

# EIB INFORMATION

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## EIB lends 13.4 billion ecus in 1990

At 13.4 billion ecus, 9.4% up on 1989 (12.25 billion), the volume of loans granted by the European Investment Bank (EIB) continued to grow in 1990.

The Community's financial institution, whose importance in the implementation of Community policies is constantly increasing, has thus in the course of its experience over more than thirty years provided very positive support in pursuit of Community objectives and in meeting the needs of economic operators.

Within the total lending figure of 13.4 billion ecus, 12.7 billion was provided within the Community <sup>(1)</sup> and 713 million outside the Community.

At its annual meeting on 11 June 1990, the Board of Governors authorised the sixth increase in EIB capital. On 1 January 1991 the subscribed capital was doubled <sup>(2)</sup> to 57.6 billion ecus. The Member States thereby restated their support for EIB action in favour of European integration, notably with the Single Market in prospect, and reaffirmed their confidence in the Bank.

Following the changes in Eastern Europe, the European Investment Bank responded to calls from its Member States to assist these countries in their transition to a market economy. By the end of 1990, it had lent 215 million ecus in Poland and Hungary. In the same context, the EIB became a founder member of the European Bank for Reconstruction and Development (EBRD); it is contributing to the capital of the EBRD and is providing assistance in certain areas for the start-up of this new institution.

DEN EUROPÆISKE INVESTERINGSBANK

EUROPÄISCHE INVESTITIONSBANK

ΕΥΡΩΠΑΪΚΗ ΤΡΑΠΕΖΑ ΕΠΕΝΔΥΣΕΩΝ

EUROPEAN INVESTMENT BANK

BANCO EUROPEO DE INVERSIONES

BANQUE EUROPEENNE D'INVESTISSEMENT

BANCA EUROPEA PER GLI INVESTIMENTI

EUROPESE INVESTERINGSBANK

BANCO EUROPEU DE INVESTIMENTO



With regard to funding within the Community <sup>(3)</sup>,

– loans for regional development amounted to 7.4 billion ecus (7 billion in 1989), i.e. 61% of the total granted in the Community. Regional development, a key factor in the balanced development of the Community, is one of the main manifestations of the solidarity which lies at the foundations for the building of Europe and therefore continues to take pride of place among the objectives pursued by the EIB. Some 90% of funding in this category related to projects located in the

<sup>(1)</sup> including 23.6 million ecus from the funds remaining under the New Community Instrument.

<sup>(2)</sup> The Bank's loans and guarantees outstanding are limited to 250% of its subscribed capital, i.e. currently 144 billion ecus (at 31.12.1990, loans and guarantees outstanding amounted to 61.9 billion ecus). Assuming that the Bank's activities develop normally, the new subscribed capital could cover the period up to the end of 1995.

<sup>(3)</sup> As some loans serve several objectives at the same time, the totals for the various headings cannot be added together meaningfully.

## In brief . . .

The sixth increase in the EIB's capital, decided by the Board of Governors in 1990, entered into effect on 1 January 1991. The doubling in subscribed capital, to 57.6 billion ecus, raises the ceiling on the amount of EIB loans outstanding which may run to 250% of this figure, i.e. 144 billion ecus. The scope enjoyed by the Bank for implementation of Community policies, particularly with the Single Market in prospect, has therefore been considerably boosted.

Only 7.5% of subscribed capital is paid in or to be paid in. The balance can be viewed as a form of guarantee capital to be called by a simple majority decision of the Board of Directors, should this become necessary to meet the Bank's commitments. In practice, the EIB is managed as if this eventuality did not exist, although it does provide ultimate security for those investing in the Bank's bonds. The top ("AAA") credit rating regularly awarded to its issues enables it to raise a substantial volume of funds on the keenest conditions available. Operating on a non-profit-making basis, the EIB can pass on this advantage to its project promoters.

The proceeds of its borrowings on the capital markets make up the bulk of what the EIB refers to as its own resources, which also include own funds (paid-in capital and reserves). The denomination "own resources" has been coined to distinguish these funds from the resources deployed under mandate from the Community or Member States. Whilst operations from the Bank's own resources are entered on the balance sheet, operations under mandate, although an integral part of EIB activity, are recorded in a trust management account: the "Special Section".

least favoured regions eligible for support under the structural funds.

– Transport and telecommunications infrastructure of Community relevance accounted for over 3 billion ecus (2.6 billion in 1989). The establishment of a satisfactory communications network facilitating the movement of goods, persons, information and data under favourable conditions and at optimum cost is another priority for the completion of the internal market to which the EIB is continuing to contribute.

– Loans for protection of the environment and improvement of the quality of life showed appreciable growth, rising to a total of 2.2 billion ecus (1.7 billion in 1989). This Community objective has been steadily increasing in importance and now constitutes one of the most striking aspects of the Bank's activity, because it is of direct relevance to ordinary people.

