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Hans
Eichel,
German
Minister
of
Finance,
was
among
the
speakers
at the EIB
Forum

EIB Forum 2000

*regional development - making
efficient use of financial resources*

The sixth annual EIB Forum was devoted to regional development, the Bank's principal task.

Some 300 specialists from government and political circles, EU organisations, as well as administrative, industrial and banking sectors tackled the factors for success and failure behind the differing economic performance between regions.

EIB President Philippe Maystadt explained the choice of theme: "We need to exchange our experiences so that we can constantly improve our operations and make

them more effective. We owe this to the EIB's shareholders and we owe it to the citizens of Europe. To invest in bad projects would be a waste of capital - and this would mean missing out on growth potential and losing jobs in Europe."

This issue of EIB Information focuses on Regional Development, particularly in the light of reform of the EU Structural Funds and associated EIB activities



Some 90% of EIB-financed hospitals and schools are located in the least favoured areas

Regional development: *at the heart of the EIB's activities*

The Treaty of Amsterdam pointed up the importance of strengthening the European Union's economic and social fabric, targeting balanced regional development Community-wide, as one of the main priorities of EU policy

It thereby confirmed the goal of consistent development established in the Treaty of Rome in 1958, which assigned to the EIB the vital task of supporting projects contributing to growth in the less advanced regions.

The widening of the Bank's field of activities as a result of diversification of EU policies and accession of new Member States has in no way diminished the importance of this specific role or lowered the priority given to regional development.

This priority was reaffirmed in the Bank's Corporate Operation-

al Plan (COP) covering the period 2000-2001, which gives top priority to regional development and the Union's cohesion as part of implementation of Agenda 2000.

Since 1989, the year in which reform of the Structural Funds was set in motion, the EIB has granted some EUR 133 billion for investment in regional development areas. This assistance has taken the form of individual loans (104 billion) and global loan allocations (29 billion) for small and medium-scale infrastructure and SME projects.

Performance over the period 1994-1999: EUR 86 billion

Looking in particular at the period covered by the second Structural Funds programme, **individual loans** signed in favour of regional development amounted to EUR 66.5 billion, i.e. 70% of aggregate individual loans granted by the Bank within the Union.

The **sectoral analysis** highlights the extent of the EIB's contribution to capital projects on which the establishment and expansion of production activities and services depend. Infrastructure, the key to balanced development of the regions, received 84% of the total, with the lion's share going to transport and telecommunications networks (55%) and the projects on which access to those networks depends.

These transport schemes centred chiefly on major motorway and rail networks with a European dimension, while investment in the telecommunications sector involved networks and services at international or national level.

A rapidly growing share of the finance (1.7 billion over the period in question) was devoted to projects relating to human capital. By financing hospitals, laboratories, universities and schools - of which 91% located in the least favoured areas - the EIB is helping to promote equal access for all EU citizens to the most advanced services in these fields.

The breakdown by **objective** reveals the preponderance of investment for projects located in regions eligible under **Objective 1** (areas lagging behind in their development) and **Objective 6**

(sparsely populated Nordic regions): 46% and 31 billion. In these areas, the Bank gives priority to investment strengthening infrastructure in the transport, energy and telecommunications sectors, in particular in order to alleviate the disadvantages associated with the geographical remoteness of a number of these regions.

A substantial proportion of the operations concern the Cohesion Countries (Spain, Greece, Ireland, Portugal): over the period as a whole, these countries received more than a third of the total amount of individual loans advanced for regional development.

Regions undergoing economic restructuring (**Objectives 2 and 5(b)**) attracted 23.3 billion (35% of the EIB's regional development financing).

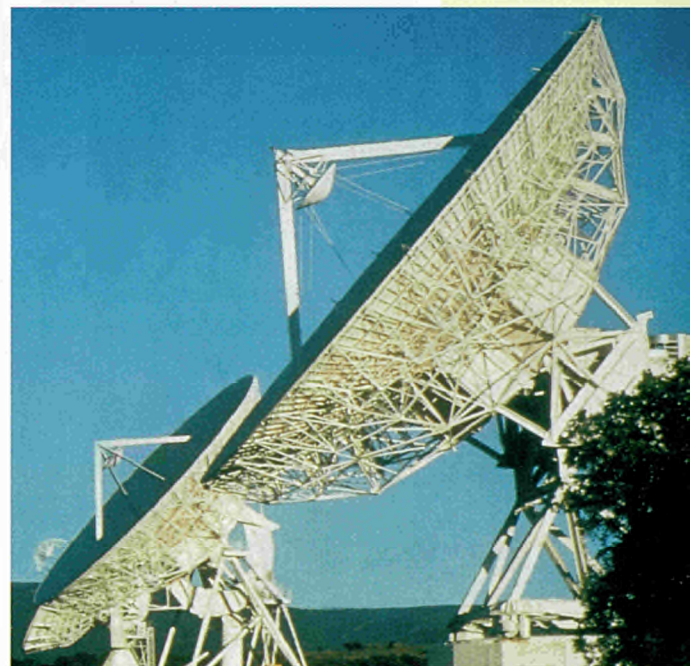
This action underpinning regional development has been augmented by operations in the form of **global loans** to promote small and medium-scale ventures undertaken by SMEs and infrastructure schemes on a local scale (urban development, water resource management, road and neighbourhood infrastructure, etc.). The amount allocated each year through this type of facility more than doubled between 1994 and 1999, while individual loans increased by just over a quarter. Aggregate advances, which rose from some 1.9 billion in 1994 to 4.6 billion in 1999, totalled 19.5 billion over that period, i.e. 51% of the global loans concluded within the Union for all objectives combined. The majority of these global loan allocations went to the economically most buoyant assisted areas, where there is a substantial need for investment.

In this way, the EIB contributed significantly to financing the manufacturing activities of SMEs, key contributors to job creation in businesses throughout Europe.

The complementarity between individual loans, which serve principally to finance large-scale projects, and global loans for smaller-scale ventures has been a strong point in terms of the type of financing facilities offered by the Bank for regional development.

The impact of the EIB's activities on economic support for these regions is considerable: the total value of projects financed has represented some 8% annually of investment in Europe, as measured by gross fixed capital formation (GFCF).

A major share of EIB loans promoting regional development goes to transport and telecommunications networks



It is also estimated that the major infrastructure work financed by the Bank in assisted areas helps to sustain some 300 000 jobs each year, while the total value of SME projects cofinanced using EIB global loans safeguards or creates around 30 000 long-term jobs.

