



EIB INFORMATION

October 1995 • N° 85
ISSN 0250-3891

BANQUE EUROPÉENNE D'INVESTISSEMENT
BANCA EUROPEA PER GLI INVESTIMENTI
EUROPESE INVESTERINGSBANK
BANCO EUROPEU DE INVESTIMENTO
EUROOPAN INVESTOINTIPANKKI
EUROPEISKA INVESTERINGSBANKEN

The EIB outside the European Union

Between 1990 and 1994, the European Investment Bank devoted more than ECU 6.6 billion to financing productive investment in over one hundred countries outside the European Union. This activity, the origins of which date back to the middle of the 1960s, forms part of the aid and cooperation policies developed by the Union in support of more than 120 countries which have special links with the EU founded on common historical and geographical interests.

The EIB's presence in non-EU countries is based both on cooperation or association agreements between the beneficiary countries and the European Union and on blanket authorisations to provide financing in these

countries or groups of countries issued by the EIB's Board of Governors, under Article 18.1 of the Statute, to enable the Bank to help in implementing these cooperation policies.

A WIDE THEATRE OF OPERATIONS

Limited, in the 1960s, to about twenty African countries which were parties to the Yaoundé Conventions and a few Mediterranean countries which had concluded bilateral agreements, the Community's cooperation policy with non-member countries has since widened significantly and grown in substance to respond both to the difficulties confronting an increasing number of countries on their road to development and to the widespread interest being shown in the move towards European unity. Nowadays, the cooperation policies in which the EIB is participating provide assistance for 70 countries in Africa, the Caribbean and the Pacific (the ACP States), signatories to the Fourth

Lomé Convention (1), twelve countries on the southern and eastern edges of the Mediterranean, eleven Central and Eastern European countries and 30 countries in Asia and Latin America (ALA), which have entered into cooperation or ➤



Interlinking the European Union and some 120 countries throughout the world

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As the European Union's financing institution, the main focus of the EIB's activity is in the Union's Member Countries. However, within the context of the EU's development aid policies, the Bank is also providing a growing volume of finance for investment in some 120 countries throughout the world. Since the early 1960s, the EIB has actively contributed to implementing the financial component of this policy, making available its expertise in capital investment financing.

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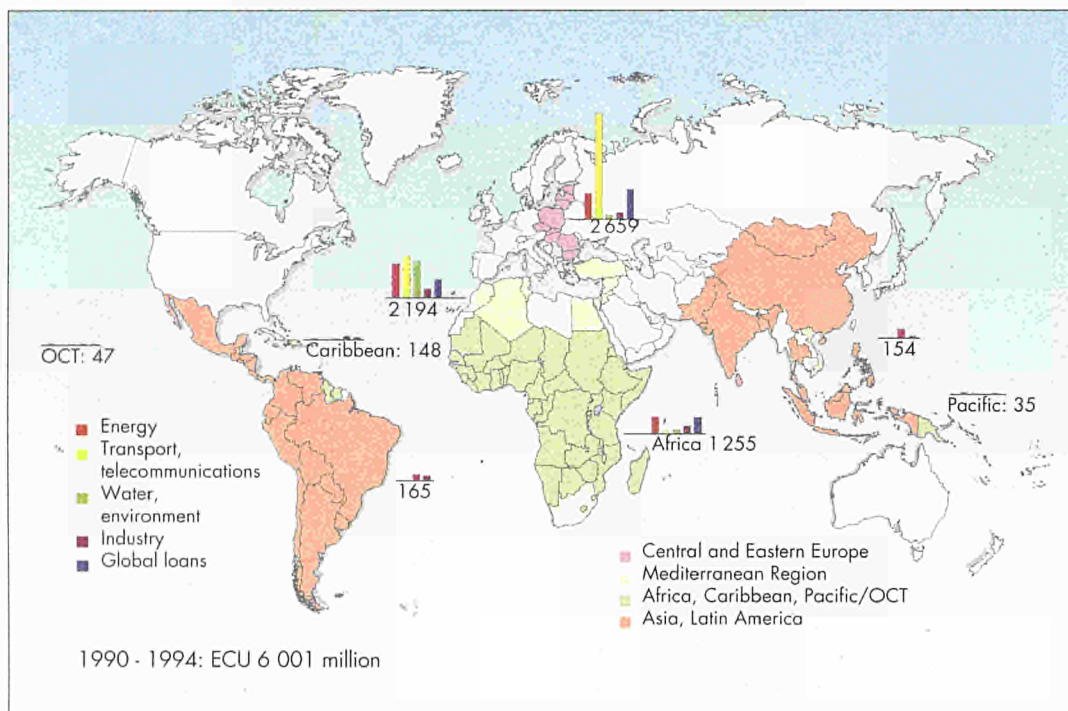
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Financing provided outside the European Union



association agreements with the European Union (see map on this page).

The EIB, the Community's financing institution deploying resources raised on the capital markets, enhances this financial cooperation with its own contribution, reflecting its specific banking identity. It advances loans drawn from its «own resources» and manages, under mandate from the European Community or its Member States, risk capital resources and interest-rate subsidies as an adjunct to its loans in the ACP States and Mediterranean Countries. The EIB is thus able, since certain resources are of budgetary origin, to tailor the conditions on its loans (as regards term and remuneration) as closely as possible to economic needs in the beneficiary countries (2).

COMMON GROUND

EIB financing in support of the Community's policies is advanced under the terms of agreements negotiated by the Union, the EIB being involved in their preparation. Loans are subject to ceiling amounts set,

generally for a period of five years, by the Bank's Board of Governors. Irrespective of the countries in question, the EIB's activities underpin the priority objectives of the EU's cooperation policy with each of the groups of countries concerned (for details, see articles overleaf), whilst complying with certain fundamental principles which reflect the Bank's specific features.

Implementation of the financial component provided for under these agreements results in close cooperation between the Bank and the European Commission, which is responsible for grant aid and technical cooperation. Responsibilities between the two institutions are thus clearly delineated: the EIB operates in those sectors where investment can be financed by means of loan aid, i.e. economically essential infrastructure, industry, energy, mining, tourism and agricultural development. The aim of this cooperation is to encourage efficient management of the means available and to tailor the type of financial assistance to local economic conditions,

in the interests of the countries and projects concerned. By this token, there is frequently considerable interplay between action financed through grant aid and projects supported by the EIB.

Regardless of whether the investment is in the public or private sector, EIB financing goes solely to projects which are both technically viable and economically justified. This approach accords, firstly, with constraints imposed as a result of the EIB's status as an institution raising its funds on the markets and, above all, with development aid imperatives: as

it can only furnish part of the resources the associated countries require to underpin their development, the EIB sees it as one of its fundamental responsibilities to ensure that resources are invested in the most productive way possible within the context of the priorities agreed jointly with the beneficiary countries. The Bank therefore conducts an in-depth appraisal of projects eligible for financing, assessing not only the merits of projects themselves but also their contribution to the development of the country in which they are located.

(1) In addition, 19 Overseas Countries and Territories (OCT), benefiting from financial and technical cooperation under decisions taken by the Council of Ministers of the European Union, are also eligible for EIB financing.

(2) Whilst financing operations mounted by the EIB under mandate from the Community or its Member States form an integral part of the Bank's activities and are subject to the same strict management, they are accounted for separately from operations from the Bank's «own resources» (essentially the proceeds of borrowings on the capital markets), off the Bank's balance sheet, in a «Special Section», set up by the Board of Governors in 1963.

«OWN RESOURCES», «RISK CAPITAL» AND THE «SPECIAL SECTION»

Cooperation agreements between the European Union and third countries often refer to the European Investment Bank granting loans from its «own resources». Under mandate, the EIB also manages «risk capital» provided for in the Lomé Convention and the Mediterranean Financial Protocols. This terminology is used here in a specific sense which may cause confusion for the uninitiated. The distinction, in particular, between «own resources» and «own funds» requires explanation.

