.5 bn was made available in neighbouring countries outside the EU, including those of Central and Eastern Europe.

In December 1992, the EIB was invited by the Edinburgh European Council to contribute towards the Union's growth initiative by accelerating the financing of trans-European networks

(TENs) through an extra ECU 5 billion in loans, increased by a further ECU 2 bn following the Copenhagen Council Meeting in June 1993. Between February 1993 and July 1994, ECU 6.3 bn was approved under ▶

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EIB Prize rules 1995

Set up to encourage research on investment and financing, the prize is awarded every two years for a doctoral thesis. Deadline for applications: 1 February 1995.

the «Edinburgh lending facility», with a view to speeding up financing of some 150 large infrastructure schemes throughout the European Union.

THE UNION'S PRIORITY TENs PROGRAMME

Added impetus was given to TENs projects when the Brussels Council in December 1993, acting on the Commission's

priorities for new major capital investment in transport and energy throughout the EU (1). In its capacity as the European Union's long-term financing institution experienced in funding infrastructure investment and invited by the European Council to make a significant contribution to the priority TENs programme, the European Investment Bank is taking an active part in these deliberations.

ing countries, particularly in Central and Eastern Europe and the Mediterranean Basin, and to examine the question of relevant networks in the environmental field.

THE ROLE OF THE EIB IN FINANCING PRIORITY TENs

Following the Brussels Summit in December 1993, the EIB confirmed its commitment to making substantial additional efforts to provide finance for the priority TENs projects. The Bank's long-term financing capacity is particularly well suited to the requirements of long-term, large-scale TENs schemes. As to the additional funding which the EIB is to furnish over coming years, the Bank expects to have sufficient capacity under existing borrowing powers (if necessary, the EIB's Board of Governors is prepared to agree a capital increase). The Bank also acts as a catalyst in consolidating the participation of other public and private-sector financing institutions on the basis of its recognised experience in capital investment financing and project appraisal.

The general principles guiding EIB consideration of financing for TENs centre on the need to review each project individually and to ensure that TENs projects are economically, financially and technically viable. They must also comply with the Bank's environmental protection requirements and meet an identified capacity need within the trans-European networks, the emphasis being on interoperability and interconnection. TENs projects are subject to the Bank's normal economic, technical and financial appraisal, taking into account identifiable network benefits. To meet the specific requirements of TENs, particularly in view of their long construction periods and the slow build-up of positive cash flow, the EIB is prepared to consider special arrangements on a case-by-case



The EIB is one of the principal sources of banking finance for major infrastructure schemes in many countries within the European Union.

White Paper on growth, competitiveness and employment, decided to mandate a Working Party of Personal Representatives of the Heads of State or Government, chaired by Henning Christophersen, Vice-President of the European Commission, to establish the

On the basis of a proposal from the Christophersen Group, the European Council at its Corfu Meeting in June 1994 approved a list of 11 high-priority transport projects (see box on page 4) and took note of the Group's list of eight priority energy projects interconnecting gas and electricity power grids at European level. The Christophersen Group was asked to prepare a final report for the Essen Summit in December 1994. It was also asked to continue studying the extension of TENs networks to neighbour-

(1) A working party chaired by Commission Vice-President Martin Bangemann received a similar mandate in the field of telecommunications which is beyond the scope of this article.

EUROPEAN HIGH-SPEED RAIL LINKS

On 12 July 1994, the EIB advanced a loan of ECU 65.9 million to Société Nationale des Chemins de fer Français which marked the final stage in implementing its agreements with the SNCF on financing the «TGV Nord-Europe» (Paris - Channel Tunnel/Lille and Belgian border); the operation thus brought to almost ECU 1 billion (FRF 6 billion) the Bank's contribution, since November 1990, towards this major infrastructure scheme offering pan-European benefits.

The EIB has been providing long-term credit for establishing high-speed train networks in Europe since the mid-1980s. This efficient means of transport, consuming little energy and taking up only limited space (a high-speed line requires just 55% of the expanse occupied by a four-lane motorway while offering significantly greater capacity), represents a considerable asset for the European communications systems of tomorrow in terms of speed, safety, the creation of fresh activities and regional development.

