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EIB-Information

EIB financing in 1986 reaches over 7.5 billion ECUs

Lending for advanced technology and environmental protection almost doubles in twelve months

Loans provided by the European Investment Bank in 1986 totalled more than 7.5 billion ECUs, a new record figure: drawing on its own resources, the EIB advanced 6.7 billion ECUs (5.6 billion)⁽¹⁾ within the EEC, i.e. 19.6% more than in the previous year; around half of this increase was attributable to the accession of Spain and Portugal. Allowing for the fall in inflation in Member Countries, the upturn in financing in real terms is considerably more significant than that observed in 1985. The above figures relate to contracts signed in 1986; actual disbursements came to almost 7 billion ECUs⁽²⁾.

Salient features of the 1986 financial year were:

- further substantial growth in lending for advanced technology which jumped to 574 million ECUs (325 million). A similar trend was recorded under the heading of environmental protection which attracted 702 million ECUs (360 million);
- loans totalling 409 million ECUs (160 million) in Spain plus 190 million ECUs (100 million) in Portugal;
- financing for over 3 800 smaller ventures: support was provided mainly from the EIB's own resources as amounts available under the New Community Instrument (NCI III) had been committed almost in full;
- the extensive role again played by regional and intra-Community infrastructure projects, particularly major transport infrastructure and telecommunications schemes, in relation to overall Bank financing;
- entry into force of the third Lomé Convention concluded with the 66 ACP States;
- a sizeable increase in borrowings, particularly in ECUs, which climbed to 6.8 billion ECUs (5.7 billion).

Within the Community: in 1986, the EIB advanced funds in all EEC Member Countries with the upswing in lending from own resources amply offsetting the fall in NCI loans. A pronounced increase in operations was recorded in Germany (chiefly for environmental protection), the United Kingdom, Ireland and the

Netherlands, while the EIB commenced lending in Spain and Portugal in their capacity as Member Countries. A slackening of activity was observed in France, while operations in Denmark, Greece and Belgium tended to contract. Italy was again the leading beneficiary of EIB lending, receiving 42.8% of the total.

In addition, the Bank granted a loan for a satellite project of interest to the entire Community but impossible to classify under a specific geographical heading.

In brief...

Of the 7.5 billion ECUs lent by the EIB in 1986, almost 7.06 billion were drawn from the Bank's own resources (i.e. chiefly the proceeds of its borrowings on the capital markets and 485 million from resources deployed under mandate (New Community Instrument: 393 million; budgetary resources: 92 million).

It is perhaps worth recalling that the EIB does not lend on the basis of a predetermined country-by-country or sectoral distribution and that there is no limit, a priori, on the amount of financing which it may provide in a given Member Country or sector, although loans and guarantees outstanding (37 billion at 31 December 1986) may not exceed 250% of subscribed capital (present ceiling: 72 billion).

The spread of lending in Member Countries depends on both demand and compliance of the projects concerned with one or other economic policy objective entrusted to the EIB.

Outside the Community, financing is provided up to ceiling amounts fixed on an overall basis under agreements or protocols concluded between various countries and the EEC.

**New telephone number of
the EIB's Department
for Italy in Rome:**

4719-1
(old number: 4711-1)

(1) All figures in parentheses refer to the 1985 financial year.

(2) By comparison, World Bank disbursements during its 1985-86 financial year totalled some US\$ 8.3bn

Loans advanced by the EIB in 1986, including those from NCI resources, represented some 55% of Community structural investment financing⁽¹⁾ or over 80% of EEC loans funded from the proceeds of borrowings. They also corresponded to around 1.1% of gross fixed capital formation within the EEC in 1986, a figure which rises to 5.4% in Ireland, 3.3% in Greece, 3.3% in Italy (over 6% in the Mezzogiorno) and 3% in Portugal.

On the basis of data available at the time of project appraisal, the EIB puts at some **22.8 billion ECUs the total fixed asset cost of projects** financed last year, with Bank lending covering an average of 32% of the cost of ventures. In terms of employment, these projects are expected directly to generate almost 30 000 permanent jobs in addition to temporary employment (over periods ranging from 2 to 10 years, depending on the scheme involved) created by orders and works relating to schemes financed, particularly in the case of infrastructure.

Outside the Community: the EIB continued implementing the Financial Protocols with the Mediterranean countries, lending 264 million ECUs. Furthermore, entry into force of the third Lomé Convention on 1 May 1986 heralded a new era of Bank activity in support of de-

velopment aid in Africa, the Caribbean and the Pacific; 209.7 million ECUs were made available under this heading.

Lending within the EEC broken down by economic policy objective

When mounting financing operations, the EIB does not lend on the basis of a predetermined geographical and/or sectoral distribution; the spread of lending depends on both demand and the compliance of the projects concerned with one or other economic policy objective pursued by the Bank.

With the European Year of the Environment now approaching, it is perhaps worth emphasising the fresh surge in loans for schemes designed to **protect the environment** which attracted 702 million ECUs, compared with 360 million in 1985. Ventures financed centred on improving the quality of water in Italy, the United Kingdom, Germany, Ireland and France, as well as on enhancing the quality of air by installing equipment to reduce and clean up fume emissions from thermal power stations, heating plant and refineries in Germany, Greece, Italy and Denmark. In 1986, the EIB also made available an initial series of global loans for funding smaller ventures seeking to safeguard the environment. EIB

activity in this field extends far beyond merely financing projects directly geared to improving the environment: indeed, when appraising all loan applications, the Bank systematically examines the possible environmental impact of schemes and their compliance with existing legislation.

