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European Investment Bank  
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Banco Europeu de Investimento



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# EIB-Information

## More than 10 billion Ecus lent in 1988

Loans from the EIB in 1988 totalled over 10 billion ECUs for the first time (10.175bn), representing an increase of 30 % over total financing in 1987 (7.8bn ECUs). In the EEC, out of a total of 9 474.8 million ECUs, 356.5 million came from the resources of the New Community Instrument for borrowing and lending (NCI). Outside the EEC, 700.2 million ECUs were advanced, including 180 million ECUs from budgetary resources.

Highlights of the year:

- appreciable rise in financing for regional development projects; almost 60 % of total activity served this objective as a means of increasing economic and social cohesion, as pointed up in the Single Act;
- lively growth in lending for major infrastructure, in particular transport and telecommunications, looking towards the achievement of the single market;
- further rise in financing for industry, to increase company competitiveness; brisk growth in credit for SMEs, with over 5 200 of them receiving funds under global loans;
- maintenance of a high level of lending for environmental protection;
- sustained support for investment furthering the Community energy policy;
- outside the EEC, upturn in lending under the Mediterranean protocols and continued commitments under the Third Lomé Convention, producing an increase of almost 80 % over 1987;
- increase in borrowing operations: almost 7.7 billion ECUs raised in 1988, as compared with 5.6bn in 1987, with a heavy predominance of Community currencies (84 %), led by the Deutsche Mark and the ECU, with the Peseta and the Escudo making their début.

### Financing in the Community

The considerable growth in financing recorded in 1988 is a reflection of the buoyant level of investment in the Member Countries and of the contribution the EIB was able to make to the financing requirements arising in anticipation of the achievement of the single market in 1993. These arose both for the infrastructure needed for healthy trade development and for projects designed to give Community enterprises a keener competitive edge. The EIB thus lay greater emphasis on strengthening the economic and social cohesion of the Community, the priority for which is emphasised in the Single Act.

The conditions offered by the Bank, affording greater flexibility to borrowers,

in terms both of rate and duration and of currency options, also played their part in this increase in the volume of loans. Thanks to the current economic climate, the EIB believes that 1989 could see a further increase in financing, although it is not possible at this stage to estimate its scale.

In deploying its financing, the Bank does not mount operations according to any set scale, by country and/or by sector; the granting of its loans hinges on demand, on the compatibility of the invest-

at 30.12.88, 1 ECU = 2.08 DEM (Deutsche Mark), 0.65 GBP (£), 7.10 FRF, 1 531 ITL (Lire), 2.35 NLG (Guilders), 43.58 BEF/LUF, 8.03 DKK, 172.91 GRD (Drachma), 0.78 IEP (Ir£), 132.88 ESP (Pesetas), 171.70 PTE (Escudos) and 1.17 USD.

(ISO abbreviations used as from 1 January 1989)

## In brief . . .

The 10.175bn ECUs lent by the European Investment Bank in 1988 were financed as to 9.638bn from own resources and as to 537m from resources deployed by the EIB under mandate from the EEC.

What the EIB commonly refers to as its own resources consists largely of the proceeds of its borrowings on the capital markets. Financing from own resources is reflected in the balance sheet which totalled 49.9bn ECUs at end-1988; such operations last year comprised 9.118bn ECUs for projects within the Community plus 520m ECUs for capital investment both in Mediterranean countries which have concluded cooperation or association agreements with the EEC and in states which are signatories to the Lomé Convention.

Although forming an integral part of EIB activity, operations under mandate are accounted for not on the balance sheet but in the separate Special Section, in effect a trust management account. Activity under this heading in 1988 consisted of 357m ECUs in loans provided within the EEC from the resources of the New Community Instrument, funded through borrowings, and 180m ECUs in financing made available outside the EEC from budgetary resources on highly concessionary terms not pegged to market rates.

There are no formalities involved nor forms to be completed when approaching the EIB which may be contacted directly about its financing facilities. However, in the case of smaller ventures eligible for global loan support, enquiries should be addressed straight to the intermediaries which deploy the proceeds of these credit lines.

ments concerned with the economic policy objectives pursued by the Bank and on their viability.

In 1988, the Bank mounted operations in 11 Member Countries and also financed telecommunications satellites benefiting the Community at large, although geographically indefinable. The growth in operations was chiefly attributable to lending from own resources (up 2.1 bn ECUs). Expansion was marked in Spain and Portugal and also in France, Denmark and above all Germany and the Netherlands. In the United Kingdom, maintenance of a high level of activity was attended by much diversification. There was a modest rise in lending in Italy, while in the other countries activity more or less remained at previous levels.

The volume of investment towards which EIB operations contributed in 1988 (20 to 50 % of the cost, depending on the project) can be estimated at more than 25 billion ECUs, or slightly more than 3 % of total gross fixed capital formation within the Community. This percentage was particularly high in Portugal (11 %), Greece (5 %), Ireland (7 %) and Southern Italy (14 %). The direct impact of this investment on employment is put at 40 000 permanent jobs, a large

proportion of which were with SMEs financed out of global loans.

In its field, the EIB provides an immediate stimulus to priority investment in the Community, in terms of regional development, the improvement of infrastructure, the enhancement of industrial competitiveness (mainly through support for small and medium-sized enterprises and the development of advanced technology), the supply and more rational use of energy and environmental protection. Cooperation between the Commission and the Bank is set to be taken still further with the reform of the structural funds and the plan to differentiate levels of loans and grants, as well as by the quality of the programming procedures to be followed.