– Funding for industrial investment spanning a wide range of projects added up to 4.6 billion ecus (4.2 billion in 1989). 8 018 global loan allocations <sup>(1)</sup> totalling 2.3 billion ecus were extended for small or medium-scale investment projects, including 2 billion advanced to 7 447 SMEs. Individual loans accounted for 2.3 billion ecus. Of this total, 1.8 billion (1 billion in 1989) benefited investment promoting the international competitiveness of industry and its integration on a Community basis, in most cases involving the use of advanced technology.

**Outside the Community**, in addition to the loans in Poland and Hungary, the EIB continued to provide funding under the Community's development cooperation policy for the benefit of the 12 Mediterranean countries with which the Community has concluded financial protocols and the African, Caribbean and Pacific countries which are signatories to the Third Lomé Convention.

Of the 713 million ecus in loans granted, 153 million went to the ACP States and OCT, 345 million to the Mediterranean countries and 215 million to Poland and Hungary.

The current year is due to see entry into force of the Fourth Lomé Convention.

The conclusion of new financial protocols with Yugoslavia, the Maghreb and Mashreq countries and Israel is also in preparation. Added to these will be "horizontal" financial cooperation under which Bank support is envisaged for projects of a regional nature, particularly in the field of the environment, for a total of 1.8 billion ecus.

At 31.12.1990, the **balance sheet** total of the Bank was 63.5 billion ecus (55 billion in 1989).

## WORKING FOR EUROPEAN INTEGRATION

The aim of the European Investment Bank is not to achieve a high volume of lending as such but to facilitate, as much as possible, the funding of projects which promote the building of Europe. In order to accomplish this task, it lends valuable support in accommodating long-term financing requirements in the Community, notably with the Single Market in prospect in 1993.

As a bank, the EIB must conduct its activity in accordance with market forces. It adjusts the terms of its loans to conditions prevailing on the capital markets and offers project promoters access to these markets on terms available to a "AAA" borrower plus 0.15%. Its loans are offered in a variety of formulae and are adapted to the particular requirements of projects.

At the annual meeting of the Board of Governors, the President of the Bank, Mr Ernst-Günther Bröder, summed up the action of the European Investment Bank in support of economic and social cohesion in the Community as follows: "The growth in EIB

## GEOGRAPHICAL BREAKDOWN OF LOANS GRANTED (in million ecus)

	1990		1989	
	amount	%	amount	%
<b>In the Community <sup>(1)</sup></b>	<b>12 680.5<sup>(1)</sup></b>	<b>100</b>	<b>11 634.2<sup>(1)</sup></b>	<b>100</b>
Belgium	206.3	1.6	91.1	0.8
Denmark	564.7	4.5	545.8	4.7
Germany	863.5	6.8	856.5	7.4
Greece	176.3	1.4	271.4	2.3
Spain	1 942.0	15.3	1 541.7	13.3
France	1 684.6	13.3	1 512.8	13.0
Ireland	217.7	1.7	186.8	1.6
Italy	3 855.7	30.4	3 734.4	32.1
Luxembourg	11.8	0.1	–	–
Netherlands	245.3	1.9	320.3	2.8
Portugal	794.7	6.3	755.7	6.5
United Kingdom	1 892.8	14.9	1 652.2	14.2
Other <sup>(2)</sup>	225.1	1.8	165.5	1.4
<b>Outside the Community</b>	<b>712.9</b>	<b>100</b>	<b>611.9</b>	<b>100</b>
<i>of which budgetary resources</i>	<i>43.9</i>		<i>126.0</i>	
ACP States	153.4	21.5	269.1	44.1
<i>of which budgetary resources</i>	<i>35.9</i>		<i>114.0</i>	
Mediterranean countries	344.5	48.3	342.8	56.0
<i>of which budgetary resources</i>	<i>8.0</i>		<i>12.0</i>	
Eastern Europe	215.0	30.2		
<b>Grand total</b>	<b>13 393.4</b>		<b>12 246.1</b>	

<sup>(1)</sup> 23.6 million ecus were extended in 1990 and 78.3 million ecus in 1989 from the funds remaining under the New Community Instrument.

<sup>(2)</sup> Projects of Community relevance located outside the Member States but, because of their benefits for the Community, grouped under the heading of funding within the Community (see page 7).

<sup>(1)</sup> The EIB contributes to the funding of small and medium-scale ventures, particularly those implemented by SMEs, through the medium of global loans. These are similar to temporary lines of credit opened with banks or financial intermediaries, which then use the proceeds to fund projects selected on the basis of the EIB's economic, financial and technical criteria. The majority of global loans go towards financing more than one objective.

financing has continued the Bank's established policy of adjustment to Community objectives, to the needs of economic operators and to market forces. The Bank has succeeded in coping with significant changes in the European landscape while at the same time strengthening its role both as a Community institution and as a market participant."