«Own resources»

What are referred to as «own resources», are essentially the proceeds of the EIB's borrowings on the capital markets, mainly taking the form of public bond issues. Own resources also include the Bank's «own funds» consisting of the paid-in portion of its subscribed capital plus reserves. Own resources are fully accounted for on the Bank's balance sheet.

As at 31 December 1994, the EIB's «own resources» comprised:

	<i>ECU billion</i>
Borrowings	83.7
Own funds	
Paid-in capital	3.9
Reserves	8.8
Balance of profit and loss account (*)	0.97
Total own resources	97.37

(*) Credited annually to the reserves

«Risk capital»

The Convention and Protocols also provide for a specific form of concessionary finance referred to as «risk capital». These funds are drawn from the Member States' budgets through the European Development Fund (EDF) under the Lomé Convention, and from the European Community budget in the Mediterranean. They are managed by the EIB under mandate from the Member States in the first case and from the European Community through the European Commission in the second. Risk capital is mostly deployed as quasi-capital (in the form of conditional loans and subordinated loans) but can also be used for equity participations. As for all operations under mandate, this concessionary or soft loan funding is recorded off balance sheet in a trust management account called the «Special Section».

The «Special Section»

The Special Section was set up by the EIB's Board of Governors in 1963 to account for concessionary finance made available by the Bank in Turkey under mandate from the Community Member States, drawing on funds provided from their budgets. The EIB's activities were also widened to provide concessionary finance in the African, Caribbean and Pacific (ACP) countries, firstly, under the Yaoundé Conventions and, subsequently, under the Lomé Conventions, and in the Mediterranean region under the Financial Protocols. In 1977, the Board of Governors extended the Special Section to cover further operations carried out by the EIB under mandate inside and outside the Community.

While financing operations conducted under mandate form an integral part of the EIB's overall activity, in accounting terms they are kept separate from the Bank's lending from own resources by being clearly identified in the Special Section.

EIB financing is generally limited to 50% of a project's investment cost, but is also designed to help mobilise other sources of finance, from promoters' own resources, other development banks or local funds. The Bank's individual loans, long or medium-term, are designed to fund major investment schemes, whereas more modestly-sized ventures are supported by means of global loans arranged by the EIB, in most countries, with the local banking system, whose development is thereby also underpinned.

Lastly, the EIB, which has to safeguard its «AAA» credit rating on the markets, ensures that loans disbursed are backed by appropriate forms of security. The first guarantee that the project will be properly completed is the rigorous selection and appraisal process referred to above. However, under its Statute, the Bank also requires that each finance contract be secured by a guarantee, generally that of the non-member State concerned. Moreover, in the case of loans granted as part of Community policy towards non-member countries sometimes implying an element of risk, outstanding Bank lending in these coun-



tries is covered by a blanket guarantee from the Community budget or the Member States (in the case of the ACP States). ■

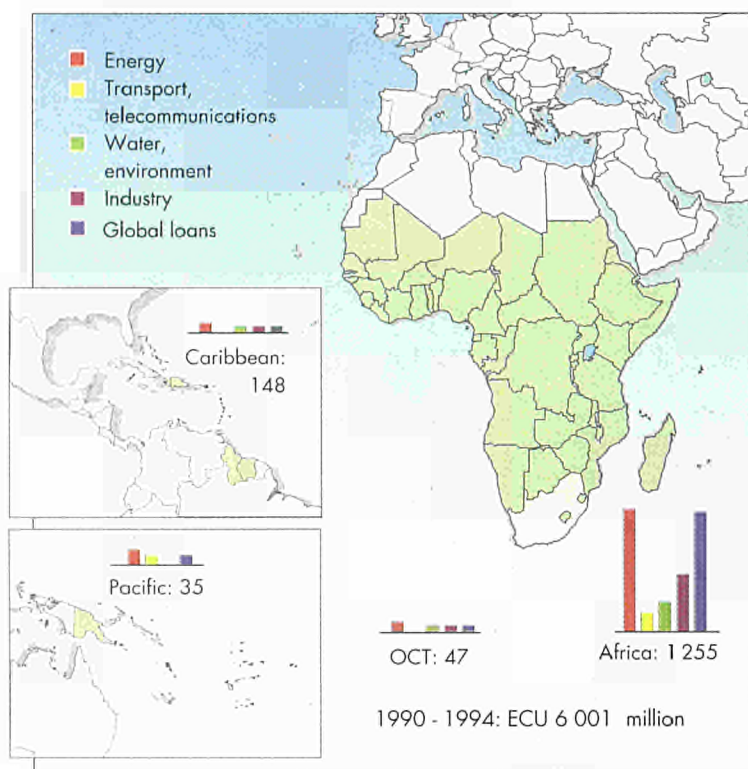
EIB supports productive investment in 70 ACP countries

The European Investment Bank's financing activity in the African, Caribbean and Pacific (ACP) countries has expanded considerably since the First Yaoundé Convention, concluded in 1963 by the European Community and 18 newly-independent African countries with the aim of preserving special ties with certain Community Member States under asso-

the basis for the European Union's development policy in support of currently 70 ACP countries. The Convention is accompanied by a Financial Protocol spanning the first five years (1991-1995). Overall agreement on the Protocol for the second five-year period (1996-2000), which is subject to ratification by the national authorities of the

countries involved, was reached at the ACP-EU Ministerial Conference held in Brussels in June 1995. The Second Financial Protocol is due to be signed in November. provides for an ECU 12 billion funding package, including ECU 9 975 million in grant aid from budgetary resources made available by the European Union's Member States through the European Development Fund (EDF) and managed by the European Commission, and ECU 825 million in risk capital finance from budgetary resources, managed and granted by the EIB. Loans from the EIB's own resources account for ECU 1.2 billion; they carry an interest-rate subsidy of up to 4%, which is automatically adjusted where necessary so that the interest rate borne by the borrower is neither less than 3% nor more than 6% per annum. The interest-rate subsidies are financed from ECU 250 million in grant aid from budgetary resources.

Financing provided in the ACP countries and the OCT



countries involved, was reached at the ACP-EU Ministerial Conference held in Brussels in June 1995. The Second Financial Protocol is due to be signed in November.

In tandem with the Lomé Convention, the European Union has made specific provisions for financial and technical assistance for some twenty **Overseas Countries and**

Since the EIB can provide only a portion of the funds which the recipient country needs to pursue its economic development and in order to comply with the Bank's general policy principle of efficient allocation of resources available, it applies stringent standards when selecting and assessing projects. It looks not only into their technical and financial viability but also into their economic and environmental justification, so as to ensure that projects contribute to the development of the economic base and to the lasting prosperity of the country concerned.

ciation arrangements. Economic development assistance was an essential component of both the First and the Second Yaoundé Conventions (1969) and the successive Lomé Conventions since 1976. From the outset, the EIB has participated in implementing the financial aspects of the Community's development cooperation with the ACP countries by providing finance for investment fostering the sustained development of these countries. Nowadays, the Fourth Lomé Convention (1991-2000) forms

Territories (OCT), constitutionally linked to certain Union Member States, namely France, The Netherlands or the United Kingdom. The EIB's contribution takes the form of loans from its own resources (1) and risk capital finance from budgetary resources, both on the same terms and conditions as in the ACP states.

FINANCIAL RESOURCES

The First Financial Protocol (1991-1995) to the Fourth Lomé Convention

COMPLEMENTARITY AND COOPERATION

In financing projects in the ACP countries and OCT, the EIB works

(1) See box article «Own resources», «Risk capital» and the «Special Section», page 3

closely with the European Commission, which administers EDF grant aid and technical assistance included in the financial packages forming part of EU-ACP/OCT cooperation policy.

The EIB is a complementary source of financing, as it normally funds no more than 50 per cent of the total investment cost. As a general rule therefore, the Bank co-finances projects with other specialised financing bodies, in particular bilateral and multilateral development institutions. Its traditional partners in the ACP countries and OCT are the financing institutions of the EU Member States, the World Bank group and regional development banks (African Development Bank, Inter-American Development Bank and Asian Development Bank). In its role as a facilitator and catalyst for investment funding, the EIB draws on its extensive experience built up over the years.