#### Financing in Member Countries in line with Community policies (1)

As in previous years, and in accordance with the Bank's primary mission since the outset, the largest share of financing within the Community (59 %) went in support of **regional development**, under which heading 4.9 billion ECUs were granted, as compared with 3.8 billion in 1987. These loans were concentrated (as to 70 %) in those countries

and regions (Portugal, Greece, Ireland, Northern Ireland, the Mezzogiorno and certain regions of Spain) that face the most severe structural problems and where the main thrust of future activity using the structural funds should occur. About 30 % of the funds went to regions suffering decline or affected by conversion from their traditional activities. Some 2.7 billion financed either projects directly embraced by IMPs (Integrated Mediterranean Programmes) or investment addressed to similar objectives in the regions concerned (2). During the past five years, EIB loans in support of regional development have totalled over 18 billion ECUs.

Of the 3.9 billion ECUs advanced for transport and telecommunications, 1.7 billion ECUs have gone for the **improvement of communications between Member Countries**, the need for which is being felt increasingly as 1993 approaches. Of this, 1.1 billion ECUs went more directly for transport infrastructure, in particular the Channel Tunnel, for which 213 million ECUs were disbursed in 1988 under the cofinancing agreement signed in 1987 (404 million went for roads and motorways and 384 million for airports and airline fleets). For telecommunications, 604 million were granted (185m in the form of a guarantee), largely through the Inmarsat and Eutelsat satellite programmes.

Of the 2.9 billion ECUs of financing for the industrial sector, 1.8 billion went in the form of credit for SMEs under ongoing global loans and 1.1 billion in the form of individual loans to larger undertakings for a whole range of investments from aeronautical engineering to micro-electronics and chemicals. A total of 1.7 billion ECUs was earmarked for the **modernisation of Community industry and strengthening its international competitiveness**. This included 611 million related to investment contributing to the development of advanced technology and a further 285 million to the construction and launching of telecommunications satellites. Also to be noted were a number of projects in traditional areas involving cooperation between firms from several Member States or helping companies in the new Member Countries to adapt themselves to changed market conditions resulting from their countries' accession to the Community.

#### Geographical breakdown of financing

	1988			1987		
	million ECUs		%	million ECUs		%
	total	of which NCI		total	of which NCI	
<b>In the Community</b>	<b>9 474.8</b>	<b>356.5</b>	<b>100</b>	<b>7 450.4</b>	<b>446.9</b>	<b>100</b>
Italy	3 371.9	97.3	35.6	3 112.2	196.2	41.8
France	1 350.5	106.6	14.3	1 006.5	76.8	13.5
United Kingdom	1 178.7	99.2	12.4	1 133.7	14.0	15.2
Spain	1 018.5	21.9	10.7	707.4	113.7	9.5
Germany	603.0	—	6.4	276.5	—	3.7
Portugal	560.4	—	5.9	389.9	9.9	5.2
Denmark	494.1	31.4	5.2	315.3	31.8	4.2
Netherlands	259.7	—	2.7	18.0	—	0.2
Greece	186.5	—	2.0	164.8	4.6	2.2
Ireland	154.8	—	1.6	178.6	—	2.4
Belgium	11.6	—	0.1	37.1	—	0.5
Luxembourg	—	—	—	1.6	—	0.1
Others (1)	285.0	—	3.0	108.7	—	1.5
<b>Outside EEC</b>	<b>700.2</b>			<b>392.1</b>		
of which EIB funds	520.1			188.8		
budget	180.1			203.3		
ACP States	302.2			349.3		
Mediterranean	398.0			42.8		
<b>Grand total</b>	<b>10 175.0</b>			<b>7 842.5</b>		

(1) projects of direct benefit to the EEC but located outside the territories of the Member States

(1) as some loans pursue more than one such policy objective, the totals for the various headings together exceed the grand total.

(2) all of Greece, Southern Italy and the French Mediterranean regions.

In 1988, the EIB stepped up its cooperation with specialist banks and other institutions for the purposes of financing small and medium-sized enterprises via its global loans: 5 232 investments were so financed, including 2 160 through leasing credit, for a total of 1.8 billion ECUs. SMEs numbering 3 153 received funds (1 bn ECUs) in the least favoured regions and another 1 957 (605m ECUs) outside them, including 1 273 million from the Bank's own resources and 684m from NCI resources. In the advanced technology area, 42 smaller investment schemes received a total of 113 million ECUs, along with 80 small projects aimed at environmental improvements and/or the rational use of energy, for a further 94 million ECUs.

This means that since the European Year of the SME in 1983, the Bank has contributed from its own and NCI resources to the financing of a total of some 25 000 productive investment schemes implemented by small and medium-sized enterprises, for a total of some 7.7 billion ECUs<sup>(3)</sup>.

Investment in pursuit of the Community's energy objectives received 1.8 billion ECUs' worth of financing. Projects for developing indigenous resources accounted for over 0.9 billion, while loans for the diversification of imports amounted to 536 million and those for the rational use of energy to 380 million. Some 15% of this financing went into projects that also had a beneficial environmental impact, in particular the modernisation of thermal power stations in Germany and industrial installations in Italy.

The European Year of the Environment had drawn to its close, but the Bank maintained efforts to support the manufacture and installation of equipment to combat pollution and improve living conditions: 1.2 billion ECUs granted, in particular for the improvement of drinking water quality and sewage treatment in Portugal, Spain, Italy, the United Kingdom, Germany, Ireland, France, Greece and Denmark. A total of 362 million ECUs went towards reducing atmospheric pollution by power stations and boiler plants, refineries and other industrial installations in Germany, France and Italy. Some 200 million ECUs served to finance various other items of infrastructure to reduce water and air pollution, treat waste and improve the urban environment.

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<sup>(3)</sup> from EIB resources: almost 14 500 SMEs (4.3 bn ECUs); from NCI resources: 9 820 SMEs (2.7 bn ECUs).

Rational use of energy and environmental protection: 655 projects (605m ECUs).

