

EIB INFORMATION

September 1992 • N° 73
ISSN 0250-3891

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



Business Enterprise and the European Investment Bank

As a key player in both the economy and society, stimulating development through investment and creating added value through innovation, the business enterprise is at the forefront of all economic activity and takes pride of place among the various recipients of European Investment Bank financing.

The EIB's task is to foster European integration. This is reflected in its objectives, underpinning Community policies, namely: strengthening industry's international competitiveness and its integration at European level, supporting SMEs through global loans, promoting development in less favoured regions, expanding and modernising trans-European transport and telecommunications networks, protecting the environment and improving the quality of life (including urban development) and safeguarding energy supplies. These objectives accommodate the needs of business enterprises, in terms both of their own investment and that designed to improve the infrastructure on which their activities depend.

During the last five years, the EIB has granted loans worth 58.8 billion ECU (15.3 billion in 1991 alone), of which 52.1 billion within the Community. More particularly, 18 billion has gone into investment in industry, services and agriculture, either in the form of individual loans to enterprises for large-scale projects (9.4 billion) or by way of global loans on-lent by banks or other financial intermediaries and intended to facilitate capital investment by SMEs (8.6 billion). The main sectors attracting funds include transport equipment (3 billion), chemicals (2 billion), metalworking and mechanical engineering (1.7 billion), foodstuffs (1.7 billion), pulp and printing (1.5 billion), and electronics (906 million). In the

service sector (2.5 billion), it is chiefly tourism (1 billion) and private and public-sector services (908 million) that have benefited from EIB funds.

THE EIB, A PARTNER FOR BUSINESS

As a Community financial institution and leading borrower on the capital markets, it is vital for the EIB to maintain its credit rating. Indeed, the quality of its project portfolio, its financial structure and its "shareholders" - the Member States of the Community - form the basis for this high credit rating. Thus it is in a position to mobilise a very large volume of resources on the keenest terms available.

Be they in the public, private or semi-public sector, business enterprises can turn to the European Investment Bank for loans to finance

Contents

Business Enterprise and the European Investment Bank page 1

The business enterprise is the foundation for economic development. In furthering European integration, the EIB places a special emphasis on strengthening industrial competitiveness, supporting the activities of small and medium sized businesses, and improving infrastructure on which business enterprises depend.

The EIB at the Rio Summit page 4

At Rio, the Head of the EIB's Research Directorate focused on the Bank's role as an implementation agency for the Community's environmental policies.

Focus on the Mediterranean page 5

The joint EIB/World Bank environmental protection initiative for the Mediterranean is being translated into practical steps.

European Investment Bank financing in Greece page 6

An analysis of EIB activity in Greece where the Bank has lent over ECU 3.25 billion since accession in 1981.

Organisational changes within the Directorate for Operations outside the Community page 7

Expansion of the scope of EIB activity in third countries has required adjustments in its internal structure.

Extension of the EIB's headquarters page 8

To accommodate an increase in staff reflecting the widening scope of the EIB's role, an extension is being added to the Bank's Luxembourg headquarters.

The EIB Prize insert

Rules for the 1993 EIB Prize. Set up to encourage investment and financial research, the prize is awarded every two years for a doctoral thesis.

investment schemes according with one or other of the Community objectives which the Bank is helping to fulfil. Projects for which financing is requested are first appraised by Bank officials working in multi-disciplinary teams. This appraisal centres on technical, economic and environmental as well as financial aspects and is carried out in cooperation with the project promoters. Thus, the EIB assists project definition with a view to furthering, without conflict of interest, economically justified technically viable projects of benefit to the European economy.

The Bank's assistance usually takes the form of a substantial fixed-rate long-term loan (8 to 12 years for industrial projects and 10 to 20 years or even longer in the case of infrastructure). However, the EIB also offers a range of products and conditions adapted to the specific requirements of the project: interest rates may be fixed-revisable or variable, the amounts disbursed in one or more of the 15 or so currencies used by the Bank, and the grace period for repayment of principal, generally 3 to 5 years, tailored to the nature of the project. Being a non-profit-making organisation, the EIB fixes its interest rates for each currency in line with borrowing costs plus a margin, held at the same level now for a number of years, of 0.15% to cover operating costs. Thus, the Bank passes on to promoters the benefits of its "AAA" rating on the capital markets.

Since it operates with borrowed funds, the EIB requires adequate security, enabling it to set up appropriate and flexible financing packages. Loans may be made available through a lead bank, leasing arrangements or direct project financing.

Growing use is being made of the latter facility, particularly for financing large-scale or innovative projects, with the EIB active in numerous sectors, such as energy (development of North Sea oil and natural gas deposits, gas/oil pipeline networks), mining, high-technology (satellites, aeronautical engineering), communications (toll motorways, bridges and tunnels, aircraft purchases) and other infrastructure (urban development, sewage treatment plants), etc.

These few examples amply demonstrate the EIB's ability to tailor its facilities to the realities of the market and the needs of the European economy.

PROMOTING COMPETITIVENESS

The EIB is helping business to modernise and restructure in preparation for the Single Market and eventual Economic and Monetary Union.

