

EIB INFORMATION

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The EIB's role in fostering European integration

Under the Treaty of Rome, the European Investment Bank, the Community's financial institution, was assigned the task of contributing to the balanced development of an integrated Europe. Rather than confining the Bank to a fixed remit, the terms in which its operational framework is defined are general enough to allow the EIB continuously to adapt its choice of projects to the new challenges facing the Community and to help meet European economic needs in a constantly changing environment. Attaining the major political goal of building the Community calls for specific measures in everyday life and it is here that the EIB's contribution can be gauged.

The European Investment Bank fulfils its task through recourse to banking techniques and channels. It differs both from other Community institutions in maintaining direct contacts with the market and from other banks in operating on a non-profit-making basis with non-commercial objectives. The projects which the EIB finances are thus selected primarily in the light of its role of serving the interests of the community at large.

PROJECTS ELIGIBLE

Before receiving loans, all projects must firstly be eligible for EIB financing in terms of their direct or indirect contribution towards furthering European integration. This is not the sole prerequisite, however, inasmuch as each project must also be technically viable and offer the prospect of a satisfactory economic return (as well as an acceptable financial return in the case of productive-sector investment). These aspects are explored during project appraisal undertaken in cooperation with

the promoter by multi-disciplinary teams of economists, engineers and loan officers.

The principle of complementarity which governs the Bank's financing operations represents another particular feature of EIB assistance. In view of its specific status, the Bank seeks not to generate turnover as such, but to facilitate wherever possible, working in close cooperation with other financial institutions and commercial banks, the implementation of projects helping to build Europe's future. The EIB also coordinates its action with the various forms of Community aid, especially the structural funds, with a view to ensuring that Community instruments finance the maximum possible volume of viable investment.

The task entrusted to the EIB by the Treaty of Rome was reaffirmed in the Single Act. When this came into force on 1 July 1987, the main goals set were strengthening Community-wide economic and social

DEN EUROPÆISKE INVESTERINGSBANK
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BANQUE EUROPÉENNE D'INVESTISSEMENT
BANCA EUROPEA PER GLI INVESTIMENTI
EUROPESE INVESTERINGSBANK
BANCO EUROPEU DE INVESTIMENTO



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Much of the 1993 single market's success will rest on efficient transport and telecommunications that will allow the smooth circulation of people, goods, capital and information. The EIB has provided extensive support for development of the communications infrastructure in the Iberian peninsula.

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Industry is integrating itself to take advantage of the Community-wide dimension of the single market and the move towards economic and monetary union. The EIB is providing support by financing investment involving cooperation between companies from different Member Countries.

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cohesion and completing the Single Market, thus giving fresh impetus to building the Europe of tomorrow and added importance to the role of the EIB. The principal guidelines for EIB activity, far from being modified, were founded on the Bank's past achievements and future potential.

REGIONAL DEVELOPMENT : THE MAIN ELIGIBILITY CRITERION ...

One of the Community's basic objectives is to foster harmonious development by reducing regional disparities. This was also one of the overriding considerations which prompted creation of the European Investment Bank. Hence, **Regional development** continues to represent the EIB's main goal, so ensuring that the significant benefits awaited from the Single Market are not concentrated in the most developed regions.

Under the heading of regional development ⁽¹⁾, the EIB can finance projects throughout the productive sector as well as infrastructural schemes and energy installations. Eligibility for financing hinges on a

project's location in the less privileged areas, while the venture must, of course, make a lasting contribution towards improving the economic potential of the region or sector concerned and creating a closer-knit Community.

In adhering to its financing criteria and working in cooperation with the Community's structural funds, the EIB targets its action chiefly at priority areas of the EEC corresponding to Objectives 1 (regions whose development is lagging behind), 2 (regions affected by industrial decline) and 5(b) (less-favoured rural areas). It also provides support in areas qualifying for national regional development aid.

Since the EIB's inception, around two thirds of aggregate lending has been devoted to capital investment helping to alleviate regional imbalances.