The Union's Structural Operations 2000-2006

On 24 and 25 March 1999 the Berlin European Council meeting adopted "Agenda 2000", which contained inter alia proposed regulations governing structural aid for the period 2000-2006. The total Structural Funds appropriation was fixed at EUR 195 billion. The number of priority objectives was reduced from seven to three, two being of particular interest to the EIB:

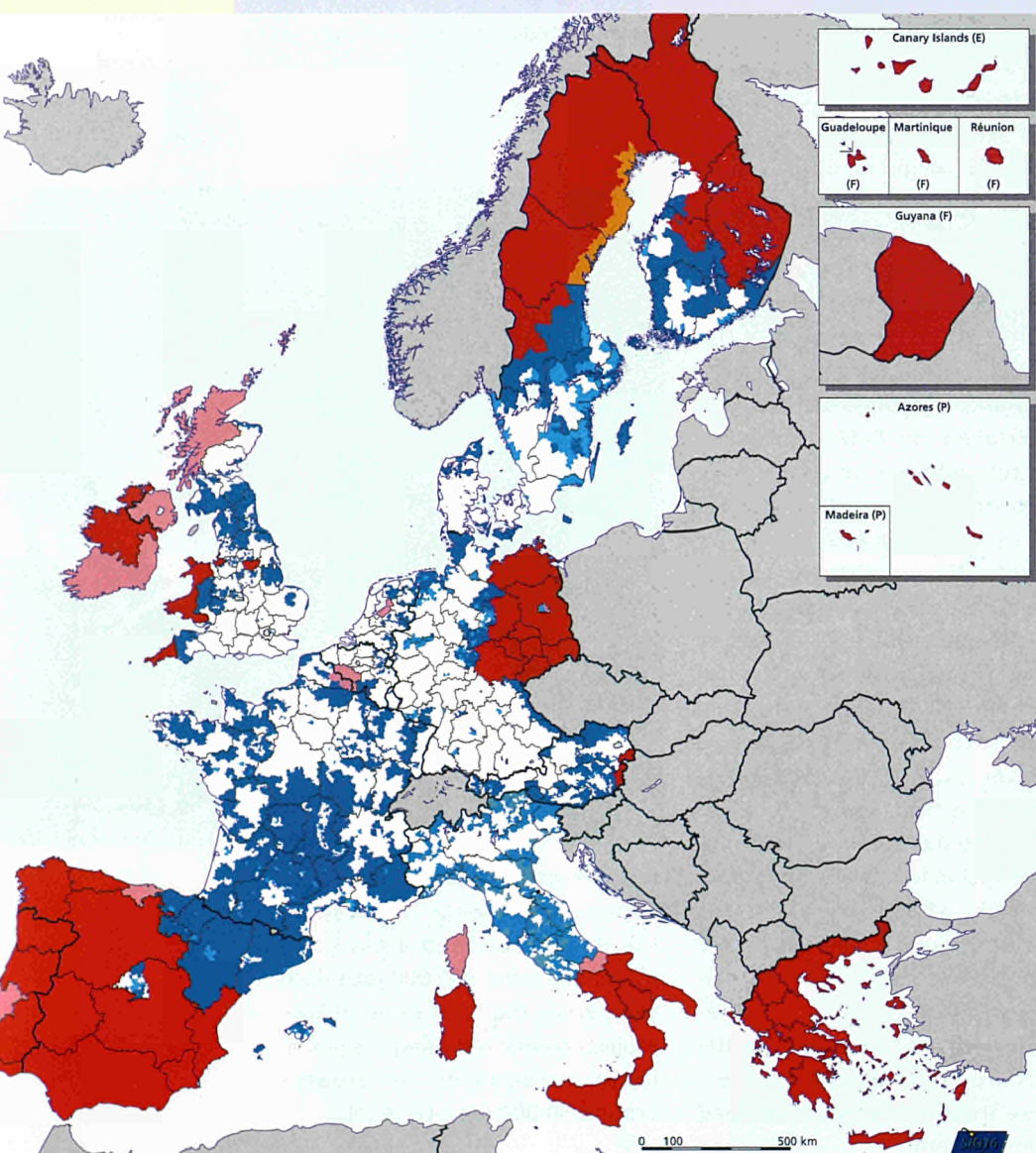
- **Objective 1** : promoting the development and structural adjustment of regions lagging behind in their development (appropriation: 135.9 billion).

Those concerned:

- regions whose per capita GDP is less than 75% of the Community average;
- regions on the outermost fringes of the EU and areas covered by the former Objective 6 (sparsely populated Arctic areas).

The list of regions eligible under Objective 1 was published on 1 July 1999.

- **Objective 2** : support for the economic and social conversion of areas experiencing structural difficulties (appropriation: 22.5 billion).



Those concerned:

- rural areas in decline;
- densely populated urban areas in difficulty;
- areas dependent on fishing;
- areas facing serious structural problems or high unemployment.

The list of regions eligible under Objective 2 was only adopted in May 2000.

- a number of regions also receive support under the Structural Funds on a transitional basis, namely the former Objective 1 and former Objectives 2 and 5(b) areas, from 1 January 2000 until 31 December 2005 or 2006.

Objective 1

- Objective 1
- Transitional support (until 31/12/2005/2006)
- Special programme

Objective 2

- Objective 2
- Objective 2 (in part)

► Future strategy for EIB

The regional development initiatives for the next few years were reviewed when the third Structural Funds programme covering the period 2000 to 2006 was drawn up.

The EIB's strategy, which should be seen in the context of the Union's

structural and cohesion policies, will be taken forward in close liaison with the Commission whilst complementing the latter's operations, as the EIB will continue to work in regions or sectors which will no longer be eligible for assistance.

This renewed emphasis on financing for regional development is perfectly in line with the Innovation 2000 Initiative, a programme

of practical measures aimed at building a Europe based on knowledge and innovation.

The EIB will concentrate on the following aspects:

- financing the basic infrastructure required for local establishment of productive activities in the less favoured areas;
- providing greater support for innovative firms, particularly SMEs, through global loans;
- developing the infrastructure and services required by the information society, particularly networks for disseminating information, and the associated services;
- helping to improve the urban environment and environmental protection generally;
- supporting universal access to healthcare facilities and education and training for everybody, thereby helping to develop a skilled workforce;
- continuing the integration of the less favoured and outlying regions by building up trans-European networks and links with them. ■

Support for the Central European Candidate Countries

The EUR 7.28 billion **Instrument for Structural Policies for Pre-Accession (ISPA)** contributes towards realising the objectives laid down within the context of the partnership for accession with a view to improving the environment and transport infrastructure in the Central European Candidate Countries.

The EIB is of course closely involved in preparing these countries for accession by increasing its direct operations with the same objectives as the Member States and by helping Community institutions to identify those operations which should take priority and are justified on economic grounds for budgetary support.

Since 1990, the EIB has become the largest source of international finance in the Central European countries. It has lent EUR 11 billion in all in these countries, with an annual average of 2 billion over the past three years.

The volume of financing in these countries will continue to grow over the coming years. The loans will mainly go to support:

- development of trans-European communications and energy networks and linking them up to Community networks;
- investment geared to environmental protection;
- finance for industry and SMEs, helping to create employment and contributing to economic development in the regions concerned.

The EIB will continue to cooperate closely with the Commission in order to exploit to the greatest possible extent the positive interaction between the Union's financial instruments and to maximise their impact. The majority of the trans-European network projects financed by the Bank have already been supported jointly by the EIB and the Commission.

