



**Statement of Mr. Philippe de Fontaine Vive,  
EIB Vice-President**

Dear Ministers, Commissioner(s), Colleagues, Ladies and Gentlemen,

It is a great pleasure for me, as Vice-President of the European Investment Bank, to be here today at a Conference which goes to the heart of several of our missions.

When you look indeed at the main bywords which have driven our debates, namely: “Working together, supporting reforms or connecting the Neighbourhood”, they represent in many ways the foundation and the principal aims of the EIB.

As most of you already know, the European Investment Bank is the bank that promotes European objectives. For almost 50 years now, it has contributed to the financing of investment projects which have accelerated growth in Europe and enhanced European integration.

But accelerating growth should also apply to our neighbours and partners, otherwise, we would only increase the gap between us and them, when “*the EU has a duty towards its present and future neighbours to ensure social cohesion and economic dynamism*”, to quote the Commission’s statement to the Council of March 2003 which laid down the foundations of the European Neighbourhood Policy that gathers us today.

I will not tire you with figures and other statistics, especially during an “after-lunch” workshop, but only illustrate our commitment in favour of neighbours and partners by pointing out that out of the total amount of funds (both grants and loans) allocated to our neighbours in 2006, 53% were channelled by the EIB. And based on the amounts already earmarked for 2007-2013, this share should reach 55%. This demonstrates that the bank that promotes European objectives is also the bank that supports European neighbours.

To also illustrate the scale of our task, I would however like to recall that, for example, the GDP/capita ratio between Spain and Morocco was 1 to 12 in 1995. Today, it is of about 1 to 15... and if you allow me to be a bit provocative, this ratio is 1 to 11 between North and South Korea... Nobody will however argue that in the meantime, Morocco has made significant efforts to modernise its economy.

Regional economic integration is therefore vital for European neighbours and partners to reach the sustainable growth that they need to curb unemployment, to implement structural reforms and to successfully take part in a globalised economy. In this respect, the Euro-Mediterranean Conference of Transport Ministers -held in Marrakech in December 2005- highlighted that the success of the Euro-Mediterranean Free Trade Area depended on the creation of a sustainable and efficient multimodal transport system.

What is applicable for transport is also applicable for energy, just as what is applicable for the South is also applicable for the East... and I am confident that our discussions will help reach some interesting recommendations to enable the implementation of a reinforced European Neighbourhood Policy.

To start our dialogue, I would like to make few comments based on the three following questions:

1. With regards to the European Neighbourhood Policy, what are the main challenges for the energy and transport sectors?
2. How can the EIB help address these challenges?

3. What could be the outlines of a more ambitious European Neighbourhood Policy?

**First question: with regards to the European Neighbourhood Policy, what are the main challenges for the energy and transport sectors?**

Regarding energy, it is firstly, to build a Pan-European Energy Community. This means a better integration of energy markets amongst neighbouring countries on one hand and with the EU on the other hand. This implies promoting a gradual convergence of energy policies, legal and regulatory environment and reinforcing networks and interconnections.

A second challenge is to improve the security of energy supply. This means the development of new energy import and sources routes to the EU and to favour large cross-border gas pipelines projects.

A third challenge is to increase energy efficiency and energy savings, as well as the use of renewable energy and co-operation in energy technologies.

Regarding transport, the conclusions of the High Level group remain an appropriate description of the main challenges that the ENP faces. Among these conclusions, I will recall:

Firstly, the need for a better coordination of infrastructure planning, which should translate into open and secure borders, a stable definition of trans-national axes, transparent and clear public procurement legislation and of course, adequate budget allocations to be complemented in some cases by private capital.

The second set of recommendations refers to horizontal measures, like for example faster border control procedures or ratification and implementation of security measures based on international agreements and standards. Other measures include enhancement of rail inter-operability, mutual open access for inland waterways, improvements in road safety and extension of the Single European Sky initiative.

I will of course leave it to the audience to complement this quick review.

**Second question: how can the EIB help address these challenges?**

In 1993, the development of Trans-European Networks, for both transport and energy, became an EU priority objective and the EIB has supported it ever since with several loans reaching a total of EUR 77bn.

In addition to providing large long terms financial resources to meet the borrowers' needs, the EIB has also been able to increase its experience and gain greater knowledge which serves to better structure projects. It also enables the Bank to develop joint products with the Commission, pulling both financial and human resources together. As an example to this, I would mention a new guarantee scheme in favour of the Trans-European networks.

All the expertise of EIB Group can be shared with all the Neighbours and Partners.