... BUT NOT THE ONLY ONE

In addition to regional development, the European Investment Bank underpins a range of other Community policies, notably completion of the Single Market and

the transition to economic and monetary union. Projects furthering these goals are therefore also eligible for loans from the EIB. Assistance is furnished mainly for:

- improving transport and telecommunications infrastructure of benefit to the Community,
- protecting the environment, improving the quality of life and promoting urban development,
- attaining Community energy policy objectives,
- enhancing the international competitiveness of industry and integrating it at Community level, and
- supporting the activities of small and medium-sized enterprises through global loans.

Projects geared to these objectives may be located throughout the Community, unlike regional development ventures.

EFFICIENT COMMUNICATIONS

Attainment of the Single Market presupposes totally unhindered movement of goods and services, people and information. By financing **Transport and telecommunications infrastructure**, the EIB contributes towards building up an efficient European communications network vital for fostering economic and social cohesion and completing the Single Market.

In helping to convert transport and telecommunications systems into an integrated trans-European communications network, the EIB has, from the outset, funded capital investment offering benefits for the Community as a whole, while at the same time furthering the economic advancement of the regions served. The EIB has backed a series of projects, mainly road and rail schemes, designed gradually to merge existing transport and communications systems originally established in individual countries in the light of purely national criteria. More recently, an integrated approach to setting up Community-wide networks has become imperative with the opening up of internal frontiers and the changing pattern of communications in a single economic area.

FINANCING PROVIDED WITHIN THE COMMUNITY FROM 1986 TO 1990

(individual loans and allocations from ongoing global loans)

Breakdown by country and objective

(million ecus)

	Regional development (*)	Community infrastructure	Environment and quality of life	Energy	Industrial competitiveness and European integration	SMEs in non-assisted areas
Belgium	154.6	6.0	10.4	-	83.3	64.1
Denmark	831.1	904.3	85.3	963.5	8.2	141.9
Germany	1 086.7	65.1	1 270.4	508.5	498.8	154.0
Greece	1 015.5	80.2	329.8	422.9	-	7.2
Spain	3 347.4	2 036.3	642.9	553.7	628.1	358.4
France	3 389.0	1 441.0	182.2	294.0	443.7	564.4
Ireland	945.9	280.2	93.4	130.5	3.4	-
Italy	10 492.6	1 334.3	2 625.0	4 051.5	1 936.1	1 147.5
Luxembourg	11.8	19.8	-	-	-	-
Netherlands	359.7	355.7	3.0	3.2	371.1	69.6
Portugal	2 467.4	245.3	71.9	467.7	329.0	36.3
United Kingdom	2 938.4	1 334.6	1 758.5	1 973.5	594.1	58.0
Other	-	660.8	-	198.5	-	-
Total	27 040.1	8 763.6	7 072.8	9 567.5	4 895.8	2 601.4

As certain financing meets two or more objectives, the totals for the various headings cannot be meaningfully added together.

(*) of which 4 767.4 million in support of SMEs in assisted areas.

(1) See articles on "Loans and grants for regional development" (EIB Information No. 64, May 1990) and "Regional development, the EIB's primary objective" (EIB Information No. 66, November 1990).

IMPROVING THE QUALITY OF LIFE

In an industrialised area such as the European Community, both a source and victim of pollution which knows no frontiers, **protecting the environment and improving the quality of life** are of crucial importance and rightly number among the European Investment Bank's main concerns. In this area too, its financing operations exemplify the Bank's ability to adapt to Community priorities.

The EIB takes full account of these aspects during project appraisal, systematically examining a scheme's environmental impact and compliance with current legislation. It also encourages promoters to install more sophisticated equipment to limit a project's direct or indirect environmental repercussions than that strictly required by law. The EIB thus seeks primarily to prevent pollution at source rather than to combat it after the event.

The Bank also funds projects geared solely to safeguarding the environment and correcting environmental degradation. In 1984, recommendations handed down by its Board of Governors cemented the general approach already followed by the EIB in this domain and gave further force to its operations: protecting and improving the environment, prudent management of natural resources and enhancing the quality of life became a specific eligibility criterion for Bank loans. Subsequently, in 1987, the Single Act accorded Community objective status to environmental protection in the quest for greater economic and social cohesion. Projects financed by the EIB involve safeguarding three key resources: the atmosphere (particularly "clean" thermal power stations, conversion of industrial processes), water (efficient use of water resources, waste water and effluent collection and treatment, etc.) and soil (erosion and flood protection, afforestation, etc.)⁽¹⁾.