A very steep upturn in lending for projects aimed at developing or introducing **advanced technology** in industry, telecommunications and other infrastructure was also recorded: 574 million ECUs (325 million) were provided under this heading – including 44 million for smaller ventures – chiefly with a view to honing the competitive edge of European undertakings.

Again in the productive sector, 432 million ECUs were channelled to projects involving **industrial cooperation** between enterprises in different Member Countries, schemes centred on the **modernisation and conversion of undertakings** and, chiefly through the medium of global loans from NCI resources, **productive investment by SMEs irrespective of their geographical location**.

In line with the EIB's principle task, projects fostering **regional development** represented the Bank's prime lending target in 1986, claiming 3.7 billion ECUs (53.9%); 70% of loans in this category focused on countries with severe structural problems (Italy, Greece, Ireland, Portugal and Spain), the majority of funds benefiting regions battling with unemployment rates above, and average income below, the Community average.

Projects complying with Community **energy** policy objectives, another key area of EIB activity, attracted 2.6 billion ECUs. Of this, 1.4 billion ECUs went towards developing indigenous resources, with the marked drop in lending for the nuclear energy sector (from 1009 million ECUs to 743 million) offset by a rise (from 471 million ECUs to 658 million) in the number of schemes designed to harness hydroelectric potential or to tap oil and gas deposits in Member Countries, particularly in Italy; a further 797 million ECUs were given over to promoting rational use of energy (heat recovery, development of renewable energy sources – e.g. geothermal, installation of energy-saving equipment, electrification of rail lines and inter-connection of electricity grids); in addition, 402 million ECUs were devoted to import diversification (mainly gaslines and coal-fired power stations).

Geographical breakdown of financing provided (million ECUs)

Within the Community	1986	of which NCI	1985	of which NCI
Italy	3 024,0	111,4	2 978,0	374,1
United Kingdom	1 371,5	16,3	1 130,1	33,4
France	623,4	58,4	1 247,4	357,8
Germany	441,8		91,4	
Spain	409,3	69,2	160,0 ⁽²⁾	
Denmark	258,2	59,9	332,5	68,5
Greece	253,0		423,7	22,0
Ireland	262,1	47,8	174,5	27,9
Portugal	190,3	29,9	100,0 ⁽²⁾	
Netherlands	98,2		69,1	
Belgium	46,1		77,8	
Luxembourg	18,2		—	
Other ⁽¹⁾	75,0		—	
Total	7 071,1	393,0	6 784,4⁽²⁾	883,7
Outside the Community	1986	of which budgetary resources	1985	of which budgetary resources
ACP-States	209,7	59,0	235,0	67,2
Mediterranean region	264,0	32,9	165,2 ⁽³⁾	8,7
Total	473,7	91,9	400,2⁽³⁾	75,9
Grand total	7 544,8		7 184,6	

(1) project of direct benefit to the EEC but located outside the territory of Member States

(2) operations in Spain and Portugal – non-Member Countries in 1985 – have been included in these figures for ease of comparison

(3) excluding Spain and Portugal

(1) ECSC, EIB, NCI and Euratom loans, ERDF and EAGGF – Guidance grants

When fully operational, projects financed in 1986 should represent some 6.2 million tonnes of oil equivalent (toe) per annum. The cut-back in oil imports achieved by virtue of projects funded by the EIB since 1982 stands at 56 million toe, of which 15.6 million toe were attained through energy savings; this corresponds to 15% of projected Community oil imports in 1995.

Schemes aimed at developing Community infrastructure claimed 561.5 million ECUs (384 million) with particular emphasis on road, motorway and rail links with the new Member Countries plus sections of road and motorway in France, Ireland and Italy and ports and airports both in the United Kingdom and in Italy where the EIB also advanced funds for bolstering the country's fleet of aircraft used on intra-Community routes. Two transoceanic cables linking Europe with South-East Asia and the Middle East, and Europe with America as well as Eutelsat satellites also attracted loans, as did, a scheme for extending the Court of Justice of the European Communities' buildings in Luxembourg.

As in previous years, a substantial proportion of operations took the form of global loans for **smaller ventures**; these accounted for 955 million ECUs, comprising 694 million from EIB own and 261 million from NCI resources.

Allocations made in 1986 from new or ongoing global loans for smaller scale productive investment in industry ran to 1 008 million ECUs, i.e. 556 million from EIB own resources for 2 061 ventures in assisted areas plus 303 million from NCI resources for 1 365 ventures mainly in non-assisted regions. In addition, 80 allocations, totalling 91 million ECUs, benefited schemes promoting more rational use of energy, while 14 (44 million ECUs) were channelled to ventures deploying advanced technology and 6 (13 million ECUs) were given over to environmental protection schemes.

Of the various small scale industrial ventures funded through global loan allocations in 1986, 98% were implemented by undertakings with less than 500 employees, including over 80% by firms with a workforce of less than 50.