Over the past five years, the EIB has therefore devoted some ECU 5 billion to financing a number of rail links in continental Europe, among which feature prominently major segments of the future European high-speed rail network: the «TGV Atlantique» (Paris - Brittany and Aquitaine) which has attracted around ECU 350 million, the Madrid - Seville line (ECU 777.5 million), the Cross-Channel fixed link (ECU 1375 million) and the Belgian section of the «TGV Nord-Europe» (French border - Brussels; almost ECU 250 million). Other rail schemes designed substantially to improve the speed and capacity of links of pan-European interest have also received extensive EIB backing: in Denmark, the Nyborg - Odense line and the Great Belt combined road and rail fixed link; in Spain, the Madrid - Barcelona and Madrid - Valencia lines; in Portugal, the main Lisbon - Oporto line and links with Spain; and, finally, in Greece, the Athens - Thessaloniki - Idomeni line.

Such financing forms an integral part of priority EIB support for the trans-European transport, telecommunications and energy transfer networks of tomorrow which, together, claimed some ECU 20 billion in Bank financing between 1989 and 1993. Activity under this heading is set to witness fresh developments in the future, notably in connection with the priority projects approved by the Heads of State or Government at the European Council meeting in Corfu in June 1994 and identified in close association with the EIB.

basis, e.g. to finance interest during construction, to extend grace periods for loan repayment or to provide longer maturities subject to the scope offered on the financial markets.

The EIB has begun to appraise all the priority transport and energy TENs. Progress achieved by the time of the Essen Council in December 1994 will depend largely on the state of advancement of each project concerned. At present, this varies considerably from one scheme to the next. Since the beginning of 1994, the EIB has mobilised ECU 1 billion for investment partly or directly linked to the approved list of priority projects: Europoort-Rotterdam as part of the Betuwe line, Irish Rail Rolling Stock, the «La Maurienne» motorway (Rhône-Italy axis) in France and extension of the Transgas network in Portugal. Loans of ECU 1.5 bn have also been committed for a number of projects falling within



Extending the trans-European gas network is one of the Union's energy-sector priorities.

the TENs ambit but not on the priority lists, i.e. covering sections of the motorway networks in Spain, Belgium, Denmark and France, main roads in Portugal, the Great Belt Link in Denmark, the E 18 Motorway in Finland and the Berlin to Warsaw rail line improvement works.



LIST OF HIGH-PRIORITY TRANSPORT PROJECTS ADOPTED BY THE EUROPEAN COUNCIL IN CORFU, JUNE 1994

- High-Speed Train Combined Transport
Brenner axis: Verona-Munich-Nuremberg-Erfurt-Halle-Leipzig-Berlin
- High-Speed Train: Paris-Brussels-Cologne-Amsterdam-London
Links from the French border to Brussels, the Netherlands and Germany
Rail link from London to the Channel Tunnel
- High-Speed Train
Madrid-Barcelona-Perpignan-Montpellier; Madrid-Vitoria-Dax
- High-Speed Train
Paris-Metz-Strasbourg-Appenweier-Karlsruhe
with branches to Metz-Saarbrücken-Mannheim and Metz-Luxembourg
- Intermodal/Conventional Rail link
Rotterdam-Dutch/German border-Rhein-Ruhr: Betuwe line
- High-Speed Train Combined Transport: France-Italy, Lyons-Turin
- Patras Motorway: Greek/Bulgarian border in conjunction with West-East
motorway corridor: via Egnatia (Igoumenitsa-Thessaloniki-Alexandroupolis)
- Lisbon-Valladolid Motorway
- Cork-Dublin-Belfast-Larne-Stranraer Rail Link
- Malpensa Airport (Milan)
- Fixed Rail/Road link between Denmark and Sweden
Øresund fixed link, including access routes

LIST OF EIGHT ENERGY NETWORK SCHEMES CONSIDERED BY THE EUROPEAN COUNCIL IN CORFU

Electricity projects

- Greece-Italy interconnection (cable)
- France-Italy interconnection
- Spain-Portugal interconnection
- Cable link between eastern and western Denmark

Gas projects

- Introduction of natural gas in Greece
- Introduction of natural gas in Portugal
- Interconnection between Portugal and Spain
- Algeria-Morocco-European Union pipeline

igned specifically to enhance environmental protection (ECU 4.4 billion in 1993, equivalent to some 25 per cent of total lending within the European Union).