The Bank has also stepped up its assistance for **urban development**, advancing loans for projects forming an integral part of programmes to reorganise towns and cities, mainly by relocating industries outside urban centres, improving public transport, etc.

Similarly, the EIB helps to fund capital investment designed to safeguard the

Community's architectural heritage, preservation of which is important for our environment.

In certain specific situations, EIB backing is provided within the ambit of integrated programmes and includes technical assistance in addition to project funding. The Bank has thus played a part in giving a new lease of life to several gulfs and rivers in Europe, with the Po basin representing the most outstanding example. The EIB has also drawn up, in cooperation with the World Bank, a programme for safeguarding the Mediterranean, while a similar programme for the Baltic Sea is currently being prepared.

Projects aimed at protecting the environment and improving the quality of life have attracted a steadily increasing volume of EIB financing, claiming an average of over 16% of funds made available by the Bank in recent years (see Table, page 2).

SECURING RELIABLE ENERGY SUPPLIES

The EIB's ability to adapt has been very much in evidence in the ENERGY sector, especially in the wake of the oil crises in the 1970s when all capital investment reducing the Community's dependence on oil became eligible for Bank lending.

EIB financing here is given over to projects centred on the development of indigenous resources, energy savings and import diversification. The Bank has helped to fund grid interconnections designed to lessen reliance on oil imports, while new prospects are opening up in this area following events in Eastern Europe.

ENHANCING INDUSTRIAL COMPETITIVENESS

modernising industry and integrating it at community level has assumed growing importance and been given added impetus with the need to complete the Single Market, strengthen European industry's scientific and technological base and promote international competitiveness. Under this heading, the EIB finances industrial projects deploying state-of-the-art technology or bolstering cooperation between firms in several Member States.

In conjunction with Community policy in favour of SMEs, the EIB provides global loans⁽²⁾ to assist in financing smaller businesses in the industrial, service and, particularly, tourism sectors as well as in agriculture and fisheries. Global loans are akin to temporary lines of credit opened with banking partners located close to SMEs and familiar with their real needs. Over 26 000 smaller firms have attracted funding worth a total of 7 billion ecus over the past five years.

TAILOR-MADE FACILITIES

The European Investment Bank adapts its activity to changes in Community policies and needs. In maintaining direct contacts with the market, it constantly tailors its financing facilities to project promoters' specific requirements⁽³⁾. In certain cases, it participates in the putting together of particularly complex financial arrangements. EIB loans, available with a variety of interest-rate formulae and in a broad range of currencies, generally carry maturities of between 7 and 12 years for industrial projects and up to 20 years or more for infrastructural schemes.

Committed to paving the way for the Single Market and the transition to economic and monetary union, the EIB is helping to enhance the competitiveness of the European economy and to create a closer-knit Community by funding the necessary infrastructure.

It should be pointed out that a substantial number of projects meet several of the objectives described above.

The EIB fulfils its task by supporting projects consonant with Community policy objectives and shown by the Bank's own appraisal to merit financial backing.

Mr Ernst-Günther Bröder, EIB President, wrote recently:

⁽¹⁾For further details, see brochure entitled "Protection of the Environment" (briefing series), available on request.

⁽²⁾See article on "EIB financing through global loans" (EIB Information No.62, December 1989)

⁽³⁾See brochure entitled "Loans for building the European Community", available on request.

"The EIB's lending policy is determined by qualitative investment criteria. The Bank selects projects after a rigorous appraisal of their economic benefits and technical

and financial viability. Indeed, the Bank not only provides loans but also assists promoters in constructing an optimum investment financing package. The EIB frequently acts

as a catalyst in bringing together promoters and lenders and mobilising resources, in addition to its own loans, for worthwhile projects."