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The EIB Forum 2000 in late October focused on regional development and the efficient use of financial resources. Here are some key extracts from speeches at the Forum, also available in extenso on [www.eib.org/Forum 2000](http://www.eib.org/Forum2000)



Philippe Maystadt, President, EIB:

Enlargement the greatest challenge

"The amount of finance available for regional development is considerable. Last year alone around EUR 34 billion was advanced from the European Union's regional, structural and cohesion funds. On top of that, there is substantial national assistance, including tax concessions, although it is difficult

to say how much is involved, even in approximate terms. These amounts are supplemented by European Investment Bank loans, totalling around EUR 17 billion in 1999, for projects in the Union's assisted areas.

Even though considerable financial resources are being deployed to promote regional development, we cannot yet be satisfied with the results. Regional disparities are obviously more deeply rooted than we expected. Variations in economic performance between the different States of the Union are undeniably diminishing. At the same time, however, we note that within individual States, even in the successful ones, the economic gap between different regions has not necessarily narrowed.

It is enlargement of the Union that will pose the greatest challenge for European regional policy. In

particular, with the accession of the Central and Eastern European Countries regional disparities within the Union will reach an unprecedented level. The question will arise as to what degree of regional disparity the enlarged Union can tolerate without jeopardising its economic and social cohesion. I have doubts as to whether it will be possible to provide future Member States with the same level of assistance that has been and is still being given to the existing Cohesion Countries.

Agenda 2000, which lays down the financial framework for the EU budget for the period up until 2006, does not provide for any major increase in regional policy expenditure. This means that if, over the next few years, we want to achieve greater success, this will only be possible if existing financial resources are deployed more efficiently". ■

Hans Eichel, Minister of Finance, Germany

Policies will evolve

"The European Union's present policies will evolve in a number of respects after eastward enlargement. It is hard for instance to imagine the European Union's agricultural policy simply being transposed to the Eastern European countries in its present form. The same goes for cohesion policy. Available resources are limited for all areas of policy. The strategy in individual Member States of pursuing stability is also binding for the Union as a whole. Budget ceilings must not be exceeded.

In Germany, reform of the arrangements for revenue apportionment

between central government and the Länder is coming up. Perhaps the principles that we wish to follow in this process may likewise be relevant to European regional policy. First and foremost, we set store by the principle of solidarity: the strong help the weak. But transposing this to the European Union also means strong Member States must solve their internal regional problems on their own. Eastward enlargement will make these limitations on European regional policy necessary.

We therefore need a debate on how we can achieve a real reduc-



tion in spending on Community structural policy. One possible way for instance would be by concentrating more on the neediest Member States and on fields offering substantial common interest. These could be transport or the environment. I also consider that a cut in the levels of assistance would make sense. In my view, 50% EU financing is enough. Using new instruments such as loans and guarantees

instead of grants would not only trim expenditure but also make for more efficient deployment of resources. It would also make misallocation of funds less likely.

Public acceptance of policies is greatly enhanced by simple rules

and transparency. These principles are important for European regional policy as well.

Close cooperation between the European Investment Bank and the European Commission has obviated overlap of development

assistance measures. Cooperation with banks in the various countries has also made them more competitive, thereby helping them to help themselves. For both achievements, I offer my thanks to the European Investment Bank". ■



**Jaroslaw Bauc,
Minister of Finance,
Poland**

Initial stage of regional development

"Due to inefficient agriculture and underdeveloped services and industry, the eastern parts of Poland are in general much poorer than the rest of the country. Today we are only at the initial stage of a systematic approach to regional development. Reform priorities have so far focused primarily on macroeconomic stability and the development of a market-oriented society; little attention has been given to regional issues.

In order to achieve more balanced regional development, we have to

loosen up labour market rigidities. Special attention has to be given to factors that promote labour market flexibility and labour mobility, such as housing policies, training and education, coordination of the social security system and development of transport infrastructure.

Other efforts include restructuring of industrial sectors that are least able to cope with competitive pressures such as coal and steel as well as the defence industry." ■

Monika Wulf-Mathies, Adviser on European policies to Germany's Chancellor Gerhard Schröder and former EU Commissioner for Regional Policy

The EIB has a role to play in improving project quality

"There is still a lot of catching up to do. Almost 20% of the EU's population continues to live in regions with per capita GDP below 75% of the EU average. This compares with less than 2% of the US population in a similar situation, and average disparities between US states are less than half those between equivalent regions in the EU. In addition, the accession of Central and Eastern European countries and of Cyprus and Malta will pose a challenge in the future.

The EIB will pursue its regional development strategy in close cooperation and complementarity with the European Commission. This reflects the political will of the heads of the European institutions and it was expressed in the form of a Cooperation Agreement, signed in January 2000, between the Commission and the Bank.

The strengthening of cooperation concerns the participation of the

Bank in the preparatory programming and negotiating stages of structural operations, the consultation between institutions on co-financing operations and the technical services (appraisal of projects) offered by the Bank to the Commission.

The advisory role of the EIB and the technical services it provides can contribute to saving scarce public resources and improving the quality of projects." ■





Charlie McCreevy, Minister for Finance, Ireland

Lessons from an "economic miracle"

"The recent progress of the Irish economy, while often attracting the label of an "economic miracle", was not brought about over night. It is the culmination of years of painstaking, and sometimes painful, effort in putting the necessary conditions for sustained development in place.

Economies, to succeed, must have in place a set of coherent and consistent long-term policies to deliver sustainable economic and social progress.

Firstly, it is necessary to create resources before you can distribute them. Consensus on the policies needed to generate wealth is desirable and, as Irish experience shows, that can be better achieved in a context in which there is consensus on the distribution of the wealth that is created.

Secondly, to create resources, policy must be outwardly-oriented, enterprise-friendly, based on the principle of competition and implemented in an impartial and transparent fashion. It must also be applied consistently over the long term so as to assure all participants in economic life that they can plan for the future safe in the knowledge that there will be no sudden or arbitrary switches in policies, which could undermine the assumptions on which they plan.

Thirdly, human resources development is an essential ingredient in sustained economic and social progress. This embraces not only education and skills for the Information Age but also the need for good basic education and the cultivation of more traditional crafts and trades which will always be in demand.

In an under-developed economy, there is understandably a reluctance to commit scarce resources on a significant scale to education and training because, in the absence of employment opportunities at home, the persons who benefit are likely to emigrate. This, indeed, had been the Irish historical experience over several generations. It was particularly acute in the 1980s and early 1990s when the cream of our expensively educated and trained youth left for employment overseas. However, that earlier emigration has been to our benefit in more recent years, as many of the people who emigrated have returned, bringing with them the expertise they gained when abroad". ■

As the Minister was prevented from attending the Forum, his address was presented by the Irish ambassador to Germany, Noel Fahey



**Günter
Grass**

In his dinner speech, 1999 Nobel literature prize winner Günter Grass tackled the issue of a bank supporting social objectives as well. He made comparisons between the EIB and the "Monte dei Paschi di Siena" credit institution established in the late 15th century in Tuscany. Referring to this nowadays partly banking, partly public law foundation, focusing on promoting science, educa-

tion and the health sector as well as arts, Grass felt it appropriate to call upon the EIB to broaden its activities in favour of "human capital".