CHALLENGES TO BE MET

The main causes of concern for the development of TENs are the complexity and slowness of current legal and administrative procedures in the Member States and, in some cases, at European Union level. Delays in decision-making stem from the scale of certain projects, the need for cooperation between a number of different (national or regional) authorities and the recognition that environmental and safety considerations have to be integrated into all steps of project planning.

In order to provide adequate funding for the TENs projects, the go-ahead has been given to drawing on both EIB loans and grants from the Cohesion and Structural Funds (in the less favoured areas of the European Union), while steps have also been taken to extend the private sector's involvement. Traditionally infrastructure projects, in particular in the field of transport, have been financed almost exclusively by the public sector. National budget authorities however, confronted with spending constraints, have reduced public investment in transport infrastructure over the past ten years, given that infrastructure projects offer a return only in the longer term and occasionally represent a considerable commercial risk. An important role in attracting private financing has been envisaged for the European Investment Fund (EIF). Established in June 1994 by the European Union, the EIB and public and private-sector banks from all EU Member States, the EIF will be providing guarantees to lenders and investors in TENs (see page 5). ■

If requested, the EIB is also prepared to consider a further expansion of lending for environmental networks which the Working Party is currently studying. The

Bank has considerable experience in this field by virtue of analysing the environmental impact of all capital investment it appraises and financing projects desi-



RULES FOR THE EIB PRIZE

Article 1. The EIB Prize was instituted by the European Investment Bank on the occasion of its 25th anniversary in 1983 to promote the study of investment and financing.

Article 2. The EIB Prize is awarded every two years for a thesis on the topic of investment and financing related to the European Union and to European integration policy. The Prize was awarded in 1985, 1987, 1989, 1991 and 1993 and will be again in 1995.

Article 3. To qualify as an entry for the EIB Prize, each thesis must have been successfully presented as a doctoral dissertation to a university or equivalent academic institution. The Prize jury, in exceptional cases, shall have the option of accepting entries which are deemed equivalent to doctoral dissertations.

Article 4. The EIB Prize may be awarded to any person having the nationality of a Member State of the European Union or a Member State of the European Free Trade Association or a European State that has an association agreement with the European Union, and who is under 32 years of age on the closing date for the submission of theses.

Article 5. The jury will accept as entries for the Prize theses by which doctorates have been obtained during the two calendar years prior to the year in which the Prize is to be awarded and up to the closing date of submission in the year of award.

Article 6. The Prize shall consist of: (a) the sum of ECU 12 000; (b) a diploma signed by the Chairman of the Prize jury and the President of the European Investment Bank.

Article 7. The terms for its award may be reviewed following each conferral of the Prize.

Article 8. The Prize shall be announced in the Official Journal of the European Communities and in relevant economic and financial publications published in the Member States at least three months prior to the closing date for the submission of entries.

Article 9. The Prize jury shall consist of six independent learned experts of high repute, to be appointed by the Management Committee of the European Investment Bank.

Article 10. The Prize jury shall make known its decision to the President of the European Investment Bank, no later than 1 June of the year of the award, in the form of a summary report, stating its grounds. The Management Committee shall award the Prize on the basis of that report.

The Prize jury shall have the option of not recommending a candidate for the award or of recommending two candidates for the award and to divide the amount of the Prize as appropriate.

The Prize jury's findings shall be final, and not open to appeal.

Article 11. The name of the Prize winner will be announced and the Prize will be awarded on the day of the Annual Meeting of the EIB Board of Governors of the year in question.

Article 12. The costs of adjudication and award shall be borne by the European Investment Bank.

Article 13. EIB staff members shall not be eligible to enter for the Prize.

Article 14. Theses must be submitted in one of the official languages of the European Union together with a summary.

Article 15. Candidates for the 1995 Prize should send two copies of their entries by registered mail to the EIB (100, Boulevard Konrad Adenauer, L-2950 Luxembourg) by the closing date, 1 February 1995.