Taking all global loan allocations between 1983, the European Year of the Small and Medium Scale Enterprise, and the end of 1986, the EIB has helped,

Breakdown by economic policy objective of financing provided within the EEC⁽¹⁾

	1986		1985	
	million ECUs	%	million ECUs	%
Regional development	3 685.1	100.0	3 390.7	100.0
Belgium	46.1	1.2	—	—
Denmark	5.0	0.1	13.4	0.4
Germany	25.7	0.7	1.8	0.1
Spain	294.6	8.0	— ⁽²⁾	—
Greece	253.0	6.9	419.3	12.4
France	389.6	10.6	668.5	19.7
Ireland	262.1	7.1	174.5	5.1
Italy	1 826.5	49.6	1 720.2	50.7
Luxembourg	—	—	—	—
Netherlands	18.1	0.5	4.0	0.1
Portugal	160.4	4.3	— ⁽²⁾	—
United Kingdom	403.9	11.0	389.0	11.5
Energy policy objectives	2 600.1	100.0	2 282.0	100.0
Dev. of indigenous resources	1 400.9	53.9	1 479.8	64.8
<i>Hydroelectric</i>	155.8	6.0	160.5	7.0
<i>Nuclear</i>	743.4	28.6	1 009.0	44.2
<i>Oil and natural gas deposits</i>	501.8	19.3	310.3	13.6
Import diversification	402.0	15.4	237.0	10.4
<i>Natural gas</i>	245.1	9.4	230.0	10.1
<i>Coal</i>	156.9	6.0	7.0	0.3
Rational use of energy *	797.1	30.7	314.2	13.8
Modernisation of undertakings	1 005.5	100.0	978.9	100.0
Advanced technology	573.9	57.1	325.6	33.3
Modernisation – conversion	52.7	5.2	24.2	2.5
Industrial cooperation	117.3	11.7	—	—
Investment by SMEs (NCI)	261.5	26.0	629.1	64.2
Environment – cultural heritage	701.7	100.0	360.4	100.0
Air pollution	250.1	35.6	—	—
Water and soil pollution	310.1	44.2	323.6	90.1
Other operations	138.1	19.7	36.8	9.9
Safeguarding cultural heritage	3.4	0.5	—	—
Community infrastructure	561.5	100.0	744.7	100.0
Transport	468.3	83.4	338.9	88.2
<i>Railways</i>	135.3	24.1	—	—
<i>Roads</i>	219.7	39.1	250.1	65.1
<i>Shipping</i>	26.3	4.7	29.2	7.6
<i>Airlines</i>	87.0	15.5	59.6	15.5
Telecommunications	75.0	13.4	17.6	4.6
Other	18.2	3.2	27.8	7.2
Total	7 071.1	100.0	6 524.4⁽²⁾	100.0

(1) The various totals do not make an aggregate as certain loans meet simultaneously more than one objective.

(2) Excluding loans in Spain and Portugal, non-Member Countries in 1985.

in four years, to finance a total of over **17 000 smaller industrial ventures** mounted mainly by SMEs and attracting some 5 billion ECUs⁽¹⁾.

Borrowings

To finance its lending from own resour-

ces, the EIB raised borrowings in 1986 for a total of 6 786 million ECUs, an

(1) From EIB own resources: 8 244 SMEs (2.4 billion ECUs); from NCI resources: 8 220 SMEs (2.1 billion ECUs). Rational use of energy: 494 ventures (409 million ECUs). Advanced technology: 26 ventures (89 million ECUs). Environmental protection: 6 ventures (13 million ECUs).

upturn of 19% over the previous year (5 709 million). 5 435 million were tapped by means of public loan issues, 1 009 million in private placings, 321 million through interbank operations and 20 million via allocation to third parties of participations in Bank loans, guaranteed by the EIB.

Borrowings were mainly in US\$, ECUs, DM and Lit, notably in Eurolire which, coupled with a further increase in ECU-denominated issues, was one of the year's highlights (see table).

In a market environment rather less suited to this type of activity during much of the year, floating-rate operations brought in 541 million ECUs, mainly in US\$, in contrast to 899 million in 1985: 249 million were raised through swaps against fixed-rate borrowings and 291 million via a direct issue of US\$300 million in FRNs, the first operation of this type launched by the EIB.

Principal currencies raised (million ECUs)

	1986	1985
1. US\$	1 760 (25.9%)	1 883.6 (33.0%)
2. ECU	897 (13.2%)	731 (12.8%)
3. DM	879 (13.0%)	674 (11.8%)
4. Lit	594 (8.7%)	342 (6.0%)
5. Fl	515 (7.6%)	424 (7.4%)
6. Yen	514 (7.6%)	529 (9.3%)
7. Sfrs	510 (7.5%)	355 (6.2%)
8. Ffrs	413 (6.1%)	368 (6.5%)
9. £	304 (4.5%)	218 (3.8%)
10. Bfrs	263 (3.9%)	170 (3.0%)

In 1986, the EIB also raised the equivalent of 81 million ECUs in Lfrs and 54 million in Austrian Schillings.

Reflecting the trend in previous years, the relative importance of the US\$ in proportion to aggregate borrowings tended to slip back, although it still headed the list of currencies raised. Similarly, in response to demand from borrowers, the ECU continued to hold first place among Community currencies, while ranking second overall behind the US\$ and confirmed the EIB's prime role on the ECU market. The main countries in which loans were wholly or partly disbursed in ECUs in 1986 were Italy, France, Denmark, Spain, Portugal and, to a lesser extent, Greece and Ireland.

A general feature of the 1986 financial year was the overall rise in issues on national markets and a relative dip in operations in non-Community currencies.

Lending in the Member Countries

In **Italy**, traditionally the largest beneficiary of EIB loans, total lending increased slightly to more than 3 billion ECUs/Lit 4 442.4 billion, mainly as a result of an

appreciable rise in the volume of loans from own resources: more than 2.9 billion ECUs (2.6 billion in 1985), though lending from NCI resources fell from 374.1 to 111.4 million ECUs.