Between 1987 and 1991, it financed investment designed to make business enterprises more competitive (5.2 billion ECU), whether by introducing new technology, expanding production capacity or developing export potential on international markets. The motor vehicle and aircraft industries and the chemicals and pharmaceuticals sectors have all benefited from the EIB's support. Many of the projects financed are the fruit of cooperation between enterprises in several countries and some involve investment in a number of Member States, true to the spirit of the Single Market. The Airbus is a case in point, attracting EIB sup-

port since 1971 through loans either to the European consortium of British, French, German and Spanish partners (e.g. for development of the A321 Airbus) or to individual members of the consortium (for the A300, 310, 320 and 330/340).

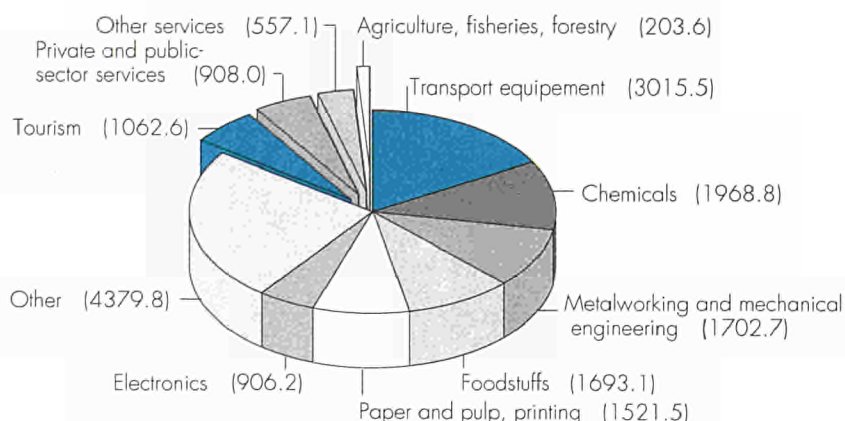
Another area directly affecting business is environmental protection. Since this has become such a strong focus of public concern, respect for the regulations in force and the design of environmentally friendly products have become an integral part of business management. In practice, this can only be achieved through investment, which has to be funded. Such investment might include installation of desulphurisation equipment to reduce harmful emissions to within legal limits, modernisation of production processes or, more directly, financing of waste treatment plants.

The EIB has long been taking environmental aspects into account. The granting of a loan is directly linked to compliance with environmental legislation and the Bank goes even further by encouraging promoters to do more than just meet current requirements. It also advances loans for projects designed specifically to protect the environment or correct environmental degradation. Such projects represent about 15% of financing made available by the EIB between 1987 and 1991, i.e. 8.3 billion ECU, and mainly relate to sewage collection and treatment, improvements to drinking water quality and distribution, air pollution control and industrial and urban waste processing. The Bank similarly helps to finance industrial restructuring programmes aimed at transferring plants and factories out of the city centre where they have become hemmed in and increasingly constitute a nuisance for local residents and the areas concerned.

The EIB is helping to safeguard energy supplies on three fronts: development of the Community's indigenous energy resources, rational use of resources and import diversification. Rational use, which accounts for nearly a third of lending, is what most interests business, since it helps to cut energy and hence production costs, improving competitiveness and at the same time benefiting the environment.

Since the first oil shock in 1973, a dynamic energy policy has succeeded in decoupling the rate of increase in energy con-

FINANCING IN THE COMMUNITY FROM 1987 TO 1991
Productive sector (in million ECU)



sumption from the rate of economic growth. Thus, in 1989 energy consumption was getting on for 1.1 billion tons of oil equivalent, barely more than in 1973. The EIB has contributed to these achievements, with loans targeting the energy sector amounting to more than 25 billion ECU between 1973 and 1991, including 9.7 billion during the last five years.

PROMOTING INVESTMENT BY SMEs

Smaller businesses make an important contribution to the economy, in particular through their dynamism, adaptability and role in creating and preserving jobs. The EIB helps to finance their investment through global loans (1), an instrument designed for small-scale projects in industry and allied services, tourism and, in less-favoured areas, the wholesale trade and fisheries. Global loans are basically credit lines granted to banking intermediaries who use the funds to finance small or medium-scale investment schemes meeting the EIB's lending criteria.

Between 1987 and 1991, more than 32 000 SMEs attracted over 8.6 billion ECU of financing in all, including more than 9 500 sub-loans - worth 2.4 billion ECU - in 1991 alone. More than half the amount and nearly three quarters of the sub-loans involved business enterprises employing fewer than 50 people, while about two thirds of the projects financed were located in the less-favoured regions.

To cater more effectively for the needs of SMEs, in recent years the EIB has stepped up its support for leasing facilities. This formula is an appropriate solution for rapidly growing enterprises who prefer to lease production plant rather than own it, so that they can invest without weakening their balance sheet. Still more recently, with the Single Market of 1993 in prospect, the Bank has begun granting European global loans to finance projects located in a Community country other than that of the intermediary institution.

FOSTERING ECONOMIC GROWTH

Strengthening economic and social cohesion within the Community and achieving the objectives set within the context of European Union calls for substantial investment to equip and modernise industry. Much of this will go towards establishing

productive enterprises, particularly in the less-favoured regions. More balanced economic development between the regions is one of the Community's fundamental aims and has also been the priority task of the EIB ever since it was created.