Financing communications in Spain and Portugal

Transport and telecommunications play a vital role in the balanced development of the European Community and are essential for the smooth completion of the Single Market. They help to translate into reality the freedom of circulation for people, goods, capital, services and information. The Single Market presupposes national transport and telecommunications infrastructure integrated at a European level. To meet this challenge, the nineties are destined to be characterised by significant investment in communications. A number of public and private initiatives and technical developments in the transport sector highlight this trend, such as the establishment of a European high-speed rail network, the expansion of air transport, the development of the highway and motorway system and the upgrading of telecommunications, in which satellites play a growing important role.

Financing transport and telecommunications has always been one of the European Investment Bank's priority objectives. Since the late 1980s, a new impetus has been given to communications investment in the context of the EIB's commitment to preparing the way for the Single Market and encouraging further convergence as part of the Community's evolution towards economic and monetary union. The EIB finances such projects where they help to foster regional development or are of benefit to the Community at large by improving the Community-wide communications network. Many loans may serve both purposes at once.

In the last five years (1986-1990), the EIB has provided a total of more than 15 billion ecus for a wide range of investment

designed to strengthen existing facilities, build new ones and foster the integration of transport and telecommunications throughout the Community.

In Spain and Portugal, the latest Countries that joined the European Community, the condition of transport and telecommunications has been a major economic problem in their continuing development.

Since their adhesion, Spain and Portugal have been among the fastest growing economies in the Community, but for this rapid growth to be lasting, it must be accompanied by more efficient roads, railways, ports, airports and telecommunications networks. The situation is gradually improving: the two Governments have established large programmes to prevent inadequacies in their communications infrastructure creating bottlenecks to further development.

Contributing to such needs, the European Investment Bank is working flexibly in cooperation with central and local authorities in the expansion and modernisation of transport and telecommunications, by making loans for capital investment projects that it selects after an in-depth appraisal to verify their economic, technical and financial viability. Borrowers can range from Government to regional or local authorities and public and private companies.

In Spain, the EIB has lent a total of more than 3 200 million ecus to priority investment for communications up to end-June 1991, and in Portugal more than 1 300 million ecus ⁽¹⁾. But more important than quantity is the quality of the investment financed and its contribution to the reduction of regional imbalances and the strengthening of communications within the European Community. The areas in which the Bank has been active in the two countries are: *air transport*, i.e. the modernisation and expansion of airline fleets and air-

ports; *telecommunications*, through both landbased networks and satellites; *road and railway network improvements*, on a regional and national level, as well as combined transport projects; and *port developments*.

EIB'S FINANCING FOR COMMUNICATIONS IN SPAIN AND PORTUGAL (30 June 1991) - (in million ecus)

	Spain	Portugal
Railways	330	147
Roads	460	694
Ports	53	186
Air transport	633	78
Telecommunications	1740	231
Total	3216	1336

In *telecommunications*, loans have gone for modernising and expanding the telephone networks in Spain and Portugal, mainly by installing new lines, digital exchange equipment and optical fibre cables, thus improving the quality of service and telephone line density. The schemes will help telecommunications services meet the upturn in demand resulting from the two countries' sustained economic growth. The EIB's financing for telecommunications in Spain includes the largest single loan to date (500 million ecus to Telefónica). The Bank is also supporting the construction and launching of two Spanish satellites, dedicated to telecommunications and television programme retransmission. The satellites will, in particular, strengthen links with peripheral regions of Spain.

⁽¹⁾ Both figures include loans granted in the framework of pre-adhesion financial cooperation.



Investments in the *railway system* are focused on upgrading the principal axes of the two countries and the commuter network. In particular, in Spain, the EIB has financed mainline connections between Madrid and Andalusia, the Madrid, Barcelona and Valencia "triangle", and the Galicia-Cataluña line. In Portugal, funds have gone to the links from the coast to the Spanish border (Pampilhosa to Vilar Formoso) and Lisbon to Porto. The modernisation of this last 330 km long stretch, the most important line in the Portuguese network, is especially significant for the country's economic development. The works include the building of a new imposing bridge over the River Douro at Porto's entrance, replacing the one built by Eiffel at the end of last century.

To upgrade the commuter railway network, funds have gone towards investment, including purchase of rolling-stock, in the largest metropolitan areas of the two countries: in Madrid, Barcelona, Valencia, Bilbao and Santander in Spain; and in Lisbon and Porto in Portugal. Upgrading the urban railway networks by means of improving the service between city-centres and their industrial or residential suburbs, is a significant contribution towards encouraging the use of public transport, reducing traffic congestion, with accompanying environmental benefits.