Almost 60% of the loans granted were for projects contributing towards regional development, 90% of them located in the Mezzogiorno, chiefly in Campania, 249 million ECUs/Lit 365 billion, Sicily 147 million ECUs/Lit 216 billion, Latium 137 million ECUs/Lit 201 billion, the Abruzzi 137 million ECUs/Lit 201 billion and Sardinia 94 million ECUs/Lit 138 billion.

Many of these projects were accorded priority for financing from the Investment and Job-creation Fund (FIO). The EIB also continued to implement Community aid provided for reconstruction in the earthquake-stricken regions of Campania and Basilicata. In addition there was a clear increase in financing of projects meeting Community objectives of advanced technologies and protection of the environment.

Infrastructure: the EIB lent 1.1 billion ECUs/Lit 1 586 billion, mainly for improving transport (roads, motorways, ports and air links) and telecommunications, and for water engineering schemes (in particular measures to protect the cities of Florence and Pisa against flooding by the Arno) and for waste water collection and treatment (Po valley and the river Tiber).

Energy sector: 917 million ECUs/Lit 1 345 billion; the EIB greatly increased its financing for hydroelectric power stations in the north of the country, geothermal energy projects in Tuscany, natural gas distribution networks in the conurbations of Naples and Milan, and for the development of domestic gas fields in the Adriatic and oil fields in the Strait of Sicily and off the coast of the Province of Campobasso.

Productive enterprise: 464 million ECUs/Lit 681 billion; financing was provided for individual projects usually making use of advanced technologies, in particular the production of a new generation of tyres and digital telecommunications equipment.

The EIB also maintained its support for small and medium-sized enterprises to the extent of 566 million ECUs/Lit 831 billion in the form of global loans granted to the principal national and regional financial institutions and banks. With the proceeds of these loans and of others granted in previous years and still being drawn down in 1986, it contributed in that year to implementing almost 2 200 small and medium-scale investment projects:

— 1 430 industrial projects: 290 million ECUs/Lit 427 billion from the EIB's own resources in the Mezzogiorno and 151 million ECUs/Lit 222 billion in assisted regions of Central and Northern Italy.

— 564 industrial investment projects: 170 million ECUs/Lit 251 billion from NCI resources in Central and Northern Italy.

169 small and medium-scale ventures to achieve more rational use of energy or to protect the environment attracted a total of 183 million ECUs/Lit 310 billion, while 14 for 43 million ECUs/Lit 64 billion were designed to promote advanced technologies.

In the **United Kingdom**, EIB financing rose sharply in 1986, totalling 1 372 million ECUs/£874 million, including 16.2 million ECUs/£10 million from NCI resources.

Most of this increase was attributable to lending for energy projects totalling 866 million ECUs/£552 million which accounted for about 60% of the total. The EIB thus contributed towards the ongoing construction of Torness Point power station in Scotland and its connection to the national electricity grid, the construction of facilities for reprocessing and storage of nuclear fuels, development of the Esmond and Sean natural gas fields in the North Sea; and improvements to the distribution of electricity from Kilroot power station in Northern Ireland.

It also lent 394 million ECUs/£250 million for improving infrastructure mainly in assisted areas: roads in Scotland, the Midlands and Wales; the railway in Anglia and the North West; the port of Felixstowe; and airports in Essex and in London's dockland for both domestic and/or intra-Community links. One loan was also made for installing a cabled communications network using advanced technology in Glasgow. Lastly, numerous waste water collection and treatment projects were financed in the North West, Yorkshire, Wales and Scotland, which will help to protect the environment: various projects concerning industrial estates, road improvements, sewerage schemes and other public infrastructure also attracted loans in Scotland and the Midlands.

In industry, loans totalling 111 million ECUs/£72 million were made for Short Brothers (Belfast) to participate in the construction of a new short-haul aircraft, the Fokker-100, as well as for facilities for overhauling aircraft engines and components in Scotland, for metallurgy, aluminium rolling in Northumberland and Gwent, the manufacture of copper cables on Merseyside, con-

struction materials, a granite quarry in Scotland, a composite panel factory, rebuilding of a glass furnace near Manchester, tourist amenities, the construction or renovation at two hotels in Manchester and Dundee and computerisation of management systems in a chain of cooperative stores.

In **France**, the EIB lent 623.4 million ECUs/more than Ffrs 4.4 billion, including 58.4 million ECUs/Ffrs 400 million from NCI resources.

The greater part of financing provided, 348 million ECUs/Ffrs 2.4 billion, was for communications and telecommunications infrastructure: the Bourges-Clermont-Ferrand section of the A71 motorway and the Mâcon-Châtillon section of the A40, the Lyons, Toulouse and Thionville by-passes, the Le Mans-Angers section of the A11, road schemes in Brittany, Pays de la Loire and Lorraine, and the Marseilles north feeder road. The EIB was in 1986 once again involved in financing work on their "Atlantic" high-speed train service between Paris and Le Mans. It also helped finance the laying of submarine optical fibre telephone cables transmitting digital signals between Europe and the United States, the Middle East and south-east Asia. Finally, a loan was made for the construction of a waste water treatment plant at Marseilles.