Community support for investment is by no means negligible. Both the European Investment Bank with its loans and the Structural Funds with their grants are helping to meet the challenges of the Single Market. The EIB is cooperating closely with the Commission of the European Communities to ensure that its loans are combined as effectively as possible with grants from the Structural Funds so as to maximise sound investment, strengthening the economies of the less-favoured regions. EIB regional development financing extends to projects undertaken by productive enterprises in every sector of the economy, together with infrastructural projects, provided that they are located in areas lagging behind in their development. One third of all the loans granted by the EIB under this heading between 1987 and 1991 (31.8 billion ECU or more than 60% of the total) directly involve industry and services.

The Bank also provides financing for infrastructure, of which industry is one of the main beneficiaries, viz. local road schemes helping to open up the regions, power supply projects and water management and treatment programmes, including those carried out in the basins of the rivers Thames, Severn and Trent in the United Kingdom, Segura and Nervion in Spain, and Po, Arno and Tiber in Italy.

Another vital element in bringing the Community closer together is the construction of a trans-European transport and telecommunications network. This is essential if freedom of movement (in terms of goods, people and information) is to operate smoothly and cost-effectively. While benefiting society as a whole, efficient infrastructure is also indispensable for economic expansion. Businesses are among the first to gain from new infrastructure, either by using it directly for their own purposes or by participating in its construction.

In this context, over the last five years the EIB has financed an increasing number of large-scale communications infrastructure projects to the tune of more than 12 billion ecus. In the case of land transport, the projects financed represent key links in the Community's network (railway lines, includ-

ing high-speed connections, motorways, bypasses). Loans for air transport have gone both towards expanding airport capacity and building up fleets (especially regional services), while at the same time the EIB has been lending to the European aircraft construction industry. Support for telecommunications has helped to reinforce conventional local and international links, develop the high-capacity digital network, launch satellites and lay transcontinental cables. On a more modest scale, but still with the aim of seeding economic growth, improvements in commuter services have been achieved by providing finance for underground railways, own-track transport systems, bypasses, various city centre development programmes, etc.

OUTSIDE THE COMMUNITY: LOANS ON HIGHLY FAVOURABLE TERMS

The EIB also grants loans for projects outside the Community. On the basis of case-by-case authorisations by its Board of Governors, it has supported, in particular, individual energy and communications infrastructure projects of importance both to the Community and to the countries concerned. Moreover, the Bank also participates in the Community's policies of financial cooperation with non-member countries. So far, the Governors have authorised the Bank to lend in 69 African, Caribbean and Pacific (ACP) countries, signatories to the Lomé Convention, and 12 countries in the Mediterranean region, as well as several countries in Central and Eastern Europe (1).

The EIB advances loans from its own resources for economically viable projects. In most cases the loan carries an interest subsidy. Moreover, under mandate from Member States or the Community, the Bank administers risk capital on terms not dictated by the market, which makes it possible to offer more flexible repayment formulas linked to the progress of the project (level of production achieved, profit margins, etc.). These loans from risk capital are especially suitable for developing the productive sector in non-member countries and the amounts so mandated, regularly increased, reflect the Community's desire to expand industrial cooperation with these countries and to foster partnerships between local and Community enterprises.

Developing the private sector and encouraging joint ventures are the twin pillars of

the Community's policy of development cooperation with non-member countries. The EIB's loans are channelled primarily towards productive enterprises, be it to support large-scale industrial projects or to strengthen the financial base of SMEs. Providing enterprises in non-member countries with long-term resources and indeed, in some cases, equity furthers the development of local industry and cooperation

with European partners, thus improving these countries' access to new technologies and new markets.

This is why the Community, within the context of its redirected Mediterranean policy, has introduced an important innovation: "non-protocol horizontal financial cooperation", designed to finance projects of importance both to the Community and to

non-member Mediterranean countries, in particular in the environmental, transport, telecommunications and energy sectors. Under this programme, industry stands to benefit from 25 million ECU of risk capital deployed by the EIB to promote European investment involving local partners, especially for the purpose of developing small and medium-scale ventures in the private sector.

■ The EIB at the Rio Earth Summit

Improving the environment and the quality of life is one of the key priorities of the European Community and, therefore, of the European Investment Bank. Because of this, the EIB carefully appraises the environmental impact of all projects it considers to finance. Moreover, it also finances investment which is specifically aimed at reducing environmental pollution. For such projects total EIB lending reached ECU 8.35 billion in the years 1987-1991 (15% of total lending inside the Community). Impressive as such an amount is, quality is no less important. It shows in the way the EIB brings environmental know-how and expertise to bear on its activities, be it in individual projects or in integrated regional programs as exist for the Mediterranean and the Baltic Sea or are being set up for the Elbe, Oder and Danube basins.

When Herbert Christie, the head of the Economic Research Directorate of the EIB, addressed the plenary session at the United Nations Conference on Environment and Development in Rio de Janeiro on 5 June, he concentrated on quality, on the Bank's grassroots experience with environmental matters. What follows is the text of the EIB's contribution to the Earth Summit.

Mr President, Excellencies, distinguished guests, ladies and gentlemen,

The EIB is the European Community's long term lending institution. Its role is to contribute to the implementation of Community policies, including the Community's environmental policies, by financing capital investment.

The EIB is an implementation agency, as distinct from a body with responsibility for policy formulation. The essential point I want to make, and it can be made very simply, is that implementation matters: the effectiveness of environmental policies, whatever their precise details, will depend to a large extent on how they are followed up and put into practice.