"The Bank is not profit-oriented and its activities are long-term, it invests where the needs are the greatest. And Europe of today with its huge disparities between rich and poor indeed offers many op-

portunities to support under-developed regions."

Grass also focused on what he described as Europe's largest minority, the Roma people and their language, Romany, and invited the EIB to finance educational programmes for this Europe-wide minority in order to maintain the language in writing as well. "A nation exists only when it writes."



Concluding remarks

**Wolfgang Roth,
Vice-President, EIB**

Coordination is crucial

"Ensuring success always requires a clear goal and efficient organisation, and this also holds good for successful regional development. It has to be organised.

Mr **Mayet** demonstrated what it takes with the example of Sofia Antipolis: a clear vision, mobilisation of all resources as part of a strategy for turning the vision into reality, and finally coordination among all the parties involved.

Coordination is crucial.

All players in the region capable of contributing to success must be won over to the objective of regional development and must pull together, as they clearly did in the Sofia Antipolis case. Not all regions will be able to emulate Sofia Antipolis. They all have different strengths and weaknesses. This points up what Mr **Steinherr** said: Not all regions need the same infrastructural facilities, for instance.

But, as Mr **Fahey** emphasised using the example of Ireland, all regions need an administration that functions properly and yet flexibly,

understands the needs of the economy and is predictable in its decision-making. To put it in modern terms, they need "good governance".

Mr **Milbradt** made this clear with the example of Saxony. All the new Federal Länder now have excellent basic infrastructure. Success must now be achieved by attracting know-how into the region and constantly renewing and expanding it and above all by then retaining know-how - which means skilled workers - in the region. Moreover, regions must behave like businesses and not like bureaucratic administrations, hence they must actively court those who possess that know-how.

Second, there is need for coordination between regions and central government. National representatives must approach Brussels as a group, and Brussels needs an interlocutor. Mr **Segura** has explained how such coordination is achieved in Spain.

Mr **Imrie**, using the Scottish example, has shown how granting rights of autonomy (devolution) has opened new prospects for Scotland and enhanced the responsibility of Scottish politicians. This greater responsibility has clearly strengthened the efficiency of regional policy, precisely because responsibility also entails electoral accountability.

Mr **Leygues** advocates regions with a strong and efficient administration, since this provides Brussels with a certain assurance that the Structural Funds will be used responsibly.

Permit me to make one comment here: the call for efficient regional administrations may be interpreted as interference by Brussels in



Pierre Mayet



Alfred Steinherr



*Ewald Nowotny,
Georg Milbradt*



Ricardo Segura



Colin Imrie



*Jean-Charles
Leygues*



Jacques Guerber



*Ingrid
Matthäus-Maier*



Péter Medgyessy



Ari Tolppanen

Programme

19 October 2000

OPENING OF THE FORUM :

Philippe Maystadt, President of the EIB

SESSION I : "Regional Development Policies - Factors for Success"

Chairman: Ewald Nowotny, Vice-President, EIB

- Georg Milbradt, State Minister, Ministry of Finance, Saxony, Germany
- Noel Fahey, Irish Ambassador to Germany
- Jaroslaw Bauc, Minister of Finance, Poland
- Colin Imrie, Head of the Structural Funds Department, Scottish Executive
- Monika Wulf-Mathies, Adviser on European Policies to the German Chancellor

FORUM DINNER with guest speaker

Günter Grass, Winner of the 1999 Nobel Prize for literature

20 October 2000

SESSION II : "Experience with Regional Policy and Financing"

Introduction by: Alfred Steinherr, Chief Economist, EIB

SUB-SESSION 1 : "Lessons from Regional Policy Experience"

- Rudolf Schicker, Member of the City Council, Vienna, Austria
- Pierre Mayet, Président du Groupe de Coordination Interministériel Sofia Antipolis, France
- Pawel Samecki, Minister, Office of the Committee for European Integration, Poland
- Jean-Charles Leygues, Director, Regional Policy Directorate-General, European Commission
- Ricardo Segura, Adviser at the Ministry for the Environment, Spain

SUB-SESSION 2 : "Financing Regional Development"

- Jacques Guerber, Chairman of the Executive Board, Dexia – Public Finance Bank, France
- Ingrid Matthäus-Maier, Board Member of Kreditanstalt für Wiederaufbau, Germany
- Péter Medgyessy, Chairman of the Board of Directors, Inter-Europa Bank, Hungary
- Ari Tolppanen, President of CapMan Partners, Finland; Chairman of the European Private Equity and Venture Capital Association

CONCLUSIONS

Wolfgang Roth, Vice-President, EIB

CLOSING OF THE FORUM

Hans Eichel, Minister of Finance and EIB Governor for Germany



internal affairs or in the internal balance of power of States. On the other hand we also know that a degree of administrative autonomy is conducive to efficient behaviour - and it is efficiency that we must foster if the large volumes of finance for regional development are to be used responsibly.

On the issue of lending to finance regional policy, it can be said that in today's Member States there are no longer any acute bottlenecks. As Mr Guerber points out, there is rather a bottleneck in investment projects. We in the EIB also find the same. Possible financing bottlenecks could be overcome by public-private partnerships. Here of course it is true that the pace of implementation is set by the slowest partner, which means that once again success very much depends on an efficient administration.

In my view an important need in Central and Eastern Europe, as Ms Matthäus-Maier and Mr Medgyessy have also underscored, is to provide small and medium-sized enterprises with much better access to capital. Fostering SMEs is also vital because this economic group of enterprises creates a new social stratum that contributes to these countries' political stabilisation.

As Mr Tolppanen has explained, Venture Capital Funds for

financing firms in growth sectors such as the internet, technology and communications also make sense in Eastern Europe as a means of directly converting the know-how available there into products and helping to create new businesses and jobs. For this reason the EIB has also decided to extend its venture capital financing, through the European Investment Fund, to Central and Eastern European countries.

The EIB's founders believed that loans were a more suitable instrument for promoting regional development than grants: they carry interest and have to be repaid, which may create a powerful incentive for efficient use of resources and for close collaboration and cooperation among regional policy players.

President Maystadt has expressed doubts as to whether it is possible to provide the future Central and Eastern European Member States of the Union with the same level of regional assistance as has been accorded to the Cohesion Countries. Minister Eichel has told us quite clearly that it can not. But this means nothing other than that the Union's lending arm, the EIB, must in future play an even greater role in regional development". ■

For more information on the EIB Forum 2000, please visit our website www.eib.org/Forum 2000 or contact: Yvonne Berghorst, Information and Communications Department, tel.: +352 4379 3154 or e-mail: y.berghorst@eib.org

EIB Forum 2001, to be held in Sorrento, Italy in late October, will focus on cooperation across the Mediterranean



The EIB to host TENs conference

"Achievements to date and the way forward"

The EIB, a leading source of finance for trans-European transport infrastructure, wishes to make its own contribution to discussions about new transport priorities by inviting to a Trans-European Networks (TENs) conference in Strasbourg on 14 February 2001.