Advanced technology: 77 projects (226m ECUs).

In June 1988, the Board of Governors renewed the Bank's Board of Directors and its Management Committee, in which Mr. Ernst-Günther Bröder had his mandate as President extended, and Messrs. C. Richard Ross, Lucio Izzo, Alain Prate and Miguel A. Arnedo Orbañanos were confirmed as Vice-Presidents. Messrs. Erling Jørgensen and Ludovicus Meulemans were newly appointed as Vice-Presidents to replace Messrs. Arie Pais and Noel Whelan, whose mandates had expired. Each received from the Governors the title of Honorary Vice-President.

### Financing outside the Community: 700 million ECUs

Outside the Community, the EIB contributes to the deployment of Community development aid under cooperation or association agreements between the Community and 12 Mediterranean and 66 African, Caribbean and Pacific countries, signatories of the third Lomé Convention.

For the most part, EIB loans from own resources attract an interest subsidy from budgetary resources (European Development Fund or the general Community budget). In addition, the Bank mobilises financing from risk capital resources, also using budgetary funds, on highly concessive terms.

Operations outside the Community amounted to 700.2 million ECUs in 1988 (392.1m in 1987), of which 398 million were advanced in Mediterranean countries and 302.2 million in the ACP countries.

#### Mediterranean countries

The pivotal event of 1988 was the entry into force of a new generation of financial protocols between the EEC and a number of Mediterranean countries (Maghreb, Mashreq, Israel and Yugoslavia). This made for the swift resumption of Bank activity in those countries, for a total of 398 million ECUs, including 7 million from risk capital to be used on a priority basis for financing investment by joint ventures with Community companies. In Yugoslavia, 210 million ECUs were advanced, plus 60 million in Tunisia, 50 million in Morocco, 34 million in Jordan, 28 million in Egypt and 16 million in Malta.

#### ACP countries and OCTs

Through its continuing operations under the third Lomé Convention, which came into force in 1986, and the specific parallel aid provided for the Overseas Countries and Territories, the EIB in 1988 granted 302.2 million ECUs, of which

173.1 million took the form of risk capital provided for under the Lomé Convention, the administration of which is entrusted to the Bank.

As in previous years, the larger part of the financing went for industry and the agro-industrial sector (47% for SMEs, in cooperation with national or regional development banks). Energy, in particular the harnessing of local resources, electricity transmission and the interconnection of power grids, accounted for 23%, water supply and waste water treatment for 21%, and the development of communications 9%.

The EIB continued in particular to mount operations in support of the rehabilitation of industry and infrastructure by helping to finance the modernisation or restructuring of companies contending with adverse economic conditions, or moves to strengthen the finances of operating companies, or the sound management of utilities (water and power). In addition, it gave backing for the improvement of telecommunications, water distribution and electricity generation and transmission with the aim of improving living conditions, creating a better economic climate for companies and bringing a positive influence to bear on the balance of payments.

As in previous years, there were frequent instances of cofinancing with bilateral aid from the Member States or with the multilateral financial institutions, along with the Commission of the European Communities (European Development Fund) and other banks.

### Resources raised

Confirming its rôle as a first-rank borrower (the leading institutional borrower, with the World Bank), the EIB mobilised close on 7.7 billion ECUs in 1988, compared with just under 5.6 billion in 1987 (+ 37%). Of these funds, 7.4 billion ECUs were raised on the capital markets and 253 million ECUs in the form of ECU notes on the money markets.

On the capital markets, over 5.7 billion were raised via public issues and almost 1.3 billion through private placings, 311 million in the form of interbank operations and 56 million through the issue of USD-denominated medium-term notes.

As in previous years, in seeking to accommodate the wishes of its borrowers, the EIB intensified operations to raise Community currencies, which in 1984 accounted for 84% of all calls on the markets, compared with 68% in 1987. As in 1987, the DEM was the principal currency of borrowing, at 1 545 million ECUs, or over 20% of the total. The ECU fol-

lowed the pattern that emerged in 1985 and remained in second position, at 1 076 million. In 1988, the EIB mounted its first borrowing operations in Pesetas and pioneered the long-term market in foreign Escudo-denominated bonds. It mounted operations in the capital markets of almost all the Member Countries of the EEC.

In 1988, the EIB raised the volume of its floating-rate borrowings, to 655 million ECUs (393m in 1987), the vast majority of these operations being conducted via currency and/or interest-rate swaps (498m ECUs). The only other such operations were two direct floating-rate Lire issues.

#### Principal currencies raised on the capital markets (m ECUs)

	1988	1987 (1)
1. DEM	1 545 (20.8 %)	1 153 (20.6 %)
2. ECU	1 076 (14.5 %)	807 (14.4 %)
3. FRF	854 (11.5 %)	464 (8.3 %)
4. GBP	752 (10.1 %)	142 (2.5 %)
5. ITL	652 (8.8 %)	639 (11.4 %)
6. CHF	556 (7.5 %)	370 (6.6 %)
7. NLG	500 (6.7 %)	338 (6.0 %)
8. BEF	473 (6.4 %)	302 (5.4 %)
9. JPY	314 (4.2 %)	517 (9.2 %)
10. USD	307 (4.1 %)	722 (12.9 %)
11. ESP	237 (3.2 %)	—
12. LUF	85 (1.2 %)	79 (1.4 %)
13. IEP	32 (0.4 %)	—
14. PTE	29 (0.4 %)	—

The year just closed saw a steepening decline in the USD and the Yen, with the importance of the rôle of the ECU to the EIB becoming still more apparent. The main recipient countries for loans disbursed wholly or partly in ECUs in 1988 were Italy (423m ECUs), France (351m), Denmark (266m), Spain (191m) and Portugal (171m).