For additional information please contact the Information and Communications Department of the European Investment Bank,
100, bd K. Adenauer, L-2950 Luxembourg,
tel.: 4379-3249, fax: 4379-3289
(Mr Orlando Arango).

The 1995 EIB Prize

" INVESTMENT AND FINANCING "

■ The European Investment Bank invites entries for its 1995 EIB Prize which will be awarded in June 1995. The Prize consists of ECU 12 000 and a diploma signed by the Chairman of the Jury, Lord Roll of Ipsden, and the President of the EIB, Sir Brian Unwin.



Established in 1983, on the occasion of the 25th anniversary of the Bank, the EIB Prize is awarded every two years for a doctoral dissertation on a topic related to investment and finan-

cing. To qualify, theses must have been accepted as doctoral dissertations by a university or equivalent institution between 1 January 1993 and 1 February 1995. Candidates must have the nationality of a Member State of the European Union or a Member State of the European Free Trade Association or a European State that has an association agreement with the European Union, and be under 32 years of age on the closing date for the submission of theses, which is 1 February 1995.

THE EIB PRIZE JURY IS MADE UP OF:

Jean-Claude Casanova,
Professor of Economics, Institut d'Etudes Politiques, Paris;

Wilhelm Hankel,
Professor for Development and Monetary Policy, Johann Wolfgang Goethe University, Frankfurt;

Arnold Heertje,
Professor of Economics, University of Amsterdam;

Alberto Quadrio Curzio
Professor of Economics, Catholic University, Milan;

Lord Roll of Ipsden,
President, S.G. Warburg Group Plc., London;

Julio Segura Sánchez,
Professor of Economics, University of Madrid.

Lord Roll has been elected Chairman of the Jury.

FORMER WINNERS

The first EIB Prize was granted in 1985 to Giovanna Nicodano for her thesis «Struttura Finanziaria, costo del capitale e decisioni d'investimento», with which she obtained her doctorate at the Università Commerciale Luigi Bocconi in Milan in 1983. The second EIB Prize was awarded in 1987 to Janette Rutterford for her thesis « An empirical investigation into the effects of corporate taxation on company capital structure». Ms Rutterford obtained her doctorate at the London School of Economics in 1986. Angeliem Kemna was the winner of the 1989 EIB Prize. Her thesis

«Options in real and financial markets» gained her a doctorate at Erasmus University, Rotterdam, in 1988. The 1991 Prize was won by Benoît Mulkay who presented his thesis «Investment and business survey - a study on a panel of French industrial firms» to the Université Catholique de Louvain in 1991. Finally, Eric Meyermans was awarded the 1993 EIB Prize for his thesis «Econometric Allocation Systems for the Foreign Exchange Market : Specification, Estimation and Testing of Transmission Mechanisms under Currency Substitution». With this thesis, Mr Meyermans earned his doctorate at the Katholieke Universiteit Leuven in 1992.

Update on the European Investment Fund

The European Investment Fund is a new financial agency set up to provide guarantees to support investment in two crucial areas for the development of the European economy: trans-European networks (TENs) and small and medium-sized enterprises (SMEs)⁽¹⁾. The constitutive General Meeting of the EIF was held on 14 June 1994 at the EIB in Luxembourg under the chairmanship of Sir Brian Unwin, EIB President and Chairman of the EIF's Supervisory Board. The EIF is a unique partnership in which the EIB and the European Community, through the Commission, cooperate with the banks and financial institutions of the twelve Member States.

The Financial Committee, the resident executive body of the EIF based in Luxembourg, consists of three members appointed for three years by each category of the Fund's shareholders; it is chaired by Eugenio Greppi, the member representing the EIB, and started work on 29 June 1994. The Financial Committee has prepared and approved necessary administrative matters, such as voting procedure for the Fund's organs, choice of external auditors (KPMG-Peat Marwick), signature of correspondence and documents on behalf of the EIF, a management contract with the EIB, etc. Finally the Financial Committee defined the lead responsibility in particular country and subject areas amongst its members and decided that the principle of collegiate decision-making will be applied within that collective framework.