Modernising the *road and highway systems* of the two countries is a vital factor for their economies, as the majority of land transport, both passengers and goods, goes by road. The EIB has financed stretches of national importance as well as local links: in Portugal, the motorway from Lisbon to Porto, many

sections of the national road system, including roads in Madeira and Azores islands; in Spain, a motorway in Vizcaya and the regional road networks in Madrid, Andalusia, Castilla-La Mancha, Canaries, Aragón and Galicia.

Traffic congestion is an acute problem in many cities and the EIB is active in financing the upgrading of urban road infrastructure to improve the quality of life. In Portugal, the Bank has funded the construction of a motorway which will bypass the centre of Lisbon and link the southern and northern sections of the motorway between the cities of Setúbal, Lisbon and Porto. In Spain, its loans are helping the construction of a motorway joining Barcelona, through the Vallvidrera tunnel, into the national motorway network, linking the city to France and Madrid. Works being financed will smooth traffic flows both into and out of Barcelona. In northern Spain, near Bilbao, the EIB has supported the construction of a road haulage centre to concentrate loading and unloading, storage and parking of heavy goods vehicles, thus improving the efficiency of long distance commercial road traffic.

A project with an important impact both for Spain and Portugal is the bridge linking Algarve with Andalusia over the Guadiana river. The 670 metres, two-lane bridge is to replace an old ferry, improving the connection between two assisted regions of the Community, encouraging industrial development and tourism.

In *air transport*, EIB funding is focused, in Spain, on the renewal of the national carrier's fleet and in both countries on strengthening regional links, in particular in Canaries and Balearic islands and in

the Azores archipelago. The EIB has also funded the modernisation of the airports of Porto, Faro and Madeira. The investments are to meet the growing volume of domestic air traffic and improve the communications of Spain and Portugal's less favoured regions, promoting their development in preparation for the 1993 Single Market. Overall such investments will help modernise air communications, expand capacity and ensure energy savings through the introduction of more efficient aircraft. In Spain, a loan not directly related with air transport (therefore not included in the above figures) has gone towards the expansion and modernisation of the amphibious aircraft fleet for use as a rapid fire-fighting force to combat forest fires that devastate large areas in Spain each year.

Good sea communications are particular important because of the geographical situation of the two countries. In this context the EIB has helped *strengthen port facilities*, financing, among others, investments at Sines, south of Lisbon, and at Barcelona. At Sines the EIB supported the equipping of the port with cranes and conveyors for bulk coal and general cargo. The port handles most of Portugal's coal supplies for electricity generation. In addition to its significance for regional development, the EIB's financing is helping to replace oil imports and contributes to the Community's objective of diversifying energy resources. In Barcelona, the works funded are for a new container terminal, a new quay for safer and more efficient management of inflammable products, and facilities for handling vehicles. The reconversion of the old harbour forms part of a plan to transform the city's waterfront area in conjunction with the 1992 Olympic Games.

■ Integrating Europe's Industry ■

The integration of productive activity on a European Community level is essential if industry is to take full advantage of the unprecedented opportunities being cre-

ated by the emergence of the single market and the movement towards economic and monetary union (EMU). Well integrated industries allow for more effective use of resources, the transfer of skills and technology, rationalisation of production, and the promotion of wealth creation.

As well as the removal of trade barriers and strengthening the Community's social and economic cohesion by the end of 1992, a central objective of the single market programme is to enhance the international competitiveness of European industry by developing its technological

and scientific base as well as creating an environment for activities to be structured on a Community scale and in which companies from different Member States can join forces technically and financially. In 1990 the European Council emphasised the primacy of the international dimension and the need for the efficient use of Community sources of finance to increase the technological capacity and competitiveness of European industry.

These Community objectives reinforce those already being pursued by the European Investment Bank, in particular the financing of projects involving cooperation between companies from different Member States, encouraging greater integration. Since the 1980s the Bank has also placed particular emphasis on strengthening industrial competitiveness through the introduction of advanced-technology.