#### Country-by-country overview of financing within the Community

##### Italy

In Italy, EIB lending amounted to 3 372m ECUs (ITL 5 177bn), of which 97m ECUs (ITL 150bn) were drawn from NCI resources. Over 1.6bn ECUs (ITL 2 460bn) or some 50 % of aggregate financing was devoted to projects in the Mezzogiorno, reflecting the EIB's main task of promoting regional development. Global loans totalling 1 088m ECUs (ITL 1 672bn) were concluded with numerous intermediary institutions.

Financing for industry and services, i.e. individual loans plus global loan alloca-

tions, came to 1 386m ECUs (ITL 2 130bn). Individual loans spanned a very broad range of projects, including uprating manufacturing capacity for ATR72 aircraft built jointly by Aeritalia and Aérospatiale (France) in the Naples region, producing compact discs in L'Aquila (Abruzzi), restructuring detergents factories in Lombardy and Latium plus a cement works in Calabria, and modernising three synthetic fibre plants in Sardinia and Basilicata. Allocations from global loans already on tap were channelled to some 2 150 SMEs attracting a total of 861m ECUs (ITL 1 323bn). The EIB also lent its support for schemes at refineries in Livorno, Porto Marghera and Sannazaro designed to reduce their environmental impact and to produce lead-free petrol as well as for various projects geared to achieving greater energy efficiency in industry. Special mention should be made of works to restore the Ducal Palace in Genoa for use as a centre for conferences and cultural/tourist activities.

EIB financing for infrastructural works (1 217m ECUs/ITL 1 863bn) showed an appreciable upturn with funds going in particular to projects mounted in conjunction with FIO (Investment and Job-creation Fund) and designed largely to protect the environment: 423m ECUs (ITL 673bn) in all were earmarked for sewage treatment, waste incineration and erosion and flood control schemes geared mostly to reducing pollution in the Po and Arno rivers. Other loans sought to improve telecommunications in the Mezzogiorno or to upgrade transport infrastructure by completing the Tunnels Motorway to Switzerland, constructing a third lane on the Rome - Naples motorway, connecting up the Rome - Naples and Rome - Milan motorways and building a section of line linking Maccarese to the Rome railway junction, thereby easing the flow of traffic between the capital and Genoa and enhancing communications with Fiumicino airport. The EIB also helped to fund acquisition of Airbus A300, ATR42 and MD82 aircraft with a view to strengthening regional and community air links.

Lending in the energy sector (794m ECUs/ITL 1 209bn) centred on developing the country's indigenous resources, notably gas deposits in the Adriatic and in Emilia-Romagna, extending the natural gas supply grids in Lombardy, Veneto, Piedmont and the city of Rome, constructing a gasline across Friuli and Veneto for conveying natural gas from the Soviet Union, boosting the storage capacity of three natural gas reservoirs in Ferrara, Cremona and Piacenza pro-

vinces, and expanding the combined heat and power grid serving the town of Brescia.

A number of loans to ENEL contributed towards financing construction of two additional 292 MW units at Fiume-Santo power station in Sardinia, ongoing work on building Brindisi power station (4 x 614 MW units) which can be fired using coal, oil or natural gas and is to be equipped with desulphurisation installations, and construction of geothermal power plants in Tuscany.

N.B. The rates for converting ECUs into national currencies are those obtaining at contract signature dates.

##### France

Operations in France came to 1 350.5m ECUs (FRF 9.5bn), including 107m ECUs (FRF 750m) from NCI resources. Transport infrastructure attracted 349m ECUs (FRF 2.45bn), of which 243m ECUs (FRF 1.7bn) were given over to constructing numerous stretches of motorway: the A43 (Montmélian - Albertville) serving Savoie which is to host the 1992 Winter Olympics, the A40 (Mâcon - Châtillon, heading towards the Mont Blanc tunnel), the A51 (Manosque - Sisteron section of the Marseilles - Grenoble link), the A55 (Arles - Nîmes), the A26 (Calais - Rheims) which will ultimately connect with the Channel Tunnel, the A11 (Le Mans - Angers) and the A71 (Bourges - Clermont-Ferrand) helping to open up the Massif Central. Some 107m ECUs (FRF 750m) were earmarked for the Channel Tunnel itself.

Last year also saw the EIB advancing 221m ECUs (FRF 1.55bn) in the form of global loans for funding smaller items of public infrastructure. These credit lines were specifically destined for ventures in Nord-Pas de Calais, Rhône-Alpes, Pays-de-la-Loire, Brittany, Auvergne, Limousin and Poitou-Charentes.

In the productive sector, 50.3m ECUs (FRF 350m) were made available in the form of individual loans, with the EIB part-funding a plant near Toulouse-Blagnac airport for assembling Airbus A330/A340 long and medium-haul, large-capacity jetliners rounding off the range offered by Airbus Industrie, the world's second largest civil aircraft manufacturer. The project represents the fruit of close collaboration between enterprises in several EEC Member Countries. The EIB also lent its support for four electrical equipment factories in Alès, Châlon-sur-Saône, Montmélian and Sarre-Union as well as for a pulp mill at St. Gaudens, a plant at Cestas manufacturing CAD/CAM equipment and a range of industrial and agricultural processing ventures in Brittany.

(1) In 1987, the EIB had also borrowed Danish krone and Austrian Schillings.

In addition, the EIB stepped up its lending for productive investment by SMEs, concluding global loans for a total of 610m ECUs (FRF 4.3bn). During the year, it again broadened the range of banks with which it cooperates in deploying the proceeds of such operations. Under lines of credit already opened, 218m ECUs (FRF 1.6bn) were allocated in support of 1 637 SMEs in industry, agricultural processing, allied services and tourism via sub-loans or leasing operations.