As the Bank's own resources are largely borrowed on the capital markets and can be on-lent only at costs reflecting market interest rates (although subsidised), EIB financing is concentrated on investment which can generate sufficient revenue directly or indirectly to service the debt. EIB funds are therefore targeted towards the productive sectors, including manufacturing, mining and tourism, as well as revenue-generating infrastructure such as telecommunications, energy and water schemes. They complement non-repayable EDF grants and highly concessionary loans drawn from budgetary resources, which are more appropriate for investment in social infrastructure, including schools and hospitals, rural development programmes and technical assistance.

A MAJOR SOURCE OF FINANCING

Since 1976, under the successive Lomé Conventions, EIB financing in the ACP countries and OCT has totalled over ECU 4 billion, of which ECU 107 million have gone to the OCT. Under the First Financial Protocol to the Fourth Lomé Convention, the EIB advanced more than ECU 1.2 billion (1991-1994).

A sectoral breakdown of EIB financing over the years 1991-1994 reveals that loans for **energy** projects amounted to ECU 417 million, equivalent to as much as 35% of aggregate EIB lending in the ACP countries



Underpinning South Africa's development

and OCT. Most investment financed was designed to build or modernise power stations, to develop oil and natural gas deposits or to expand transmission and supply capacity.

For **industrial development**, as a means of increasing the value added of local raw materials and thereby helping to improve a country's balance of payments, the EIB provided more than ECU 600 million over the years 1991-1994, i.e. 50% of its total financing in the ACP countries and OCT, mainly for mining and quarrying, chemicals, foodprocessing, textiles and leather, and metal production and semi-processing. Of this, up to ECU 360 million was made available in the form of global loans to local financing institutions, including national development banks, which drew on the proceeds to support small and medium-scale private-sector investment schemes. ➤

EIB TO LEND IN SOUTH AFRICA

The EIB and the Republic of South Africa signed a framework agreement on 12 September 1995 providing for EIB finance of up to ECU 300 million (some ZAR 1.4 billion) over a period of two years for investment contributing to the country's development

Signature of the agreement took place in Pretoria during a visit by an EIB delegation to South Africa during which important contacts were forged with the country's government as well as economic and financial circles. EIB President **Sir Brian Unwin** stated on that occasion: «Our commitment to this country in

the form of ZAR 1.4 billion over two years represents a first stage towards what I hope will be a longer-term programme of EIB lending as relations between South Africa and the European Union are built up».

EIB finance will help to strengthen numerous sectors of South Africa's economy, in particular basic infrastructure, industry and small and medium-sized enterprises, environmental protection, energy generation and distribution plus telecommunications. In line with its general policy principle, the approach of the Bank will be that of project financing focused on developing the country's economic base. When selecting projects for financing, it will vet not only the technical and financial viability of the proposed investment but also its economic and environmental justification, so as to ensure that it will support lasting prosperity of benefit above all to the people of South Africa.

A crucial element in promoting economic and social development is the continuing need to improve communications. The EIB provided more than ECU 190 million over the years 1991-1994 in this sector, including 44 million for transport and over 60 million for extension and modernisation of telecommunications, including additional telex lines, optical fibre connections in urban areas, microwave radio links and overhead open-line equipment.

The EIB places particular emphasis on **environmental protection**. Not only does the Bank finance projects protecting and upgrading the environment, reducing pollution and improving the quality of life, but it also assesses the environmental impact of all projects which it considers financing. Over the years 1991-1994, the EIB devoted ECU 84 million to drinking water supply, sewerage and sewage treatment schemes.

The Bank is well equipped to finance **investment of regional interest**. In recent years, it has, for instance, supported modernisation of a regional air traffic safety system covering 16 African countries, an electricity transmission line connecting Mozambique, Zimbabwe and the Republic of South Africa, an oil pipeline between Tanzania and Zambia, telecommunications links between Ethiopia, Eritrea and Djibouti, plus a regional airline in the Caribbean.

In **1994**, aggregate EIB financing in the ACP countries and OCT came to ECU 462 million, of which ECU 230 million derived from risk capital resources. ECU 250 million, or more than half the total, went to industry, agriculture, fisheries and services, including ECU 159 million in the form of global loans mainly for financing 156 small and medium-sized enterprises. The EIB advanced ECU 146 million in all to the energy sector for

electricity generating plant, transmission projects, gaslines and, more generally, basic infrastructure schemes. Telecommunications, transport and the strategic water resource management sector attracted the balance.

UNDERPINNING THE PRIVATE SECTOR

The EIB attaches considerable importance to promoting the development of the private sector, given its potential contribution to economic growth and diversification in the ACP countries and OCT. In addition to EIB loans, financing for the private sector also includes risk capital resources in the form of equity participations or concessionary quasi-capital assistance through subordinated or conditional loans. Preparation of the financing package and the choice of funds to be deployed take account of the nature of the project and macro-economic parameters in the countries concerned. In order to optimise project financing, the EIB often combines loans from its own resources and risk capital funding.

Small and medium-sized enterprises (SMEs) in particular receive EIB support by means of global loans to local development banks and other financing intermediaries, including European Union-based financial institutions. Global loans are similar to lines of credit in favour of the intermediaries, which on-lend the proceeds in smaller amounts according to EIB lending criteria. To strengthen the equity structure of companies embarking on private-sector investment projects, the EIB also takes up, from risk capital resources, direct or indirect equity participations on behalf of the European Union to support major schemes undertaken by productive-sector companies and financial institutions.

INCREASED SUPPORT IN THE FUTURE

Under the Second Financial Protocol to the Fourth Lomé Convention (1996-2000), currently under preparation, the European Union will provide an aggregate amount of over ECU 14.6 billion. This package includes up to ECU 13 billion in grant aid from budgetary resources made available by the Union's Member States through the European Development Fund and administered by the European Commission, of which ECU 370 million will be set aside for interest subsidies on EIB loans, and ECU 1 billion in the form of risk capital assistance from budgetary resources, managed and granted by the EIB. In July 1995, the European Council invited the Bank to commit loans from its own resources under this Protocol, up to a ceiling of ECU 1 658 million.

In addition to financial support for the ACP States, the European Council set the amount of budgetary aid for the OCT at ECU 165 million. Of this, ECU 30 million will be earmarked subsequently for risk capital operations to be managed by the Bank. The Council has also requested the EIB to allow for an amount of up to ECU 35 million in loans from its own resources for the OCT.

On the basis of the cooperation agreements concluded on 10 October 1994, the European Union and the Republic of South Africa opened negotiations in June 1995 aimed at partial participation by South Africa in the Fourth Lomé Convention as well as conclusion of a bilateral agreement, mainly on the issue of trade relations and access for South Africa's exports to the Union's markets. On 19 June last, the EIB's Board of Governors authorised the Bank to commence operations in South Africa (see box article). ■

The EIB's expanding role in the Mediterranean

EIB financing activities in non-member Mediterranean countries date back to the start of the 1960s (1962), when the Bank carried out its first operations in Greece, at that time not a member of the Community but signatory to one of the first association agreements in the region. Since then, the situation has moved on significantly and the «Redirected Mediterranean Policy» (RMP), introduced by the European Union at the end of 1992 to bolster its cooperation with the non-member Mediterranean countries, now encompasses the Maghreb and Mashreq countries, Israel, Malta, Cyprus, Turkey (1) as well as Gaza and the West Bank.

The EIB is playing a key role in implementing this cooperation policy, which provides for aid in excess of ECU 4 billion over the period 1992-1996. More than half of this (ECU 2.3 billion, including ECU 1.5 billion in loans from the EIB) is being

non-member Mediterranean countries designed to finance projects of a regional nature or of mutual benefit to both sides of the Mediterranean in the fields of communications, energy and environmental protection (see box article). In the latter case, EIB loans carry 3% interest-rate subsidies drawn from European Union budgetary resources.