Continuing its cooperation with CAECL (Caisse d'Aide à l'Équipement des Collectivités Locales) for the financing of small and medium-scale infrastructural schemes contributing towards regional development, the EIB granted CAECL a global loan for 73 million ECUs/Ffrs 500 million which, together with others granted in 1985 and still being drawn down in 1986, was used to finance 214 works mainly to improve the Departments' road network.

Lending for productive enterprise amounted to 180 million ECUs/Ffrs 1.2 billion, including 56 million ECUs/Ffrs 376 million for projects making use of advanced technologies: the development of robotics and advanced technologies in a paint shop at the Peugeot Group's factory at Sochaux, modernisation (introduction of numerically controlled equipment and computerised systems) of a factory producing extruders and pumps, production of equipment to develop computer-assisted design and manufacturing systems, chiefly for textiles, leather, plastics and composite materials, construction of a factory to produce application-specific integrated circuits and custom-built circuits, the fruit of cooperation between a number of European firms near Aix-en-

Provence: this project comes within the European EUREKA programme.

By means of global loans to CEPME (Crédit d'Équipement des Petites et Moyennes Entreprises), the Caisse Centrale de Crédit Coopératif and the Sociétés de Développement Régional Bretagne, SODERO (West) and SODLER (Languedoc-Roussillon), it also provided 124 million ECUs/Ffrs 844 million for small and medium-scale ventures in industry, tourism and related services. During the course of the year the proceeds of these global loans and of other ongoing loans granted in 1985 were used to finance 1 078 small and medium-scale projects.

Lastly, in the energy sector, 22.3 million ECUs (Ffrs 150 million) were advanced mainly for completion of the interconnection of the British and French electricity grids by means of submarine cables laid between Calais and Dover, and, to a lesser extent, for a hydroelectric scheme at Sault-Brenaz on the upper Rhône.

In **Germany**, loans rose sharply, totalling 441.8 million ECUs/DM 946 million, mainly as a result of the attractive terms offered (up to 30 years); this helped to finance infrastructure projects meeting Community objectives regarding protection of the environment and/or improved energy supplies.

In order to bring installations into line with the very stringent requirements of recent national legislation concerning pollution, the EIB contributed towards providing equipment to clean flue gases at the Duisburg coal-fired power station and at the combined heat and power generating plant at Hanover. At thermal power stations at Cologne and Wuppertal, it also helped finance the installation of steam generators making use of the fluidised-bed combustion process which greatly reduces the pollutant content of flue gas. The Bank also helped to finance a district heating system in the Saar using heat recuperated from industrial processes, and granted a global loan to the Westdeutsche Landesbank Girozentrale for small and medium-scale infrastructural schemes ensuring more rational use of energy and/or helping to protect the environment. Lastly, loans were made for the continuing construction of the Emsland and Neckarwestheim power stations and for the construction of a reservoir which will improve the quality of drinking water for around 1 million consumers and safeguard supplies for some 2.5 million in the case of accidental pollution of the Rhine.

In **Spain**, loans amounting to 409 million ECUs/Ptas 56 billion, including 69.2 million ECUs/Ptas 9.5 billion from NCI resources, went mainly to finance transport infrastructure (191 million ECUs/Ptas 26 billion) and industrial projects (161.2 million ECUs/Ptas 22 billion).

Financing was thus provided for improving road and railway communications of regional importance between Madrid and Andalusia, as well as for upgrading roads which cross the country and link up with the remainder of the Community: the Madrid-Burgos, Madrid-Zaragoza, Vilar Formoso (the Portuguese frontier)-Burgos roads; railway lines to France through the Basque country and Catalonia; and port installations at Cadiz and Tenerife. The Bank also contributed to financing small infrastructural schemes of regional interest carried out by local authorities by means of a global loan for 29.4 million ECUs/Ptas 4 billion to Banco de Crédito Local de España: funds from this global loan and another granted in 1985 as part of pre-accession aid were allocated in 1986 for 21 small and medium-scale infrastructural schemes.

As regards financing for productive enterprise, the EIB granted 62.7 million ECUs/Ptas 8.6 billion for projects in the motor vehicle industry in areas where new industrialisation is urgently needed (two motor vehicle factories near Madrid and at Vigo, and a factory producing car windows at Valencia) and for three factories producing telecommunications equipment in the suburbs of Madrid, at La Coruña and Algeciras. It also provided 98.5 million ECUs/Ptas 13.5 billion in the form of global loans to Banco de Crédito Industrial and Banco de Crédito Agrícola for small and medium-scale ventures projects in industry and agricultural processing: 71 smaller ventures received allocations in 1986 from these global loans and from funds remaining from such loans granted in 1985.

Finally, in the energy sector, 27.3 million ECUs/Ptas 3.7 billion was lent for a hydroelectric scheme comprising two pumped-storage power stations (856 MW) on the river Jucar south-west of Valencia, and installation of a network of gaslines to supply the Basque country and, in the long term, to connect with the European grid at Irun.

In **Ireland**, financing totalling 262 million ECUs/IR£196 million, including 48 million ECUs/IR£37 million from NCI resources, went towards improving infrastructure and other works contributing towards the country's economic development: 117 million ECUs/IR£88 million went towards financing extension of Moneypoint coal-fired power station, re-

ducing the need for oil imports as well as reinforcing its connection to the national electricity grid with a particular view to supplying Dublin. 69 million ECUs/IR£52.5 million were provided for various works to realign, widen and improve roads throughout the country. Water supplies and waste water treatment attracted 18.7 million ECUs/IR£114 million, while 42 million ECUs/IR£31 million was lent for forestry schemes and the construction of advance and custom-built factories.