## FINANCING OF PRIORITY OBJECTIVES (1)

The European Investment Bank works for the balanced development of the Community in accordance with the guidelines laid down by Article 130 of the Treaty of Rome and confirmed in the Single Act. Operating on a non-profit-making basis, the Bank funds investment which must help in achieving one or more of the following objectives:

- development of less favoured regions,
- improvement of transport and telecommunications infrastructure of European importance,
- protection of the environment, improvement of the quality of life and urban development,
- achievement of Community objectives in the field of energy,
- strengthening the international competitiveness of industry and its integration on a Community basis,
- support for the activity of small and medium-sized enterprises (through the medium of global loans).

**Regional development**, which has always been the main task of the European Investment Bank, as reaffirmed on a number of occasions by its decision-making bodies, continues to be in the forefront of the objectives pursued in advancing the economic and social cohesion of the Community.

In 1990, a total of 7.4 billion ecus (7 billion in 1989) was earmarked for investment geared to this objective. About 90% of these funds, accounting for some 61% of activity in the Community, were focused on projects in the least favoured regions as defined in the context of the reform of the structural funds - 46% was channelled to regions experiencing the most acute structural problems (Objective 1), 38% to regions faced with pro-

blems of industrial decline or conversion (Objective 2) or rural areas (Objective 5b) and about 5% to areas targeted for other forms of Community action.

About 56% of the total volume of loans for regional development involved infrastructure, mainly transport and telecommunications, 33% the productive sector, particularly SMEs, and 11% energy installations.

Improving **transport and telecommunications infrastructure** is essential for the free movement of goods, persons, information and data under favourable conditions and at optimum cost.

As was already noted in previous years, the prospect of the Single Market is generating a marked increase in investment for communications, which the EIB is supporting in line with its role. Of the 3.1 billion ecus advanced (2.7 billion in 1989), 1.3 billion went to the improvement of telecommunications systems, notably by satellite and by optical fibre cable between Europe and the United States, 872 million on air transport, 857 million on road and rail links, including the Channel Tunnel, and 46.3 million for shipping and intermodal terminals.

Loans totalling 2.2 billion ecus (1.7 billion in 1989) were granted for the **protection of the environment, improvement of the quality of life and urban development**, another Community objective which is of constant concern to the EIB. It not only grants loans for projects aimed solely at protecting the environment, but also systematically vets the impact of each project on the environment and its conformity with legislation in force, often recommending a particular option considered to be most appropriate and offering the best cost/benefit ratio.

Funds totalling 1.4 billion ecus were devoted to waste water treatment, the improvement of drinking water quality and solid waste processing, 468 million to flue-gas cleaning equipment at thermal power stations, refineries and various industrial plants, 95.8 million to protection of the natural and cultural heritage and 263 million to the improvement of the urban environment.

Funds totalling 2 billion ecus were made available from global loans under draw-down (the same figure as in 1989) for

**ventures promoted by small and medium-sized enterprises.** Of the 7 447 allocations extended, 5 622 (1.6 billion ecus) went mainly to industry. About two thirds of the allocations benefited enterprises in less-favoured areas and about four fifths, roughly 50% of the total sum involved, helped firms with fewer than 50 employees.

Loans for investment serving to promote the **international competitiveness of industry and its integration on a Community basis**, most of the projects involved here making use of advanced technology, showed a marked increase, rising to 1.8 billion ecus (1 billion in 1989). The loans centred, inter alia, on the aircraft and motor vehicle construction industries, chemicals and pharmaceuticals and paper and pulp production.

Investment geared to Community objectives in the field of **energy** claimed 1.5 billion ecus (1.7 billion in 1989). Of this total, 667 million was earmarked for development of indigenous resources, 497 million for rational use of energy and 314 million for import diversification.

## RESOURCES RAISED

The European Investment Bank borrows most of its resources on the capital markets at fixed or floating rates in the currencies available and requested by project promoters. By observing the rules of rigorous banking management, the EIB has acquired a sound position as a borrower on the markets, which has earned it the highest ("AAA") credit rating and enables it to mobilize a large volume of funds on the best terms available at the time. As it operates on a non-profit-making basis, it passes on this advantage to its borrowers. It lends the currencies which it has borrowed; its loans are disbursed in a single currency - which may be the borrower's own national currency, a foreign currency or the ecu - or in a combination of currencies arranged in the light of the borrower's preferences and the Bank's holdings.

(1) The figures in this section relate to individual loans and allocations from ongoing global loans. As some loans serve several objectives at the same time, the totals for the various headings cannot be added together meaningfully.

Concurrently with the increase in its lending, the Bank considerably increased its borrowings on the capital markets. In 1990, the total of resources raised was 11 billion ecus, i.e. an increase of 21.7% compared with 1989 (9 billion).