The European Commission and the Member States are planning new transport priorities. The existing ones were endorsed by the 1994 Essen European Council in order to speed up development of the Trans-European Networks.

A review of the EU's transport guidelines is foreseen for 2005. In order to prepare for this comprehensive review, the EU Commission has initiated a research project exploring transport needs up to the year 2020.

Investment in transport must be increased in order to overcome the serious bottlenecks within the European Union today, to contend

with growing demand and energy-price-related challenges and to improve links between the Central and Eastern European countries and the present internal market. Completion of an efficient multi-modal Trans-European Network is of vital importance for the economic integration of the Union and its neighbouring countries as well as for development of its less favoured regions.

In addition, there is a need to adjust transport pricing policies, in particular by providing stronger incentives to use rail freight rather than road transport. In the longer term, there will also be a need for investments in new types of infrastructure.

The agenda for the EIB's TENs conference will address crucial questions such as:

- What has been achieved so far, and what are the problems encountered?
- What new priorities should be set?
- What changes in economic policy would be needed to encourage investment in alternative means of transport?
- What are the requirements for rapid implementation of new investment projects?

Speakers will include representatives from the European Commission, the European Parliament, the EIB and transport authorities both within and outside the EU as well as transport operators and bankers.



The audience is expected to consist of some 200 representatives of European and national transport authorities, project promoters, major construction companies, academics working on transport policy, bankers specialising in transport projects, European and national parliamentarians as well as NGOs.

Participation in the EIB's TENs conference in Strasbourg on 14 February 2001 is by invitation only. For further information on the conference, please contact: info@eib.org ■

New TENs link operational

The EIB has been a major source of financing for the Öresund rail/road fixed link connecting Malmö (Sweden) and Copenhagen (Denmark). Total EIB funding for the Öresund link, which has been operational since July this year, amounts to some EUR 1.2 billion.

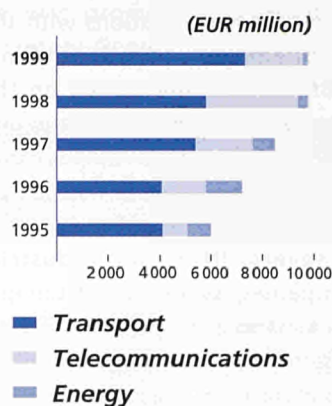
The Öresund link is, in addition to being a TENs project, also an example of a PPP or public-private partnership. Over the entire spectrum of projects associated with European communications infrastructure, the Bank has provided strong support for PPPs. The experience built up by the EIB over

the years continues to represent value added, particularly in the transport sector where the primary objective of EU policy is to bring the countries of the Union closer together and to improve links with non-member countries, principally candidates for accession.

Other significant EIB financed projects under the PPP heading include Athens airport, the Channel Tunnel high-speed link, the new tunnel under the Elbe in Hamburg, the E18 motorway in Norway and several motorway sections in the United Kingdom and Portugal.



**Trans-European Networks:
1995-1999,
41 billion in contracts signed**

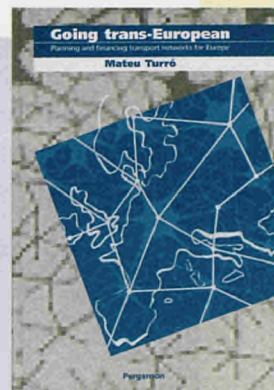


Since 1993, following the recommendation of the High-Level Group chaired by Commissioner Henning Christophersen and the 1994 Essen European Council's identification of priority projects, the EIB has stepped up its operations in support of trans-European transport, energy and telecommunications networks (TENs) and their extension to regions bordering on the European Union, especially in the accession countries.

The EIB has thus approved, since 1993, EUR 65 billion in loans for TENs inside and outside the Union, involving aggregate capital expenditure estimated at around EUR 206 billion.

Going trans-European

"Going trans-European: Planning and financing transport networks for Europe", Pergamon, Elsevier Science, Oxford, 1999 (374 pages) is a book written by Mateu Turró, Economic Adviser in the EIB's Projects Directorate and the first one to present a global view of European transport infrastructure policy.



As the TENs guidelines are due to be revised soon and the TENs need to be extended to accession countries, Mateu Turró sees this as an opportunity to redefine the policy and proposes steps that could be taken by the various institutions to establish a more efficient multimodal Trans-European Network for the EU and its neighbouring countries.

He underlines the need for a new integrated approach that would result in co-ordinated action between the different modes of transport and at various levels (national, regional and local).

Such a multimodal TEN could represent an investment of some EUR 200 to 300 billion over the next 20 years. The only specific source of European grants for TENs is a budget line that is expected to provide EUR 4.6 billion during the period 2000-2006. Much more substantial contributions will come from the EU Cohesion and Regional Development funds - in specific areas - and from the EIB by means of loans throughout the EU.

Mateu Turró argues that an increase in funding, particularly through grants, will be needed as a catalyst for the TENs policy. Most transport infrastructure is still publicly financed. However, the financial environment is changing quickly, as globalisation calls for a reduced role for the State and better use of market forces. The financial challenges of the multimodal TEN and the difficulties and opportunities of private financing for transport infrastructure are discussed at length.

Mateu Turró holds the Transport Economics Chair at the Universitat Politècnica de Catalunya, in Barcelona, and has hands-on experience obtained at the EIB, where he has been working since 1988. The EIB supported his writing of the book by granting Dr Turró a Visiting Fellowship at St Antony's College (Oxford), but it is an individual project reflecting the views of the author. The EIB believes, however, that the book is a valid reference for development of European policy on transport infrastructure.

For more information, please visit: <http://www.going-TENs.homepage.com>

Two new EIB Vice-Presidents



**Isabel
Martín Castellá**

Isabel MARTÍN CASTELLÁ joined the EIB's Management Committee in September. Her responsibilities as Vice-President include coordination of structured financing and development of new financial products, the Operations Department of the Legal Affairs Directorate and lending operations in Spain and Portugal, Belgium, Luxembourg and the Netherlands and in Asia and Latin America. She is also responsible for the EIB's relations with the Inter-American Development Bank and the Asian Development Bank.

As Commercial and Economic Adviser to the State, Isabel MARTÍN CASTELLÁ brings to the EIB extensive banking experience, having dedicated 16 years of her professional life to this sector. In 1987, she joined Banco Hispanoamericano as Deputy General Manager for International Finance, a position which she continued to occupy at Banco Central Hispano (BCH) and then at Banco Santander Central Hispano (BSCH) following the successive mergers between these financial institutions. In that capacity, she was actively involved in many of the recent developments on international financial

markets and in the privatisations which have taken place in various countries, especially in Latin America.