Before I say anything about how the EIB goes about that, let me narrow the focus a little. The business of the EIB is investment and investment financing and my comments will be limited to that area. The investment that the EIB finances covers virtually all sectors of the economy except housing, health and education, so the range of experience is still wide. As to volume, in 1991 the EIB's lending was more than 15 billion ECU, or, if you prefer, more than 19 billion US dollars. Most of its loans are to finance investment in the Member States of the Community. But the EIB also finances projects in the ACP countries, the Mediterranean and, recently for the first time, the countries of Eastern and Central Europe.

What conclusions can we draw from this experience that may be of practical value in following up this Earth Summit? I have three. The first is that:

AN ENVIRONMENTAL DIMENSION IS INHERENT IN EACH AND EVERY INVESTMENT PROJECT

Every investment necessarily has impacts, positive or negative, on the environment, just as it necessarily has impacts, positive or negative, on particular geographical areas. So the environmental dimension always needs to be taken into account, and throughout the entire investment cycle from earliest preparation to completion

and, beyond that, to operation. The question is, how to go about it.

At the EIB we do not have any special group that has responsibility for environmental analysis. We think that it is everybody's responsibility and we build it into the standard technical, economic and financial analysis that is carried out for each investment project. Our experience is that this gives good results. It means that all of the staff have to be aware of the environmental dimension. They cannot leave it to somebody else. They have to deal with it. It is part of the culture of the institution.

Investment promoters become aware of this from an early point in their contact with us. In some cases this is at the stage of pre-feasibility studies. Indeed, prefeasibility studies are sometimes focussed on environmental issues. For example, the EIB has recently supervised prefeasibility studies with a regional scope in the Oder River Basin and in the upper part of the Elbe.

Typically, the larger technical assistance schemes of these kinds are carried out in coordination with the national authorities, as well as in cooperation with other international financing institutions. For example, the Oder River Basin study which I just mentioned is part of the Bank's contribution to the Baltic Sea Action Programme which is a joint programme set up by the riparian states, the European Community and multilateral banks.

As another example, since 1988 the EIB has been involved with the IBRD, and subsequently also the European Commission and UNDP, in setting up a technical assistance programme (METAP) for improving the environment in the Mediterranean.

Both the Baltic and the Mediterranean programmes are financed by grants. By making environmental factors the focus at the

prefeasibility stage, they ensure that these factors will be given their due weight in the investment programmes which follow.

Becoming involved at such an early stage is not always possible. Much depends on local conditions. In the case of many of the project financed in the Community, the EIB comes in later. By then, modifying the project may be difficult and costly. Nevertheless, in discussing project design and the most appropriate technology to use, our technical people are always prepared to offer help and advice; and if they think that environmental issues have not been properly dealt with, they begin a process which starts with information and persuasion and, if all else fails, ends with a refusal to finance.

Another case is where something has to be done about a situation inherited from the past. As an example, the Bank is currently finalising a monitoring review of a series of wastewater treatment plants in the basin of the river Po in Italy. The outcome should be a programme which will tackle the management of existing investment in a way which promises maximum benefit from the resources committed.

To repeat my first conclusion: in all these cases, the environmental dimension is an essential part of the investment programme. It is totally integrated in the investment appraisal; its treatment is not particularly special.

Investment which is entered into for reasons which are not primarily environmental, such as energy saving projects, can also have strongly beneficial environmental effects. But this is by no means always the case. And my second conclusion is that:

A RANGE OF REWARDS AND PENALTIES NEEDS TO BE BROUGHT TO BEAR

The issue is this: how can investment promoters be induced to cut down pollution in cases where this reduces their profits and competitiveness, at least in the short run?

Environmental legislation is a large part of the answer. For example, a significant part of the EIB's lending for the up-grading of power plants in the Community has been related to stricter emission standards imposed by new legislation.

But government-imposed standards are not the whole of the answer and there is much that we can do by way of persuasion.

Environmental norms tend to become stricter and what is sufficient for compliance today may be insufficient tomorrow. On these grounds alone it is sometimes possible to mount a convincing argument in favour of having an investment design flexible enough to encompass future changes, or even doing more now than the legal minimum. This is because it is often possible to demonstrate that avoiding pollution at source is going to be less costly than neutralising it with "end of stack" or "end of pipe" technologies. New equipment often turns out to be less polluting because it incorporates relatively clean technology or is less resource intensive; and retrofitting of a plant can result in much higher costs than if the right environmental equipment had been included from the beginning.

In all these sorts of cases the most convincing exposition of the argument is usually that of a company that has learnt by its mistakes. Putting the right people in touch with one another can have a powerful effect in this context.

The consumer has a role too. In affluent societies there is an increasing move towards "green" products, including "green" imports, which gives additional market outlets for such goods. Lead-free

petrol and chlorine-free paper pulp are examples.

One last example. The value of a company depends in part, and it is a growing part, on environmental performance and possible liabilities deriving from that performance. Current experience of privatisation in the new German Länder shows how past neglect of environmental damage on the part of enterprises can deter investors from becoming involved in take-overs and modernisation.

My last heading is:

THE IMPORTANCE OF GETTING THE MOST OUT OF MAJOR PROGRAMMES

Implementation of the Po Wastewater Treatment Programme in Italy, which I mentioned earlier, is likely to take 20 years or so and to cost more than 6 billion ECU (7 1/2 billion US dollars). The EIB has already lent 700 million ECU (850 million US dollars) for this particular programme.