The EIB obtained long-term fixed-rate funds totalling 9.1 billion ecus by way of public issues (7.6 billion) and private placements (1.5 billion). Its presence on the bond market was characterised, amongst other things, by large ("jumbo") issues in certain currencies which were sometimes arranged in successive fungible tranches, thereby amounting to nothing less than benchmarks, particularly on the ecu market where a benchmark of 1.125 billion ecus was created. Third-party participations in loans totalled 35.6 million ecus. Long-term floating-rate borrowings amounted to 701 million ecus (511 million in 1989).

On the money market the EIB raised 1.16 billion ecus, an increase to more than three times the amount raised in the previous year (316 million), which can be explained by greater demand from borrowers for variable-rate loans, particularly following the uncertainties with regard to trends in long-term rates. Its commercial paper programmes were extended to currencies other than the ecu and the United States dollar, such as the pound sterling, the Italian lira and the Dutch guilder.

In order to respond most effectively to the requests of project promoters, the Bank borrowed in thirteen currencies, including the ecu (see table).

#### CURRENCIES RAISED (million ecus)

	1990		1989	
	amount	%	amount	%
1. ECU	1 755	16.0	1 801	20.2
2. USD	1 574	14.3	385	4.3
3. GBP	1 331	12.1	1 769	19.7
4. DEM	1 124	10.2	959	10.7
5. FRF	1 114	10.1	1 164	12.9
6. ITL	851	7.7	626	7.0
7. CHF	818	7.4	264	2.9
8. JPY	771	7.0	432	4.8
9. ESP	614	5.6	701	7.8
10. NLG	528	4.8	317	3.5
11. BEF	330	3.0	346	3.8
12. PTE	124	1.1	86	0.1
13. LUF	52	0.5	92	1.0

For the second year running, the ecu came top of the list of currencies in which the Bank borrowed, in 1990 accounting for 16% of resources raised (1.8 billion ecus). The EIB is the world's leading borrower and lender in ecus and thus continues to occupy a key position in all sectors of this market.

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#### COUNTRY-BY-COUNTRY OVERVIEW OF FINANCING WITHIN THE COMMUNITY<sup>(1)</sup>

Of the 206.3m ecus (BEF 8.8bn) made available in **Belgium**, 200.3m, including 23.6m from New Community Instrument resources, were provided in the form of global loans<sup>(2)</sup>. Global loans already under drawdown gave rise to allocations worth 108.9m ecus in support of 87 ventures, all implemented by SMEs.

Some 6m ecus went towards extending the facilities of EUROCONTROL, the European Organisation for the Safety of Air Navigation, with a view to relieving congestion in European air space and preventing any deterioration in coming years with the prospect of air traffic doubling by the end of the century.

EIB lending in **Denmark** amounted to 564.7m ecus (DKK 4.4bn).

Almost two thirds of this sum (368.6m ecus) centred on communications : extension and modernisation of the national telecommunications network, electrification of the Nyborg-Odense rail line plus acquisition of rolling stock, construction of a fixed road and rail link across the Great Belt and modernisation of a fleet of aircraft.

Global loan financing ran to 90.6m ecus, while global loans already on tap gave rise to allocations worth 63.2m in favour of 142 ventures, all promoted by SMEs.

A total of 68.3m ecus contributed towards establishing natural gas grids in various parts of the country and 24.3m were given over to upgrading the district heating network and improving waste water treatment facilities in Odense as well as to expanding the sewerage system in Esbjerg, Jutland.

In addition, 12.8m ecus served to modernise a waste incineration plant to the south of Copenhagen and to convert the facility into a combined heat and power plant.

Financing in **Germany** came to 863.5m ecus (DEM 1.8bn).

Close on half of this amount (417.3m ecus) was made available in the form of global loans. Global loans already under drawdown gave rise to allocations worth 501.9m ecus in support of 718 ventures, including 178 implemented by SMEs.

200.4m ecus were advanced for rationalising production and R&D capacity at a commercial vehicle plant, constructing a car paint shop in Saxony in the east of the country and building a research and engineering centre for the motor vehicle industry. 59.1m ecus went towards producing wood-free paper and constructing a panel plant.

A further 156.3m ecus helped to finance the "Amadeus" pan-European computerised travel information and distribution system, construction of airport infrastructure and upgrading of the road network in North Rhine-Westphalia.

30.4m ecus were given over to installing denitrification equipment at two coal-fired power stations in Düsseldorf and to extending and modernising a sewage treatment plant in Cologne, one of the largest in Germany.

In **Greece**, the EIB lent a total of 176.3m ecus (GRD 34.8bn).

Of this, 22.8m ecus were made available for improving water supplies and waste water treatment and disposal facilities in the towns of Corfu, Larissa, Herakleion and Chios, 46.9m helped with construction of a power line between Western Macedonia and the Athens conurbation plus implementation of small electricity supply schemes throughout

<sup>(1)</sup> The rates for converting ecus into national currencies are those obtaining at contract signature dates.