Lastly, cooperating with the Industrial Credit Company to finance small and medium-scale industrial ventures, the EIB in 1986 granted ICC global loans totalling 15 million ECUs/IR£11 million. Funds from these global loans and from the balance of others previously granted were allocated during the year to 17 small and medium-scale industrial ventures.

In **Denmark**, 258 million ECUs/Dkr 2 billion was lent, including 59.9 million ECUs/Dkr 475 million from NCI resources: 155 million ECUs/Dkr 1.2 billion helped finance gas distribution and district-heating systems which as well as allowing more rational use of energy will appreciably reduce the present air pollution caused by the more traditional heating systems replaced. The new systems will heat housing, offices and industrial premises in the Copenhagen conurbation, in the towns of Fredericia, Aarhus and Gentofte, and in communes along the Little Belt. Other financing included 73 million ECUs/Dkr 584 million for improving the distribution of natural gas from the Danish sector of the North Sea among the numerous communes of southern Jutland and Zealand, once again helping to promote the use of domestic energy resources and reduce dependence on imports of oil. A further 30.3 million ECUs/Dkr 240 million was made available in the form of global loans through the intermediary of the State (The Regional Development Board — Egnsudviklingsraadet) and the Finansieringsinstituttet for Industri og Håndværk for financing small and medium-scale industrial ventures. Funds from these global loans and the balance of ongoing loans granted in 1985 were used to make 168 sub-loans.

In **Greece**, the EIB granted 253 million ECUs/Dr 35 billion, mainly for investment in productive enterprise (178 million ECUs/Dr 25 billion): projects included the modernisation of two refineries near Athens with a view to reducing atmospheric pollution and producing low-lead or lead-free petrol. In addition, it helped to finance the construction of three vocational and technical training

centres to train managerial staff needed to run the economy. Lastly, global loans to the Hellenic Industrial Development Bank and the Agricultural Bank of Greece continued the Bank's support for small and medium-scale ventures in industry, tourism, agriculture and agricultural processing.

By the allocation of funds from these global loans and from the balance of others previously granted, the EIB in 1986 contributed towards the implementation of 151 small and medium-scale ventures in agricultural processing and craft businesses, and towards the provision of equipment for some 70 farms throughout the country.

Lastly, the Bank lent 75 million ECUs/Dr 10 billion for various roadworks (Crete, Rhodes, Euboea, and central and northern mainland Greece), for modernisation of Athens airport and improving the railway system and, in the energy sector, for construction of Stratos II and Ghiona hydroelectric power stations and installation of a high-voltage overhead transmission line between Macedonia and Athens to improve electricity supplies to several parts of the country.

In **Portugal**, the EIB lent 190 million ECUs/Esc. 28 billion, including 30 millions ECUs/Esc. 4.5 billion from NCI resources. Financing amounting to 96.4 million ECUs/Esc. 114 billion was provided in support of infrastructure projects including improvements to road links between Oporto and Lisbon through continuing work on new sections of the motorway, part of which is already in use, and on the railways benefiting both passenger and goods transport, and road improvements in the north and east of the country, in particular on the roads between Aveiro and Coimbra and between Vilar Formoso and the Spanish frontier. The EIB also contributed towards improving telephone and telex facilities throughout the country by the installation of microwave radio links and optical-fibre cable systems and a digital computerised telex exchange with a total capacity of 8 000 lines in Lisbon.

A further 65 million ECUs/Esc. 9 billion was made available in the form of global loans for small and medium-scale ventures in industry and tourism and for small and medium-sized enterprises seeking to rationalise their consumption of energy or to acquire equipment to protect the environment. Through the intermediary of the Banco Portugues de Investimento, Banco de Fomento Nacional and the State (Banco de Portugal), the proceeds of these global loans were onlent to all commercial banks and financial institutions established in the country and, together with funds drawn

from the balance of global loans made in 1985 as part of pre-accession aid, were in 1986 used to finance 60 small and medium-scale ventures.

Lastly, in the energy sector, 29 million ECUs/Esc. 4 billion contributed towards boosting generating capacity at Calheta hydroelectric power station and the new thermal power station near Vittoria, both in Madeira, and towards improving the electricity transmission and distribution network and installing automated remote-control equipment.

In the **Netherlands**, the EIB lent 98.2 million ECUs/Fl 243 million, most of it to Philips for its Mega-chip investment programme by which, in collaboration with Siemens, it aims to master submicron technology to be used for the production of the next generation of integrated circuits. This project, which is centred on Eindhoven, will open the way to the production of static memories with a one-megabit storage capacity. The EIB also provided financing for the construction of a factory at Geleen to produce Aspartame, an artificial sweetener, by a new enzymatic process not previously used in the EEC, and the purchase and installation of a flight simulator near the airport and the National Navigation School at Maastricht for training pilots to fly Fokker F-27 aircraft on domestic and international flights.

In **Belgium**, 46.1 million ECUs/Bfrs 2 billion was lent for a high-technology project (laser beam opto-electronic reading and digital signal processing) to enlarge and automate the production of compact disc players for sale to the general public. An additional advantage offered by this project is its location at Hasselt, in Limbourg, a region where the difficulties affecting the coal fields are having repercussions on employment.

In the **Grand Duchy of Luxembourg**, 18.2 million ECUs/Lfrs 800 million were lent for investment of benefit to the Community as a whole: the construction of new buildings to enable the Court of Justice of the European Communities to cope satisfactorily with the growing volume of cases submitted to it.