In the case of major schemes such as this, an implementation agency can use its influence in several ways to improve value

Focus on the Mediterranean

Of the several regional initiatives mentioned by Mr Christie in his talk, the Environmental Program for the Mediterranean was the first. It dates back to 1988 when, faced with the growing urgency to address the problem of environmental degradation, the EIB and the World Bank joined forces in the fight against pollution in the Mediterranean region.

The two financial institutions decided on a three-phased approach. Phase 1 was to make an inventory of the nature, extent, and causes of environmental degradation in the Basin. Four priority areas were identified: integrated water resource management, hazardous waste management, marine oil and chemical pollution prevention and control, and coastal zone management. Phase 2, of which the Mediterranean Environmental Technical Assistance Program (METAP) is the centre-piece, started in 1990. METAP translates the general objective of cleaning up the Mediterranean into practical steps. The corner stones are policy studies, strengthening of environmental management capacities in the countries and institutions concerned and the preparation of investment schemes. For the moment, priority is placed on preparation of investment, as one of the principal ways to reduce pollution in the Mediterranean region is to increase the level of environmental investment. Phase 3 is the implementation of regional and country-specific investment schemes, using the outputs of phase 2. Because of the need for early action, and the continuous nature of investment preparation and implementation, the last two phases overlap.

METAP has been well received in the countries concerned and has attracted additional support from the Commission of the European Communities through its MedSPA programme ("Strategy and Programme of Action for the protection of the environment in the Mediterranean Region") and from the United Nations Development Programme. It has also served as an example for the development of other regional initiatives, notably for cleaning up the Baltic Sea.

for money. Since time is short, I shall in conclusion mention just two.

It is important to convince the authorities concerned to tackle implementation in a proper sequence, putting first things first. The successive introduction of primary, secondary and tertiary treatment of wastewaters is an example. Concentrating on primary treatment in the first phase puts resources where they are likely to have biggest effect; and it allows local agencies to gain experience before attempting to cater for more complex treatment. Where both grant and loan finance are involved, it is important to ensure a financing mix that makes the most of the grant money, which is normally the element in shortest supply. In the contexts where the EIB operates we find that a good rule of thumb is to try never to use scarce grant finance if loan finance can sensibly be used instead.

The second point concerns the operation of new investment after the construction

phase. Operating and maintenance costs can be high. For example, in the case of wastewater treatment stations these can be as much as 10 to 15 per cent of the original investment cost each year. If the operating agency does not have the resources to cover these follow-up costs, even the most modern equipment is likely to operate below its design efficiency or break down altogether. This happens all too frequently. In our experience it is particularly likely to occur when the operating agency (which is often a local authority) is not the body responsible for the original investment (which is often a central agency) and the local authority is dependent on the central authority for its revenue. It is better if the operating agency has its own source of income, typically from tariffs. If this is coupled with a rational tariff policy, it provides a relatively stable income, it is in line with the principle that the polluter pays and it gives a proper signal to consumers on

which to plan the level and pattern of their consumption.

A final word: it is perhaps a familiar point that implementation matters. But the point is so important that it can stand a good deal of repetition and development, particularly at a moment such as the present as decisions go out from this Summit Conference for implementation on a global scale.

The contribution of the EIB is practical and down-to earth and I have been able to do no more than give you the flavour of it. Taken by itself it is limited and specific in the context of this Conference. But it is on the contributions collected from all the participants here that we must build if we are to achieve our ambitious goals. The EIB is ready to play its part in this cooperative venture.

Thank you.

European Investment Bank Financing in Greece

When Greece joined the European Community in 1981, it also became a member of the European Investment Bank. Thus, capital investment schemes located within its borders became eligible for EIB financing on the same basis as those in other Community Member States. Since accession, Greece has benefited from ECU 3 255 million (GRD 804 billion) ⁽¹⁾ in EIB loans in support of capital investment furthering the country's economic development. In 1991, the EIB advanced a total ECU 367 million (GRD 90.6 billion) accounting for 1.5% of gross capital formation in Greece.

The EIB's activities in Greece, however, stretch back some 30 years, to 1962, when the Association Agreement with the European Community ⁽²⁾ came into force. As would later be the case in other countries with whom the Community established cooperation agreements, the EIB's skill as the Community's project financing institution was called on to provide loans for investment in Greece. The Association Agreement was the first under which the EIB was asked to extend its operations beyond the EC Member States.

Within ceiling amounts established under two financial protocols attached to the Association Agreement, the EIB lent a total of some ECU 350 million, mostly in the form of loans from the Bank's own resources (the proceeds of its borrowing on capital markets) ⁽³⁾. The finance went towards investment to increase agricultural productivity, essentially through irrigation, and to further industrial development as well as to energy schemes and road and rail improvements.

Once Greece became a Member of the European Community, restrictions in terms of amounts of EIB lending were removed. With a per capita Gross Domestic Product of about half of the Community's average, the whole of Greece falls within the EC's definition of a less-favoured region and all viable capital investment, regardless of its location, is in principle eligible for EIB financing. As a contribution to balanced development, one of the EIB's overall objectives, most of the Bank's lending in Greece has been in the country's least-favoured regions, away from the urban conglomerations of Athens, Thessaloniki and Pireus, where the main concentration of economic activity is found. For instance over 20% of total lending has been in Macedonia and Thrace.