In the energy sector, a loan for 7 million ECUs (FRF 50m) was earmarked for constructing the Lyons - Gerland household waste incineration plant equipped with facilities for recovering heat to feed the existing district heating system.

### United Kingdom

EIB financing in the United Kingdom totalled 1 179m ECUs (GBP 790m), of which 99m ECUs (GBP 65m) were advanced from NCI resources. Salient features of the past financial year were both the steep upturn in lending for transport and telecommunications (594m ECUs/GBP 404m) and a recovery in funding for industry (281m ECUs/GBP 185m).

Some 287m ECUs (GBP 200m) were devoted to extending and upgrading telecommunications in Scotland, while 307m ECUs (GBP 204m) went towards financing transport infrastructure, mainly with a view to enhancing links with other EEC Member Countries. In tandem with loans granted on the French side, 106.5m ECUs (GBP 70m) were made available to Eurotunnel. The EIB also helped with development of port installations at Plymouth, Southampton, Barry, Ayr, Hull, Immingham and Grimsby, construction of a second terminal at Stansted international airport and extension of facilities at a whole range of airports in order to improve air traffic control and air safety throughout the United Kingdom.

In the aeronautical engineering sector, the EIB made available 104m ECUs (GBP 68m) for designing and building the wings of the Airbus A320 as well as for enlarging facilities at Prestwick and Cardiff for overhauling aircraft engines and components. Again in industry, support was provided for modernising a cast roll factory at Gateshead, textile plants in Yorkshire and a polystyrene production plant in Manchester. The EIB also provided funds for constructing a hotel in Birmingham, building a chain of small motels and establishing a computer centre in Manchester. A further 130m ECUs (GBP 85m) were advanced at the end of the year in the form of global

loans for productive investment by SMEs.

Among energy-sector projects backed by the EIB, 288m ECUs (GBP 190m) were given over to nuclear fuel reprocessing facilities.

With an eye to protecting the environment, 16m ECUs (GBP 11m) helped to fund a waste-derived fuel plant in Hastings and a water supply, sewerage and sewage disposal scheme in the Grampian region.

### Spain

Bank lending in Spain rose by 44 % to 1 018.5m ECUs (ESP 140bn), including 22m ECUs (ESP 3bn) from NCI resources. Some 423m ECUs (ESP 58bn) were given over to extending and modernising telecommunications networks as part of Telefonica's programme for boosting the number of lines from 10m to 15m by the end of 1992 as well as to various road projects in Aragon, motorway construction works in the Basque country, enhanced urban transport facilities in Valencia (suburban rail lines and road schemes) and various sections of road and sewerage system improvements in Las Palmas, Canary Islands.

A total of 173.5m ECUs (ESP 24bn) went towards funding an extensive range of water supply works in Tarragona as well as sewerage and sewage disposal schemes in Cordoba, the area of Barcelona which is to host the Olympic Games and the basins of the Rio Segura and the Nervion. 23 smaller infrastructural projects implemented by local authorities claimed 37.3m ECUs (ESP 5.2bn) in conjunction with global loans.

Industry attracted 99m ECUs (ESP 14bn), with funds earmarked for manufacturing light commercial vehicles in Vittoria and Barcelona plus car windows near Valencia, and extending telecommunications equipment plants and R&D facilities on the outskirts of Madrid and at La Coruña and Algeciras. 286m ECUs (ESP 40bn) were made available in the form of global loans.

As part of its ongoing collaboration with the banking system, the EIB channelled a total of 272m ECUs (ESP 38bn), from global loans already under drawdown, to 742 SMEs, chiefly in the foodstuffs, tourism, chemicals, printing, service and agricultural sectors. The latter figure comprises 297 SMEs which received financing as part and parcel of cooperation with institutions in the ICO Group (Instituto de Crédito Oficial) plus 445 SMEs funded via private banks.

### Germany

Lending in Germany ran to 603m ECUs (DEM 1 249m) and was earmarked mainly for environmental protection schemes. Continuing and building upon its ties with the banking network, the EIB made available 256m ECUs (DEM 530m) in the form of global loans for smaller scale ventures designed to safeguard the environment and foster productive investment by SMEs.

Some 120m ECUs (DEM 248m) were provided for a range of works intended to bring thermal power stations into line with national environmental regulations: flue gas treatment facilities at power stations in Duisburg, Weiher (near Saarbrücken), Voerde (near Duisburg) and Herne, new less polluting and more efficient units in Stöcken power station (near Hannover), construction of a plant in Berlin producing town gas from natural gas and installation of equipment to improve the environment. A further 90m ECUs (DEM 187m) went towards funding construction of a large dam on the Wupper, extending the Cologne sewage treatment plant, creating a new urban transport network on its own site in Stuttgart and upgrading the local road system. Under global loan facilities, 42 small-scale infrastructural works, particularly sewerage and sewage disposal schemes, attracted financing to the tune of 73m ECUs (DEM 152m) in all, while 22 SMEs received 23m ECUs (DEM 48m) for investment geared to protecting the environment.

In the industrial sector, the EIB advanced 89m ECUs (DEM 185m) for constructing a motor vehicle research and engineering centre in Munich and a plant producing industrial gases in Bremen. A total of 71 SMEs claimed 72m ECUs (DEM 156m) from global loans already under drawdown.

An operation involving 29m ECUs (DEM 60m) was designed to support modernisation and extension of the Cologne international trade fair, while, in the energy sector, 6.3m ECUs (DEM 13m) were devoted to extending the district heating grid in the Saar. Lastly, 2.5m ECUs (DEM 5m) served to promote more rational use of energy in industry under global loans already operational.

### Portugal

After doubling between 1986 and 1987, EIB activity in Portugal climbed by a further 44 % in 1988 to 560m ECUs (PTE 92bn).