<sup>(2)</sup> The EIB helps to finance small and medium-scale ventures, particularly those implemented by SMEs, by providing global loans. Similar to temporary lines of credit, these are made available to banks and financial intermediaries which draw on the proceeds to fund ventures selected in accordance with the EIB's economic, financial and technical criteria. The majority of global loans go towards financing more than one objective. Allocation of the proceeds of global loans may extend beyond the financial year in which they are granted.

the country and 40.7m were devoted to construction of motorway links between Varibobi and Yliki, on the Athens - Yugoslav frontier route, and between Corinth and Tripoli as well as to various road schemes in Central Macedonia and building of an underground car park in Athens.

65.9m ecus were provided in the form of new global loans, while global loans already on tap gave rise to allocations worth 46.9m in favour of 78 ventures, including 39 promoted by SMEs.

Confirming the trend observed since the country's accession to the Community, EIB financing in **Spain** again showed an upturn in 1990 when aggregate lending ran to 1 942m ecus (ESP 251.6bn).

This figure included 854.3m ecus for helping to improve communications infrastructure. 352.2m focused on upgrading air links both within the Community and between the EEC and non-member countries by renovating aircraft fleets and acquiring maintenance equipment. 400.6m served to modernise and extend the country's telecommunications network. 101.6m were given over to building an urban motorway and a tunnel in Catalonia and modernising the rail network in Santander and Bilbao as well as the port of Barcelona.

180.9m ecus went towards extending, modernising and strengthening the electricity supply network in Asturias, Cantabria, Castilla La Mancha, Castilla y León, Galicia and Madrid and towards expanding and modernising the country's high voltage power grid.

In the productive sector, 254.4m ecus contributed towards modernising and upgrading car manufacturing facilities, 89.1m helped with constructing parts of the Airbus A-320/330/340 and 68.7m were channelled into modernising three refineries in Castilla La Mancha, Catalonia and Galicia, with the emphasis on production of low-lead and unleaded petrol and the combined generation of heat and power for industrial applications.

A further 83.9m ecus were advanced for acquiring aircraft to fight forest fires.

410.7m ecus were provided in the form of new global loans, while global loans already

under drawdown gave rise to allocations worth 232.7m in support of 641 ventures, including 597 implemented by SMEs.

EIB lending in **France** amounted to 1 684.6m ecus (FRF 11.6bn).

This total included 742.8m ecus in the form of global loans, with global loans for funding investment by SMEs representing 290m. Global loans already on tap gave rise to allocations worth 582.3m ecus in favour of 3 953 ventures, including 3 717 promoted by SMEs.

Financing for communications infrastructure came to 646.9m ecus, of which 249.8m were devoted to construction of numerous stretches of motorway: the Laon-Rheims and Troyes-Châlons-sur-Marne sections of the A 26, the Manosque-Sisteron section of the A 51, the Cuers-Le Cannet-des-Maures section of the A 57 (Esterel-Côte d'Azur) plus stretches of the A 49 (Rhône-Alpes), A 43 (Savoie) and A 55 (Languedoc-Roussillon). 253.6m ecus went towards establishing the "TGV-Nord" and "TGV-Atlantique" high-speed rail links, 107.2m towards constructing the Channel tunnel and 36.3m towards acquiring commuter aircraft for use on inter-regional routes.

Individual loans to industry came to 182m ecus in all. 163.6m helped to finance work by the European consortium on developing the Airbus A321, part of which is also to be carried out in the United Kingdom and in Germany, and production of a light executive aircraft. 18.5m were given over to constructing a unit producing industrial gases.

A further 60m ecus served to finance equipment, on the Côte d'Azur, required for operating the "Amadeus" pan-European computerised travel information and reservation system, while 36.1m contributed towards modernising Tricastin uranium enrichment plant.

10.8m ecus were made available for funding the Euro Disneyland theme park to the East of Paris and 5.8m for installing cable television networks.

In **Ireland**, the EIB lent a total of 217.7m ecus (IEP 167.1m).

Of this, 113.6m ecus helped to improve communications through acquisition of air-

craft, numerous improvements to the road network, particularly in Bunratty, Castlebar, Athlone and Galway, and extension of the telecommunications system, notably through a link to the optical fibre cable between the United Kingdom and the United States and construction of satellite earth stations.

Some 48.2m ecus were advanced for implementing various forestry schemes along with 29.8m for improving water supplies and extending waste water collection and treatment facilities, mainly near Bray, Dun Laoghaire and Kerry.

26m ecus were provided in the form of global loans which, as they were concluded only recently, have not yet been drawn on to any great extent: allocations worth 5.3m were made available in support of 6 SMEs.

EIB financing in **Italy** amounted to 3.9bn ecus (ITL 5 900bn).

Of this, 1.1bn ecus were provided in the form of new global loans, while an identical amount was allocated from global loans already under drawdown in favour of 2 115 ventures, including 1 984 implemented by SMEs.