The modernisation and integration of industry at a Community level to strengthen

the international competitiveness of the EC's industry is another Community objective pursued by the EIB. Since accession, the EIB has supported investment in Greece's industrial sector with ECU 1 214 million (GDR 300 billion) of which 70% has been channelled towards small and medium sized enterprises (SMEs) through the Bank's global loans scheme. These are basically lines of credit to local partner banks which on-lend EIB funds in smaller portions according to the Bank's financing criteria. Through this mechanism EIB finance has supported investment by about 1 000 SMEs, helping to create some 13 500 new jobs. Direct loans to larger industrial projects went in particular to the chemical industry, including oil refining, and for cement production.

Since 1981, some 20% of financing has gone towards the energy sector for projects designed to reduce dependence on oil imports, another Community objective. In this sector, EIB loans have, in particular, supported the modernisation and extension of lignite fired power stations, as well as a number of hydro-electric schemes. In 1991, the EIB signed a first finance contract with Dimosia Epiririsi Aeriou (DEPA - Public Gas Corporation of Greece) for financing installations for the regasification of Algerian Liquid Natural Gas supplies, the laying of a gasline bringing Russian supplies



The 1993 EIB prize „Investment and Financing“

The European Investment Bank invites entries for its 1993 EIB Prize which will be awarded in June next year. The Prize consists of 12 000 ecus and a diploma signed by the Chairman of the Jury and the President of the EIB.

Established in 1983, on the occasion of the 25th anniversary of the Bank, the EIB Prize is awarded every two years for a doctoral dissertation on a topic related to investment and financing. To qualify, these must have been accepted as doctoral dissertations by a university or equivalent institution in a Member Country of the European Community between January 1990 and 1 February 1993. Candidates must have the nationality of one of the Member Countries and be under 40 years of age on the closing date for the submission of these, which will be 1 February 1993.

The international jury is made up of :

Beniamino Andreatta,
Professor of Economics, University of Bologna;

Jean-Claude Casanova,
Professor of Economics, Institut d'Etudes Politiques de Paris ;

Wilhelm Hankel,
Professor for Development and Monetary Policy,
Johann Wolfgang Goethe University, Frankfurt;

Arnold Heertje,
Professor of Economics, University of Amsterdam;

Lord Roll of Ipsden,
President, S.G. Warburg Group Plc., London;

Julio Segura Sanchez,
Professor of Economics, University of Madrid.

Lord Roll has been elected Chairman of the Jury.

FORMER WINNERS

The first EIB Prize was granted in 1985 to Giovanna Nicodano for her thesis "Struttura finanziaria, costo del capitale e decisioni d'investimento", with which she obtained her doctorate at the Università Commerciale Luigi Bocconi in Milan in 1983. The second EIB Prize was awarded in 1987 to Janette Rutterford for her thesis "An empirical investigation into the effects of corporate taxation on company capital structure". Ms Rutterford obtained her doctorate at the London School of Economics in 1986. Angelien Kemna was the winner of the 1989 EIB Prize. Her thesis "Options in real and financial markets" gained her a doctorate at Erasmus University, Rotterdam, in 1988. Finally, the 1991 Prize was won by Benoît Mulkay who presented his thesis "Investment and business survey - a study on a panel of French industrial firms" to the Université Catholique de Louvain in 1991.



RULES FOR THE EIB PRIZE

- Article 1. The EIB Prize was instituted by the European Investment Bank on the occasion of its 25th anniversary in 1983 to promote the study of investment and financing in all its various aspects in the academic institutions of the European Community Member States.
- Article 2. The EIB Prize is awarded every two years for a thesis on the topic of investment and financing in their broadest sense. The Prize was awarded in 1985, 1987, 1989 and 1991 and will be again in 1993.
- Article 3. To qualify as an entry for the EIB Prize, each thesis must have been successfully presented as a doctorate dissertation to a university or equivalent academic institution in a Member State of the European Community.
- Article 4. The EIB Prize may be awarded to any person having the nationality of one of the Member States of the European Community, who is under 40 years of age on the closing date for the submission of theses.
- Article 5. The jury will accept as entries for the Prize theses by which doctorates have been obtained during the three calendar years prior to the year in which the Prize is to be awarded and up to the final date of submission in the year of award.
- Article 6. The Prize shall consist of: (a) the sum of 12 000 ecus; (b) a diploma signed by the Chairman of the Prize jury and the President of the European Investment Bank.
- Article 7. The terms for its award may be reviewed following each conferral of the Prize.
- Article 8. The Prize shall be announced in the Official Journal of the European Communities and in relevant economic and financial publications published in the Member States at least three months prior to the closing date for the submission of entries.
- Article 9. The Prize jury shall consist of six independent learned experts of high repute, to be appointed by the Management Committee of the European Investment Bank.
- Article 10. The Prize jury shall make known its decision to the President of the European Investment Bank, no later than 1 June of the year of the award, in the form of a summary report, stating its grounds. The Management Committee shall award the Prize on the basis of that report.
- The Prize jury shall have the option of not recommending a candidate for the award.
- The Prize jury's findings shall be final, and not open to appeal.
- Article 11. The name of the prizewinner will be announced and the Prize will be awarded on the day of the Annual Meeting of the EIB Board of Governors of the year in question.
- Article 12. The costs of adjudication and award shall be borne by the European Investment Bank.
- Article 13. EIB staff members shall not be eligible to enter for the Prize.
- Article 14. Theses can be submitted in any of the official languages of the European Community. An elaborate summary in any of the official languages of the European Community has to be annexed.
- Article 15. Candidates for the 1993 Prize should send two copies of their entries by registered mail to the EIB (100, Boulevard Konrad Adenauer, L-2950 Luxembourg) before 1 February 1993.