Over the past five years alone, the EIB has lent more than ECU 2 billion in the non-member Mediterranean countries, of which nearly ECU 1.2 billion in the Maghreb countries, some ECU 730 million in the Middle East (Egypt, Israel, Jordan, Lebanon and Syria) and the balance in Malta and Cyprus. Although this financing has chiefly taken the form of long-term loans, in some cases attracting interest-rate subsidies, risk capital funding designed to encourage development of the local private sector and joint ventures

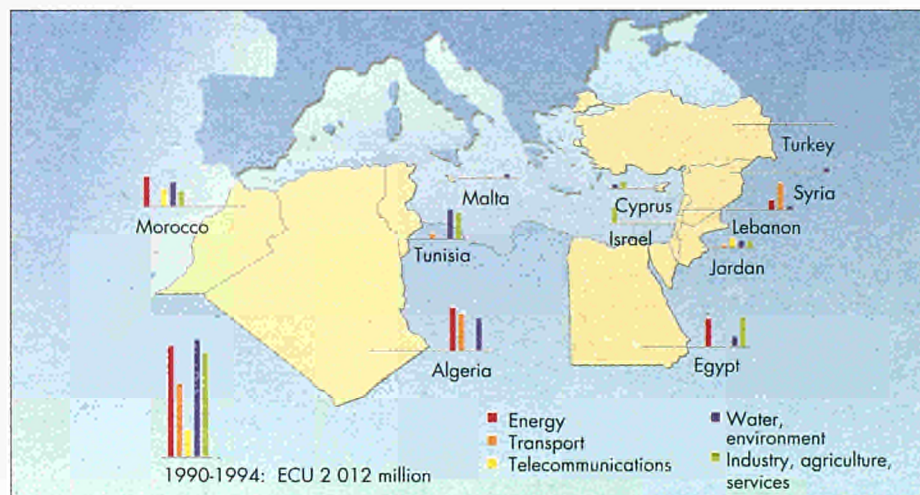
ded first and foremost to develop the economic base of the countries in question. By this token, when selecting projects for support, the EIB looks not only at the technical calibre and financial viability of the capital investment proposed, but also the economic justification, so as to ensure that these projects do indeed create lasting wealth of benefit above all to the people.

SUPPORT FOR ENVIRONMENTAL PROTECTION IN THE MEDITERRANEAN

Given the scarcity of water resources in the region, worsening environmental degradation and the high degree of urbanisation, protection and rehabilitation of the environment represent a priority objective for the Bank. Since 1990, more than ECU 550 million has gone into establishing water reserves and distribution networks (in Algeria, Tunisia, Syria and Jordan, for example), as well as wastewater collection and treatment facilities (in six coastal towns in Morocco, Algiers, ten coastal towns in Tunisia, Cairo, Beirut and the main urban areas in Jordan), in some cases combined with water recycling systems (especially in Algeria and Jordan).

These works make a significant contribution to the economic development of the countries in question by facilitating the growth of new activities, particularly in agriculture and tourism, whilst enhancing living conditions for the local population. They >

Financing provided in the non-Member Mediterranean Countries



channelled via bilateral financial protocols, running for five years, which signal the European Union's participation in investment supporting economic and social development in the signatory countries. In addition, some ECU 2 billion (of which ECU 1.8 billion in the form of EIB loans) is being made available by the Union for «horizontal financial cooperation» with

has also been made available. Undertaken in close liaison with the European Commission, the EIB's actions thus complement the grant aid (nearly ECU 1 billion) being advanced in parallel by the European Union to these countries.

Against this background, the Bank's approach is that of project financing, inten-

(1) The EIB's activities in Turkey date back to the First Financial Protocol implemented as from 1964 under the 1963 association agreement. The most recent financial protocol to come into effect was the third one (1979-1981). Between 1964 and 1981, the EIB advanced ECU 734 million in Turkey. The Fourth Protocol, negotiated in 1981, has never entered into force, its signature having been postponed. Turkey is however eligible for support under «horizontal financial cooperation» (see box article), which covers all the countries in the region having concluded cooperation or association agreements with the European Union. A loan of ECU 35 million for water resource management in Antalya was granted under this heading in mid-1995.

also complement investment financed by the EIB in rural areas to establish producer cooperatives (in Morocco, Malta and Jordan for instance) and to develop agricultural land by means of irrigation (in Morocco, the Algerian desert, north-eastern Tunisia, Cyprus, the Nile Delta, central Jordan and along the Syrian coastline).

The EIB has also set up, jointly with the World Bank (and with the support of the European Commission and the UNDP), a «Mediterranean Environmental Technical Assistance Programme» (METAP), which has been in operation since the start of 1990. Deploying grant aid (USD 30 million), this programme is designed to support financing of feasibility studies (up to ECU 600 000 per project) and establishment of local agencies or non-governmental organisations promoting environmental protection. In the space of four years, USD 20 million has been committed under METAP for the benefit of some twenty feasibility studies relating to environmental improvements in Egypt, Israel, Turkey and, more recently, Lebanon and Syria. The complementary nature of METAP activities with those of the EIB and the World Bank has already been translated in tangible terms into a number of innovative projects, a noteworthy example being the Cairo sewerage project, for which the EIB put up ECU 45 million.

STRENGTHENING REGIONAL LINKS

In the infrastructural sector, the EIB has provided the Mediterranean countries with more than ECU 1 billion since 1990 to help them modernise their manufacturing base and develop links both at regional level and with Europe's economy. This is particularly the case in the areas of power and natural gas production and transmission systems (especially in Morocco, Algeria, Egypt and Jordan) and transport networks (trans-Algerian and Moroccan motorways, Aqaba-Amman dual carriageway in Jordan) as well as telecommunications (in Morocco and Jordan in

particular) and air traffic control (in Malta and Lebanon).

In this context, a number of projects have been funded by the EIB under the horizontal financing component included as part of the Redirected Mediterranean Policy, designed specifically to underpin major investment projects likely to bring the economies on both sides of the Mediterranean closer together (see box article). Lastly, particular mention should be made of Lebanon where, following the cessation



Key EIB objectives range from financing large infrastructure to supporting small and medium-scale productive investment

of the civil war and in the context of the Middle East Peace Process, the EIB has been involved in financing the country's reconstruction. To this end, more than ECU 160 million was advanced, in 1993-1994, for projects relating to water resource management, power distribution, reopening of the port of Beirut, rehabilitation and extension of the international airport and air traffic control.

SPECIFIC MEASURES TO DEVELOP THE PRIVATE SECTOR

With more than ECU 465 million lent since 1990, the EIB has also contributed to the industrial development of the Mediterranean countries, either through assistance for major projects (in Egypt, for example, where a printshop as well as the first factories in Africa producing HGV tyres and components for refrigerators attracted support) or via funding for establishment of modern industrial estates, notably in Jordan (in Sahab, near Amman) and Tunisia

(Tunis and Sfax). Moreover, the Bank is stepping up, in virtually all the Mediterranean countries, its system of global loan ⁽²⁾ financing, with local commercial or development banks channelling the funds to SMEs, a facility which has benefited thousands of small-scale productive investment schemes in industry and tourism (particularly in Morocco, Tunisia, Malta, Cyprus, Egypt, Jordan and Israel).

With a view to encouraging development of the private sector and promoting joint ventures between local and European partners, the EIB is also deploying risk capital assistance funded from European Community budgetary resources. A long-term financing instrument (up to 25 years), risk capital makes it possible to adapt remuneration and repayment conditions to the performance of the project in question, whilst underpinning the financial base of the enterprise promoting the project. To date, some ECU 40 million in risk capital has been taken up (of which ECU 25 million in the Middle East) - chiefly in the form of global loans to local banks to set up or support some 180 new joint ventures, serving to create around 13 000 jobs and mobilise more than ECU 600 million in new investment ⁽³⁾.