In the energy sector, 732.4m ecus helped to improve electricity generating facilities (modernisation of a coal-fired power station and construction of a combined heat and power plant in Liguria plus extension and modernisation of a thermal power station in Sardinia and five hydro plants in Central and Northern Italy) and power transmission and supply systems in the Mezzogiorno, to tap oil and gas deposits off the coast of Abruzzi, Calabria, Emilia-Romagna and Sicily as well as onshore deposits in Piedmont, and, finally, to expand natural gas transmission and supply grids in several areas of Central and Northern Italy.

A further 722.9m ecus were channelled into modernising and extending the telecommunications system in the Mezzogiorno.

551.5m ecus were given over to water supply infrastructure and environmental protection schemes centred mainly on waste water collection and treatment and solid waste processing in several regions (including ongoing work on implementing the environ-

mental protection programme for the Po basin) as well as to combatting erosion, landslips and flooding in Abruzzi, Basilicata, Latium, The Marches and Veneto.

Individual loans for the industrial and service sectors ran to 520.8m ecus and went towards modernising paper mills in Abruzzi and in Friuli-Venezia Giulia plus other parts of Northern Italy, extending and modernising a printing works in Piedmont and the pharmaceuticals industry in Lombardy and Latium, producing construction materials in Emilia-Romagna, modernising refineries in Sardinia to reduce products' sulphur content and in Sicily to produce lead-free petrol, upgrading a chemicals complex in Tuscany, processing foodstuffs in Emilia-Romagna, modernising and extending an ice-cream factory in Naples, restructuring a domestic

appliances plant in Friuli-Venezia Giulia, modernising a float glass works in Abruzzi, producing commercial vehicle components in Northern Italy and car tyres near Milan and Turin and manufacturing presses in Turin province.

The transport sector claimed 205.8m ecus, devoted to widening the Rome-Naples motorway, renewing the fleet of aircraft providing links between the Mezzogiorno and other regions of the country, extending Bologna airport, modernising and expanding the ports of Giulianova and Ortona in Abruzzi, enlarging the port of Livorno in Tuscany, constructing a container vessel terminal at La Spezia, building two small harbours for fishing boats and yachts in Calabria and constructing an intermodal rail/road freight terminal near Turin.

70.9m ecus were lent for various other infrastructural works, including construction of science parks for research and development activities in Trieste and Bologna, urban renewal schemes in the historical centres of Ferrara and Trento, construction of a biotechnology research centre in Genoa and a multidisciplinary research laboratory in Milan, creation of a coastal nature park in Apulia and implementation of forestry schemes, particularly with a view to combatting forest fires in Piedmont.

In **Luxembourg**, 11.8m ecus (LUF 500m) were made available for constructing an audio and video cassette factory in the south of the country where traditional industrial activity, steel manufacturing, has gradually declined.

Lending in the **Netherlands** ran to 245.3m ecus (NLG 565.1m).

This figure included 167m ecus for enlarging aircraft fleets and installing a flight simulator. Industrial projects attracted 78.2m ecus, comprising 65.1m in global loan finance and 13.12m for producing high performance synthetic fibre at two plants in southern Limburg.

Global loans currently under drawdown gave rise to allocations worth 57.1m ecus for 35 ventures, all promoted by SMEs.

In **Portugal**, the EIB lent a total of 794.7m ecus (PTE 144.4bn).

The communications sector claimed nearly half of financing provided, i.e. 374.4m ecus, including 212.8m for constructing the Lisbon by-pass, building new sections of the Lisbon-Oporto motorway, upgrading the road network throughout the country and implementing various transport infrastructure schemes in the Azores. 138.1m ecus helped to extend and modernise the telecommunications system, while 23.5m went towards equipping the multipurpose terminal at the Sines coal port.

A further 96.8m ecus were earmarked for the country's power supply grid, 8m for constructing a household waste processing plant near Lisbon and 5m for an afforestation programme in the centre of the country.

187.1m ecus were channelled to the industrial sector, with funds being given over to

## Before lending . . .

... the EIB borrows. So as to meet the substantial investment needs engendered by implementation of Community policies and the prospect of the "Single Market" in 1993, the EIB pushed up the volume of the **resources it raised** by 22% in 1990. Between 1987 and 1990, annual borrowing activity virtually doubled, climbing from 5.6 to 11 billion ecus. This performance has won the EIB a position as the world's top supra-national borrower and the leading player in the world on the ecu market.