In the energy sector, 220.5m ECUs (PTE 37.5bn) were made available for two hydroelectric power stations at Alto Lindoso (North) and Caldeirao (Centre) as

well as for uprating Sines coal-fired power plant near Lisbon, the goal in each case being to cut back dependence on imported oil.

Some 152m ECUs (PTE 25.8bn) were channelled into transport infrastructure, chiefly the road network around Lisbon and in Oporto, the Algarve and central areas of the country (route towards Spain via Vilar Formoso), while financing was also provided for a new bridge over the Guadiana between the Algarve and Andalusia. 65m ECUs (PTE 11bn) went towards upgrading the rail network around Oporto and strengthening links with the Azores by extending São Miguel international airport and building a harbour on Terceira Island.

A further 18m ECUs (PTE 3.1bn) were given over to improving sewage collection, treatment and disposal networks between Lisbon and Estoril with a view to reducing pollution and promoting the growth of tourism.

In industry, the EIB continued its close association with the country's public and private banking systems by concluding global loans totalling 157m ECUs (PTE 26.6bn) either with individual banks or under lines of credit opened with the State for deployment by the entire banking network. From global loans already under drawdown, the EIB contributed a total of 84m ECUs (PTE 14.3bn) towards funding 282 SMEs in industry, agricultural processing and tourism. Certain SMEs attracted financial backing under leasing operations.

In addition, 13m ECUs (PTE 2.2bn) were earmarked for a hotel in Lisbon, a wood-fibre panel factory in Viseu district and a high technology electronic components plant in Setubal.

### **Denmark**

EIB financing in Denmark amounted to 494m ECUs (DKK 3.9bn), including 31m ECUs (DKK 250m) from NCI resources. The bulk of funds was ploughed into infrastructural works designed to improve communications with other EEC Member Countries as well as into energy schemes and global loans either for SMEs or for protecting the environment and/or for implementing small items of infrastructure.

Turning to transport infrastructure, the EIB advanced 184m ECUs (DKK 1.5bn) for extending facilities at Kastrup (Copenhagen) airport for handling domestic and international flights, constructing various sections between Copenhagen and Rødbyhavn, in the south of Lolland Island, of the E4 motorway connecting up Scandinavia and Germany, upgrading a station at Frederikssund

to enhance rail links with Copenhagen and also extending port installations at Odense (Fyn Island). A further 27m ECUs (DKK 215m) were made available for sewerage and sewage disposal facilities at Esbjerg, on the West coast, and at Aalborg, the main town in North Jutland.

In the energy sector, 247m ECUs (DKK 1.9bn) were given over to uprating natural gas storage capacities and extending the district heating grid in East Jutland as well as to gas transmission and supply grids conveying natural gas from the North Sea to various parts of the country.

In industry, 94 SMEs attracted a total of 35m ECUs (DKK 278m) under global loans already operative.

### **Netherlands**

In the Netherlands, the EIB made available 260m ECUs (NLG 607m) largely for industrial projects, most of which were located in regions where development is lagging behind.

Some 192m ECUs (NLG 450m) were devoted to constructing a semi-conductor integrated circuit plant at Nijmegen, while a first-ever series of global loans for 43m ECUs (NLG 100m) was concluded during the year, giving rise to allocations worth 16.5m ECUs (NLG 39m) in support of 12 SMEs (the balance is expected to be committed in 1989). In addition, 21.4m ECUs (NLG 50m) were earmarked for improving intra-Community air links and 3m ECUs (NLG 7m) went towards constructing a lime calcination plant in Limburg employing an advanced technology non-polluting production process.

### **Greece**

EIB lending in Greece came to 187m ECUs (GRD 31bn) and was channelled mainly into infrastructural works offering regional benefits

Some 71m ECUs (GRD 12bn) helped to acquire rolling stock for the Greek railways, enhance road links in Thessaloniki, upgrade the road network in Crete, Euboea and Rhodes and in the Athens conurbation, construct the Corinth - Tripoli motorway and the Megalopoli by-pass and modernise air traffic control facilities. A further 15m ECUs (GRD 2.5bn) served to improve water supplies in Thessaloniki and to provide irrigation facilities in Crete and Macedonia.

The EIB began deploying aid decided by the Community in November 1988 for reconstructing the earthquake-stricken Kalamata area. From the total of 100m ECUs available with a 3% interest subsidy charged to the Community budget,

an initial loan of 29.7m ECUs (GRD 5bn) was granted to the Ministry for National Economy for implementing the reconstruction programme centred largely on roads, sewerage networks, public buildings and housing.

Financing to the tune of 12m ECUs (GRD 2bn) was given over to modernising and equipping a major refinery to the West of Athens with an eye to reducing atmospheric pollution, a particularly serious problem in this area. A further 23m ECUs (GRD 4bn) went towards constructing 26 technical schools and technological institutes designed to assist in training the skilled manpower required by the country's corporate sector. Under the Integrated Mediterranean Programmes (IMPs), 12m ECUs (GRD 2bn) were channelled to the Public Power Corporation for small-scale electricity distribution projects included under the various regional IMPs.

The EIB also concluded a global loan for 24m ECUs (GRD 4bn), establishing ties for the first time with a private bank in Greece for the purpose of funding SMEs.

### **Ireland**

EIB financing in Ireland totalled 155m ECUs (IEP 120m) and was given over mainly to infrastructural works and energy schemes. Some 28m ECUs (IEP 21.6m) helped to improve air links by extending and modernising Dublin airport and expanding Aer Lingus' fleet, while 16.8m ECUs (IEP 13m) funded a range of road schemes, particularly around Dublin. A further 18.8m ECUs (IEP 14.5m) went towards developing telecommunications throughout Ireland and with Great Britain in tandem with the introduction of digital technology and optical fibre cables. Water supply, sewerage and sewage disposal projects plus reafforestation works claimed 29.3m ECUs (IEP 22.7m).