At the end of 1993, the EIB decided to broaden the scope of this activity by introducing a risk capital facility funded under horizontal financial cooperation and designed in this instance to finance European partners' equity contributions to joint ventures in the Mediterranean region. This facility, consisting of ECU 9 million during an initial experimental phase, is being implemented by banks in Jordan, Egypt, Tunisia and Morocco whose ability to identify and

⁽²⁾ Global loans are essentially lines of credit opened by the EIB with local financial intermediaries which draw on them to fund small and medium-scale ventures (up to ECU 10 million) complying with criteria set by the EIB. Between 1990 and 1994, ECU 330 million was advanced via this facility to local or development banks in the Mediterranean countries.

⁽³⁾ For information on risk capital financing in the Mediterranean, see EIB-Information N° 81, page 7.

HORIZONTAL FINANCIAL COOPERATION

With more than ECU 1 billion in loan contracts signed since 1993, the Bank is well on the way to deploying the Union's horizontal financial cooperation package for the Mediterranean countries. The investment schemes funded include in particular major projects in Morocco (international telecommunications, the Rabat-Fez motorway, power grid interconnection with the European Union), Algeria (Maghreb-Europe gasline via the Strait of Gibraltar, development of the Rhourde Nouss gasfields), Tunisia (improvements to the Port of Tunis, water resource management for urban areas, coastal protection works), Egypt (MIDOR refinery), Jordan (telecommunications with neighbouring countries and the EU, water resource management in central and northern Jordan), Lebanon (rehabilitation of Beirut international airport, air traffic control), Turkey (water resource management in Antalya) and Israel (waste-water treatment in west Jerusalem). Also under this heading, the EIB has provided global loans, made available from risk capital resources drawn from the EU budget, for equity financing in SMEs established under joint ventures between European investors and local partners in Morocco, Tunisia, Egypt and Jordan.

appraise promising capital projects has already been confirmed when administering previous global loans.

Lastly, this action is complemented by EIB support for local venture capital companies (in Morocco, for example) providing equity funding for firms being set up or expanding rapidly. This support takes the form of equity participations acquired in the name of the European Community in such companies, making use of risk capital resources and accompanied where appropriate by medium or long-term loans from the Bank to underpin the development of such companies' activities.

TAKING UP THE CHALLENGES OF THE MIDDLE EAST PEACE PROCESS

The horizontal cooperation component of the RMP has just recently witnessed a new development with the decision, taken by the European Union, to extend its support to Gaza and the West Bank so as to underpin the Middle East Peace Process.

The Bank has thus agreed, at the request of the Council of the European Union, to take on a mandate to commit up to ECU 250 million in loans over the period 1995-'98 in Gaza and the West Bank, complementing a further ECU 250 million in grant aid drawn from European Community budget-

ary funds, already being deployed in essential sectors such as housing, education, public security and sewerage.

Since the start of 1994, the EIB has been playing an active role in coordinating the aid and assistance programme set up, under the aegis of the World Bank, by the international community of donors following the September 1993 «Declaration of Principles». Against this backdrop, the EIB has extended METAP operations to these territories and is developing wide-ranging contacts with the Palestinian authorities. It is currently in an operational phase which should lead in the near future to signature of finance contracts, initially geared towards arranging global loans to assist Palestinian SMEs. Other possibilities, such as participation in the creation of a Palestinian development bank to help, inter alia, in setting up basic infrastructure in Gaza (water resource management, roads, etc.), are currently under consideration, in close liaison with the Commission.

At the same time, the Bank has, over the past two years, been deeply involved in the area's economic development. It has thus already financed major investment in infrastructure, energy management and environmental protection in Egypt, Jordan and Israel. In this connection, a particu-

larly noteworthy operation was the provision of ECU 220 million, in June 1995, for the new MIDOR refinery in Alexandria, a project initiated through a technological, commercial and financial partnership between Egyptian and Israeli promoters, the economic spin-offs from which will have a positive impact throughout the region as a whole.

WORKING TOWARDS EVEN STRONGER COOPERATION

During the period 1990-1995, the EIB has managed not only to maintain a significant volume of lending in the non-member Mediterranean countries, but has also developed innovative measures in favour both of the local private sector and of projects with a regional dimension or scope, notably in the fields of environmental protection and telecommunications. The prospects for the coming five years of cooperation between the Union and the non-member Mediterranean countries should confirm these trends, with substantially larger financial packages being decided. These are to be finalised under the new agreements currently being negotiated, which not only cover financial aid but also deal with aspects such as customs and economic reform.

Basing themselves on experience gained during the period now coming to a close, the Bank and the Commission feel that this increase in aid has to be targeted principally towards development of horizontal financial cooperation so as to assist projects with a regional impact, whilst aid for the private sector and European-Mediterranean partnerships will also require a growing share to be given over to risk capital funding. The Bank will thereby be able to reinforce its contribution to economically-justified investment projects, the objectives of which are in line with the legitimate aspirations of the beneficiary countries to achieve lasting economic development and to see their special links with the European Union built up further. ■

The European Investment Bank's role in Central and Eastern Europe

The political upheavals in Central and Eastern Europe towards the end of 1989 prompted the European Union to draw up a programme to assist those countries in the region which had decided to move towards a market economy and set up democratic institutions. As in other regions receiving financial aid from the European Union (EU), the Union's strategy in the Central and Eastern European Countries (CEEC) was prepared in close cooperation between the European Commission and the European Investment Bank.

LENDING UNDER SET CEILINGS

At the end of 1989, the EIB's Board of Governors approved a financing package of up to ECU 1 billion for priority projects in Poland and Hungary under which an initial batch of investment was funded during 1990. As political change accelerated and extended to other countries in the region, the EU's readiness to provide financial support for the troubled economies kept in step, and the EIB decided in 1991 also to lend in Bulgaria, the Czech Republic, Romania and Slovakia, up to a ceiling of ECU 700 million over three years.

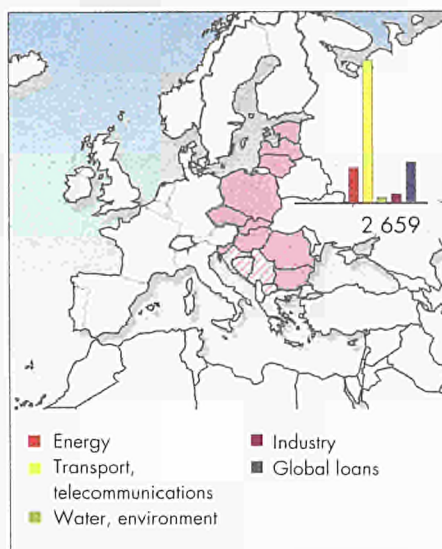
Since, by the end of 1993, the combined amount of ECU 1 700 million had been almost fully committed in favour of investment projects in all six countries, the Bank's Board of Governors authorised, in May 1994, a new package of ECU 3 billion for the period 1994-'96, this time for projects in ten countries: Albania, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia. In addition, a cooperation agreement between the EU and Slovenia, to expire in 1997,

includes a financial protocol which provides for ECU 150 million in loans from the EIB for road and rail infrastructure.

SPECIFIC ASPECTS OF LENDING IN THE CEEC

In the early years, a striking feature of EIB lending in the countries of Central and Eastern Europe was the Bank's requirement that projects contribute to the

Financing provided in Central and Eastern Europe: 1990-1994



establishment of a market-based economic system. EIB lending took on an additional dimension in 1993. At the Copenhagen Summit in June, the European Council offered those countries with Europe Agreements the prospect of membership of the European Union as soon as certain economic and political conditions were met. At present EIB lending in most CEEC is carried out within the framework of such association agreements. EIB financing in the CEEC thus differs from that in other regions outside the EU since, in line with the association agreements, most CEEC could in the medium term become members of the

EU, if they so wish and as soon as they are able to fulfil the necessary conditions. The role of the EIB in this context was explicitly confirmed in the «Strategy for Central and Eastern Europe» decided at the European Council in Essen in December 1994, which asked the Bank to help prepare the CEEC for membership, just as the Bank had done in the past for Greece, Portugal and Spain.