After graduating in Economics from Madrid's Complutense University, she held a number of posts in the Secretariat of State for Commerce, moving on in 1985 to the National Institute for Industry (Instituto Nacional de Industria - INI) where she was

responsible for relations with the European Communities. From 1986 to 1988 she served on the European Union's Economic and Social Committee, representing the public sector. She has been a member of the Board of Directors of several INI Group industrial companies, as well as of Compañía Española de Financiación del Desarrollo (COFIDES) and Compañía Española de Seguro de Crédito a la Exportación (CESCE). ■



Michael G. Tutty

Michael G. TUTTY, an Irish citizen, took up the post as Vice-President of the EIB in October.

At the EIB, Mr Tutty is responsible for overseeing financing operations in Ireland and Denmark and in the African, Caribbean and Pacific States (under the Cotonou Agreement) as well as the Bank's regional development activities, along with project evaluation and *ex post* evaluation.

Before taking up his new position, Mr Tutty served from 1994 as Second Secretary General in charge of the Budget and Economic Division of the Department of Finance in Dublin. He was responsible for overall strategy and coordination of the budget, tax policy, economic policy and forecasting, as well as being a member of the European Union Tax Policy Group and Code of Conduct Group, and of the EU Economic and Financial Committee.

He gained a Bachelor's Degree in Commerce and a Master's Degree in Economic Science from University College Dublin and then a Master's Degree in Strategic Management in the Public Sector from Trinity College Dublin. He joined the Department of Finance in Dublin in 1968 as an Administrative Officer, becoming Assistant Principal Officer in 1973, before moving to the Budget Section in 1981, responsible for budget coordination and VAT and Customs and Excise Duty

policy. In 1985, he moved to the Finance Division to work on international monetary issues, including exchange rate policy, liberalisation of capital movements and IMF/World Bank issues.

He was promoted to Assistant Secretary General in the Finance

Division (1987-1994) responsible for: coordination of EU affairs, including ECOFIN and EU budget and EU Treaty negotiations, such as EMU aspects of the Maastricht Treaty; regional policy, including the Structural Funds, preparation of Ireland's National Development Plans, and negotiation of Com-

munity Support Frameworks; exchange rate policy, banking legislation and policy on supervision of financial institutions; and the Department's Accounts Branch. He served as Alternate Member of the EU Monetary Committee and Chairman of the Alternates (1993-1994). ■

Appointments at the EIB



Antonio Pugliese

Mr Antonio PUGLIESE has been appointed Director of the Mediterranean and Balkans Department of the External Lending Directorate. He took up his duties after a period of transition in Rome during which he coordinated the transfer of the Bank's portfolio of operations in Greece to the Italy, Greece, Cyprus and Malta Department.

Mr Pugliese joined the Bank in 1977 as an economist. In 1982, he was transferred to the Office for Lending Operations in Italy (Rome), where he worked as a loan officer. On his return to Luxembourg in 1990, he handled lending operations in support of Spain's autonomous regions. In 1995, he was appointed Head of the Greece and Finland Division, then Head of the Infrastructure Division of the Office for Lending Operations in Italy. In 1999, he was promoted to the Bank's senior management with the title of Director of the Greece, Finland, Denmark and Sweden Department.

Mr Pier Luigi GILIBERT has been appointed Director General of Credit Risk (CRD).

Pier Luigi Gilibert joined the Bank in 1984 in the Financial Research Department (now EIICED). Since 1996, he has worked in CRD. He holds degrees in Economics from the University of Turin (Italy) and Rochester (N.Y., USA). Prior to joining the Bank, he worked in the Research and International Departments of Banca Commerciale Italiana in Milan.



Pier Luigi Gilibert



Per Jedefors

Mr Per JEDEFORS has been appointed Director of Operations in CRD.

Per Jedefors joined the EIB in March 2000 after having been based at the World Bank in Washington, DC, as Program Manager for Korea. He joined the World Bank on secondment from Skandinaviska Enskilda Banken (SEB) where he held the positions of Head of Group Staff EMU, Global Head of Credits, Client Executive and Chief Financial Officer & Controller. At SEB he also served as Chairman of the Board of its branches and subsidiaries in Singapore, Hong Kong, Tokyo, Sydney and Luxembourg. Before joining SEB he was a Senior Engagement Manager with McKinsey & Company in Scandinavia and worked for a private company in New York.

Mr Alfonso QUEREJETA has been appointed Director of the Spain and Portugal Department of the Western European Directorate.

A legal expert with a PhD in Law from the University of Bologna, since 1986 he has occupied a variety of positions in the Legal Affairs Directorate. At the time of his appointment, he was Head of the Spain and Portugal Division of the Operations Department.



Alfonso Querejeta



Francisco de Paula Coelho

Mr Francisco DE PAULA COELHO has been appointed Director of the Planning and Settlement of Operations Department of the Finance Directorate.

Francisco de Paula Coelho joined the Bank in 1987 as a loan officer in the African, Caribbean and Pacific Department of the Directorate for Lending Operations outside the European Union. From 1989 to 1996, he was part of the Treasury Department's portfolio management team, subsequently becoming Head of the Back Office Loans Division of the Planning and Settlement of Operations Department. He also worked at the World Bank in Washington, DC, before moving on to the EIB.

Mr Joachim LINK has been appointed Director of the Germany and Austria Department of the Central European Directorate.

Joachim Link has been contributing to the development of the EIB's lending operations in the European Union since 1982. His areas of responsibility have included: firstly France; then Germany and Denmark; from 1990 onwards the eastern Länder (former East Germany); and subsequently the countries applying for EU membership, notably Austria, Norway and Sweden during the pre-accession phase. In 1994, he took up his duties as Head of the new Germany (southern Länder) and Austria Division.



Joachim Link



The EIB Group focuses on new technology and innovation by providing venture capital and loans

The EIF: specialist venture capital arm of the EIB Group

In 1997, the Amsterdam European Council mandated the Bank to invest in the development of venture capital, in order to extend the range of its activities supporting growth and employment in Europe.

This remit was confirmed in March 2000 by the Lisbon European Council, which asked the EIB Group to focus particularly on new technology and innovation by providing venture capital and long-term loans. The track record to date on venture capital looks as follows:

- Since the end of 1997, the Group has committed a total of EUR 1.2 billion to over 100 funds, covering all the Member States of the Union.
- Operations mounted by the Group reflect a great diversity of vehicles and modes of support: mainly technology funds and generalist funds, but also in some cases funds of funds (in France and the United Kingdom). Fund operators may be public or private. The "form" is less important than the objectives and sectors targeted, the excellence of the management teams being a decisive criterion.
- A point to note is that the Group has placed particular emphasis on pan-European funds, in which it is a major investor. By way of example, Merlin (biotechnology), Gilde Agrifoods (food processing) and Barings European (generalist) rank among the leaders in their fields.