In addition, 32.9m ECUs (IEP 26m) were devoted to extending the network for conveying and distributing natural gas from a field off Cork and 25.8m ECUs (IEP 20m) served to expand the high voltage national power grid.

An operation involving 3.4m ECUs (IEP 2.6m) contributed towards financing a radio transmitter covering the whole of Ireland and parts of England. 32 SMEs attracted 2.3m ECUs (IEP 1.8m) under current global loans.

### **Belgium**

In Belgium, the EIB concluded a global loan for almost 12m ECUs (BEF 500m), thereby renewing its ties with the banking system as an intermediary for funding SMEs throughout the country. In

1988, a total of 4.7m ECUs (BEF 203m) was allocated in support of 11 SMEs.

#### **Luxembourg**

Although no new finance contracts were signed in this country last year, 1988 saw the inauguration of the new buildings of the 'Court of Justice of the European Communities for which the EIB lent 18m ECUs (LUF 800m) in 1986.

Two major telecommunications satellite projects outside the Community but of direct interest to the EEC attracted 285m ECUs in 1988. 185m ECUs concerned a project mounted by Inmarsat which operates a worldwide telecommunications system for ships and aircraft and encompasses 51 countries. Financing took the form of a guarantee operation mounted in cooperation with other banks and members of the Club of institutions specialising in long-term credit for which the EIB serves as secretariat. A loan of 100m ECUs was granted to EUTELSAT - embracing, in addition to EEC Member States, 14 other European countries - for constructing and launching a new generation of telecommunications satellites.

#### **List of financing operations mounted in the ACP States and the OCT in 1988**

##### *ACP States*

**Regional projects:** 15m\* to the Agency for Air Traffic Control in Africa and Madagascar (ASECNA) for renewing and modernising radiotelecommunications, meteorological, radio beacon, energy supply and runway lighting equipment for eleven countries with a view to enhancing air traffic safety in the Agency's airspace; 12m (including 2m from risk capital resources) to the West African Development Bank (BOAD) in support of small and medium-sized enterprises in industry, agricultural processing, mining, tourism, the energy sector and telecommunications in Benin, Burkina Faso, the Ivory Coast, Mali, Niger, Senegal and Togo; 5.7m (of which 700 000 drawn from risk capital resources) to the Central African States Development Bank for similar projects in Cameroon, the Central African Republic, Chad, the Congo, Equatorial Guinea and Gabon; and 2m\* to the Caribbean Financial Services Corporation for projects in Antigua and Barbuda, Dominica, Grenada, St

Kitts-Nevis, St Lucia and St Vincent and the Grenadines.

**Nigeria:** 45m to improve water supplies to the Lagos metropolitan area.

**Kenya:** 25m in support of industrial modernisation and expansion.

**Mali:** 20.5m\* towards financing (a) installation of a 220km high-voltage power line to supply Ségou and various settlements along the route of the line; and (b) construction of a cotton ginning plant near Koumantou and modernisation of nine existing plants.

**Guinea:** 16.55m\* to help finance modernisation of an alumina plant in western Guinea and for working a granite quarry located 40km south-east of Conakry.

**Congo:** 16m\* for oil palm plantations and oil mills in northern Congo, together with a plant to fractionate and refine palm oil at Brazzaville.

**Papua New Guinea:** 15.5m (including 3.5m from risk capital resources) for establishment of an oil palm plantation and construction of an oil mill, located about 75 km from the port of Kavieng.

**Zambia:** 13m\* towards rehabilitating the Tazama oil pipeline (1 700 km) connecting Ndola refinery with the port at Dar-es-Salaam (Tanzania).

**Sudan:** 13m\* for rehabilitation and modernisation of three 30MW generators at Roseires hydroelectric power station (500 km south-east of Khartoum) and for a survey of reserves and a feasibility study with a view to commercial development of gold deposits in the Ariab region of north-eastern Sudan.

**Botswana:** 13m to help finance improvements to water supplies for the capital, Gaborone, by construction of a dam creating storage capacity of 18 million m<sup>3</sup>, with a pumping station and 34 km of piping, located on the river Metsemotlaba (south-western Botswana), and towards building an international class hotel 3 km from Gaborone.

**Malawi:** 11m (including 8m from risk capital resources) for extending the power distribution network.

**Ethiopia:** 10m\* for handling equipment at Assab, the country's main port on the Red Sea.

**Madagascar:** 6.3m\* towards construction of a tuna-processing complex, and

for a feasibility study on a new graphite mine together with geological survey work on the deposit.

**Mozambique:** 6m\* towards financing rehabilitation of the country's main cementworks, at Matola, including the adjacent quarry, railway links and provision of technical assistance.

**St Vincent and the Grenadines:** 5.8m (of which 2.8m from risk capital resources) for (a) installation of a 3.2MW generator on St Vincent and another 0.5MW one on Bequia island, together with power transmission and distribution equipment; and (b) a contribution to the Development Corporation's capital increase and support for small and medium-sized enterprises through this institution.

**The Gambia:** 5.7m\* to fund rehabilitation and extension of water distribution installations in the capital, Banjul, and the surrounding area.

**Burkina Faso:** 4.5m\* for construction of a paperboard box factory and for modernisation and extension of a plant at Ouagadougou producing plastic sacks and packaging.

**Western Samoa:** 4.2m\* for a 4MW hydroelectric power plant on the Afulilo falls, on the island of Upolu, as well as for a capital increase in the Development Bank of Western Samoa and for financing small and medium-sized enterprises through this institution.