A MAJOR LENDER IN THE CEEC

Total EIB lending in Central and Eastern Europe between 1990 and mid-1995 reached **nearly ECU 3 billion**, with ECU 886 million provided in Poland, 537 million in Hungary, 477 million in the Czech Republic, 290 million in Romania, 286 million in Bulgaria, 253 million in Slovakia, 88 million in Slovenia, 52 million in Estonia, 29 million in Lithuania, 10 million in Albania and 5 million in Latvia.

Unlike EIB loans, all aid provided under the **PHARE Programme** (1) managed by the European Commission is non-repayable and mainly oriented towards technical assistance. PHARE funds are also used for financing feasibility studies and other pre-investment expenses as well as more recently for **co-financing**

(1) The PHARE Programme is the European Union's initiative providing grant aid to support the process of economic transformation in the CEEC. The term PHARE - Poland and Hungary-Aid for economic restructuring initially embraced international efforts by the 24 industrialised countries (G-24) to provide economic support for the emerging Hungarian and Polish democracies. In December 1989, PHARE was launched as a specific EU programme to dovetail with G-24 aid efforts. Between 1990 and 1994 the European Union made available some ECU 4.3 billion under the PHARE Programme in eleven CEEC.

with the EIB and other lenders actual capital investment.

In implementing the EU's cooperation policy in the CEEC the EIB works closely with the European Commission. To define the Bank's contribution to the 'EU package', consultations with the Commission begin at a very early stage and evolve during country and sector reviews, extending to specific project discussions and arrangements for combined PHARE grants/EIB loan support. The EIB also cooperates with the European Bank for Reconstruction and Development (EBRD), the World Bank and commercial banks with a view to maximising the impact of the activities of all institutions to the benefit of the countries concerned.

FOCUS ON TENs

Economic development in Central and Eastern Europe will depend to a significant extent on expanding and strengthening links with the European Union, a large neighbouring market of some 400 million consumers. Aware of the crucial importance of good communication links between the EU countries and the CEEC, Governments in both regions, as well as the EU - and the EIB as its project financing institution, are thus concentrating efforts on extending to the CEEC the intra-EU **trans-European networks (TENs)** for transport, telecommunications and energy. EIB lending has thus covered investment in the spheres of transport, telecommunications and energy which all play a key role in the new economic system and the implementation of economic reforms. But by their very nature, TENs are long-term propositions in that they require considerable time to prepare and build and are designed to meet demand over a protracted period. This is reflected in the long maturities and grace periods of many EIB loans for TENs.

Transport has attracted the largest share of EIB funds, with ECU 1 085 million or over 37% of total EIB lending and almost 50% of aggregate lending for infrastructure. **Road** (431 million), **railway** (405 million) and **air transport** (215 million) projects have been the main beneficiaries in this sector.

Two loans totalling ECU 34 million have gone to **port infrastructure**, i.e. a passenger terminal at Durrës/Albania and a cargo terminal at Klaipėda/Lithuania. Major railway projects have comprised the Berlin-Warsaw line, the Berlin-Prague-Vienna line plus the east-west line in Slovenia. Road schemes have been financed in Bulgaria, Romania and Slovakia (secondary roads) as well as in Poland (Wrocław-Gliwice motorway), while schemes to modernise air traffic control systems have received support in Bulgaria, Estonia, Romania and Slovakia. Loans have also been provided for Vilnius and Warsaw international airports.

Telecommunications follow closely in importance (24.4%). Here again, improved standards, harmonisation with EU directives and network interconnections have been the primary goals. EIB loans have helped modernise the systems in Bulgaria, the Czech Republic, Hungary, Poland, Romania and Slovakia.

Energy projects represent a smaller share (14% or ECU 432 million) of total EIB lending in the CEEC, but an equally important activity in terms of the number of projects supported. Major projects in this sector have included gas pipelines and gas storage facilities in Slovakia, a gas distribution network in Poland, electricity generation and distribution schemes in Hungary, Bulgaria

and Romania as well as a district heating project in Estonia.

While the EIB is not itself making loans to the nuclear energy sector in the CEEC or in the states of the former Soviet Union, the so-called Newly Independent States (NIS), it has a specific and limit-



Upgrading transport infrastructure is one of the EIB's priorities

ed role of advising the European Commission, and more specifically Euratom, on the economic and financial aspects of projects under consideration by the Commission.

THE ROLE OF SMEs

EIB support for **industrial projects**, particularly those implemented by small and medium-sized enterprises (SMEs), accounts for some 20% of total lending in the CEEC, and frequently underpins investment or joint ventures by EU firms. Major industrial projects have concerned motor vehicle assembly, glass works, consumer electronics, and wood and agricultural processing, while tourism ventures have also been assisted. Most projects have been financed by way of EIB global loans to partner banks which onlend the EIB funds in smaller amounts to SMEs. Through its global loans the EIB is fostering the development of joint ventures, helping foreign investors and local enterprises to come together. By the end of 1994, suitable financial intermediaries had been identified in all countries and subsequently provided with adequate medium and long-term

funds. By supplying long-term funds to local financial intermediaries, which thus gain experience in financing smaller scale projects in line with EIB practices, the Bank also contributes to building up institutions in the financial sector.

PROTECTION OF THE ENVIRONMENT

The environmental situation in the CEEC is characterised by high levels of pollution resulting from the inefficient use of resources, a lack of abatement technologies and an insufficient institutional and legislative context thus making control very difficult. The Bank's policy is to give high priority to addressing **environmental** questions and to contributing to their solution. It does this, firstly, by assessing the environmental consequences during each project evaluation. A number of energy, transport and industrial projects financed in the CEEC have thus been found to offer a significant environmental

protection dimension. Secondly, the Bank finances projects whose main justification is improvement of the environment. One example of the latter category is the recent EIB loan for a sewage treatment plant for the city of Warsaw.

The future challenge in the environmental field is to replace equipment according to modern standards of reduced pollution, while meeting criteria of economic efficiency. Low emission and recycling technologies will be key elements in new investment. The EIB is also participating in various regional programmes being set up to improve the quality of the environment, such as the rehabilitation of the Baltic Sea and the protection of the Danube and Elbe river basins.

THE FUTURE

Over the last five years, the EIB has played a growing part in implementing

EU financial cooperation with the CEEC. It has maintained its specific role as the EU's Bank and has fostered complementarity with other institutions in restructuring the CEEC. The last three years have also seen the conclusion of Europe Agreements establishing an association between the EU and most CEEC. Negotiations for these countries' accession will commence provided that they are able to assume the obligations of membership by satisfying the economic and political conditions required. EIB financing constitutes a permanent feature of the EU's financial and technical cooperation with the CEEC and brings with it the Bank's long experience of the development of various sectors within the EU and its knowledge of European markets, banks and enterprises. EIB project funding, fully consonant with EU policies, is thus important both for the EU and for the countries pursuing their gradual integration into the Union. ■

EIB lending progresses in Asia and Latin America

Two and a half years have elapsed since the EIB received authorisation from its Board of Governors to begin financing capital investment projects in some thirty countries in Asia and Latin America (ALA) (1) as part of the European Union's policy of co-operation with third countries. Following the invitation in 1992 from the Council of the European Communities to consider lending in these countries, the EIB's Board of Governors decided in February 1993 to authorise the Bank to lend up to ECU 750 million in these two regions, over a period of three years, for capital investment projects of mutual interest.



Energy infrastructure ranks at the forefront of EIB lending in the ALA countries

Among the projects eligible under the lending facility are those promoted by joint ventures between ALA and European firms, as well as those envisaging a

transfer of technology from Europe. Eligibility also extends to investment favouring environmental improvements, such as the development of renewable energy or the introduction of anti-pollution measures. The notion of mutual interest underscores the importance of co-operation among countries. Indeed, the EIB may contribute towards financing projects strengthening relations between Asian or Latin American countries and the European Union, such as telecommunications and transport. The Bank may also lend for capital investment fostering regional integration among the countries of Latin America and Asia.