Two developments are significant of borrowing activity in 1990:

- the launching of **Jumbo public issues** acknowledged by the markets as benchmark operations. In 1990, five borrowings in ECU (1.125bn), Euro-FRF (twice 2bn), Euro-USD (600m) and DEM (700m) highlight the dual role played by the EIB in the financial sphere: to broaden the Community's capital markets and increase the level of activity on them in line with Europe's economic requirements, whilst seeking out the most attractive financing opportunities in the interests of its own borrowers. In 1990, 89% of resources were garnered through medium or long-term borrowings, most frequently via public bond issues (75%);

- **increased recourse to the money market**: 1.16bn ecus in the form of commercial paper, accounting for 10.5% of resources gathered. First started in 1984 with the USD, the EIB's commercial paper programmes were widened to include the ECU in 1989 and, with the introduction in 1990 of programmes in GBP, ITL and NLG, now cover five currencies. This trend, which is likely to expand still further in coming years, is in response to increased demand from the Bank's borrowers for variable-rate loans, given the volatility of long-term interest rates. It also reinforces the EIB's presence on the various capital markets, already well established by the launching of about 90 medium and long-term operations each year.

To cater for its borrowers' requirements, the EIB has been disbursing the funds tapped at an average pace of about one billion ecus per month, but sometimes reaching peaks of up to 2 billion. Encompassing a range of 17 currencies and with lending techniques offering a minimum of seven different interest-rate formulae for terms generally running for between 8 and 20 years, with grace periods on repayment of principal, the Bank's disbursements reflect an increasingly diverse and sophisticated range of financing possibilities, proposed by the EIB for projects fostering European integration.

extending a papermaking complex in central Portugal, modernising and expanding two factories in Setubal and Cacia manufacturing both cars and motor vehicle components, producing transport equipment, modernising and enlarging a high density polyethylene plant in the south of the country, extending and modernising a glass container factory, modernising and expanding a power transformer plant and constructing a resin and glue factory in the north of the country.

123.3m ecus were provided in the form of new global loans for smaller businesses, while 157.8m ecus were allocated from global loans already on tap in support of 595 ventures, all implemented by SMEs.

EIB financing in the **United Kingdom** amounted to 1 892.8m ecus (GBP 1.4bn).

Of this, 528.5m ecus were given over to various water supply and waste water collection schemes throughout England and Wales.

In the transport sector, 162.3m ecus went towards modernising airline fleets through acquisition of new aircraft as well as towards constructing and extending passenger terminals at Birmingham and Glasgow airports. 242.3m ecus helped to extend the docklands light railway system in East London and to construct the Channel Tunnel.

Individual loans to industry ran to 484.3m ecus and focused mainly on foodstuffs production, foundries, manufacture of high-quality car bodies, modernisation of a welding shop for the motor vehicle industry and construction of factories producing packaging for the food industry, steel wire and building materials. Funds were also advanced for expanding the paper industry, modernising four electrical appliance factories, constructing a liquefied industrial gas unit, modernising and extending chemicals plants, constructing the long-range Airbus A330/340 and modernising several hotels.

A further 102.1m ecus were made available in the form of a new global loan, while 37.2m were allocated from global loans already under drawdown in favour of 75 ventures, all implemented by SMEs.

148.1m ecus contributed towards extending the telecommunications network and

towards providing submarine cable links with continental Europe and America. 225.2m ecus served to develop one oil and two gas fields in the North Sea and to construct nuclear fuel reprocessing facilities.

The EIB also furnished support (225.1m ecus) for three projects located largely outside Member States but of direct interest to the EEC and hence considered as operations within the Community.

89.8m ecus were given over to developing an oil field in the Norwegian sector of the North Sea, a project offering benefits for the Community by virtue of its contribution towards ensuring more reliable oil supplies to the EEC.

82.9m ecus were made available for the provision and laying of an optical fibre telecommunications cable linking the Community, via the United Kingdom and Ireland, to the United States and the Caribbean.

Lastly, a guarantee operation involving 52.5m ecus was arranged for the Inmarsat satellite project designed to improve commercial and safety telecommunications for ships and aircraft.



## FINANCING PROVIDED OUTSIDE THE COMMUNITY

Financing advanced in countries outside the Community ran to 669 million ecus from the EIB's own resources and to 43.9 million from Member States' or Community budgetary resources, adding up to 712.9 million ecus compared with 611.9 million in 1989. Of the 1990 total, 153.4 million ecus went to finance investment in the ACP countries and OCT, 344.5 million in the Mediterranean countries and 215 million in Eastern Europe.

## THE COMMUNITY'S DEVELOPMENT COOPERATION POLICY

### ACP COUNTRIES AND OCT

Last year the EIB acted to support investment in 16 ACP States and OCT.

In **Africa**, projects were funded in 11 countries to a total of 140 million ecus (109 million from the Bank's own resources and 31 million from risk capital).

Financing for countries in **West Africa** totalled 101.1 million ecus. In **Nigeria**, a global loan was granted to finance small and medium-sized enterprises in industry, agro-industry, tourism and mining. Other loans covered infrastructure projects centring on power supplies and drainage and sewerage systems plus a feasibility study on setting up a cocoa-bean processing plant in **Côte d'Ivoire**, renovation of the Akosombo hydroelectric power plant in **Ghana** and construction of an oil mill and a soap factory in **Guinea**.