Concerning the EIF personnel policy, the Financial Committee has established a staff handbook, staff regulations, a sa-

lary and allowances proposal and a short list of candidates for professional staff. In the meantime, interviews have been held and candidates selected.

On operational matters, the Financial Committee has discussed a list of eligible guarantee operations and authorised their appraisal in the context of a revised business plan for the rest of this year.

The business plan was approved by the EIF Supervisory Board which met for the first time on 15 July 1994. It provides for some ECU 500 million in guarantees for the remainder of the year.

The EIF's initial capital position is the following: shareholders subscribed 1.7 bn ECU and paid in the first tranche of 5%, i.e. ECU 85m, at the beginning of August. The Fund placed this amount on deposit pending a decision on longer-term investment strategy.

An Interview with Mr Eugenio Greppi, Chairman of the EIF's Financial Committee



The EIF is to complement banking sector finance. In which way?

The EIF is a new European financial agency, set up under international law, that will provide guarantees for the medium and long-term financing of two crucial areas of the European economy: major infrastructure investment and small and medium-sized enterprises. It has been set up jointly by the European Investment Bank, the European Commission and

nearly 60 public and private banks from the twelve member countries of the European Union. Although it will concentrate on giving guarantees at first, its Statutes allow the General Meeting to decide that it may start taking equity participations from the third year on.

What sort of guarantees will it provide?

The EIF will be market-oriented. It will issue medium and long-term financial guarantees tailored to the type of investment guaranteed and aimed at covering a wide range of risks inherent in financing with longer maturities. It will cover the credit exposure risks incurred by banks and institutional and other investors. Normally it will not guarantee more than 50% of the investment cost and will seek to share risks with the other financial intermediaries involved.

Is there a market for the Fund's products?

The setting up of the EIF is a product of the European growth initiative and seeks to respond to the lack of long-term guarantees (i.e. those of more than ten years) in the European Union. The establishment and the completion of a genuine Single Market at a time of recession or low growth significantly increased the demand for funds necessary to build or upgrade basic infrastructure, in particular trans-European networks. In addition, the banking sector is facing stringent capital adequacy requirements affecting its capacity to provide sufficient funds at affordable cost. Because of its genuine nature as an international agency, the Fund will improve the overall asset and liability management of those banks it will guarantee: a bank making a loan guaranteed by the EIF will be ➤

(1) See «EIB-Information» N°80 (June 1994), page 7.

entitled to allocate only 20% of the loan amount (instead of 100%) in calculating its solvency ratios. Thus, the EIF will at the same time provide comfort to lenders and help to relieve capital adequacy concerns.

In the small and medium-sized enterprise (SME) area, the EIF plans to co-operate with specialised financial intermediaries in order to facilitate, through them, the access of SMEs to funds on better and cheaper terms and conditions than are available at present.



FEI · EIF

What is the capital structure of the Fund?

The EIF is a joint venture between the EIB, the European Commission and public and private banks located within the EU. These are the founding members of the EIF. The initial authorised capital has been set at ECU 2 bn. Of this, 40% is subscribed by the EIB, 30% by the European Community represented by the European Commission and the remaining 30% was offered for subscription to European financial institutions. So far, some 58 commercial banks have subscribed ECU 300m. The called capital has been set at 20% of subscribed equity and will have to be paid in in four equal annual instalments over a four-year period. The first tranche, i.e. ECU 85m, was paid in at the beginning of August. We are still in contact with a number of possible shareholders in the twelve Member States and, since the prospect of an enlarged European Union is confirmed, in the four prospective Member Countries, notably Austria.

How is the Fund organised?

Below the General Meeting, there is a Supervisory Board of 7 members responsible for the general control of the EIF's operations and decisions on guar-

antee operations in excess of ECU 30 million. The executive management of the EIF is in the hands of a Financial Committee which also takes decisions on guarantee operations up to ECU 30 million. This Committee, which I chair, consists of three members who report to the Supervisory Board. My colleagues are François Lagrange, Conseiller d'Etat,

France, and former Managing Director of Crédit National, and David McGlue, former Head of Unit, DG II, from the European Commission. The EIF has also its own staff, led by Messrs Helmut Kuhrt, Secretariat and General Administration, Christopher Sibson, Planning, Monitoring and Advisory Services, and Guido Prud'homme, Origination, Marketing and Guarantee Operations.