Within the context of this new activity, the Bank initiated the negotiation of Framework Agreements establishing the general conditions under which the EIB may operate in each of the countries. So far, Framework Agreements in Latin America have been concluded with Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Paraguay, Peru and Uruguay, and in Asia with India, Indonesia, Pakistan, the Philippines and Thailand. Framework Agreements with China and Bolivia have been finalised and will be signed in the near future.

In parallel with definition of the Framework Agreements, EIB staff began to identify and appraise both public and private-sector projects, following the Bank's usual technical, economic and financial criteria. For electricity development, three loans totalling ECU 135 million have been signed, comprising the first two loans to be concluded (in 1993) under the ALA lending facility - in Costa Rica (ECU 44 million) with the Instituto Costarricense de Electricidad and in India (ECU 55 million) with the Power Grid Corporation and an ECU 36 million loan to the Karachi Electricity Supply Corporation in Pakistan.

Finance for natural gas development has been provided in Thailand, in the form of ECU 40 million for construction of a new gas pipeline from the Erawan gas field in the Gulf of Thailand to the existing grid at Bang Pakong and another 18 million for its extension to Wang Noi,

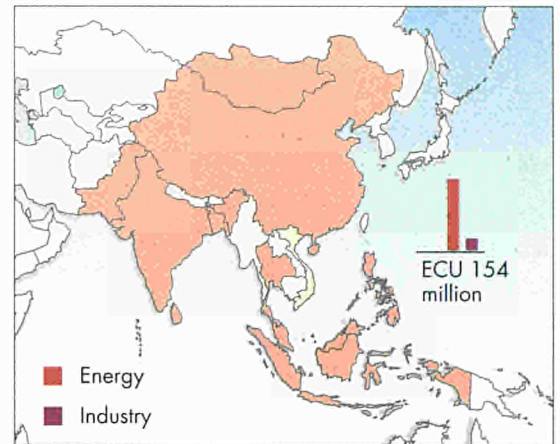
north of Bangkok. In Argentina, ECU 46 million have assisted modernisation and expansion of the gas distribution grid in the northern part of Buenos Aires, and, in Indonesia, ECU 46 million have been advanced for construction of a natural gas pipeline from South to Central Sumatra and Batam island.

Under the heading of telecommunications development, ECU 75 million have gone to Compañía de Teléfonos de Chile for connecting some 400 000 new subscribers over the next two years, as part of a scheme involving, inter alia, the development of links with international networks as well as a mobile telephone system.

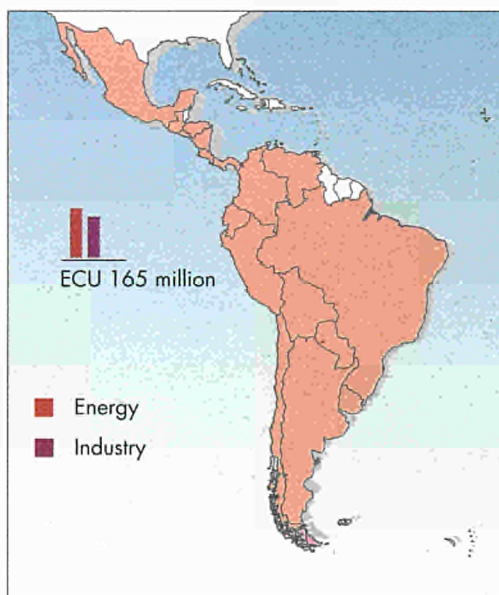
To promote economic activity in the northern Andean and Amazonian regions of Peru, the Bank has provided ECU 27 million for rehabilitating some 1 800 km of the Pan American Highway which runs along the coast from Peru's southern border with Chile to its northern border with Ecuador. Air transport has received EIB support through an ECU 25 million loan for modernisation and extension of Davao Airport on the island of Mindanao, a regional development area in the Philippines, while an ECU 23 million loan has been advanced

to the Davao Union Cement Company, a private-sector Philippine-European industrial joint venture.

Financing provided in Asia (1993-1994)



Financing provided in Latin America (1993-1994)



In the environmental field, the EIB has supported extension of the waste water collection system in Paraguay's capital, Asunción (ECU 17 million).

In the two and a half years since activity started up, loans signed by the EIB under the Asia and Latin America facility have totalled ECU 452 million, out of the ECU 571 million approved so far by the Board of Directors. It is interesting to note that a growing proportion of loans are tending to centre on private-sector projects promoted by European firms investing in these emerging market economies through BOTs (Build-Operate-Transfer projects), concessions or joint ventures. In view of its very structure (long-term, attractive conditions; complementing other sources of funds), this type of financing is arousing ever greater interest among both EU firms and local partners: from 20% during the first year and 40% in the second, it should climb to 60% during the current year. ■

(1) Bangladesh, Brunei, China, India, Indonesia, Macao, Malaysia, Mongolia, Pakistan, Philippines, Singapore, Sri Lanka and Thailand, in Asia. Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay and Venezuela, in Latin America.

New distribution of responsibilities at the EIB

Responding to the ever increasing diversification of EIB activities, the Management Committee has decided on a number of adjustments to the Bank's organisational structure, designed to rationalise project appraisal and monitoring capacity and strengthen the Bank's analytical expertise in a changing economic environment.

The task of pinpointing, appraising and monitoring projects in the light of technical, economic and environmental considerations will henceforth be carried out by the Projects Directorate which, in the interests of optimum efficiency, brings together some of the resources previously divided between the Directorate for Economic and Financial Studies and the Technical Advisory Directorate.

to enhance assessment of the impact of EIB investment in terms of Community policies and to collate the information garnered from these analyses for the purposes of new operations financed by the Bank.

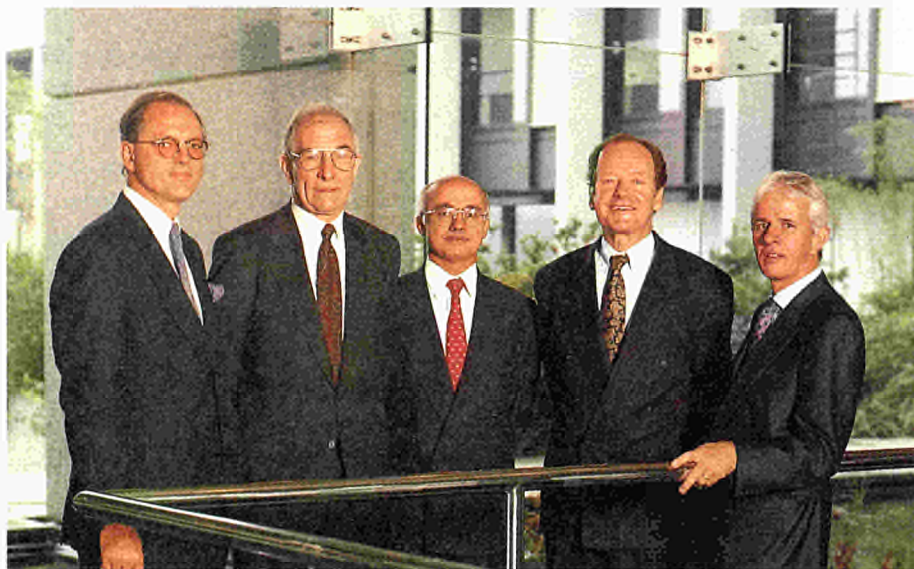
Work on economic research and analysis undertaken to support Bank decision-making on credit and investment policy has been entrusted to a new Directorate of Economics and Information, to be headed, as Chief Economist, by **Alfred Steinherr**, formerly Director of Economic Studies in Central and Eastern Europe, Asia and Latin America, Financial Studies and Documentation. The Information and Communications Department, until now part of the General Secretariat, will be placed under the responsibility

General for Lending Operations outside the European Union, has been appointed Director General of one of the Directorates for Lending Operations in the European Union (Directorate 2). At the same time, the geographical breakdown of responsibilities between the two Directorates for Lending Operations in the European Union has been adjusted, with Mr Deleau now taking charge of financing in Denmark, Greece, Spain, Ireland, the United Kingdom, Portugal, Finland and Sweden and **Pit Treumann**, Director General of Directorate 1, covering operations in Germany, France, Italy, Belgium, the Netherlands, Luxembourg and Austria. **Fridolin Weber-Krebs**, formerly Director for Operations in Denmark, Germany, Austria and Sweden, becomes Director General for Lending Operations outside the European Union.