Industry in the Community has also responded, showing a dynamism, both in qualitative and quantitative terms, in making new investment to maintain its position in world markets. This has been reflected in the growth of the EIB's lending for investment designed to take advantage of the widening market and aimed at enhancing international competitiveness.

The EIB's annual lending under this heading increased to 1 760.7 million ecus in 1990, up from 1 014.4 million in 1989, and included 163.7 million for small-scale projects developing advanced technology financed via partner banks and financial institutions through the EIB's global loans. Individual loans for larger projects totalled 1 597 million ecus and centred mainly on motor vehicle and aircraft construction, pharmaceuticals, paper and pulp and advanced information services. Almost all these loans concerned projects involving cooperation between companies in several Member States, sometimes with partners from non-member countries, and nearly two-thirds covered investment introducing or disseminating innovative technology and processes. Over the five years 1986-1990 the EIB has lent a total 4 895.8 million ecus towards projects under the industrial competitiveness and European Com-

munity integration heading. Such projects included the extension of advanced technology plants manufacturing telecommunications equipment at Algeciras and Madrid, involving financial, technical and industrial cooperation between Spanish and Italian companies.

Funds have also gone for the modernisation of a plant producing light commercial vehicles at Atesa, Abruzzi, in Italy enabling its owners, a French and an Italian company, to achieve economies of scale and rationalise production designed to maintain their share of European and world markets. In Portugal, the EIB has financed investment in the mining of the Corvo and Garça copper deposits near Casto Verde, Alentejo, and construction of an ore treatment plant for production of copper concentrates, based on collaboration between mining enterprises in Portugal and United Kingdom. With EIB support 23 roadside business hotels have been constructed throughout Portugal and in Spain, near the Portuguese border, by an enterprise set up by a Portuguese and a French company.

In the case of the Airbus, established by a consortium of companies in Spain, Germany, France, and the United Kingdom, the EIB has supported investment in different EC countries associated with the project: the design, development and construction of components for the Airbus A-320 and A-330/340 in Spain, an assembly hall for the A-330/340, administrative buildings and design offices in France, and the development and construction of the wings for the A-320 and A-330/340 in the United Kingdom. The EIB has also financed the design, development and testing of the A-321 by the Airbus Industrie consortium itself, which is being carried out mainly in France, Germany and the United Kingdom. The development of the Airbus family of planes has allowed the European aeronautical industry to improve its competitiveness and to hold a significant position both economically and technologically in the world's civilian aircraft markets.

Another example is the Amadeus airline flight reservation system. This covers the whole of Europe, with its computer

facilities located mainly in Munich, Nice and Madrid. So far the EIB has financed investment in Amadeus in Germany and France.

The structuring of manufacturing activities in different Member States at a Community level has also attracted EIB finance. In Spain four automobile factories were expanded and modernised to complement the European production and distribution system of the parent group. In Italy and Germany loans have gone for process innovation, modernising the production of heavy goods vehicles as part a wide-ranging investment programme to restructure and rationalise production facilities in four EC countries. In the United Kingdom two foundries producing motor blocks and cylinder heads for the automobile industry were modernised to integrate the factories within the German parent-company's European operations.

However, the European Investment Bank's support for integrating Europe's industry extends further, as many of the large projects it has financed, particularly in infrastructure, also involve close cooperation of companies from different Member States. Thus, the Eurotunnel project, in which the EIB plays an important role, not only links two countries, but is carried out in cooperation by enterprises from various countries in the Community and outside.

Such cooperation is particularly marked in the telecommunications sector where the EIB has helped finance investment in transatlantic submarine cables linking Europe with the United States and with the Middle East and Asia. Two major international telecommunications schemes to acquire and launch a new generation of satellites by Eutelsat (European Telecommunications Satellite Organisation, Paris) and Inmarsat (International Maritime Satellite Organisation, London) also received loans. The two satellite projects include significant manufacturing in-put from Community industry in the construction and launching of the satellites, which themselves make an important contribution to improving the efficiency and competitiveness of European industry on World markets.