The June 2000 reform

To respond as effectively as possible to the European Council's invitation and to expand its venture capital operations, the EIB has rationalised and enhanced its financing arrangements. Previously, both the EIB and the European Investment Fund (EIF) were involved in venture capital operations, with the EIF managing part of the EIB's resources (the European Technology Facility - ETF) as well as Community funds under the ETF Start-up Facility. Since June of this year the EIF, while preserving its tripartite shareholder structure, comprising the European Commission, commercial banks and the EIB, has become a subsidiary of the EIB Group and will carry out all the venture capital operations of the newly

constituted "Group". This is a welcome simplification that has found favour with the market.

This reform has resulted in two transfers, one involving the entire portfolio of venture capital operations signed by the EIB during the time it was itself responsible for handling them, between 1997 and 2000. The other consisted of the additional one billion euro that the EIB's Governors - the Union's Finance Ministers - invited the Bank to make available from its reserves in June 2000 to hedge the risks attaching to the new venture capital operations to be concluded by the EIF in the period to 2003. Added to these sums are the venture capital resources deployed by the European Commission from budgetary funds and managed by the EIF.

These resources make the EIF a leading player on the European venture capital market, which totalled 25 billion euro in 1999. This compares with a market of 45 billion in the United States, where California's Silicon Valley alone represents a market comparable with that of the 15 Member States combined. The Fund should be in a position to invest something of the order of 3 billion euro up to 2003.

The EIF: structure, role and value added

The EIF has remained a nimble, responsive agency in constant touch with private investors and market trends. But it is also a financial institution whose objectives chime with those of the Union: strengthening the competitive standing of businesses (especially SMEs), fostering innovation and technology, promoting growth, quality jobs and balanced regional development. Its cooperation with the European Commission

and the Member States is thus a natural and ongoing aspect of its activity.

The Fund's policy of participation in the European venture capital market is built around the following guiding principles:

- As a public investor, the EIF endeavours to impart a "catalytic" effect to its financing operations by backing funds and sectors which, without its involvement, could not have got off the ground as fast, on the same scale or as successfully.
- The EIF also seeks to anticipate market developments and to direct its efforts to areas where a dearth of equity resources is hampering establishment of an efficient and homogeneous European venture capital market. Such shortcomings may show up in investment size, location or sector, and may change rapidly.

One example is the current situation of a certain over-supply in the "net economy" (Business-to-Consumer, Business-to-Business).

The Fund must therefore focus on other technology sectors, such as telecommunications, biotechnology, food processing, multimedia content, sustainable development, nanotechnology (i.e. on a minutely small-scale), etc., that offer strong growth prospects and represent the key sectors of the new economy. Finally, the EIF

targets development capital and regional funds which are essential vectors for diffusing innovation across the whole economy. This is what is known as "e-migration".

The EIF also places emphasis on fostering cross-fertilisation between research, diffusion of innovation and business start-ups, as well as on the links between universities and new businesses. It concentrates therefore on supporting structures such as "company incubators" and "science parks".

It also seeks to nurture pan-European funds capable of playing a driving role throughout the continent, given the crucial importance of "fund size" - an area where it has to be acknowledged that American fund-management teams often command much more firepower than their European counterparts.

Finally, the EIF is not limited in its activities to European Union Member States. Since June 2000, it has also been authorised to operate within the thirteen Candidate Countries. So, as well as assisting the financial sectors of these countries by way of investment, it will play a very worthwhile role there in diffusing know-how and exerting a catalytic effect on as yet undeveloped local markets. ■

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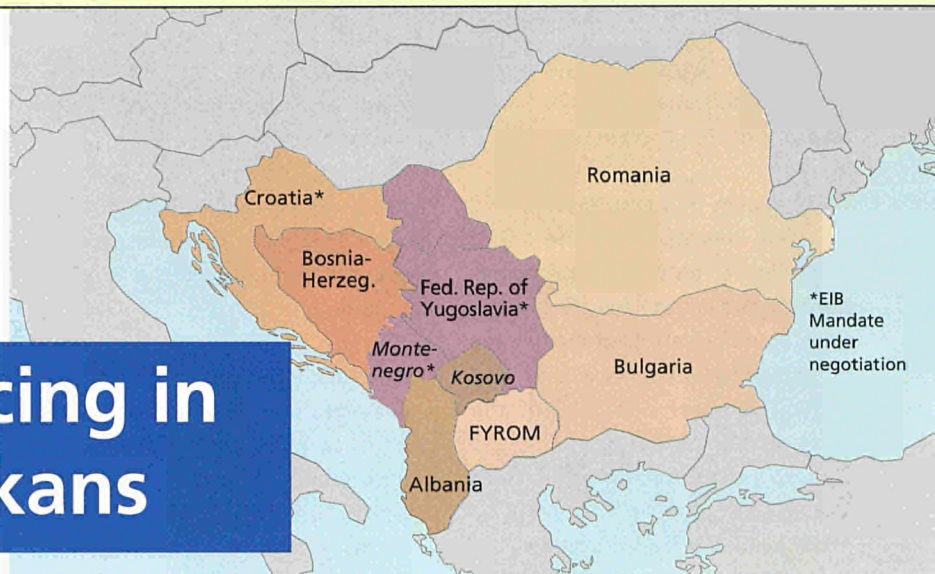
For additional information, please visit www.eif.org



The EIF has a total of 47 staff dealing with venture capital and guarantee operations



EIB financing in the Balkans



EIB stands ready to fund projects in the Federal Republic of Yugoslavia

Subject to the necessary green light from the European Union, the European Investment Bank is set to begin operations in the Federal Republic of Yugoslavia (FRY).

The recent democratic changes in the Federal Republic of Yugoslavia and the arrival to power of the opposition with the election of V. Kostunica as President of the Federation have prompted the European Union to radically review its policy on FRY. At the Council meeting (General affairs) of 9 October 2000, the Ministers decided to lift the sanctions on FRY and to include this country in the so-called "stabilisation and association process". It was also decided that the FRY would receive aid from the CARDS assistance programme, which will be additional to the humanitarian aid programmes, which have been applied in recent years for the people of the FRY.

Two regional projects included in the so-called Quick-Start Package for the post-war reconstruction of the Balkans area involve the Federal Republic of Yugoslavia: the resumption of navigation on the Danube, after removal of the three bridges destroyed in Novi Sad in spring 1999, for a total cost of EUR 24 million and a Transport Infrastructure Regional Study to identify transport investment priorities in South-Eastern Europe for some EUR 2.3 million.

The EIB is well-placed to finance infrastructure projects in the Federal Republic of Yugoslavia by virtue of its long and successful experience of lending in this country.

The Bank began financing key transport and energy-sector projects in the former Socialist

Federal Republic of Yugoslavia (SFRY) in 1977 following the "Belgrade Declaration" on cooperation between the SFRY and the EU.

EIB financing in the SFRY over the period 1977-1990 totalled EUR 760 million. Of this, EUR 668 million benefited mainly the Trans-Yugoslav highway and railway linking Slovenia, Croatia, the Autonomous Province of Vojvodina, Serbia and Macedonia as well as neighbouring countries: Austria, Italy and Greece. EUR 92 million went to projects for improving and developing the electricity network, including exchanges with Greece and Italy through power interconnections.