NEW PUBLICATION BY ALFRED STEINHERR

A renowned economist and winner of several international prizes (1), Alfred Steinherr has drawn on his experience of Central and Eastern Europe to produce, together with Daniel Gros, Senior Research Fellow at the Centre of European Policy Studies, an analysis of the recent economic upheavals in the former Soviet-bloc countries.

«Winds of Change - Economic Transition in Central and Eastern Europe» (2), with a preface written by Sir Brian Unwin, EIB President, opens with a study of



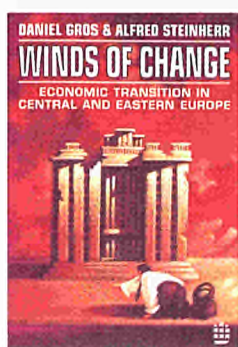
Messrs Steinherr, Christie, Deleau, Treumann and Weber-Krebs (from left to right)

Herbert Christie, formerly Director General for Economic and Financial Studies, is taking charge of this new Directorate. At the same time, an Operations Evaluation Unit is being set up, designed

of the Chief Economist. Elsewhere in the Bank, following the departure of Giorgio Ratti to take up ministerial duties in Italy at the start of this year, **Michel Deleau**, formerly Director

(1) See EIB-Information N° 82, November 1994, page 12.

(2) 540 pages, Longman House, Harlow, 1995. ISBN:0.582.1027.15 CSD (£19.90).



the Soviet economy, its guiding principles, objectives, performance and shortcomings. The authors go on to paint a comprehensive picture of the causes and re-

percussions of the economic shocks with which the former Soviet bloc has been confronted and then discuss in detail, for each of the national economies in question, the policies implemented and their impact. The final part of the book looks at the consequences of these upheavals for western Europe: support for reconstruction in the East, enlargement of the

European Union, the changing economic and political geography of the old continent.

Written with a rigorous scientific approach but nevertheless accessible to the reader, «Winds of Change» represents a major work on this very topical subject with worldwide implications. ■

EIB Prize 1995: two Prize winners

The EIB Prize for 1995 has been won jointly by **Andreas Löffler**, at the Free University of Berlin, for his thesis on *Das CAPM als Gleichgewichtsmodell* (The Capital Asset Pricing Model as an Equilibrium Model) and by **Peter Nippel**, at Cologne University, for his thesis *Die Struktur von Kreditverträgen aus theoretischer Sicht* (The Structure of Finance Contracts from a Theoretical Perspective). Taking advantage of the possibility introduced under the new rules, the Jury decided to split the ECU 12 000 prize and award ECU 6 000 to each prizewinner.

The two prizewinners also received their diplomas signed by the EIB's President, Sir Brian Unwin, and the Chairman of the EIB Prize Jury, Lord Roll of Ipsden, President of S.G. Warburg Group Plc., at the award ceremony held in the EIB's Headquarters in Luxembourg on 11 July. They had the opportunity to give a lecture on their respective topics to the Bank's staff, and to conduct a fruitful exchange of views on their specialist subjects.

The EIB Prize Jury, made up of Jean-Claude Casanova (Professor of Economics, Institut d'Etudes Politiques, Paris), Wilhelm Hankel (Professor for Development and Monetary Policy, Johann Wolfgang Goethe University, Frankfurt),

Arnold Heertje (Professor of Economics, University of Amsterdam), Alberto Quadrio Curzio (Professor of Econo-

Trade Association or of a European State that has an association agreement with the European Union.



Sir Brian Unwin awards the EIB Prize to Andreas Löffler (left) and Peter Nippel (right), in the presence of Lord Roll of Ipsden

mics, Catholic University, Milan), Lord Roll of Ipsden (President, S. G. Warburg Group Plc., London) and Julio Segura Sánchez (Professor of Economics, University of Madrid) examined 42 entries meeting the conditions of the prize rules and submitted by the closing date, 1 February 1995.

Established in 1983 on the occasion of the Bank's 25th anniversary to promote academic research, the EIB Prize is awarded every two years for a doctoral dissertation on the topic of investment and financing related to the European Union and to European integration policy. The EIB Prize is open to nationals of a Member State of the European Union or the European Free

The first EIB Prize was won in 1985 by Ms 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 received her doctorate from the London School of Economics in 1986.

Angeliem 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. The 1991 Prize was won by Benoît Mulkey who obtained his doctorate from the Université Catholique de Louvain in 1991. The title of his thesis was «Investment and business survey - a study on a panel of French industrial firms». Finally, the 1993 EIB Prize was awarded to Eric Meyermans for his thesis «Econometric Allocation Systems for the Foreign Exchange Market: Specification, Estimation and Testing of Transmission Mechanisms under Currency Substitution» (Catholic University Leuven). The next EIB Prize is scheduled for 1997. ■

Mr Claes de Neergaard appointed Vice-President

With effect from 1 September 1995 the EIB's Governors have appointed Mr Claes de Neergaard (Sweden) as Vice-President on the Bank's Management Committee. Mr de Neergaard has been appointed pursuant to a decision of 3 March 1995 by the Board of Governors to increase the Management Committee by one Vice-President. Before joining the EIB, Mr de Neergaard was Executive Director at the European Bank for Reconstruction and Development (EBRD) in London, representing Sweden, Iceland and Estonia on the Board of Directors, the EBRD's main decision-making body.

With the appointment of Mr de Neergaard, the Management Committee is composed as follows:

Sir Brian Unwin, President of the EIB, Messrs Wolfgang Roth, Panagiotis-Loukas Gennimatas, Massimo Ponzellini, Luis Martí, Mrs Ariane Obolensky, Messrs Rudolf de Korte and Claes de Neergaard, Vice-Presidents.

The Management Committee, whose members are appointed by the Board of Governors, on a proposal from the Board of Directors, is the EIB's full-time executive body, responsible for day-to-day business, recommending policy changes and financing decisions to the Board of Directors and ensuring their implementation. The President, or in his absence one of the Vice-Presidents, presides over meetings of the Board of Directors. ■



Swedish, born 1949. Starting his career at the Swedish Trade Commission in London (1972-73) and then working at the Ministry of Foreign Affairs (1973-75) and the Ministry of Finance (1975-77), Claes de Neergaard became Secretary of the Royal Commission on Medium and Long-Term Export Credit (1977-78) and Secretary of the Royal Commission on Exchange Control Regulation (1978-79), while being a Regional Manager for the Maghreb and the Far East with PKbanken (1977-80). He was Counselor for Economic and Financial Affairs at

the Swedish Delegation to the European Communities (1980-83) before becoming Vice-President of PKbanken, Stockholm (1983-85) and Deputy Managing Director and Managing Director of PKbanken, subsequently Nordbanken, Luxembourg (1985-91). In April 1991 he was appointed Executive Director of the European Bank for Reconstruction and Development.

ECU

Below are the ECU values in national currencies, as at 30 September 1995; these rates are applied for the fourth quarter in preparing financial statements and operational statistics of the EIB:

DEM	1.86911	BEF	38.4746
FRF	6.55778	LUF	38.4746
GBP	0.83391	ITL	2121.14
NLG	2.0939	ESP	162.231
DKK	7.26379	PTE	196.562
IEP	0.817062	GRD	307.506
SEK	9.15307	ATS	13.1525
FIM	5.65994	USD	1.31841

EIB Information is published periodically by the Information and Communications Department of the European Investment Bank in eleven languages (Danish, Dutch, English, Finnish, French, German, Greek, Italian, Portuguese, Spanish and Swedish).

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Design by MEINBACH DESIGN

Photos: EIB photographic library; CTC Chile p.1,
La Vie du Rail p.11



Printed in Belgium, by Ceuterick on recycled paper
IX-AA-95-003-EN-C