■ Clearing up the Mediterranean and the Baltic Sea

In the Gulf of Gabes on the Tunisian coast, pollution stemming from the phosphate processing industry is being significantly reduced. East of Greater Algiers, almost the entire population of the area is being linked to new waste water collection and treatment facilities. In towns and villages on Morocco's Mediterranean coast the sewerage network is being rehabilitated and new sewage collection and treatment facilities are being installed. Three projects to improve environmental protection in the Mediterranean - three projects recently financed by the European Investment Bank.

Capital investment projects such as the ones mentioned above have reached the financing stage, but many more are in the pipeline of the Mediterranean Environmental Technical Assistance Program (METAP). METAP is a major component of the Environmental Program for the Mediterranean (EPM), a joint initiative of the EIB and the World Bank; it is also funded by the Commission of the European Communities and the United Nations Development Programme (UNDP).

METAP covers both EC and non-EC countries bordering on the Mediterranean. Most of the technical assistance however, has been focused so far on southern and eastern Mediterranean countries where financial constraints are the highest and where unsustainable levels of resource use cause the greatest problems. Activities are underway now in twelve countries: Algeria, Cyprus, Egypt, Greece, Israel, Italy, Malta, Morocco, Spain, Tunisia, Turkey and Yugoslavia.

PROJECT PREPARATION

METAP translates the general objective of cleaning up the Mediterranean into practical steps. The cornerstones are policy studies (of which two are underway), strengthening environmental management capacities in the countries and institutions concerned, and project preparation. For the moment, priority is placed on pre-investment work, as one of the principal objectives of the programme is to increase the level of environmental lending in the

Mediterranean region. Pre-investment activities range from the definition of investment programmes to the identification and preparation of individual environmental investment operations or of components of larger investment schemes. The four areas emphasised by METAP are: integrated water resource management, hazardous waste management, marine oil and chemical pollution prevention and control, and coastal zone management.

INSTITUTIONAL STRENGTHENING

There can be little doubt that METAP's impact and the volume of its activities will grow as the institutional capacity of countries increases and their ability to address the broad range of environmental issues is strengthened. An important role is played by training programs and occasions for regional network formation, exchanging experience and sharing expertise.

The existing UNEP Mediterranean Pollution Monitoring and Research Program, a marine pollution monitoring network, is being supported by METAP through the provision of relevant equipment and training programs. Grants have been made available for participating laboratories in Algeria, Cyprus, Egypt, Morocco, Tunisia, Turkey and Yugoslavia.

ADDITIONAL SOFT FINANCE

A positive development for the Environmental Program for the Mediterranean, and especially for its investment phase, has been the recent creation of two major new sources of concessional funding.

The **European Community** is making finance available through MEDSPA, a funding source of METAP, which typically covers pre-investment costs such as studies and pilot projects, both in EC Member States and in associated Mediterranean countries. ENVI-REG is a specific Community program providing grant aid for environmental investment in less developed regions of the European Community - grant aid which may be effectively combined with EIB loans. In addition, the Renewed Mediterranean Policy will have a positive impact on the Environmental Program for the Mediterranean. New protocols increase the amount of available financial resources, both loans and grant aid, and a new multilateral facility ("hors

protocole") has been created to finance infrastructure and environmental projects of regional importance.

Meanwhile the **World Bank** has established the Global Environment Facility, a pilot multilateral program providing grants and concessional loans to developing countries to protect the global environment. For some of the program's priorities, such as the protection of biodiversity and of international waters, there is a direct link with METAP activities. Indeed, financing from the Global Environment Facility has already been approved for projects in Algeria, Tunisia and Turkey, for which METAP financed the preparation phase.

SETTING AN EXAMPLE

Recognition of the EPM and METAP is steadily growing and the experience acquired through the program has been sought in the context of developing other regional initiatives, notably to clean up the Baltic Sea.

The outlines of a comprehensive program for the Baltic Sea are already appearing. In September 1990 an intergovernmental conference took place in Ronneby, in the South of Sweden, bringing together representatives from Denmark, Finland, the Federal Republic of Germany (as well as the then still existing German Democratic Republic), Poland, Sweden and the Soviet Union. Also present were the Czech and Slovak Federal Republic and the republics of Estonia, Latvia, Lithuania, Russia and Byelorussia. The Commission of the European Communities, the European Investment Bank, the European Bank for Reconstruction and Development (EBRD), the Nordic Investment Bank (NIB) and the World Bank were invited as observers.