What is the advantage for a financial institution of being a shareholder of the EIF?

The EIF will enable its members to participate in an expanding market - the Fund is expected to be able to guarantee up to ECU 16 bn worth of financing - and trim costs by access to a variety of long-term guarantee facilities. In this context, EIF shareholders will be given preferential treatment, as at least 70 % of guarantees will be for investments financed by EIF shareholders. Furthermore, to offset higher project appraisal charges and to compensate for the opportunity cost of capital paid into the EIF by shareholders, higher introduction fees will be charged for guarantee proposals submitted by non-shareholders.

Has the Fund already started business?

Yes. It was formally constituted on 14 June this year and work has already begun on identifying operations to guaran-

tee. The activity level for the first calendar year 1994 is assumed to be around ECU 500m. A business survey conducted together with the EIB in June 1994 identified 18 potentially eligible projects representing around ECU 800m of low-risk, and consequently low-fee, guarantee operations for 1994. This pool of operations represents a bedrock of support on which the EIF can draw.

How will operations be split between the infrastructure and small and medium-sized enterprise sectors?

The distribution of the Fund's guarantees between TEN and SME loans cannot be forecast precisely and will depend heavily on the business proposals presented by the shareholders. A number of shareholders have indicated their preference for reaching a 50-50% distribution by the third year of operations. However, in the short term, given the need to establish a balanced portfolio of commitments, it is envisaged that the Fund will initially focus on trans-European networks as well as on support for SME financing facilities arranged by the EIB and the shareholders from the banking community.

Isn't the Fund just an offshoot of the EIB?

No, the EIB played a large part in setting up the Fund and is its largest shareholder, but the EIF was created as a separate legal entity with its own organs and staff and enjoys full autonomy. Obviously, in the early stages the Fund will act in close co-operation with the EIB, both for operations and for administrative and technical support. A management agreement between the two institutions has just been signed, but this will only be a temporary state of affairs. ■

Joint Ventures bring together European and Mediterranean Partners

With almost ECU 2 billion made available over the past five years in Mediterranean Countries outside the European Union, the European Investment Bank plays a vital role, alongside the European Commission, in implementing the two main components of the "Redirected Mediterranean Policy": bilateral Financial Protocols between the European Union and around a dozen beneficiary countries as well as "horizontal financial cooperation" (1).

Priorities for EIB activity in this domain include fostering the growth of the private industrial and manufacturing sector in the Mediterranean countries and, in particular, supporting joint ventures between local and



Promoting SMEs set up as joint ventures.

European entrepreneurs. Indeed, the direct injection of foreign capital represents an effective vehicle for promoting the development and modernisation of these countries: for their businesses, it means trans-

fers of capital, technology and know-how, while, for their economies, it not only helps to open up new markets but also increases the volume and variety of financial flows.

A FLEXIBLE, TAILOR-MADE FINANCING INSTRUMENT

The EIB can fund the development of businesses established in non-member Mediterranean countries both through medium and long-term loans and through the provision of risk capital. The latter serves to part-finance (up to 50%) equity contributions (acquisition of equity participations, shareholders' advances, etc.) or measures to facilitate the start-up of enterprises (studies, technical assistance, etc.).

Risk capital, drawn from European Community budgetary resources, is managed under mandate by the EIB which appraises and grants the corresponding loans. A total of ECU 105 million in risk capital has been earmarked for the Redirected Mediterranean Policy over the period 1992 - 1996, comprising:

- ECU 80 million under the Financial Protocols and intended to finance **local partners'** equity contributions to joint ventures with European partners;
- ECU 25 million, available since 1993, under horizontal financial cooperation and designed to fund **European partners'** equity contributions to such ventures.