In **Southern Africa**, the Bank advanced funds totalling 22.9 million ecus for the following projects: in **Malawi**, a water supply scheme in Blantyre, the country's main industrial and commercial centre; in **Madagascar**, industrial fishing and shrimp processing and the modernisation of a textile plant; in **Zimbabwe**, extension of the electricity transmission and distribution network; and in **Zambia**, construction of a refrigerated storage depot for flowers, fruit and vegetables for export. In **Mozambique**, a global loan was granted for small and medium-scale ventures.

In **East Africa**, the Bank provided a total of 16 million ecus. In **Uganda**, a global loan was made available to finance small and medium-sized enterprises in industry, agro-industry and tourism; a loan was also granted for rehabilitation and extension of the electricity supply system. In **Tanzania**, funds were advanced for refurbishing and renovating several hotels.

In the **Caribbean**, a global loan for 4.2 million ecus was granted in **Barbados** to assist small and medium-sized private enterprises in industry and a global loan for 1 million ecus in **Jamaica** to finance equity participations in SMEs.

In the **Pacific**, a total of 2 million ecus was advanced from risk capital in the **Solomon Islands** to increase the capital of the Development Bank of Solomon Islands (DBSI) and to finance small and medium-sized enterprises in industry, tourism and transport.

In the OCT, a sum of 3.2 million ecus (including 1.9 million from risk capital) was made available in **Aruba** to improve electricity supplies and install a new high-voltage sub-station. A further 3 million ecus went towards upgrading electricity supplies in the **Cayman Islands**.

#### MEDITERRANEAN COUNTRIES

In **Yugoslavia**, loans totalling 182 million ecus will help to fund construction of the Bel-grade bypass on the Trans-Yugoslav Highway and improvements to the country's main railway line.

#### The Maghreb countries

In **Algeria**, 40 million ecus was advanced for a section of the East-West motorway in the north of the country, and a further 1 million ecus from risk capital went to fund various studies on the scope for improving electricity production and distribution.

In **Morocco**, a total of 11 million ecus was devoted to a project for waste water collection and treatment facilities in coastal towns and villages in order to improve the environment along the Mediterranean seaboard; a further 2 million ecus was advanced from risk capital to finance the formation of a venture capital company promoting enterprises in the private sector.

In **Tunisia**, 35 million ecus will be channelled to a project for the improvement of the environment in the Gulf of Gabès intended to stop phosphated gypsum waste from chemical plants being dumped into the sea; a further 15 million ecus, including 3 million from risk capital, was advanced to the Banque de Développement Economique de Tunisie (BDET) in the form of a global loan for small and medium-scale industrial and agro-industrial ventures.

#### The Mashreq countries

In **Jordan**, a global loan of 12.5 million ecus was made available for funding investment promoted by small and medium-sized industrial enterprises.

In **Egypt**, a sum of 2 million ecus was advanced from risk capital to renovate a hotel complex in Luxor.

#### Malta

Financing of 10 million ecus helped to fund construction, to the north of Valetta, of a sea-water desalination plant to improve the country's drinking water supplies.

#### Israel

A global loan for 34 million ecus was granted to fund industrial ventures and environmental improvements, mainly in the water sector.

#### EUROPEAN COMMUNITY COOPERATION WITH COUNTRIES IN CENTRAL AND EASTERN EUROPE

As part of the cooperation policy pursued by the European Community with countries in Central and Eastern Europe, the European Investment Bank has been authorised to lend up to a total of one billion ecus in Poland and Hungary in support of capital investment helping to improve the economic situation of those countries.

In **Hungary**, EIB lending totalled 120 million ecus. Of this, 80 million was granted for the improvement of the telecommunications network, a further 25 million was advanced in the form of a global loan for small and medium-sized enterprises in industry, related services and tourism and for schemes aimed at environmental protection or ener-

gy saving, and 15 million was earmarked for improving electricity distribution in the country.

In **Poland**, lending totalled 95 million ecus. A sum of 50 million benefited the gas industry: modernisation, expansion of production and reduction of air pollution; a further 25 million was granted in the form of a global loan for small and medium-scale ventures in industry, related services and tourism and for environmental protection or energy saving schemes, and 20 million was earmarked for railway modernisation.

#### Ecu

Below are the ecu values in national currencies, as at 31 December 1990; these rates are applied to the first quarter in preparing financial statements and operational statistics of the Bank:

DEM	2.04195	BEF	42.1839
GBP	0.707840	LUF	42.1839
FRF	6.95010	DKK	7.88260
ITL	1540.26	GRD	214.064
NLG	2.30384	IEP	0.767840
ESP	130.604	PTE	182.818
		USD	1.36330

N. B.: Ecu/national currency conversions given in this issue for operations in 1990 are based on different exchange rates, applicable at the time of each contract signature.

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