Lastly, with the special authorisation of its Board of Governors⁽¹⁾, the EIB granted a loan of 75 million ECUs for a project of direct interest to the Community as a whole, and indeed the whole of Europe, but **located outside the territory of Member States**: the loan will help finance the construction and placing into orbit by the European

(1) In accordance with Article 18 of the Bank's Statute.

Telecommunications Satellite Organisation (Eutelsat) of satellites providing high-capacity digital transmission between European countries. The Eutelsat system will employ highly sophisticated technologies and allow fuller integration of public telecommunications, considerable expansion of cable television and provide services intended more particularly for the business world; it will also promote European integration by fostering the dissemination of different cultures.

Lending under the Mediterranean financial protocols

While preparations were continuing for negotiations over renewal of the protocols concluded between the EEC and countries in the Mediterranean region, the EIB continued to make loans from the balance of funds still available under the second generation of protocols. In most cases these were fully used in 1986. In all, 231 million ECUs were lent from the Bank's own resources and 33 million from Community budgetary resources.

The Maghreb Countries: in **Algeria**, 60 million ECUs were provided under the Second Financial Protocol for upgrading National Highway 1 to motorway standards between the south exit from Algiers and Blida. This road provides a link with Tamanrasset and beyond to Niger and Mali. In **Tunisia**, 63.5 million ECUs, including 13 million from budgetary resources, was advanced through the intermediary of the Banque Nationale de Développement Agricole for agricultural development: 20 million ECUs went towards improving basic infrastructure, as well as to plantations, irrigation, and the purchase of equipment and machinery to raise the production of milk, meat and fruit for the local market on five farms managed by the Office des Terres Domaniales; 20 million ECUs in the form of a global loan benefited small and medium-scale agricultural and agro-industrial ventures, while 21 million ECUs helped agricultural complexes in the north and centre of the country to step up meat and milk production (basic infrastructure, equipment, cowsheds and sheep-pens, orchards, machinery and livestock); a further 2.5 million ECUs were lent for the construction of a dairy at Bou Salem, 130 km west of Tunis.

The Mashreq Countries: in **Egypt**, lending amounted to 62.5 million ECUs, including 32.5 million ECUs for the construction near Samalut (250 km south of Cairo) of a white cement works, whose planned production of more than 200 000 tpa will supply the domestic

market, and 30 million ECUs for the installation at Shoubrah El Kheima power station of a fourth generating set (320 MW) designed for firing principally with natural gas, but capable also of using fuel oil if necessary. In **Jordan**, 9.1 million ECUs were advanced towards financing the second part of the industrial estate south-east of Amman (roads, drainage, standard factories) aimed at stimulating industrial growth, and improvements to the waste water collection system at Zarqa, the country's second largest city. In **Syria**, modernisation and extension of sewerage systems at Aleppo (the country's second most important town) as part of a programme to eliminate health risks and improve the environment attracted 16 million ECUs. In

Israel, a global loan for 20 million ECUs to the Industrial Development Bank of Israel helped finance small and medium-scale industrial ventures. This loan exhausted funds provided under the Second Financial Protocol with this country. 14 ventures were allocated funds in 1986. In **Cyprus**, 1.2 million ECUs from budgetary resources contributed towards extension of the sewerage system in the capital, Nicosia, to improve the environment and to treat waste water for re-use in irrigation. In **Malta**, 13 million ECUs were lent to help finance rehabilitation and extension of domestic and international telecommunications facilities (telephone and telex) to meet the growth in tourism and commerce. This loan used up the last of the funds made available under the First Financial Protocol. In **Turkey**, the Bank lent 18.7 million ECUs (corresponding to the discounted value of 30 million 1973 units of account) under the Supplementary Protocol concluded at the time of the accession of Denmark, Ireland and the United Kingdom to the Community. This protocol provides for financing of 47 million units of account represented the contribution of the new Member States at that time to the financial protocol already in force. The new loan went towards financing a hydroelectric scheme on the river Peri (eastern Anatolia) including a reservoir with a capacity of 1.1 billion cubic metres and a power station equipped with two generating sets each with a capacity of 80 MW, which will reduce the country's dependence on imports of oil.

ACP States: first operations under the Third Lomé Convention

1986 marked the entry into force, on 1 May, of the Third Lomé Convention⁽¹⁾

concluded with the 66 African, Caribbean and Pacific States, and of the parallel aid intended specifically for the Overseas Countries and Territories. During the year, despite the somewhat belated entry into force of these agreements, the EIB lent 150.7 million ECUs from its own resources and 59 million ECUs from risk capital resources, a total of 209.7 million ECUs compared with 235 million in 1985. The loans granted went to 18 ACP States and 1 OCT.

Of total lending in 1986 almost 60% went to industry and agricultural processing (46% for relatively large projects and 13% for small and medium-sized enterprises). Energy projects, in particular the exploitation of local resources to reduce dependence on oil imports, which are a particular burden for the ACP States, accounted for 25%, water supplies 9%, the development of telecommunications 5% and various feasibility studies 2%.

About two thirds of projects financed in industry, by means of either individual loans or global loans, were concerned essentially with the exploitation of national resources, promoting local products in place of imports or for export.

The total cost of projects financed amounted to 1 430 million ECUs. By means of ongoing global loans, the Bank financed 85 small and medium-scale ventures for a total of 41.1 million ECUs.