**Tanzania:** 3.5m\* towards extending the power distribution network, so as to supply agro-industrial enterprises.

**St Lucia:** 3m for expanding power generation and distribution.

**Cape Verde:** 3m\* to help finance installation of two 3MW generators and transformers, together with power lines, improving power supplies to the capital, Praia.

**Swaziland:** 3m\* towards conversion of a spinning mill into an integrated weaving-finishing plant near Manzini, in central Swaziland.

**Mauritius:** 3m for construction of a flour mill to process locally wheat imported in bulk, together with four silos with a total capacity of 20 000 tonnes

\* from risk capital resources. All the amounts given in this list are expressed in ECUs.

and four bagging lines, located near the harbour at Port-Louis.

**Burundi:** 2.5m\* for construction of coffee storage and sorting facilities, near an existing coffee curing plant, at Gitega.

**Chad:** 2.2m\* towards financing rehabilitation of water supply installations for the capital, N'Djamena.

**Djibouti:** 2m\* to finance an additional 1 MW generating set at Tadjourah power station and for a transmission line to the town of Obock.

**Mauritania:** 1.5m\* for survey of newly-discovered iron ore deposits in the Zouerate region, so as to ascertain the extent of the reserves and the quality of the ore with a view to future mining operations.

**Senegal:** 600 000 for a feasibility study on exploration and working of the Diam Niadio-Kabor gas field, 30 km east of Dakar.

**Zaire:** 400 000\* for a feasibility study on construction of a new power line to serve northern Kivu.

**Barbados:** 100 000\* to fund a feasibility study on construction of a new abattoir to replace the one in Bridgetown.

**Togo:** 100 000\* for a feasibility study on installation of a radio link between the capital, Lomé, and the country's second main town, Kara.

#### *Overseas countries and territories*

**French Polynesia:** 6m (including 2m from risk capital resources) to complete the power transmission network on the island of Tahiti.

**Netherlands Antilles:** 3.1m to improve and extend international telecommunications facilities.

**Anguilla:** 1.5m\* towards construction of a hotel with a view to developing tourist amenities.

**Aruba:** 1m\* advanced to the Aruban Investment Bank in support of small and medium-sized enterprises.

#### **List of financing operations mounted in the Mediterranean countries**

In **Yugoslavia**, a total of 210m ECUs was made available under the Second Financial Protocol, for the final phase of work on constructing a tunnel through the Karawanken mountains, which will link the Trans-Yugoslav highway to Europe's motorway network via Austria, as well as for construction of three sections (covering 83 km in all) of this highway in Croatia, Serbia and Macedonia and improvements to three other sections (totalling 42 km) in Slovenia and Vojvodina.

In **Tunisia**, using up the amounts remaining under the Second Financial Protocol and starting deployment of funds under the Third Protocol, the EIB advanced 60m ECUs in 1988, 3m of which were drawn from Community budgetary resources. The larger share of this financing went in support of investment mounted by small and medium-sized enterprises and projects in agriculture and agricultural processing. The remaining funds have gone into renewal work on some 180 km of track in particular on the Tunis-Algiers rail link and realigning some 45 km on the line serving iron ore mines and the cereal-growing region of Kef, south-west of Tunis.

In **Morocco**, 50m ECUs was granted in the form of a global loan, under the Third Financial Protocol, to help finance small and medium-scale investment schemes aimed at modernising agricultural production methods and the agro-industrial sector.

In **Jordan**, 34m ECUs was drawn on under the Third Financial Protocol for four operations: a project to extend and upgrade the power distribution system serving Amman and the nearby town of Zarqa; a global loan to be channelled to small and medium-scale agricultural investment schemes; and a further global loan operation, together with a loan for 1m ECUs from Community budgetary resources, to back small and medium-scale investment schemes in industry and tourism.

In **Egypt**, 28m ECUs (including 3m from budgetary resources), advanced under the Third Financial Protocol, was earmarked for funding small and medium-scale ventures in industry and tourism.

In **Malta**, the EIB lent 16m ECUs, drawing down the last of the funds remaining under the Second Financial Protocol, to finance construction of a modern terminal at Luqa airport.

## Ecu

Below are the ECU's values in national currencies, as at 30 December 1988; these rates are applied to the first quarter in preparing financial statements and operational statistics of the Bank:

DEM	2.07781	BEF	43.5760
GBP	0.648551	LUF	43.5760
FRF	7.09821	DKK	8.02983
ITL	1 531.10	GRD	172.909
NLG	2.34586	IEP	0.778450
ESP	132.877	PTE	171.704
		USD	1.17258

(ISO abbreviations used as from 1 January 1989)

N.B.: ECU/national currency conversions given in this issue for operations in 1988 are based on different exchange rates, applicable at the time of each contract signature.

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100, bd Konrad Adenauer  
L-2950 Luxembourg  
tel. 4379-1 — telex 3530 bnkeu lu  
telecopier 43 77 04

Department for Italy:  
Via Sardegna, 38 — I-00187 Rome  
tel. 4719-1 — telex 611130 bankeu i  
telecopier 474 58 77

Liaison Office  
for the United Kingdom:  
68, Pall Mall  
London SW1Y 5ES  
tel. 839 3351  
telex 919159 bankeu g  
telecopier 930 9929

Liaison Office  
in Lisbon:  
Avenida da Liberdade, 144-156, 8º  
P-1200 Lisbon  
tel. 32 89 89 or 32 88 48  
telex 15576 bnkeu p  
telecopier 37 04 87

Representative Office in Athens:  
Ypsilantou 13-15  
GR-10675 Athens  
tel. 7249 811  
telex 222126 bkeu gr  
telecopier 7249 814

Representative Office in Brussels:  
Rue de la Loi 227  
B-1040 Brussels  
tel. 230 98 90 — telex 21721 bankeu b  
telecopier 230 58 27