150 JOINT VENTURES ALREADY FINANCED IN SEVEN COUNTRIES

For risk capital to achieve its goal, it needs to be made available to as large a number of businesses as possible; hence

this type of funding is usually deployed with the assistance of local commercial or development banks allocating EIB global loans drawn on by these intermediaries - well acquainted with local economic circumstances - to finance small and medium-scale ventures.

Seven Mediterranean countries (Morocco, Algeria, Tunisia, Egypt, Jordan, Cyprus and Malta) have, for a number of years now, benefited from risk capital resources which have served to finance local partners' equity contributions to some 150 new joint ventures. Experience to date has highlighted the multiplier effect for the economy of this type of financing instrument (ECU 30 million provided by the EIB having helped to mobilise over ECU 550 million in capital) and demonstrated its advantages for the enterprises concerned which have created more than 10 000 jobs and enjoyed considerably wider access to new markets.

A NEW DIMENSION

More recently, in November 1993, the EIB decided to broaden the scope of this activity by introducing a risk capital facility funded under horizontal financial cooperation and designed in this instance to finance European partners' equity contributions to joint ventures in the Mediterranean region. This facility, consisting of ECU 9 million during an initial experimental phase, will again be implemented by banks in the beneficiary countries whose ability to identify and appraise promising capital projects has already been confirmed when administering previous global loans. Financing agreements have thus been signed with the Banque de Développement Economique de ➤

(1) Horizontal financial cooperation is a financing package (comprising ECU 2.03 billion, including ECU 1.8 billion in EIB loans) designed to fund investment of a regional nature or of mutual benefit to both sides of the Mediterranean in the fields of communications, energy and environmental protection. In the latter case, EIB loans carry 3% interest subsidies drawn from European Community budgetary resources. Bilateral Financial Protocols total more than ECU 4 billion for the current five-year period (see also EIB brochure entitled "Financing facilities in non-member Mediterranean Countries").

la Tunisie (BDET) in November 1993, the Commercial International Bank (CIB), Egypt, in April 1994, the Moroccan Treasury, also in April 1994, for making funds available to 19 leading banks and financial institutions in that country and the Industrial Development Bank (IDB), Jordan, in June 1994.

Risk capital resources provided through global loans may also, in specific cases where a sufficiently large joint venture is created to warrant appraisal by the EIB itself, be deployed in the form of a direct equity participation. Two such operations have been arranged to date, both in Egypt, in 1990 and 1991. ■

The EIB's Management Committee

The Management Committee is the EIB's resident executive body responsible for the institution's day-to-day business: it examines and submits proposed decisions on lending and borrowing operations to the Board of Directors, to which it also communicates its thinking on general policy guidelines,

Roth, Corneille Brück, Panagiotis-Loukas Gennimatas, Massimo Ponzellini, Luis Martí and Mrs Ariane Obolensky, Vice-Presidents.

The Management Committee, whose members are appointed for a term of six years on a proposal from the Board of



The Management Committee: Corneille Brück, Luis Martí, Ariane Obolensky, Massimo Ponzellini, Sir Brian Unwin, Panagiotis-Loukas Gennimatas, Wolfgang Roth (from left to right).

particularly with regard to commitments, risk management and administration of the Bank. The President, or in his absence, one of the Vice-Presidents, chairs meetings of the Board of Directors.

Following new appointments decided by the EIB's Governors in June 1994, the Management Committee has been composed, since 1 July 1994, of Sir Brian Unwin, President, Messrs Wolfgang

Directors, meets collectively, generally once a week. The respective seniority of its members, apart from the President, is based on length of service in the post and, where appointments date from the same day, on age. Biographical notes on the Management Committee's members were published in «EIB Information» N° 75 (February 1993) - Sir Brian Unwin and Mr Roth, N° 77 (July 1993) - Mr Brück and N° 80 (June 1994) - the four most recent appointees. ■

ECU

Below are the ECU values in national currencies, as at 30 June 1994; these rates are applied for the third quarter in preparing financial statements and operational statistics of the EIB:

DEM	1.92122	BEF	39.5774
FRF	6.5885	LUF	39.5774
GBP	0.781662	ITL	1909.77
NLG	2.15483	ESP	158.635
DKK	7.544	PTE	197.986
IEP	0.793509	GRD	289.875
USD	1.20415		

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