For additional information please contact the Information Division of the European Investment Bank, 100, bd Konrad Adenauer, L-2950 Luxembourg, tel.: 4379-3223 (Mr Cees Post).

into Greece, and the construction of a natural gas distribution network that will both improve energy efficiency and reduce atmospheric pollution in the Athens area.

A crucial element in the move towards more economic and social cohesion is the continuing improvement of communications within the EC, binding Member States more closely together and removing barriers to the freedom of movement of goods, people, services and capital. Efficient communications infrastructure is essential to ensure the success of the single market and especially for countries such as Greece, where a peripheral location and a fragmented topography hamper links with the rest of the Community as well as economic development. Over the past 11 years, the EIB has lent more than ECU 500 million (GRD 123.6 billion) towards investment for the improvement of Greece's transport network, accounting for 15% of EIB activity in the country.

Transport projects supported include development of the Athens-Thessaloniki-Ildomeni railway, and works to modernise and extend the Athens international airport, as well as linkages within the trans-European networks such as the Athens-Thessaloniki and Athens-Patras highways. In 1991, for instance, the EIB lent some ECU 22 million (GRD 5 billion) for the upgrading of the Varibobi-Yliki section of the motorway from Athens to the border of what used to be Yugoslavia, connecting with the trans-Yugoslav highway, the most important land transport link between Greece and the rest of the Community. EIB finance has also gone towards improvement of national and interregional links, including the Corinth-Tripoli and Patras-Olympia highways, as well as modernisation of ten regional airports. Works have also been financed at the regional ports of Volos, Kavala, Rhodes, Kos, Karpathos, Corfu, Syros, Souda and Rethymnon.

The extension and modernisation of telecommunications by OTE (Hellenic Public Telecommunications Corporation) have been supported with ECU 359 million (GRD 88.7 billion) - 11% of total EIB activity in Greece since 1981.

The EIB places particularly strong stress on protection of the environment. Not only does the Bank finance investment protecting and improving the environment, reducing pollution and improving the quality of life, it also assesses the environmental impact of all projects it considers for financing. All EIB borrowers are encouraged

to take steps that go beyond meeting only the minimum legal requirements. In Greece, the EIB has helped finance projects to harness, monitor, treat and distribute water supplies, as at Heraklion. Loans have also been made for a number of municipal sewerage and sewage treatment schemes, at Volos, Thessaloniki, Athens, Corfu, Larissa, Heraklion, and Chios. In addition, the Bank has supported investment to reduce air pollution from coal-fired power stations, refineries, and other industrial plant.

In terms of improving the quality of life, the EIB has also supported urban development in Greece. Early in 1992, it lent a first ECU 105 million (GRD 25.9 billion) for the construction of extensions to the Athens Metro. The investment will improve living conditions for the city's inhabitants by upgrading urban transport and alleviating traffic congestion. The extended underground system will be a cleaner and quicker alternative to cars and buses. Indirectly helping to reduce exhaust fumes and nitrogen oxides, it will make for a healthier environment in the Greater Athens area.

SUPPORT FOR EC REGIONAL DEVELOPMENT PROGRAMMES

Close coordination between the EIB and other European Community sources of financing is the rule and the EIB has regularly integrated its lending in Greece with ongo-

ing support programmes. In particular, the EIB has participated in the Community's Integrated Mediterranean Programme (IMPs) (1986-1992) which made additional finance available in the form of grants, managed by the European Commission, in order to improve the socio-economic structure of the less-favoured Mediterranean regions in the Community.

The EIB also participates in the first Community Support Framework (CSF) for Greece, drawn up in close cooperation between the Commission, the Greek authorities and the EIB. Covering the period 1989 to 1993, it sets out priorities for structural adjustment and economic development. The CSF has been set up within the context of the reform and the expansion of the Community's Structural Funds which came into force in January 1989.

Many public sector projects the EIB has supported in Greece in recent years have fallen within the IMPs or the CSF, making it possible to bring together grant aid from the structural funds, drawn from EC budgetary resources, and EIB loan finance. Under the CSF, for example, the EIB has financed natural gas projects, hydro-electric plants and a number of road and rail projects. In November 1991, for instance, the EIB arranged an ECU 150 million loan to finance numerous small-scale public sector projects throughout Greece, ranging from the construction and improvement of roads, bridges, ports and airports, to water supply and sewerage schemes, and tourist

■ Organisational changes within the Directorate for Operations outside the Community

A number of appointments have been announced in the Directorate for Operations outside the Community following the retirement, on 1 July 1992, of Mr Jacques Silvain, who had headed this Directorate since 1 December 1985.

Mr Thomas Oursin, previously Head of the ACP 1 Department, has succeeded Mr Silvain.

Responsibility for the two Departments for Operations in the African, Caribbean and Pacific countries has been taken over by Mr Rex Speller (ACP 1), formerly Head of the ACP 2 Department, and by Mr Jean-Louis Biancarelli (ACP 2), previously Head of the Division for Operations in France within Directorate 2 for Operations in the Community.