The meeting in Ronneby led to the Baltic Sea Environmental Declaration, expressing the firm determination of the countries concerned and of the European Community to "assure the ecological restoration of the Baltic Sea, ensuring the possibility of self-restoration of the marine environment and preservation of the ecological balance." A task force is in the process of preparing a comprehensive report. Its main element: recommended actions to improve the environmental condition of the Baltic Sea and an analysis of the costs involved.

PRIORITY AREAS

An important part in drawing up an environmental action plan for the Baltic is played by pre-feasibility studies of particular areas where investment in environmental protection is particularly needed. Seven such areas have been identified: (1) Karelia, St. Petersburg and Estonia; (2) the gulf of Riga and the Daugava River Basin; (3) the Lithuanian Coast and the Neman River Basin; (4) the Kaliningrad Region and the Piargola River Basin; (5) the Vistula River Basin and the Baltic Coast of Poland; (6) the Oder River Basin and (7) the German Baltic Coast.

First EIB loan in Romania

As political change in Central and Eastern Europe deepened over the last year, the EIB followed step, providing financial support for the introduction of market-oriented economies. EIB Information No. 68 (June 1991, p. 7) informed about the extension of EIB lending to Bulgaria, CSFR and Romania and described the framework of lending in Central and Eastern Europe. In the meantime the EIB has provided its first loan in Romania and two more loans in Poland, bringing the total made available for projects in the Central and Eastern European countries to 385 million ecus.

* * *

With its first loan in Romania the EIB is providing 25 million ecus for the rehabilitation of four 330 MW coal-fired generation units at Rovinari and Turceni power-stations in south-central Romania. The investment will substantially improve capacity-utilization

LOMÉ IV IN FORCE

On September 1 1991, the Fourth Lomé Convention, signed in Lomé on 15 December 1989, entered into force after all Member States of the Community and two thirds of the 69 participating African, Caribbean and Pacific States (ACPs) had ratified the text.

An article on the EIB's role in the implementation of the Lomé Conventions will appear in the next issue of EIB-Information.

As "Executing Agencies" the EIB, the NIB and the World Bank have taken on responsibility to supervise and coordinate the pre-feasibility studies. In the division of labour between the banks, the EIB focuses particularly on the study covering the Oder River Basin, involving parts of Germany, Poland and the Czech and Slovak Federal Republic. As in the Mediterranean, the Bank has been working in particular close cooperation with the Commission of the European Communities, which finances the study, and the World Bank.

and allow for more rational use of energy as well as progressive reduction of air pollution.

A part of the loan will be used to finance a power sector development study to identify investment priorities and strategies for their implementation. The power sector has a major role to play in the transformation of the Romanian economy.

* * *

Last June the EIB provided a 70 million ecu loan for upgrading the Polish telecommunications network which is of key importance for the country's development. The investments comprise 12 trunk exchanges interconnected by 18 digital microwave radio links, 1500 km of optical fibre cable, a satellite groundstation and a national control centre, allowing the connection of some 60 000 high usage subscribers.

With a 75 million ecu loan to the Polish Development Bank (PDB), Warsaw, granted last July, total lending in Poland has reached 240 million ecus. PDB is on-lending the proceeds of the EIB loan directly, or through other banks, for projects in industry, agro-industry, industry-related services and tourism as well as schemes designed to protect and improve the environment or to save energy. This brought to 240 million ecus total lending in Poland to date.

* * *

With loans totalling 120 million ecus in Hungary EIB-lending for projects in Central and Eastern Europe stood at 385 million ecus, as of 1 September 1991.

Ecu

Below are the ecu values in national currencies, as at 28 June 1991, these rates are applied to the third quarter in preparing financial statements and operational statistics of the Bank:

DEM	2.05441	BEF	42.2882
GBP	0.698838	LUF	42.2882
FRF	6.96291	DKK	7.93162
ITL	1528.73	GRD	224.724
NLG	2.31413	IEP	0.767851
ESP	128.676	PTE	178.732
		USD	1,13366

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