The EIB in 1986 continued its lending for the rehabilitation of industries or infrastructure, on the one hand assisting firms facing economic difficulties to modernise or restructure and, on the other, contributing funds from risk capital to strengthen the financial structure of companies managing public utilities or to ensure the smooth working of local infrastructure (water and electricity supplies). Valuable contributions were also made to telecommunications, electricity generation and distribution, improving the living conditions of the population, creating more favourable economic conditions for business and helping countries improve their balance of payments, especially by reducing oil imports.

(1) This Convention provides for total Community aid of 8.5 billion ECUs comprising 7.4 billion ECUs from the European Development Fund and 1.1 billion ECUs in the form of loans from the EIB's own resources. The Bank is also making available 600 millions ECUs from EDF resources for risk capital operations: in addition, 210 million ECUs, also from EDF resources, have been earmarked to finance interest subsidies on loans from the Bank's own resources so that the final rate of interest to borrowers is between 5% and 8%.

List of financing operations mounted in the ACP States and the OCT in 1986

As in previous years, there was a high incidence of co-financing operations in which EIB credit was made available in tandem with bilateral or multilateral aid, EEC budgetary funds or finance provided by other banks and multilateral institutions.

Zaire: 50 million ECUs for rehabilitating and consolidating Gécamines-Exploitation production capacities at Shaba in the Zaire-Zambia copperbelt area (12% of total world copper reserves and more than 50% of the world's cobalt).

Ivory Coast: 24.2 million ECUs for rehabilitating and reinforcing the telephone system by acquiring digital telephone exchanges and microwave radio links, multiplex facilities, teleprinters, telex machines, etc. as well as for constructing a cotton ginnery in the Western Central part of the country and modernising and extending a factory producing corrugated paperboard at Abidjan.

Mauritius: 18.5 million ECUs (including 3.5 million from risk capital resources) for financing SMEs in the industrial, agro-industrial and tourism sectors via Development Bank of Mauritius as well as for establishing a textile weaving and finishing mill producing cotton and polyester cotton blended fabrics in collaboration with the COTONA company (Antsirabé, Madagascar — on example of regional cooperation between ACP States).

Papua New Guinea: 17 million ECUs for constructing a 320 million cu.m. storage dam and installing two new 15MW generating units at Ramu power station in the centre of the country.

Ghana: 17 million ECUs for improving and extending the high voltage electricity transmission network towards the centre and north of the country as far as the frontier with Burkina Faso.

Senegal: 13.5 million ECUs (from risk capital resources) for restructuring the Industries Chimiques du Sénégal complex exploiting, at the actual deposits, part of phosphate production from the Taïba mine as well as for financing SMEs in the industrial, agro-industrial, fisheries and tourism sectors via Société Financière Sénégalaise pour le Développement de l'Industrie et du Tourisme (SOFISEDIT).

Jamaica: 10 million ECUs for financing SMEs in the industrial, agro-industrial and tourism sectors via National Development Bank of Jamaica Ltd.

Congo: 10 million ECUs (from risk capital resources) for rehabilitating and improving water supply facilities at Pointe Noire, one of the country's largest towns.

The Sudan: 9 million ECUs (from risk capital resources) for installing a seventh generating unit (40MW) at the Roseires hydroelectric complex on the Blue Nile.

Bahamas: 8.5 million ECUs for improving water supply and sewerage systems on New Providence Island (60% of the population) where limited water supplies could jeopardise the development of economic activity, particularly tourism.

Malawi: 7.97 million ECUs (including 5.47 million from risk capital resources) for constructing an integrated sawmill and panel mill in the north of the country as well as for rehabilitating and modernising a clinker plant and upgrading a clinker milling facility in the south of the country.

Saint Lucia: 5 million ECUs (including 2 million from risk capital resources) for constructing a thermal power station with an initial 5MW diesel set and erecting an overhead line, some 100km long, around the island's eastern and western coasts.

Fiji: 4.5 million ECUs (including 1 million from risk capital resources) for modernising a hardwood processing plant on Vanua Levu and constructing a new sawmill on Viti Levu.

Equatorial Guinea: 4 million ECUs (from risk capital resources) for constructing a hydroelectric power station on the Riaba River.

Lesotho: 3.5 million ECUs (from risk capital resources) for geotechnical investigations connected with the hydropower component of a project for harnessing water resources in the highlands region.

Madagascar: 3.25 million ECUs (from risk capital resources) for rehabilitating a textile mill with a view to exploiting local cotton production in the north-west of the island.

Burundi: 3 million ECUs (from risk capital resources) for financing SMEs in the industrial, agro-industrial and tourism sectors via Banque Nationale de Développement Economique.

Ethiopia: 500 000 ECUs (from risk capital resources) for conducting a study on the feasibility of working the Legadenbi gold mine.

Montserrat (OCT): 260 000 ECUs (from risk capital resources) for conducting a study on the feasibility of harnessing wind power.

Ecu

Below are the ECU's values in national currencies, as at 31 December 1986; these rates are applied to the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2,07610	FB	43,2325
£	0,724942	Flux	43,2325
FF	6,87503	DKr	7,86192
Lit	1446,19	Dr	148,526
Hfl	2,34488	£irl.	0,764828
Ptas	141,151	Esc	156,382
		US\$	1,07038

N.B.: ECU/national currency conversions given in this issue for operations in 1986 are based on different exchange rates, applicable at the time of each contract signature.

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