Most of this funding was made available under three Financial Protocols (up to a total of EUR 1 billion) stemming from the European Union-SFRY Cooperation Agreement. That Agreement confirmed the intention of the SFRY and the EU to strengthen economic and trade relations, as part of a wider EU cooperation policy with third countries in the Mediterranean region.

After the break-up of the SFRY, the EIB resumed financing in the region in the Former Yugoslav Republic of Macedonia in 1998 and in Bosnia-Herzegovina in 1999. The Bank will soon commence operations in Croatia as well as in the Federal Republic of Yugoslavia, focusing on the transport and energy sectors.

EIB operations in the Western Balkans will increase substantially in the near future

With a view to underscoring its commitment to post-war reconstruction in the Balkans area, the EIB participated in establishment of the Stability Pact for South-Eastern Europe at the Ministerial Meeting in Cologne in June 1999.

As an immediate response to the leading role given to the Bank by the High Level Steering Group and the Stability Pact in drawing up and coordinating basic infrastructure investment programmes in the region, the EIB set up a Balkans Task Force to evaluate investment needs and identify priority projects in post-war South-Eastern Europe. The region includes Albania, Bosnia-Herzegovina, Croatia, the Federal Republic of Yugoslavia (consisting of Serbia and Montenegro), the Former Yugoslav Republic of Macedonia (FYROM), as well as Bulgaria and Romania.

In September 1999, the EIB put forward a first report on reconstruction needs in cooperation with the European Commission and the other multilateral financing institutions.

Projects have been grouped into a Quick-Start Package of capital in-



vestment, with implementation scheduled to commence, or tenders to be awarded, up to March 2001, and a Near-Term Package of investment which appears *prima facie* economically justified and does not raise major sectoral or project issues.

The list comprises a total of 85 projects involving some EUR 4 billion. Of these, 35 are Quick-Start projects worth EUR 1.1 billion. The EIB has a lead role in 14 of them, costing at around EUR 800 million, i.e. 72% of the total. The other 50 Near-Term projects total some EUR 3 billion. The EIB is likely to be involved in 18 of them, running to some EUR 1 billion, i.e. 33% of the overall amount.

The 14 Quick-Start projects for which the EIB is the "Lead Agency" have advanced considerably: long-term EIB loans totalling EUR 548 million (i.e. 69% of the EIB-led Quick-Start projects) have been signed for 5 transport projects, one in Bosnia-Herzegovina (roads/Corridor V for EUR 57 million), two in the Former Yugoslav Republic of Macedonia (Skopje bypass and border crossing to Greece via Gevgelija: EUR 70 million), as well as in Bulgaria (Sofia airport development: EUR 150 million) and Romania (road section Bucharest-Cernavoda: EUR 270 million).

In addition to the reconstruction programme, the EIB is financing projects in the Balkans under its normal lending activity in the region.

In Albania, Bosnia-Herzegovina and the FYROM, the Bank is operating under the current mandate for Central and Eastern Europe handed down by the Council of Ministers for 2000 to 2007, which provides for EIB lending of up to EUR 8.7 billion in the ten Accession Coun-

tries and in three Balkan states which do not yet have candidate status: Albania, Bosnia-Herzegovina and the FYROM. The existing mandate will soon be extended to Croatia as well as the Federal Republic of Yugoslavia (including Serbia and Montenegro). In Bulgaria and Romania, in addition to lending activity under mandate, loans are also made available under the second Pre-Accession Facility authorised by the EIB's Governors, providing for EIB lending of up to EUR 8.5 billion in the Central and Eastern European Accession Countries as well as in Cyprus and Malta between 2000 and 2003.

EIB lending in the Western Balkans totals EUR 323 million: Albania has attracted EUR 68 million for transport, energy and SMEs since 1995, Bosnia-Herzegovina, EUR 125 million for transport and energy since 1999 and the FYROM, EUR 130 million for transport since 1998.

EIB operations in the Western Balkans will increase substantially in the near future when progress on project preparation gains added momentum thanks to the streamlining of legal, administrative and technical procedures. Again, EIB lending will be carried out in close cooperation with the European Commission and the other multilateral institutions, and will focus specifically on transport and energy. ■

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EIB lending will be carried out in close cooperation with the EU Commission and the other multilateral financing institutions

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"i2i" in a nutshell

In June, the EIB's Board of Governors - the EU Ministers of Finance - endorsed the Bank's "Innovation 2000 Initiative" to support investment promoting the information society, research and development, innovation and competitiveness as well as human capital. Support for these areas will be provided under a dedicated lending programme of EUR 12 to 15 billion over the next three years. More than simply an increase in the Bank's lending volume, this will repre-

sent a qualitative reorientation of the EIB's traditional operations.

A key element of the "Innovation 2000 Initiative" is the expansion of Bank activity in favour of venture capital financing for SMEs. The scope of the EIB's venture capital operations for small and medium-sized companies has been doubled to EUR 2 billion. In addition, the European Investment Fund (EIF) has become the EIB Group's specialist venture capital

arm. While maintaining the tripartite nature of the Fund (whose capital is jointly owned by the EIB, the European Commission and commercial banks), the EIB has become the majority shareholder and operator of the institution.

A brochure (16 pages) on EIB activities to promote a knowledge-based economy is available in English, French and German on www.eib.org/Innovation2000Initiative.

New EIB corporate film

A new ten-minute corporate film is now available, explaining how the EIB works. Banks and other financing institutions, Chambers of Commerce and Industry, EU Institutions and Missions abroad, European professional associations, universities and schools as well as TV stations will find this a helpful tool for presenting the EIB, the financing institution of the European Union.

The film focuses particularly on capital market and treasury operations as well as lending. It highlights the Bank's position in the world of finance and its contribution to economic development and quality of life in the present and future EU Member States, as well as in other regions of the world. It also touches on the Bank's venture capital activities managed by its subsidiary, the European Investment Fund (EIF).

The video is available in English, French and German. VHS copies (Betacam for TV stations) may be obtained free of charge from the EIB's Information and Communications Department, Ms Sophie Decelle
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The 2001 EIB Prize

Entries are invited for the EIB Prize, awarded every two years for **short essays on economic and financial topics** relating to European affairs.

The Prize consists of

EUR 15 000 (first prize)

EUR 7 000 (second prize)

EUR 3 000 (third prize)

and three **EUR 1 000** prizes for submissions from candidates under the age of 30.

Entries must be submitted before 1 February 2001.

The EIB Prize is open to any person with the nationality of a Member State of the European Union, a Member State of the European Free Trade Association (Norway, Switzerland, Iceland and Liechtenstein) or a European State that has concluded an Association

Agreement with the European Union (Cyprus, Malta, Turkey, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic and Slovenia).

An independent Prize Jury adjudges the essays selected for its consideration. The prizes and awards will be presented to the winners in September 2001.

For more information:
www.eib.org/2001EIBPrize