With this in view, the EIB can rely on the new lending mandate of up to EUR 12.4bn allocated to all the neighbouring countries during the period 2007-2013. This is the biggest mandate ever outside the Union and it will enable the EIB to proactively double its activities in the Mediterranean Partner Countries and increase potential lending operations in the Eastern neighbour countries six-fold.

This shows Europe's strong commitment to its neighbours and at its respective level, the EIB has embarked towards the successful implementation of the European Neighbourhood Policy.

With regards to the Eastern neighbours and according to the definition of the mandate, the EIB will precisely finance projects in the following sectors: transport, energy, telecommunications and environment infrastructure. Priority will be given to projects on extended major Trans European Network axes,

projects with cross-border implications for one or more Member States and major projects in favour of regional integration through increased connectivity.

In the energy sector, strategic energy supply and energy transport projects will become the main priority.

Within the specific framework of its Facility for Euro-Mediterranean Investment and Partnership dedicated to the Southern neighbours, the EIB has successfully channelled funding to the Mediterranean region through loans to private companies and infrastructure investments aimed at improving the business environment. These infrastructure investments include of course the ones which contribute to a better connection between Europe and its Mediterranean neighbours.

To complete this mission, the Bank has made significant efforts, both in terms of human and financial resources and will continue to do so. According to the scenario selected at the end of last year by the Council for FEMIP, we will increase its risk-taking.

In terms of lending and in addition to its lending mandate, FEMIP will be able to use the newly approved Mediterranean Partnership Facility, a EUR 2bn envelope, with no guarantee for the Bank. This envelope places a particular emphasis on supporting the creation and the extension of communication networks throughout the southern and eastern Mediterranean region. It will also support the reinforcement of production and exchanges of energy in order to meet the increasing demand from the European countries and to promote the increasing cooperation between EU and Mediterranean countries.

Lastly, I would like to add that FEMIP helped to develop a reinforced dialogue between Member States and Southern neighbours on economic and sectoral issues. For example, last November in Monaco, in collaboration with the Government of the Principality, the Bank organised a Conference on “Finance for transport networks: meeting the challenge of Euro-Mediterranean economic integration” which proved to be a fruitful forum, delivering interesting recommendations.

### **Third question: could we draw the outlines of a more ambitious European Neighbourhood Policy?**

Last June, the Council reaffirmed “*the crucial importance of the ENP to consolidate a ring of prosperity, stability and security (...) in the EU’s neighbourhood*” and endorsed recommendations to strengthen this policy for the future.

From the EIB operational point of view, it is indeed possible to develop a new approach to support this policy.

A first priority should be to reinforce synergies between institutions operating in the two sub-regions, in line with the “working together” suggested by this conference. On my initiative, FEMIP acted as a pioneer in this respect, concluding a series of Memoranda of Understanding (MoUs): with the European Development Finance Institutions, with the AFD and the KfW, with the Commission and the African Development Bank, with the Commission and the World Bank. Regarding the latter, I am pleased to confirm that the International Finance Corporation has just joined our agreement.

So far, this donor coordination has produced a series of different results: one can value the level of coordination achieved for each country, where coordination has often become normal practice, between both headquarters and those in the field. However, this has not yet led to a significant increase in the number of co-financings. We definitely need to stick together and become more pro-actively involved in this matter, by better sharing our skills and knowledge and joining forces at an earlier stage of projects’ appraisal.

Regarding Eastern Europe, Southern Caucasus and Russia, EIB financing operations are now carried out in close cooperation with the EBRD, according to the terms set out in the tripartite MoU between the Commission, the EIB and the EBRD. The text signed in December 2006 aims at bringing together the expertise, ability and comparative advantages of each participant.

There is nevertheless a way forward to further strengthen this cooperation with the ultimate goal of providing better service to the countries involved.

Between the EIB and the EBRD, which are respectively owned at 100% and 60% by European Member States, closer cooperation should be sought.

A second priority for the overall neighbourhood policy should be, of course with the European Commission, to support a better combination of the grant resources made available from different sources. This is necessary to get the sufficient leverage to better prepare and implement projects as well as to support riskier projects, particularly in the field of capital investment. This is also a moral obligation because, ultimately, we are all using tax-payers money.

A third priority concerns more specifically, at least at this stage, support to the Southern neighbours as it relates to institutional aspects. You all know that the proposal to set up a Mediterranean Bank has regularly been addressed over the last few years and this question may yet arise again. All I can say here is that FEMIP has become the institution of reference for the region and the EIB has the expertise and the means to put in place a more ambitious scheme to fulfil the region's needs, should, of course, its shareholders decide so.

I will stop there as I have already spoken for too long... I hope that this has set the scene for our presentations and hopefully lively debate this afternoon.

The floor is now open and I have the honour to welcome our first speaker .....