Mr Terence Brown has been appointed Head of the Department for Operations in Central and Eastern Europe. The unit set up in November 1989 has in fact recently been transformed into a Department covering Bank activity in Poland, Hungary, Czechoslovakia, Bulgaria and Romania.

Mr Pietro Pettovich, Head of Department, will continue to be in charge of operations in non-member Mediterranean countries. In this connection, mention should be made of entry into force, on 4 July last, of the operational texts on implementation of the financial instruments for the Redirected Mediterranean Policy.

infrastructure. These investments all fall within the CSF development plan, allowing for the optimal combination of Community grants and loans from the EIB and the European Coal and Steel Community (ECSC).

More recently, EIB loans have also supported the ENVIREG and INTERREG programmes of the Community. ENVIREG's aim is to support the EC's less-favoured regions in addressing their environmental problems. In view of the contribution of tourism to economic growth, particular importance is accorded to reduce coastal pollution in the countries bordering on the

Mediterranean. INTERREG's primary objective is to assist the less-favoured border areas in overcoming the special development problems arising from their relative isolation. In the context of both programmes the EIB has made framework loans available, i.e. loans which are channelled through the Ministry of National Economy to a whole range of small and medium-sized investment schemes. For such investment projects the framework loans have proved to be the most appropriate and effective financing mechanism. In recent years, six such loans have been provided by the EIB, also in support of the Integrated Mediterranean Programmes

and under the present Community Support Framework.

(¹) All amounts in GRD are based on the exchange rate of 1 ECU = GRD 246.92 as at 01.06.1992

(²) The EEC-Greece Association Agreement, the first agreement of its kind, was signed in 1961.

(³) The first Financial Protocol came into effect in November 1962 and expired in 1975, with an interruption between 1967 and 1974 following the military the coup d'état, and consisted of over ECU 116.4 million in EIB loans with 3% interest subsidies and ECU 24.3 million in grant aid drawn from the EC Member States' budgets. The second Protocol ran from 1978 to accession and consisted of ECU 250 million in EIB loans, with a 3% interest subsidy, up to a loan ceiling of ECU 150 million, ECU 10 million in loans on special conditions and ECU 45 million in grant aid from the Community's budget.

The EIB extends its headquarters

The EIB is having an annex built to cater for the growth in its staff complement. Recent years have witnessed a particularly marked upturn in Bank lending activity which more than trebled over the period 1982-1991 from 4.7 billion to 15.3 billion ecus. At the same time, personnel numbers

rose by a third from 561 at 31 December 1982 to 751 at 31 December 1991.

Although the increase in staff has been only relatively moderate, the Bank's premises on the Kirchberg plateau in Luxembourg no longer offer sufficient space: the present building was, in fact, constructed to house around 700 employees. Work on the new annex designed to accommodate up to 300 persons commenced last July. The new facilities being built by the Bank, which owns both its land and premises, are located on the same site and respect the same style of architecture; they should be ready for occupation by the end of 1994. The architect for the extension is Sir Denys Lasdun who was also entrusted with drawing up the plans for the existing building opened in 1980.

Bank's staff, appraises the technical and ecological merits of projects for which financing is sought.

STAFF COMPLEMENT RELATED TO TOTAL BANK ACTIVITY



The new annex will include a combined heat and power plant to cater for the Bank's requirements. This technology involves recovering heat released during electricity generation and produces significant energy savings in heating buildings while helping to safeguard the environment. The plant's design is based on recommendations put forward by engineers in the Bank's Technical Advisory Service. This Service, which comprises some forty experts forming an integral part of the

ECU

Below are the ecu values in national currencies, as at 30 June 1992, these rates are applied to the third quarter in preparing financial statements and operational statistics of the EIB:

DEM	2.04966	BEF	42.1743
GBP	0.706461	LUF	42.1743
FRF	6.88923	DKK	7.87581
ITL	1550.13	GRD	249.382
NLG	2.30992	IEP	0.768949
ESP	129.385	PTE	171.041
		USD	1.34228

EIB-Information is published periodically by the European Investment Bank in nine different languages (Danish, Dutch, English, French, German, Greek, Italian, Portuguese and Spanish).

Material which appears in *EIB-Information* may be freely reproduced; an acknowledgement and a clipping of any article published would be appreciated.

100, bd Konrad Adenauer — L-2950 Luxembourg — tel. 4379-1 — telex 3530 bnkeu lu — fax 43 77 04 • Department for Italy: Via Sardegna, 38 — I-00187 Rome — tel. 4379-1 — telex 611130 bankeu i — fax 487 34 38 • Athens Office: Amalias, 12-GR-10557 Athens — tel. 3220 773/774/775 — telex 222126 bkeu gr — fax 3220 776 • Lisbon Office: Avenida da Liberdade, 144-156, 8° — P-1200 Lisbon — tel. 342 89 89 or 342 88 48 — telex 15576 bnkeu p — fax 347 04 87 • London Office: 68, Pall Mall — London SW1Y 5ES — tel. 839 3351 — telex 919159 bankeu g — fax 930 9929 • Madrid Office: Calle José Ortega y Gasset, 29 — E-28006 Madrid — tel. 431 13 40 — telex 44670 bnkeu e — fax 431 13 83 • Representative Office in Brussels: — Rue de la Loi 227 — B-1040 Bruxelles — tel. 230 9890 — telex 21721 bankeu b — fax 230 58 27